

3 RECONSTRUCTION UPDATE



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An Afghan woman collects saffron flowers in a field on the outskirts of Herat. Parts of the flower are made into a costly spice and coloring agent. (AFP photo by Hoshang Hashimi)

RECONSTRUCTION UPDATE

This quarter, General John W. Nicholson Jr., commander of United States Forces-Afghanistan (USFOR-A), said that the Afghan National Defense and Security Forces (ANDSF) have reached a turning point in the war and are increasingly on the offensive, with all six ANA corps simultaneously conducting operations in their respective areas for the first time since the Afghans took responsibility for their security in 2015. Additionally, the expanded authorities provided to U.S. forces in Afghanistan have resulted in a significant uptick in U.S. air strikes and special operations against the insurgency, with the U.S. dropping 653 munitions in October 2017, a record high since 2012 and a more than three-fold increase from October 2016.

These actions have yet to increase the Afghan government's control over its population. General Nicholson said in a press briefing on November 28 that 64% of the population is under government control or influence, 12% are under insurgent control or influence, and the remaining 24% are in contested areas. The goal of the Afghan government is to control 80% of its population within the next two years.

Both General Nicholson and DOD reported population-control figures publicly this quarter, but restricted public release of the full district, population, and land-area control data they provided to SIGAR. Afghan government control or influence has declined and insurgent control or influence has increased overall since SIGAR began reporting control data in January 2016.

The United States Agency for International Development (USAID) is developing its new Country Development and Cooperation Strategy (CDCS), a first for Afghanistan. The strategy should be concluded by summer 2018. At present, USAID's strategic guidance remains the USAID/Afghanistan Plan for Transition (2015–2018).¹⁰² USAID recently commissioned an assessment of their current 2015–2018 strategy to inform development of the new CDCS. The assessment found that many key components of USAID's development approach in Afghanistan have not proven to be valid. USAID's transition plan envisioned that private sector-led economic growth would become the main source for increased Afghan government revenue. These new revenues would allow the Afghan government to take increasing responsibility for key service provision.

RECONSTRUCTION UPDATE

If Afghan government service delivery improved along with security and equitable rule of law, USAID expected that confidence in the legitimacy and effectiveness of the Afghan government would increase, ultimately fostering stability. According to the assessment, most of the critical assumptions that underpin the strategy are either partially or wholly invalid. For example, the Afghan economy showed slow growth, and the assessors said there is little evidence that the Afghan government has greatly improved development expenditures.¹⁰³

In spite of these findings, USAID officials and implementing partner staff said USAID's development approach—as outlined in the 2015–2018 strategy—remains valid. While some senior USAID officials reportedly questioned the overall goal of the strategy for Afghan-led, sustainable development (believing this goal to be largely aspirational), the assessors concluded that this did not question the validity of the underlying goals of expanding sustainable agriculture-led economic growth, maintaining and enhancing health, education and female empowerment gains, and improving the performance and legitimacy of the Afghan government.¹⁰⁴

This quarter, USAID told SIGAR that it is conducting an energy-sector assessment to ensure that its power infrastructure projects are aligned with the Trump Administration's new South Asia strategy announced on August 21, 2017. USAID said two key segments of its \$725 million Power Transmission and Connectivity (PTEC) program would be on hold until the review is complete.

SIGAR analysis this quarter showed that Afghan government revenue growth remained strong in FY 1396 (December 22, 2016–December 21, 2017). The Ministry of Finance categorizes domestic revenue as either “sustainable” or “one-off.” While sustainable domestic revenues increased by 15%, aggregate revenues grew by 7%, year-on-year from FY 1395 to FY 1396.

The United States has appropriated \$8.7 billion for counternarcotics efforts since 2002, but more Afghan land was under opium-poppy cultivation in 2017 than ever before. According to the United Nations Office of Drugs and Crime, cultivation levels increased 63% from the previous year to 328,000 hectares. Potential opium production levels increased 87% to 9,000 tons from 2016. Eradication levels also increased from the prior year's results, but the 750 hectares eradicated barely registered against the cultivation figure.

Under new authorities provided in the Administration's new South Asia strategy, the U.S. military launched a campaign targeting Taliban financial networks and revenue streams. According to DOD, since the launch of the campaign in November, 28 narcotics labs have been destroyed, denying over \$101 million in estimated revenue to drug-trafficking organizations and over \$20 million to the Taliban.¹⁰⁵ Afghan forces led air strikes with their A-29 attack planes, with support from U.S. Air Force aircraft such as B-52 bombers and F/A-18 and F-22 fighters.

RECONSTRUCTION UPDATE

At the end of the fiscal quarter, the U.S. government was operating under a continuing resolution for FY 2018. The Afghanistan reconstruction funding data presented in this report includes amounts made available for obligation under continuing resolutions. As of December 31, 2017, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$122.1 billion. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$103.1 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$6.9 billion of this amount remained available for potential disbursement, as of December 31, 2017.

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STATUS OF FUNDS

STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2017, the United States had appropriated approximately \$122.09 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

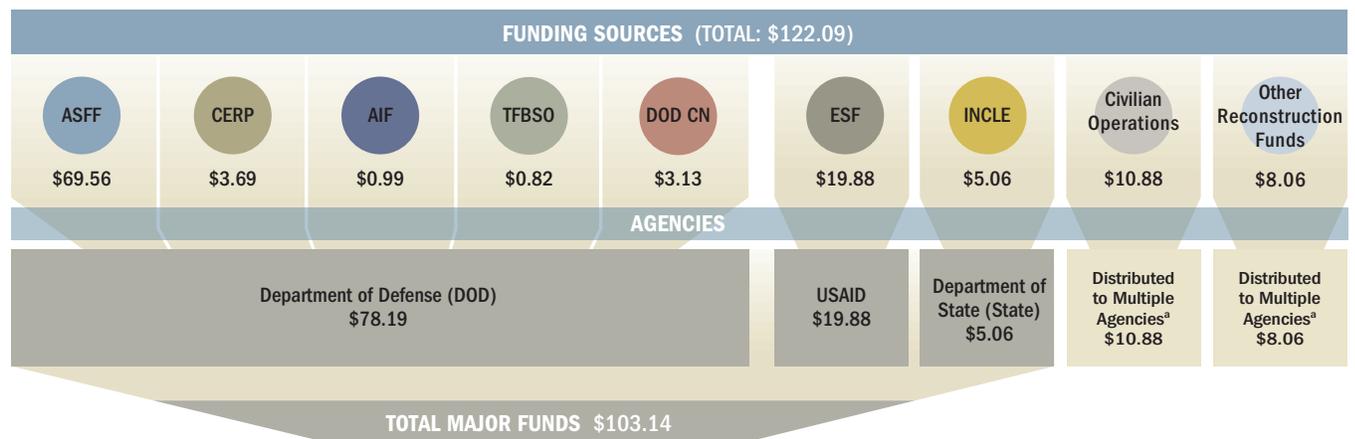
- \$74.83 billion for security (\$4.44 billion for counternarcotics initiatives)
- \$32.99 billion for governance and development (\$4.25 billion for counternarcotics initiatives)
- \$3.39 billion for humanitarian aid
- \$10.88 billion for civilian operations

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

FIGURE 3.1

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

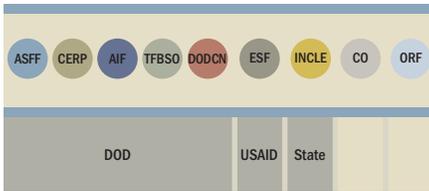


Note: Numbers have been rounded.

^a Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, BBG, and SIGAR.

Source: DOD, response to SIGAR data call, 1/17/2018, 1/11/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/17/2018, 1/10/2018, 10/13/2017, 10/11/2017, 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, 1/18/2018, 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 December 2017,” 1/19/2018; 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

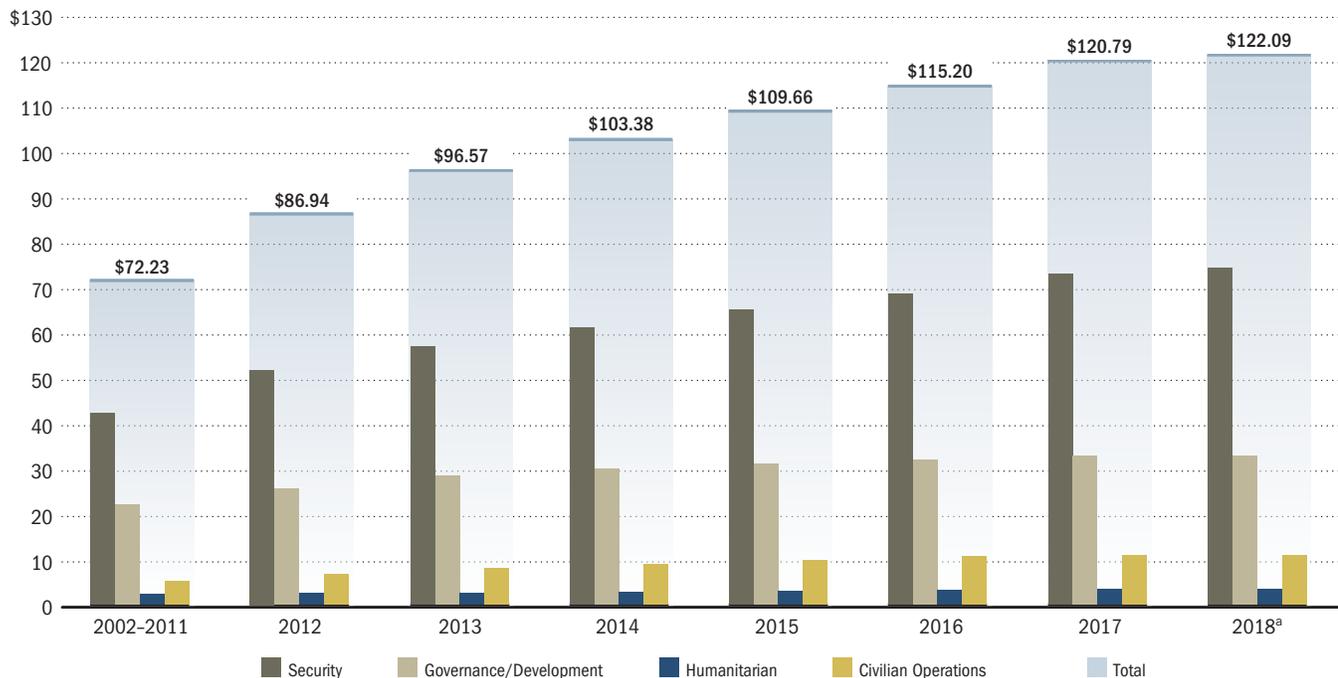


U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2017, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$122.09 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 \$8.69 billion of these funds support counternarcotics initiatives which cut across both the security (\$4.44 billion) and governance and development (\$4.25 billion) categories. For complete information regarding U.S. appropriations, see Appendix B. At the end of the fiscal quarter, the U.S. government was operating under a continuing resolution for FY 2018. As a result, Figure 3.3 shows the amount of FY 2018 funding made available for obligation under continuing resolutions, as of December 31, 2017.¹⁰⁶

The amount provided to the seven major U.S. funds represents nearly 84.5% (over \$103.14 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 92.7% (almost \$95.66 billion) has been obligated, and nearly 88.4% (over \$91.15 billion) has been disbursed. An estimated \$5.10 billion of the amount appropriated for these funds has expired.

FIGURE 3.2
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2017 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. 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.
^a FY 2018 figure reflects amount made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data call, 1/17/2018, 1/11/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/17/2018, 1/10/2018, 10/13/2017, 10/11/2017, 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, 1/18/2018, 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 December 2017," 1/19/2018; 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 still reviewing its previous policy aim of channeling at least 50% of its development assistance on-budget to the Government of Afghanistan.¹⁰⁷ 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.¹⁰⁸ Since 2002, the United States has provided nearly \$10.65 billion in on-budget assistance. This includes about \$5.70 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

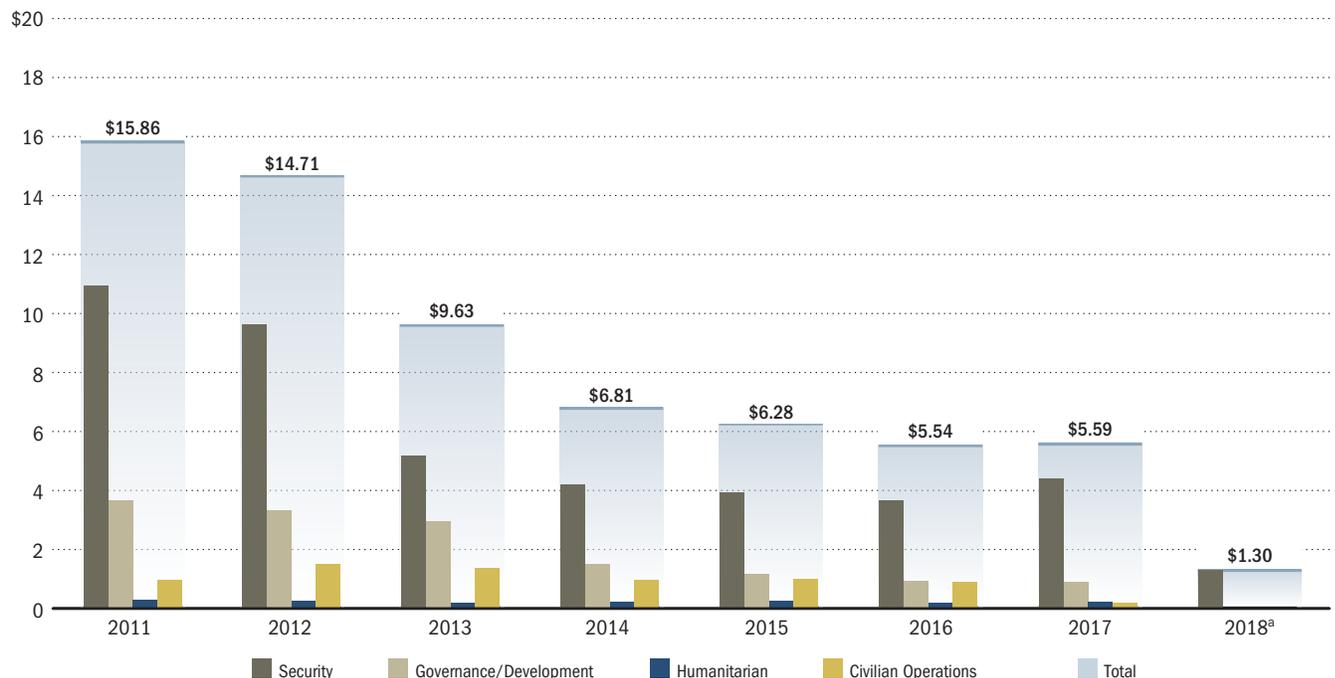
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	660
Multilateral Trust Funds	
LOTFA	\$1,667
ARTF	3,128
AITF	154

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 December 31, 2017, USAID had obligated approximately \$1.2 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 1/17/2018; DOD, response to SIGAR data call, 6/25/2015; World Bank, ARTF: Administrator's Report on Financial Status as of November 21, 2017 (end of 11th month of FY 1396), p. 4; UNDP, response to SIGAR data call, 1/14/2018.

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.

^a FY 2018 figure reflects amount made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data call, 1/17/2018, 1/11/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 1/17/2018, 1/10/2018, 10/13/2017, 10/11/2017, 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, 1/18/2018, 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 December 2017," 1/19/2018; 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 \$122.09 billion for Afghanistan relief and reconstruction. Of this amount, \$103.14 billion (84.5%) 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)	\$69.56	\$65.48	\$64.60	\$2.47
Commander's Emergency Response Program (CERP)	3.69	2.28	2.28	0.00
Afghanistan Infrastructure Fund (AIF)	0.99	0.77	0.70	0.07
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	0.00
Economic Support Fund (ESF)	19.88	18.46	15.69	3.42
International Narcotics Control & Law Enforcement (INCLE)	5.06	4.78	4.10	0.83
Total Major Funds	\$103.14	\$95.66	\$91.15	\$6.89
Other Reconstruction Funds	8.06			
Civilian Operations	10.88			
Total	\$122.09			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$5.1 billion that expired without 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, 1/20/2018.

As of December 31, 2017, approximately \$6.89 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.

At the end of this quarter, the U.S. government was operating under a continuing resolution. The President's budget request for FY 2018, if enacted, would provide \$4.94 billion for the ASFF—the highest level for the fund since FY 2013, and an increase of \$674.8 million over the FY 2017 appropriation.¹⁰⁹

STATUS OF FUNDS

Congress appropriated more than \$15.15 billion to the seven major reconstruction funds for FY 2014–2016: \$5.63 billion for FY 2014, \$5.03 billion for FY 2015, and \$4.49 billion for FY 2016. Of the combined total, more than \$2.63 billion remained for possible disbursement, as of December 31, 2017, as shown in Table 3.3 and Figure 3.5.

TABLE 3.3

FY 2014–2016 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$11,403.93	\$11,253.38	\$10,701.04	\$552.34
CERP	45.00	11.17	11.01	0.16
AIF	144.00	130.81	72.45	58.36
TFBSO	122.24	106.52	86.00	20.52
DOD CN	377.72	377.72	377.72	0.00
ESF	2,372.17	2,225.52	694.92	1,530.60
INCLE	685.00	684.66	213.38	471.27
Total Major Funds	\$15,150.06	\$14,789.78	\$12,156.53	\$2,633.25

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$294 million that expired without 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, 1/20/2018.

Congress appropriated more than \$5.21 billion to five of the seven major reconstruction funds for FY 2017. Of that amount, more than \$1.75 billion remained for possible disbursement, as of December 31, 2017, as shown in Table 3.4 and Figure 3.6.

TABLE 3.4

FY 2017 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,262.72	\$3,568.89	\$3,311.35	\$951.36
CERP	5.00	4.92	3.61	1.31
DOD CN	135.61	135.61	135.61	0.00
ESF	650.00	0.00	0.00	650.00
INCLE	160.00	14.01	8.79	151.21
Total Major Funds	\$5,213.32	\$3,723.43	\$3,459.35	\$1,753.89

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds. 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, 1/20/2018.

FIGURE 3.5

FY 2014–2016 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

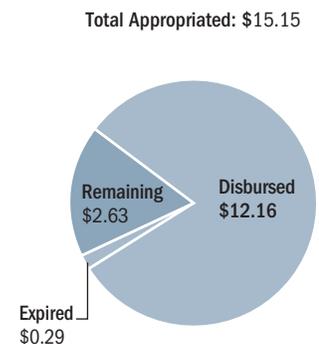
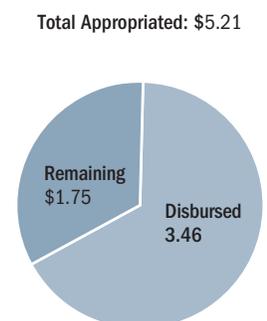
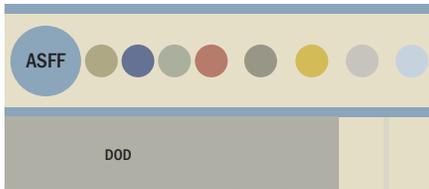


FIGURE 3.6

FY 2017 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.¹¹⁰ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.¹¹¹ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.¹¹²

DOD reported that nearly \$1.30 billion had been made available for obligation under FY 2018 continuing resolutions, as of December 31, 2017, increasing total cumulative funding to more than \$69.56 billion since 2005, as shown in Figure 3.7.¹¹³ Of this amount, more than \$65.48 billion had been obligated, of which over \$64.60 billion had been disbursed.¹¹⁴ The President requested a total of \$4.94 billion for the ASFF for FY 2018.¹¹⁵

DOD reported that cumulative obligations increased by more than \$25.17 million over the quarter, and cumulative disbursements increased by nearly \$1.07 billion.¹¹⁶ 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)

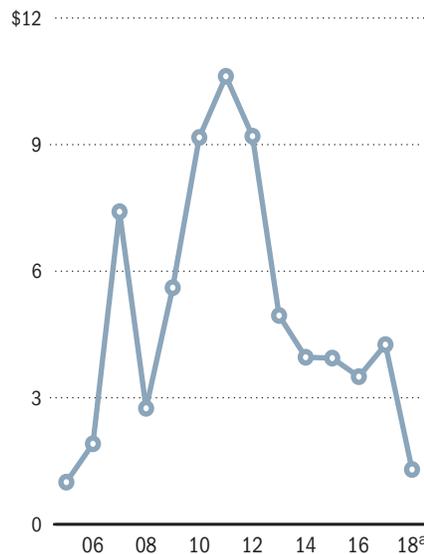
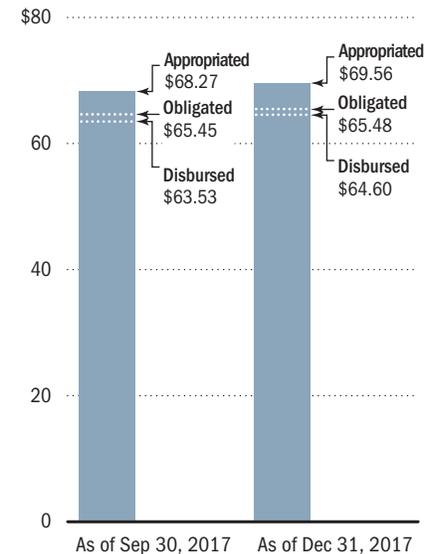


FIGURE 3.8

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.

^a FY 2018 figure reflects amount made available for obligation under continuing resolutions.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; 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.¹¹⁷ 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.¹¹⁸

As of December 31, 2017, DOD had disbursed nearly \$64.60 billion for ANDSF initiatives. Of this amount, more than \$43.47 billion was disbursed for the ANA, and nearly \$20.66 billion was disbursed for the ANP; the remaining \$388.74 million was directed to related activities such as detainee operations. The combined total—\$64.52 billion—is about \$80.76 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.¹¹⁹

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$20.40 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$8.71 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.¹²⁰

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-DEC 31, 2017 (\$ BILLIONS)

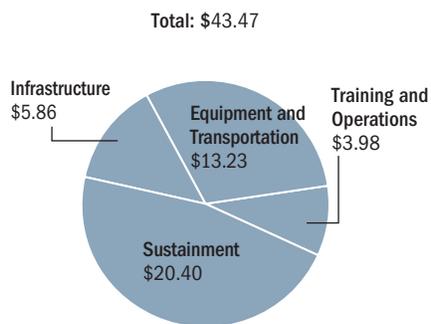
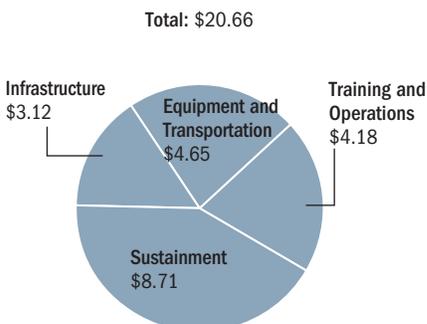


FIGURE 3.10

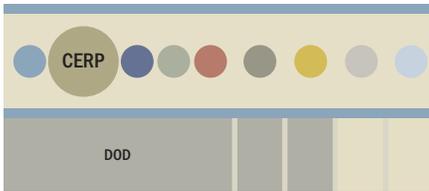
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2017 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017,” 1/19/2018.

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.¹²¹ CERP-funded projects may not exceed \$2 million each.¹²²

DOD reported that \$371,177 had been made available for obligation under FY 2018 continuing resolutions, as of December 31, 2017. Figure 3.11 displays the amounts appropriated for CERP by fiscal year. As of December 31, 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.¹²³

Over the quarter, DOD obligated \$289,023 and disbursed nearly \$2.36 million from CERP.¹²⁴ 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)

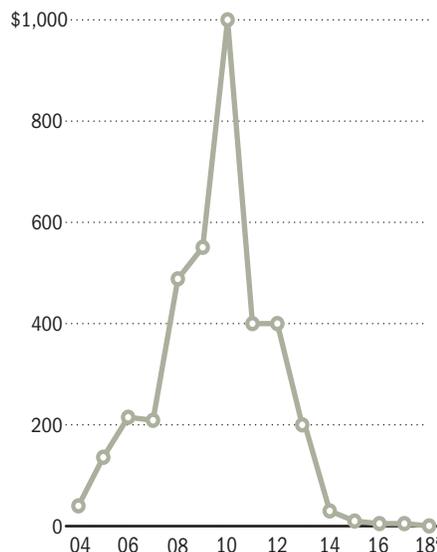
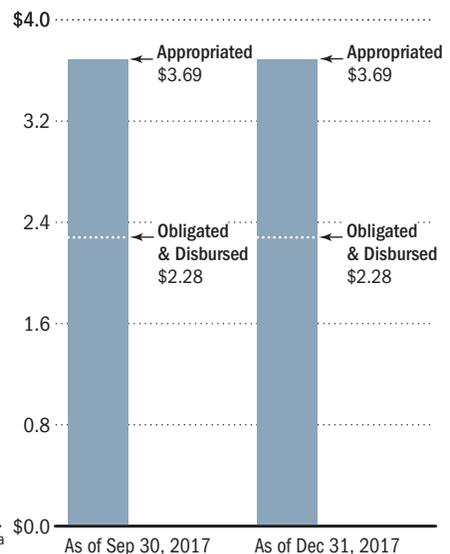


FIGURE 3.12

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.

^a FY 2018 figure reflects amount made available for obligation under continuing resolutions.

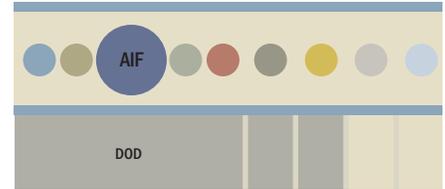
Source: DOD, response to SIGAR data call, 1/17/2018 and 10/18/2017; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

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.¹²⁵ The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress, and DOD may obligate up to \$50 million from the ASFF to complete existing AIF projects.¹²⁶ 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.¹²⁷

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.¹²⁸ Figure 3.13 shows AIF appropriations by fiscal year. As of December 31, 2017, more than \$773.71 million of total AIF funding had been obligated, and nearly \$704.20 million had been disbursed, as shown in Figure 3.14.¹²⁹



AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

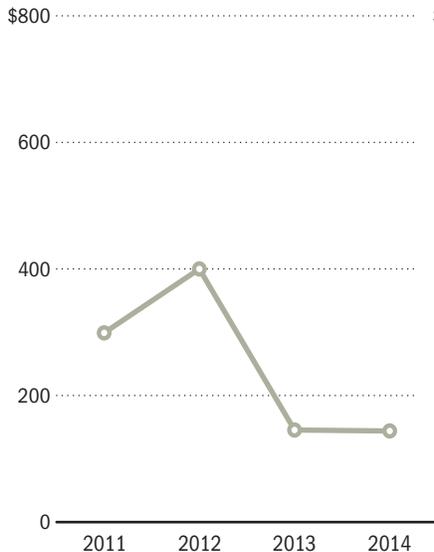
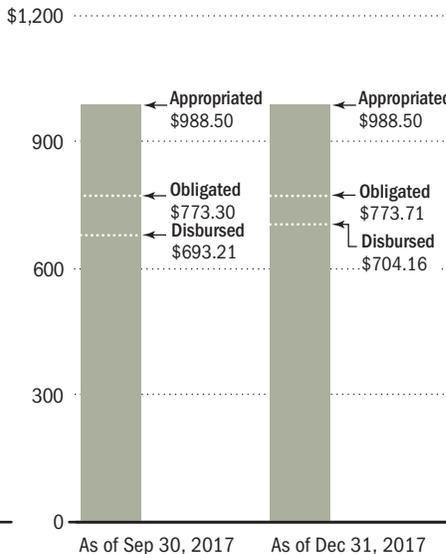


FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



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

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; 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.¹³⁰

During the quarter, DOD adopted a new accounting system for certain accounts, which included TFBSO. The new system did not report TFBSO expenditures properly, so last quarter's data is presented in this report.¹³¹ Little, if any, change was expected over the quarter since TFBSO is inactive.

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.¹³² 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)

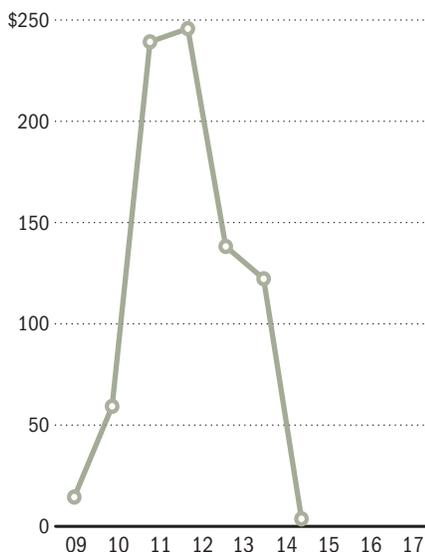
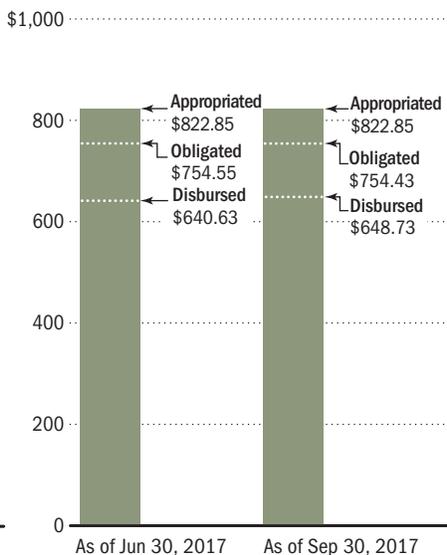


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: TFBSO was unable to provide updated data this quarter due to an accounting system change. Numbers have been rounded. 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.

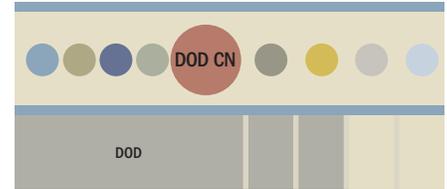
Source: DOD, response to SIGAR data call, 10/12/2017, 7/17/2017, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, 112-10.

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.¹³³

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.¹³⁴

DOD reported no additional funding for DOD CN under FY 2018 continuing resolutions during the quarter. 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 December 31, 2017.¹³⁵ Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

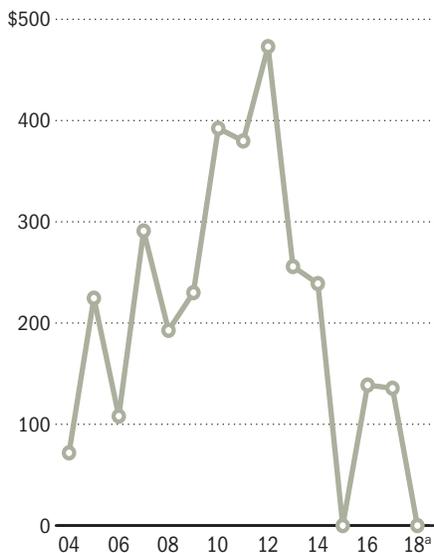
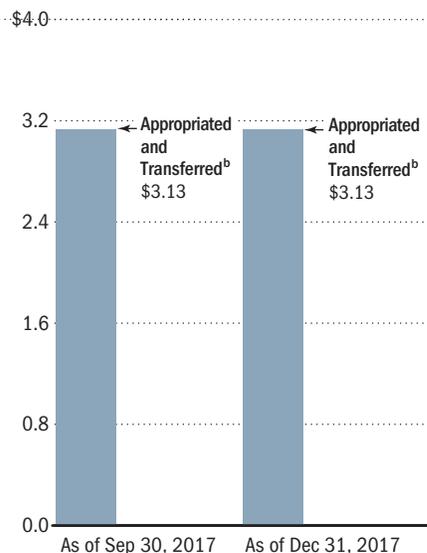


FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



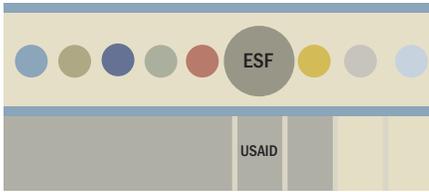
Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

^a For FY 2018, DOD reported a planned budget of \$121.5 million but had not received or transferred FY 2018 funds under continuing resolutions, as of December 31, 2017.

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

Source: DOD, response to SIGAR data call, 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.¹³⁶

The ESF was appropriated \$650 million for FY 2017, and USAID reported no additional funding under FY 2018 continuing resolutions, resulting in no change to ESF's cumulative funding of \$19.88 billion, which includes 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 \$15.69 billion had been disbursed.¹³⁷ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported no increase in cumulative obligations over the quarter, while cumulative disbursements increased by more than \$129.59 million over the amount reported last quarter.¹³⁸ 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)

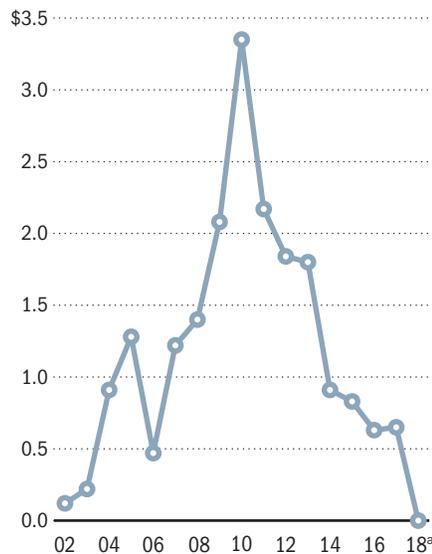
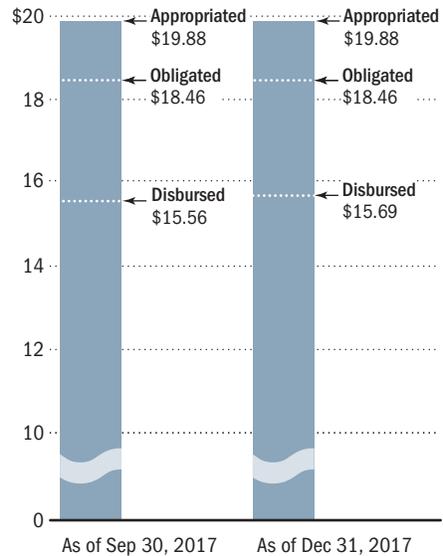


FIGURE 3.20

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.

^a FY 2018 figure reflects amount made available for obligation under continuous resolutions.

Source: USAID, response to SIGAR data call, 1/18/2018 and 10/16/2017; State, response to SIGAR data call, 10/11/2017, 5/4/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

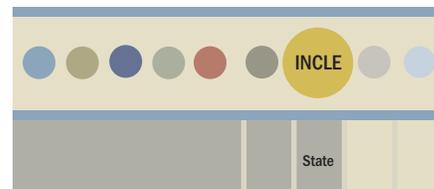
STATUS OF FUNDS

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.¹³⁹

State reported that INCLE was appropriated \$160 million for FY 2017 and received an additional \$2.08 million during the quarter under continuing resolutions. As of December 31, 2017, total cumulative funding was more than \$5.06 billion. Of this amount, nearly \$4.78 billion had been obligated, of which nearly \$4.10 billion had been disbursed.¹⁴⁰ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2017, increased by more than \$15.35 million and cumulative disbursements increased by nearly \$54.69 million from the amounts reported last quarter. 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)

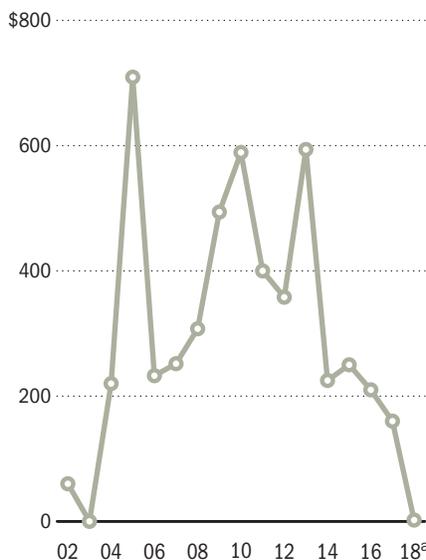
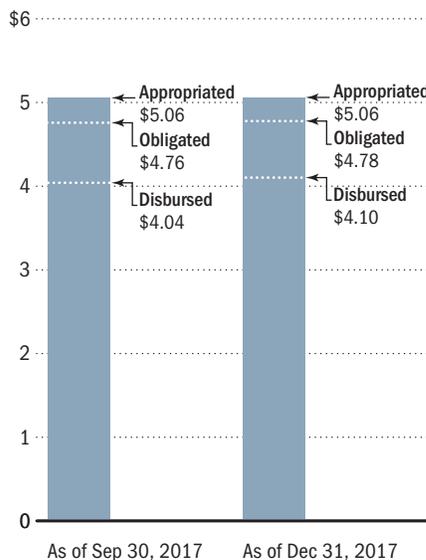


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers. Previous quarter's figures reflect an INL correction to the amount disbursed and differ from amounts reported last quarter.

^a FY 2018 figure reflects amount made available for obligation under continuing resolutions.

Source: State, response to SIGAR data call, 1/17/2017, 10/11/2017, and 10/10/2017.

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

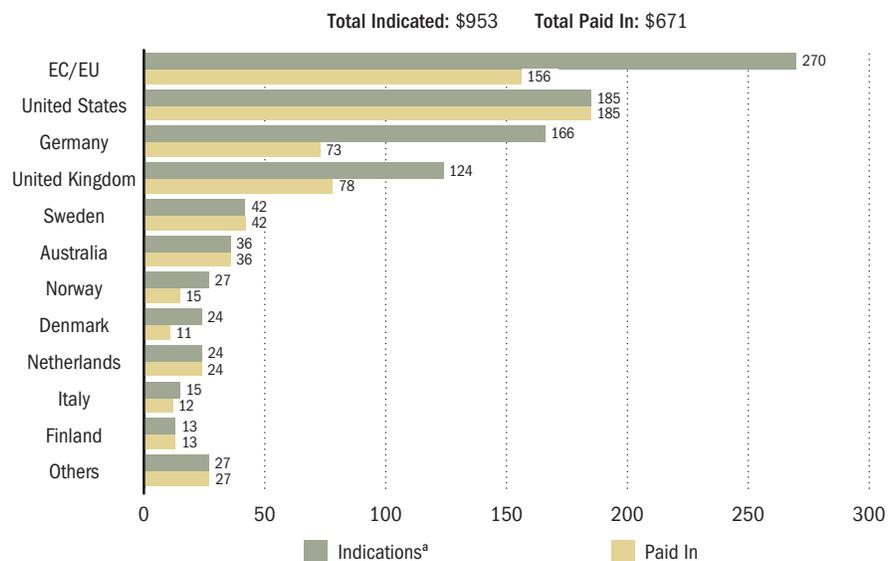
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. Most of the international funding provided is administered through trust funds. Contributions provided through trust 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).¹⁴²

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 November 21, 2017, the World Bank reported that 34 donors had indicated contributions of nearly \$10.46 billion, of which almost \$10.17 billion had been paid in.¹⁴³ According to the World Bank, donors had indicated contributions of \$953.41 million to the ARTF for Afghan fiscal year 1396, which runs from December 22, 2016, to December 21, 2017. Figure 3.23 shows the 11 largest donors to the ARTF for FY 1396. Contributions are recorded as indicated when written notification is received from the ARTF partners indicating intent to contribute a specified amount.¹⁴⁴

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1396 BY DONOR, AS OF NOVEMBER 21, 2017 (\$ MILLIONS)



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

^a Contributions are recorded as “indicated” when written notification is received from the ARTF partners indicating intent to contribute a specified amount.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of November 21, 2017 (end of 11th month of FY 1396).” p. 1.

STATUS OF FUNDS

As of November 21, 2017, the United States had indicated and paid in contributions of nearly \$3.13 billion since 2002.¹⁴⁵ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 48% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.¹⁴⁶ As of November 21, 2017, according to the World Bank, nearly \$4.57 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.¹⁴⁷ 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.¹⁴⁸

The Investment Window supports the costs of development programs. As of November 21, 2017, according to the World Bank, nearly \$4.88 billion had been committed for projects funded through the Investment Window, of which almost \$4.06 billion had been disbursed. The World Bank reported 30 active projects with a combined commitment value of nearly \$3.54 billion, of which more than \$2.72 billion had been disbursed.¹⁴⁹

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).¹⁵⁰ Since 2002, donors have pledged nearly \$5.49 billion to the LOTFA, of which more than \$5.19 billion had been paid in, as of January 14, 2018. The United States has committed and paid in nearly \$1.67 billion since the fund’s inception.¹⁵¹ Figure 3.25 shows the four largest donors to the LOTFA since 2002.

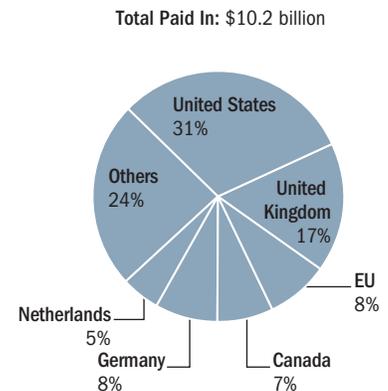
On December 18, 2016, the LOTFA Project Board extended the Support to Payroll Management (SPM) project through December 31, 2017, after assessments commissioned by UNDP revealed that the MOI had not yet met various critical donor conditions for the transition of payroll management. The board also approved 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, 2016.¹⁵²

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.¹⁵³

From July 1, 2015, through September 30, 2017, UNDP had expended nearly \$985.15 million on the SPM project. Of this amount, nearly \$976.59 million was transferred to the MOF to pay for ANP and CPD staff. In addition, nearly \$29.58 million was expended on the MPD project.¹⁵⁴

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–NOVEMBER 21, 2017

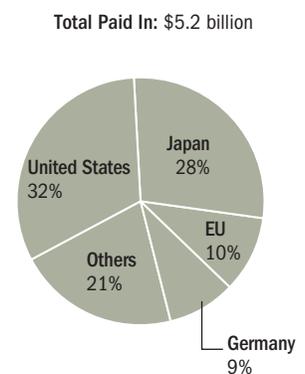


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of November 21, 2017 (end of 11th month of FY 1396),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF JANUARY 14, 2018



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

Source: UNDP, response to SIGAR data call, 1/14/2018.

SECURITY CONTENTS

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SECURITY

KEY ISSUES AND EVENTS

General John W. Nicholson Jr., commander of United States Forces-Afghanistan (USFOR-A), announced in late November that he and Afghan President Ashraf Ghani believe the Afghan National Defense and Security Forces (ANDSF) have reached a positive turning point in the war against the insurgency. General Nicholson credited the recent successes on the battlefield to the increasingly offensive posture of the ANDSF and the expansion of U.S. military authorities under President Donald Trump's new South Asia strategy. The new strategy was announced in August.¹⁵⁵

For the first time since the Afghans took primary responsibility for their security in January 2015, the Afghan National Army (ANA), and the newly created Afghan National Army Special Operations Command (ANASOC) Corps, are waging offensive operations in all six of their corps areas of operation simultaneously.¹⁵⁶ Additionally, the expanded authorities provided to U.S. forces in Afghanistan have resulted in a significant uptick in U.S. air strikes and special operations against the insurgency.

According to the United States Air Force Central Command Combined Air Operations Center (AFCENT), the United States dropped 653 munitions against Taliban and Islamic State-Khorasan (IS-K) targets in October 2017, the most since recording began in 2012, and a more than three-fold increase since October 2016. The total amount of weapons released in Afghanistan by the U.S. Air Force in 2017 was 4,361.¹⁵⁷ Separately, according to the Department of Defense (DOD) U.S. special operations forces conducted 2,175 ground operations and 261 air strikes from June 1 to November 24, 2017, in support of the U.S. counterterrorism mission and the advising mission for the ANASOC.¹⁵⁸ For comparison, roughly nine times the number of munitions AFCENT reported have been dropped against Islamic State in Iraq and Syria (roughly 39,500 this year). General Nicholson said in November that more air resources will move to Afghanistan as the enemy is defeated in Iraq.¹⁵⁹

As a result of expanded authorities to target the Taliban and the Haqqani network, USFOR-A is seeking to reduce a key source of income for the insurgency: narcotics. U.S. and Afghan air strikes this quarter have targeted the Taliban's opium-production industry, which the Drug Enforcement Administration (DEA) estimates has as many as 400–500 active facilities



President Donald J. Trump signs the National Defense Authorization Act for FY 2018. Onlookers include Secretary of Defense James Mattis, left, Joint Chiefs Chairman General Joseph Dunford, at President's left, and Vice President Michael Pence, right foreground. (White House photo by Stephanie Chasez)

at any given time. According to General Nicholson, U.S. and Afghan forces recently began targeting them, destroying 10 on November 19 alone. General Nicholson said in a press conference the following day that he intended to maintain the high tempo of drug-lab strikes, while remaining vigilant to avoid collateral damage or civilian casualties.¹⁶⁰

As the United States has increased troop levels in Afghanistan to bolster its advisory role and utilize expanded authorities to conduct operations in support of the ANDSF, some other NATO countries have also agreed to send additional troops, which would bring the entire Resolute Support (RS) mission to roughly 16,000 personnel. Despite the additional troops, U.S. officials still say that troop reinforcements fall below international commitment levels for the RS advisory mission. NATO Deputy Spokesperson Piers Cazalet emphasized that sending more troops “does not mean NATO will return to combat operations in Afghanistan.”¹⁶¹

Separately, in December, Congress passed and President Trump signed the fiscal year (FY) 2018 National Defense Authorization Act (NDAA), which includes key provisions and funding requirements for developing Afghanistan’s security institutions. The FY 2018 NDAA increased authorized funds for the Afghan Security Forces Fund (ASFF) to \$4.9 billion—\$674.3 million more than was authorized for FY 2017.¹⁶²

Some legislative changes in the NDAA this year include the possibility of withholding \$350 million in American foreign aid to Pakistan should that country fail to make progress on eliminating insurgent and terrorist safe havens in its territory that threaten peace in Afghanistan. For Pakistan to continue receiving U.S. funding for counterterrorism activities, Secretary of Defense James Mattis must certify to Congress that Pakistan is continually conducting military operations that are “contributing to significantly disrupting the safe havens, fundraising, and recruiting efforts” of the Haqqani Network and other extremist groups in Pakistan, arresting key militant leaders, as well as working with the Afghan government to restrict the movement of militants in their border region.¹⁶³ The requirement for certification of Pakistan’s efforts against safe havens existed in last year’s NDAA, but the amount of money at stake has decreased by \$50 million for FY 2018. This year’s NDAA also stipulates that DOD should advance its defense cooperation with India across many regional matters, one of which is “to promote stability and development in Afghanistan.”¹⁶⁴

The NDAA also requires the Secretary of Defense, in consultation with the Secretary of State, to submit an assessment to the armed services and foreign affairs committees of both chambers of Congress, no later than June 1, 2018, describing the Afghan government’s progress toward meeting shared security objectives. In conducting the assessment, the NDAA requires the Secretary of Defense to consider: the extent to which there is increased accountability and reduced corruption within the Afghan Ministries of Defense (MOD) and Interior (MOI); the extent to which ASFF



Afghan commandos conducted offensive operations in Kunduz Province in December. (USAF photo by Senior Airman Sean Carnes)

funding has resulted in increased capability and capacity of the ANDSF; the extent to which the ANDSF have increased pressure on militant and terrorist organizations by retaking and defending territory and disrupting attacks; and whether the Afghan government is ensuring that U.S.-provided supplies, equipment, and weaponry are appropriately distributed to the ANDSF. If the assessment results are unfavorable, Secretary Mattis can decide, upon notifying Congress, to withhold financial assistance to the ANDSF.¹⁶⁵

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

USFOR-A and RS Continue to Classify and Restrict Key Afghan War Data

For the first time, this quarter RS restricted the public release of district, population, and land-area control data that they had provided to SIGAR in an unclassified, publicly releasable format for the last two years. Additionally, RS classified for the first time the exact, assigned (actual) and authorized (goal) force strength and attrition data for the ANDSF as a whole, as well as each force element individually (ANA, ANP, AAF, etc.), with the exceptions of the Afghan Local Police (ALP) and female ANDSF personnel (last quarter SIGAR was provided with rounded authorized and assigned strength figures).

“The intent is over the winter, [the ANDSF] will maintain some limited offensive operations, but also focus on regeneration of the force ... then as we roll into the spring, March, April and beyond, they will go on the offensive.”

—General John W. Nicholson Jr.,
RS and USFOR-A Commander

Source: DOD, “Department of Defense Press Briefing by General Nicholson via teleconference from Kabul, Afghanistan,” 11/28/2017.

For the second consecutive quarter, RS and USFOR-A continued to classify other data essential to assessing the development and performance of the ANDSF. This data includes:

- all but the most perfunctory assessments of ANDSF force elements' performance
- updated information about ANDSF force generation, including the percentage of the ANA and ANP that are trained and untrained
- the number of ANDSF and ALP casualties
- the ANA corps- and ANP zone-level breakdown of equipment operational readiness

RS and USFOR-A also classified data SIGAR requested for the first time this quarter, including:

- information about the specific security goals for Afghanistan outlined in the administration's new South Asia strategy
- information about the increase in U.S. and Coalition air strikes in Afghanistan since mid-2017, including how many air strikes have been carried out by U.S. and Coalition forces in 2017

RS and USFOR-A declassified data this quarter on the following:

- cursory assessments of ANDSF force elements' performance
- force strength information for the ALP and ANDSF female personnel
- assessments of MOD and MOI performance
- general information about the Special Mission Wing (SMW) and its airframe inventory
- general information about ANA and ANP equipment operational readiness

USFOR-A and RS gave no justifications for the classification changes to SIGAR data this quarter. For a full description of the data classified or restricted this quarter, and a comparison to what was classified last quarter, see Appendix E of this report.

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

UN: Slight Increase in Security Incidents in 2017

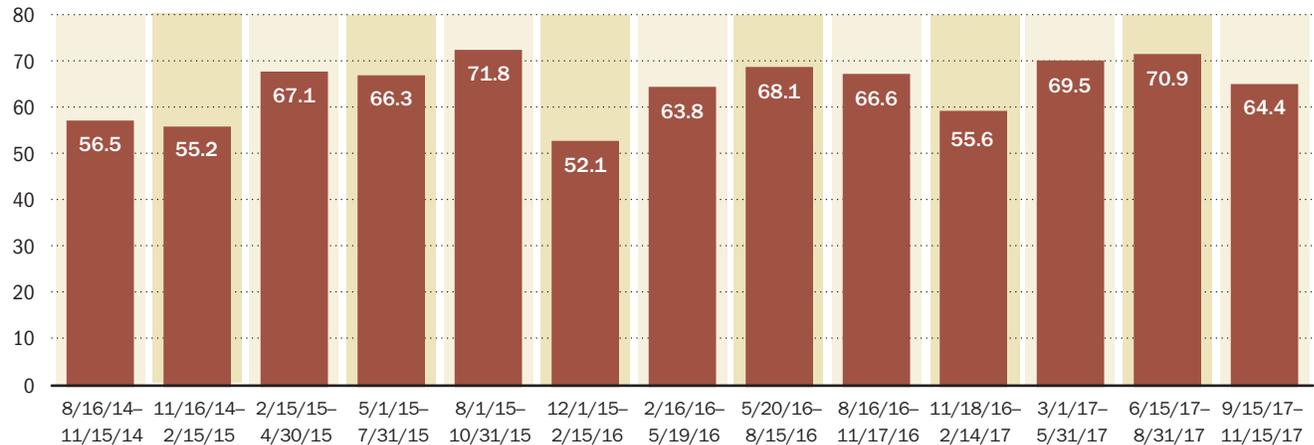
The Secretary-General of the United Nations (UN) reported in December that the security situation in Afghanistan remained highly volatile as conflict between the government and insurgency continued throughout most of the country. More than 21,105 **security incidents** were recorded for the first 11 months of 2017, a 1% increase from the same period in 2016.¹⁶⁶

However, the UN reported a decrease in security incidents in the last quarter of 2017. From September 15 through November 15, 2017, the UN recorded 3,995 security incidents. As reflected in Figure 3.26, this is an average of 64.4 incidents per day, a more than two incident-per-day decrease compared to the same period in 2016 (66.6) and more than seven

Source: SIGAR, analysis of the report of the UN Secretary-General, *The situation in Afghanistan and its implications for international peace and security*, 12/9/2014.

FIGURE 3.26

AVERAGE SECURITY INCIDENTS PER DAY 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, 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; 12/15/2017, p. 5; SIGAR analysis of UN-provided data, 1/2018.

incidents-per-day lower than the same period in 2015 (71.8). However, this quarter's figure remains slightly higher than the daily average of 63.9 incidents over the last three years.¹⁶⁷

This quarter, USFOR-A contested the UN's security-incident data. According to USFOR-A reporting—which defines security incidents as a subset of enemy action and explosive-hazard events, to include executed IED attacks and potential IED attacks (found and cleared)—there were 23,984 incidents in the first 11 months of 2017. This represents a 2% decrease from incidents recorded in 2016. Additionally, from September 15 through November 15, 2017, USFOR-A recorded 3,729 security incidents, which they calculate as a 29% decrease in incidents from the same period in 2016. USFOR-A said direct fire accounts for 79% of all incidents, and IED and mines account for 12%.¹⁶⁸

The UN reported that the most unstable regions continued to be eastern and southern Afghanistan, which account for 56% of all security incidents. Building off the new U.S. strategy and rules of engagement, Afghan and international forces significantly increased their air operations in these regions. According to the UN, Afghan and Coalition forces conducted 215 air strikes this quarter, a 73% increase from the same period in 2016, though USFOR-A said that it was tracking a greater number of air strikes and a larger percentage increase. The majority of these strikes occurred in southern Helmand Province and eastern Nangarhar Province.¹⁶⁹ Additionally,

recent clashes between the Taliban and IS-K in Laghman Province contributed to overall instability in the east.¹⁷⁰

According to the UN, the Taliban launched multiple large-scale operations to capture district centers this quarter. They temporarily overran Maruf in Kandahar Province, Andar in Ghazni Province, Shib Koh in Farah Province, and Shahid-i Hasas in Uruzgan Province. In each case, the ANDSF, at times aided by AAF and Coalition air support, pushed Taliban forces back. USFOR-A noted that they did not agree with the UN that the Taliban temporarily overran Shahid-i Hasas or Maruf.¹⁷¹

Notably, the ANDSF also recaptured Ghorak in Kandahar Province, which the Taliban had controlled since November 2016.¹⁷² During November and December 2017, President Ghani chaired at least two meetings of his senior security officials to discuss the provinces where security incidents have been more prominent: Faryab, Balkh, Ghazni, Kunar, Uruzgan, Kandahar, Helmand, Farah, Badghis, Nooristan, and Herat.¹⁷³

UNAMA: Attacks Against Places of Worship, Religious Sects, and Religious Leaders Increasing

In a special report issued this quarter, United Nations Assistance Mission in Afghanistan (UNAMA) documented an escalating trend of violence against places of worship and religious sects, and assassinations and abductions of religious leaders. UNAMA noted that most of these events were attributable to extremist groups, particularly IS-K. Since January 1, 2016, UNAMA has recorded 51 such attacks resulting in 850 civilian casualties (273 killed), nearly double the casualties recorded for such incidents between 2009 and 2015.¹⁷⁴ In particular, IS-K has claimed multiple attacks targeting Shi'a Muslims and their mosques. Since January 1, 2016, UNAMA documented 12 incidents targeting Shi'a Muslims at places of worship, resulting in 689 civilian casualties (230 killed). Eight of these 12 attacks were claimed by IS-K. A thirteenth sectarian attack was claimed by the Taliban against Wahhabi Muslims at a mosque in IS-K-controlled territory.¹⁷⁵

UNAMA did not release a civilian-casualty report this quarter. As reported in UNAMA's civilian-casualty report from last quarter, UNAMA documented 8,019 civilian casualties from January 1, 2017, through September 30, 2017, a 6% decrease overall from the same period in 2016.¹⁷⁶

As with security incidents, RS documents civilian casualties in a different way than UNAMA. According to DOD, RS relies on civilian casualty reports from their regional commands, other Coalition headquarters' commands, and the ANDSF, while UNAMA uses site visits by staff to speak with victims, witnesses, and local leaders. RS reported 4,474 civilian casualties over a six-month period from June 1, 2017, to November 27, 2017, of which approximately one-third were deaths and two-thirds were injuries. According to RS, their figures represent an approximately 13% increase compared to the same period last year.¹⁷⁷

Despite the decrease in total UNAMA-calculated civilian casualties in the first nine months of 2017, UNAMA reiterated its concern over the 52% increase in civilian casualties (466 casualties) caused by air strikes compared to the same period in 2016. More than two-thirds of these victims were reportedly women and children. UNAMA attributed 177, or 38%, of all civilian casualties from air strikes to international military forces. RS also disagreed with this UNAMA figure, noting that it had confirmed some 51 civilian casualties (19 killed and 32 injured) caused by Coalition forces' air strikes during the entirety of 2017.¹⁷⁸

This quarter, the UN noted a 73% increase in Coalition air strikes over the same period in 2016, which inflicted heavy casualties on anti-government elements, but also inflicted heavy casualties on civilians.¹⁷⁹ In November 2017, allegations surfaced that “dozens” of civilians had been killed in Chardara District of northern Kunduz Province during U.S. air strikes supporting ANDSF operations. However, a subsequent USFOR-A investigation concluded there were no civilian casualties, stating “no hospitals or clinics in the local area indicated treatment of people with wounds from armed conflict.”¹⁸⁰

High-Profile Insurgent and Terrorist Attacks

Several high-profile attacks occurred this quarter, mainly targeting civilian communities at places of worship. For the second time this year, there was a deadly attack on Shi'a worshippers at Imam Zaman Mosque in Kabul that killed at least 39 during Friday prayers on October 20. Another attack that day on a Sunni mosque in Ghor Province killed at least 33 people. IS-K claimed responsibility for the Kabul attack, along with an attack on October 31, when a device detonated in Kabul's diplomatic quarter, also known as the Green Zone, killed 10 civilians.¹⁸¹

The deadliest attack this quarter occurred on December 28, when an IS-K militant detonated a suicide bomb during a gathering of 150–200 people at a Shi'a cultural center in Kabul. The Afghan Ministry of Public Health said at least 41 people were killed and 84 wounded.¹⁸²

Additionally, there were two significant attacks on the ANDSF this quarter. One occurred on December 17, when the Taliban killed 11 ANP personnel at a checkpoint in Helmand Province.¹⁸³ The highest-casualty attack on the ANDSF occurred on October 19, when the Taliban killed 43 ANA soldiers with a vehicle-borne improvised-explosive device (VBIED) on a base outside Kandahar; only two of 60 troops stationed at the base escaped unharmed.¹⁸⁴ In November, Ahmad Shah Katawazai, defense liaison at the Afghan Embassy in Washington, DC, said the recent rise in terrorist attacks committed by the Taliban has been a “counterstrategy” in response to the Trump administration's escalated strategy.¹⁸⁵

Afghanistan Compact: Green Zone Security

Following a series of attacks in the Green Zone, Kabul's diplomatic zone, USFOR-A and the Afghan government established several milestones in the Afghanistan Compact to address Green Zone security. According to USFOR-A in October, the following plans and procedures were developed to safeguard the Green Zone:

- all large trucks must enter one designated entry point
- truck barriers have been installed and ANP checkpoints have been better positioned
- all large trucks entering the Green Zone from the airport checkpoint are now being screened
- all ANP personnel providing security to the Green Zone were given a two-week supplementary security training
- teams of police dogs have been contracted to screen vehicles entering the area

Source: USFOR-A, response to SIGAR data call, 12/13/2017; OSD-P response to SIGAR vetting, 1/15/2018.

U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of December 31, 2017, the U.S. Congress had appropriated more than \$74.8 billion to support the ANDSF. This accounts for 61% of all U.S. reconstruction funding for Afghanistan since FY 2002.¹⁸⁶

In 2005, Congress established the Afghan Security Forces Fund (ASFF) to build, equip, train, and sustain the ANDSF, which comprises all forces under the MOD and MOI. Additionally, ASFF supports the Afghan Local Police (ALP), which falls under the authority of the MOI although it is not included in the 352,000 authorized ANDSF force level that other donor nations have agreed to fund. 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.¹⁸⁷

Of the \$4.3 billion appropriated for the ASFF in FY 2017, \$3.6 billion had been obligated and \$3.3 billion disbursed as of December 31, 2017.¹⁸⁸ The FY 2018 NDAA authorized \$674.3 million more for the ASFF than FY 2017. The largest portion of the increase will go toward MOD sustainment (\$487.5 million) and training (\$116 million) costs. Notably, funding for MOI equipment saw the largest increase since last year, up over eight-fold to \$67.8 million for FY 2018, followed by MOI training, which more than doubled to \$52.3 million. Similar to last year, the greatest amount of FY 2018 ASFF funds is authorized for MOD and MOI sustainment, \$2.7 billion and \$955.6 million respectively.¹⁸⁹

In an October 3 hearing on the Administration's South Asia strategy before the House Armed Services Committee, General Joseph F. 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% administered by the Afghan government is subjected to "rigorous conditionality to make sure that [the United States] has transparency" into the use of funds.¹⁹⁰

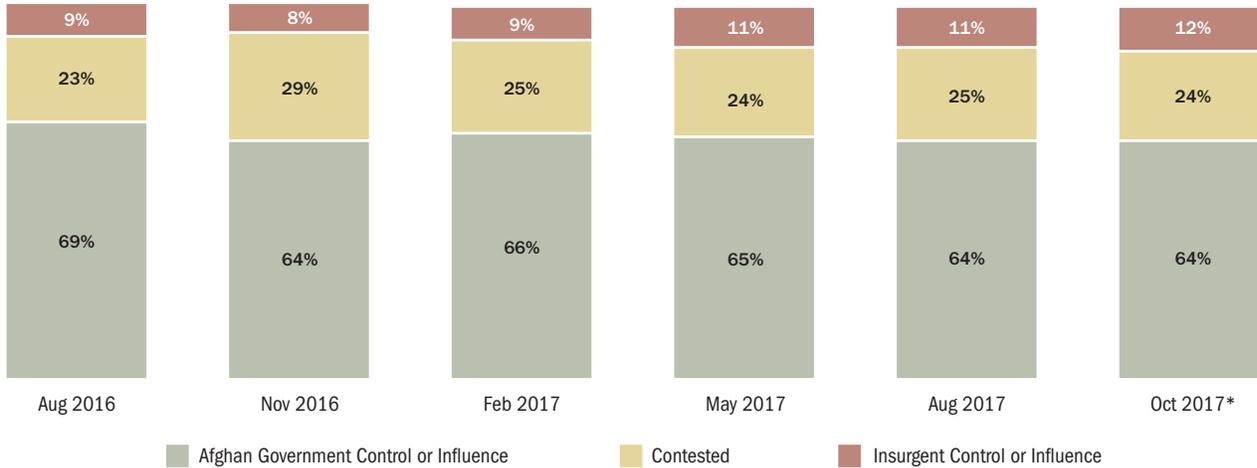
DISTRICT AND POPULATION CONTROL

For the first time, this quarter RS restricted the public release of unclassified district, population, and land-area control data that has been consistently provided to SIGAR in an unclassified, publicly releasable format.

Notably, both General Nicholson and DOD reported population-control figures publicly this quarter. General Nicholson said in a press briefing on November 28 that 64% of the population is under government control or

FIGURE 3.27

HISTORICAL POPULATION CONTROL IN AFGHANISTAN

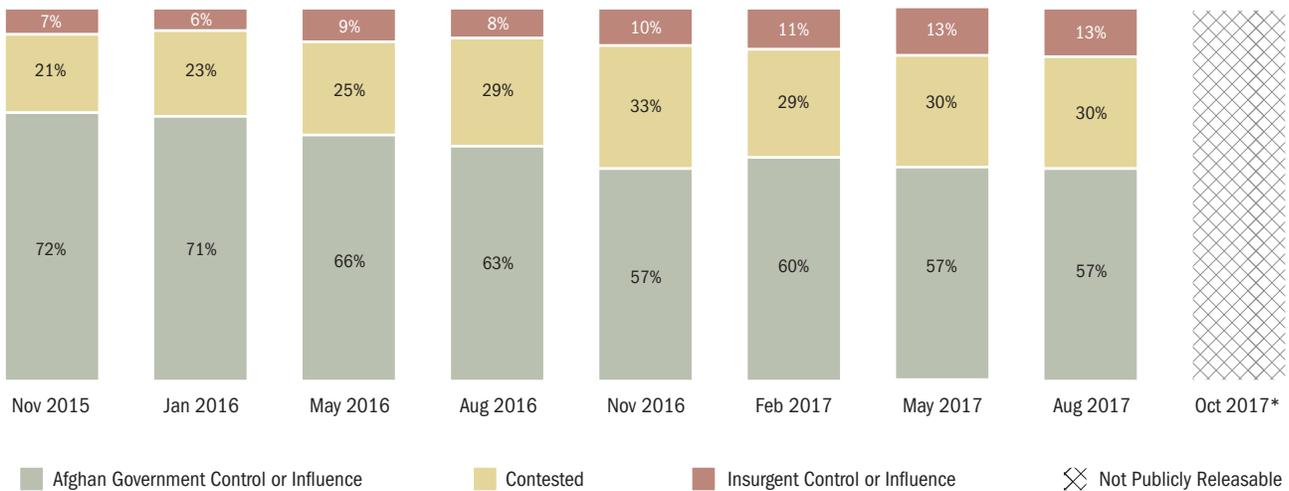


Note: * Figures reported by General John Nicholson at a press briefing on November 28, 2017.

Source: USFOR-A, response to SIGAR data call, 5/28/2016, 8/28/2016, 11/15/2016, 2/20/2017, 5/15/2017, 8/28/2017; DOD, "Department of Defense Press Briefing by General Nicholson via teleconference from Kabul, Afghanistan," 11/28/2017.

FIGURE 3.28

HISTORICAL DISTRICT CONTROL IN AFGHANISTAN



Note: * RS directed SIGAR not to publicly release the unclassified October 2017 data.

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, 8/28/2017; USFOR-A, response to SIGAR vetting, 1/16/2018.

influence, 12% are under insurgent control or influence, and the remaining 24% are living in contested areas. However, the goal of the Afghan government is to control 80% of its population within the next two years. As seen in Figures 3.27 and 3.28 on the previous page, Afghan government control or influence has declined and insurgent control or influence has increased overall since SIGAR began reporting control data. For more information on how RS assesses district control, please see SIGAR's April 2016 *Quarterly Report to the United States Congress*.¹⁹¹

SIGAR LESSONS LEARNED

SIGAR's September 2017 report *Reconstructing the Afghan National Defense and Security Forces: Lessons from the U.S. Experience in Afghanistan* included a recommendation to DOD for the use of a force element like the Security Force Assistance Brigades to help alleviate strain on U.S. Special Forces that train, advise, and assist the ANDSF. For more information, see page 190 of that report.

U.S. FORCES IN AFGHANISTAN

According to USFOR-A, as of November 26, 2017, there were approximately 14,000 U.S. military personnel serving in Afghanistan, an increase of 3,000 personnel since last quarter.¹⁹²

Of the 14,000 U.S. military personnel currently serving in Afghanistan as part of Operation Freedom's Sentinel (OFS), approximately 7,400 are assigned to the NATO RS mission to train, advise, and assist Afghan security forces (up 2,400 since last quarter). The remaining U.S. military personnel in Afghanistan support the OFS mission through air operations, training the Afghan special forces, and conducting counterterrorism operations.¹⁹³

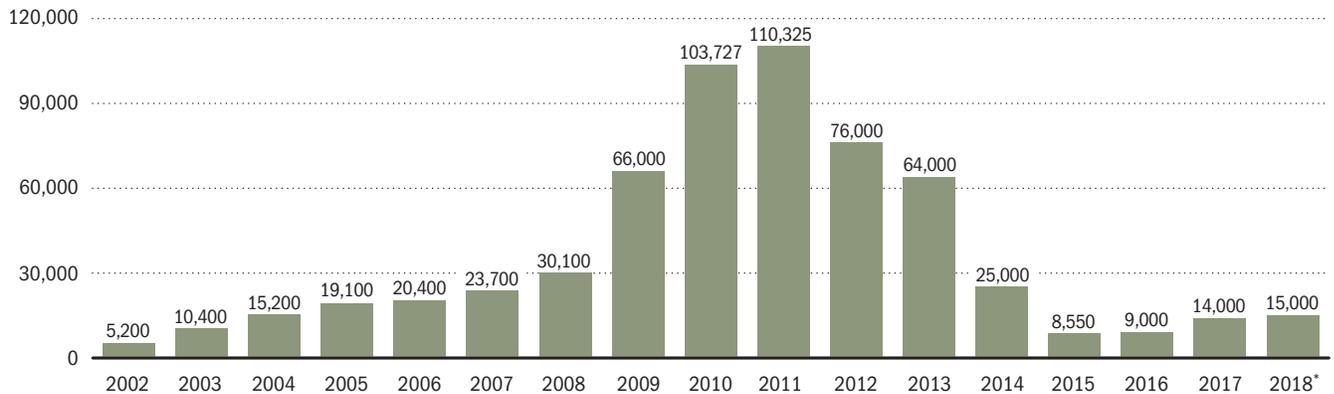
As seen in Figure 3.29, the total number of U.S. troops in Afghanistan is set to increase to roughly 15,000 personnel as DOD announced in mid-January that it will send 1,000 additional troops as early as February. These troops will be members of the Security Force Assistance Brigades (SFAB), based at Fort Benning, that will primarily serve as combat advisors to the ANDSF and expand the U.S. training commitment. Secretary of Defense Jim Mattis said in early January that the SFAB will take on some of the U.S. Special Forces' train, advise, and assist duties to ease the burden on the overworked U.S. Special Forces. Secretary Mattis also noted that through training and mentoring in basic infantry and artillery tactics, the SFAB in Afghanistan will be expected to do for the Afghan conventional forces what the U.S. Special Forces have done for the Afghan special forces.¹⁹⁴

The RS mission also includes roughly 7,100 military personnel from 39 NATO allies and non-NATO partner nations, bringing its total personnel to roughly 14,500.¹⁹⁵ The increase in U.S. troop levels in Afghanistan has led some NATO countries engaged in Afghanistan to authorize additional troops. Reuters reported from the Defense Ministers Summit in Brussels in November that the increases could bring the RS mission to 16,000 personnel. Despite the additional NATO troops, U.S. officials say that troop reinforcements fall below international commitment levels for the RS advisory mission.¹⁹⁶

As the U.S. troop commitment increases, American combat casualties are also rising. From January 1 through November 26, 2017, 11 U.S. military personnel were killed in Afghanistan, and 99 were wounded. This is an

FIGURE 3.29

U.S. TROOP LEVELS IN AFGHANISTAN, 2002-2018



Note: * Projected for 2018 based on expected deployment of 1,000 Security Force Assistance Brigade personnel in February 2018.

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; and 10/30/2015, p. 92; OSD-P, response to SIGAR data call, 6/30/2016 and 12/27/2016; USFOR-A, response to SIGAR data call, 9/10/2017 and 11/27/2017; *Wall Street Journal*, “U.S. to Double Down on Afghanistan With Drones, Troops,” 1/11/2018.

increase of one person killed in action, and 51 personnel wounded in action since last quarter, and double the personnel killed in action compared to the same periods in 2015 and 2016. USFOR-A also reported that two contractors were wounded in action since last quarter. This brings the total number of U.S. casualties during the Afghan war to 2,269 service members and civilians killed and 20,289 wounded, as of January 22, 2018.¹⁹⁷

Afghanistan Compact

Last quarter, SIGAR reported on a new compact between USFOR-A, the U.S. Embassy in Kabul, and the Afghan government called the Afghanistan Compact (formerly known as the “Kabul Compact”), an Afghan-led initiative designed to demonstrate the government’s commitment to reforms.¹⁹⁸ The Compact process consists of four U.S.- and Afghan-chaired working groups covering governance, economic, peace and reconciliation, and security issues. For more information about the Compact, see pages 123–124.

The security portion of the Compact outlines 257 measurable 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 the MOD and MOI or their main components (ANA and ANP).¹⁹⁹ Together they lay out a comprehensive plan to reform and upgrade the capabilities of the ANDSF over the next few years.



Security Force Assistance Brigade personnel meet with Afghan personnel at Fort Polk, Louisiana, as they prepare for a spring 2018 deployment to Afghanistan. (U.S. Army photo by Sgt. Ryan Tatum)

This quarter, SIGAR requested more detailed information from DOD and USFOR-A about how the new Compact fits into the wider U.S. South Asia strategy as well as the Afghan government's four-year ANDSF Roadmap. USFOR-A said the Compact and Roadmap both align under the South Asia strategy as frameworks to achieve the U.S. goals of seeking an Afghan political settlement that reduces violence, improves security, enables government reform, and leads to reconciliation with the Taliban.²⁰⁰

Like the other plans, USFOR-A said, the Compact is a “whole-of-government, conditions-based approach” that encourages the Afghan government to enact critical reforms through realistic, attainable, measurable, and trackable objectives. The hope is that as the Afghan government achieves its milestones and goals under the Compact, it will enable greater government sustainability and stability that, in conjunction with secure and credible elections, will increase social pressure on the Taliban to reconcile.²⁰¹

USFOR-A clarified that the ANDSF Roadmap is the Afghan operational and structural concept to professionalize the ANDSF and achieve the main goal of 80% government control over the Afghan population.²⁰²

Afghanistan Compact: Insider Attack Prevention

Beginning last summer, RS reviewed all screening and vetting records for the ANASOC to guard against any potential insider threat from an Afghan force element that works closely with Coalition advisors. This quarter, RS reported that the review of records for the remainder of the ANASOC has been completed: as of October, 73% of Afghan special forces have been enrolled in the National Ground Intelligence Center's counterintelligence database. Personnel deemed to be a potential threat have been removed from service.

Source: RS, response to SIGAR data call, 10/15/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018; USFOR-A, response to SIGAR vetting, 1/16/2018.

Insider Attacks

Since responsibility for security began transitioning to the Afghans in 2014, “green-on-green” insider attacks in which ANDSF personnel are attacked from within their own ranks, often by an insurgent infiltrator, have been a consistently severe problem.²⁰³ According to USFOR-A, from January 1 to October 31, 2017, there were 58 reported insider attacks: 52 green-on-green and six “green-on-blue” attacks, when ANDSF personnel turned on Coalition personnel. This is an increase of four green-on-green attacks and no additional green-on-blue attacks from last quarter.²⁰⁴ Insider attacks this year are nearly as high as the 59 recorded in 2016—56 green-on-green and three green-on-blue.²⁰⁵

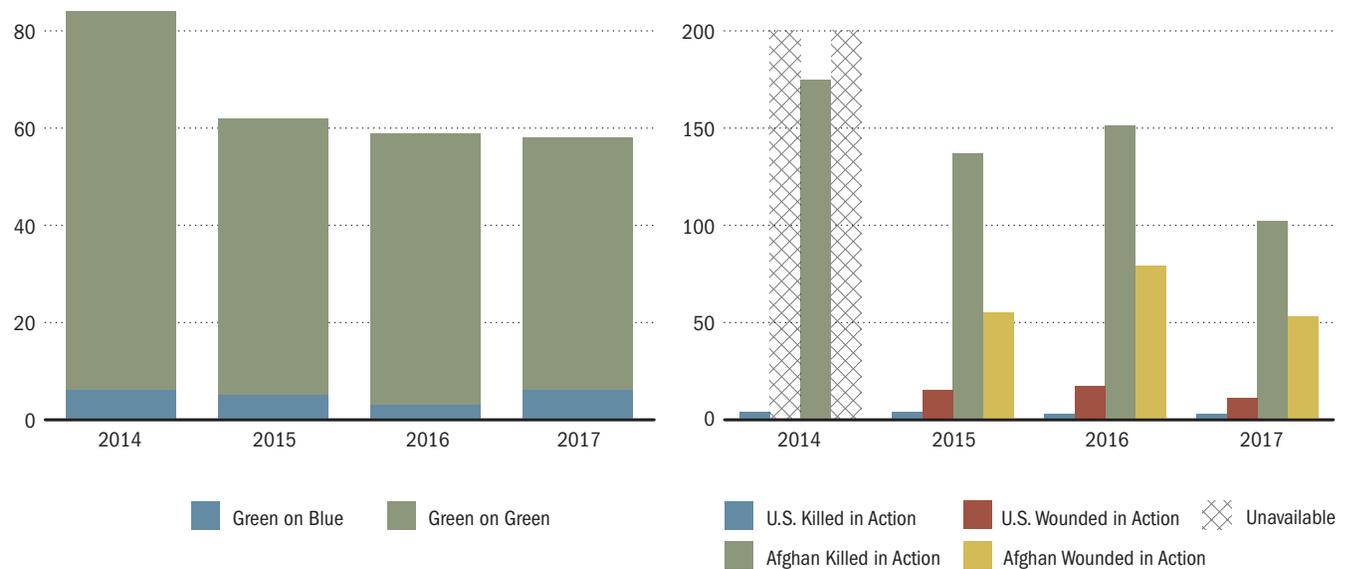
In contrast to its treatment of other ANDSF casualty figures this quarter, USFOR-A did not classify ANDSF casualties as a result of insider attacks. The ANDSF experienced a decrease in casualties from insider attacks since 2016. As of October 31, 2017, insider attacks killed 102 ANDSF personnel and wounded 53, a decrease of 49 personnel killed and 26 wounded compared to the same period in 2016.²⁰⁶

However, American casualties from insider attacks have increased over the last two years. As seen in Figure 3.30, as of October 31, three U.S. military personnel were killed and 11 wounded in three of 2017's six green-on-blue attacks.²⁰⁷

According to USFOR-A, RS is ensuring that the Afghans are making measurable progress on security and insider-threat-related milestones of the Afghanistan Compact. A joint U.S.-Afghan Compact Committee continually assesses this effort and its outcomes. With significant assistance from RS advisors, both the MOI and MOD have published “Force Protection/

FIGURE 3.30

INSIDER ATTACKS IN AFGHANISTAN ON U.S. AND AFGHAN FORCES



Note: All killed in action (KIA) and wounded in action (WIA) were U.S. or Afghan servicemembers unless otherwise noted. 2017 data was through October 31, 2017. 2016 data was through November 12, 2016. 2015 data was through November 30, 2015, and of the U.S. KIAs, one was a contractor. 2014 data was through December 29, 2014.
 Source: USFOR-A, response to SIGAR data call, 11/25/2017, 11/26/2016, 12/4/2015, 12/28/2014; USFOR-A, response to SIGAR vetting, 1/12/2016.

Insider Threat” policies, established green-on-blue commissions, and held associated seminars at the ministerial level. Starting in December 2017, these seminars will be conducted at the ANDSF corps- and zone-levels throughout Afghanistan. Additionally, RS worked with senior ANA counterintelligence officials to develop MOD’s counterintelligence structure and policy.²⁰⁸

RS has also created an Insider Threat Advisor (ITA) position that works under RS Essential Function 7 (see pages 92–93). This advisor will serve as the train, advise, and assist (TAA) focal point for developing Afghan processes for the identification and processing of personnel who pose a potential threat to U.S., Coalition, or Afghan security forces.²⁰⁹

According to USFOR-A, both MOD and MOI made a concerted effort to improve and expand their use of the Preliminary Credibility Assessment Screening System (PCASS) to more effectively detect potential insider threats. This system administers a polygraph-like test on ANDSF personnel as a vital part of the force’s counterintelligence screening process. The ITA trained six Afghans from MOD and MOI on PCASS; they are now training others to administer the test. USFOR-A noted that the PCASS is intended as a tool to complement counterintelligence and

countercorruption investigations, but cannot be the sole basis for denying personnel employment.²¹⁰

Under USFOR-A authority, RS intelligence headquarters has been working with U.S. Central Command and the U.S. Army to obtain substantial additional manpower and material support for an ongoing counterintelligence screening surge of ANASOC and ANA forces that will partner with the U.S. Security Force Assistance Brigades in 2018. This surge will provide an additional 95 U.S. contractor counterintelligence screeners and 15 counterintelligence analysts to directly support the screening process.²¹¹

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

Updates on Developing Essential Functions of the 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):** Following negotiations reported last quarter, beginning in March 2018, donors to the UN Development Programme’s multilateral Law and Order Trust Fund for Afghanistan (LOTFA) will begin paying ANP salaries based on the Personnel Asset Inventory (PAI), which will save the donor community roughly \$50 million annually. For more information about the PAI, please see pages 97–98.²¹²
- **EF-2 (Transparency, Accountability, and Oversight):** The MOD completed an assessment of the MOD Inspector General’s Office (MOD IG), following a presidential directive on MOD IG professionalization. The assessment found that 15 employees’ qualifications were better aligned for administrative positions, and 28 personnel would need to receive remedial training and mentoring. The MOI Inspector General’s Office (MOI IG) has completed oversight and transparency training at the zone and ministerial levels. CSTC-A reported that approximately 95% of MOD IG positions (167 authorized positions) and 70% of MOI IG positions (168 authorized) are filled.²¹³
- **EF-3 (Civilian Governance of Afghan Security Institutions):** The MOI Major Crimes Task Force (MCTF) opened more than 17 corruption cases in the first quarter of FY 2018. This quarter, CSTC-A donated law-enforcement equipment such as handcuffs and radios to the Anti-Corruption Justice Center (ACJC), and scheduled explosive-ordnance-disposal and first responder training for ACJC personnel. The Counter-Corruption Advisors Group advisors are currently providing assistance to TAACs in corruption investigations against ANA and ANP commanders, as well as to SIGAR criminal investigations at Kandahar and Bagram Airfield facilities. There were no new gross violations

Afghanistan Compact: ABP Transfer to MOD

As part of the reorganization of the police to emphasize its civil policing, as opposed to paramilitary, role, the Compact includes several milestones for the transfer of ABP from MOI to MOD. RS reported that ABP accomplished the following this quarter: submitted a revised *tashkil*; determined its staff and structures; developed training and logistics plans; created an organizational structure; selected personnel and leadership, and established facilities. On the last milestone, RS noted its concern that ABP HQ will remain in MOI HQ building. The transfer process reportedly started in November 2017 and is slated for completion in January 2018.

Source: RS, response to SIGAR data call, 10/15/2017 and 12/13/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.

Tashkil: meaning “organization” in Dari, refers to the official list of personnel and equipment requirements used by the MOD and MOI to detail authorized staff positions and equipment items for each unit.

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2017, p. 10.

of human rights (GVHR) cases by MOD or MOI this quarter, and no existing GVHR cases closed this quarter. There are currently 26 open GVHR cases in the MOI, but none are open in the MOD. CSTC-A notes that MOI has completed all work on 50% of their open GVHR cases, which are now awaiting action by the Attorney General's Office.²¹⁴

- **EF-4 (Force Generation):** EF-4 classified their response this quarter. The personnel information they provided will be reported in the classified annex to this report.
- **EF-5 (Sustainment):** CSTC-A reported that the fuel distribution and quality-assurance vendors contracted last quarter have successfully dispensed 29 million liters of ground and aviation fuel at ANDSF facilities this quarter with minimal delays. The contractor for the National Maintenance Strategy Ground Vehicle Support that DOD awarded in June 2017 met its contractual requirement to be fully operational by December 29, 2017. The support is intended to provide maintenance and logistical training, as well as contracted maintenance to achieve specified operational-readiness benchmarks and fill gaps in the ANA and ANP supply chains. Two major milestones for the National Transportation Brigades (NTB) and the Central Supply Depot/ National Logistics Center were completed this quarter after the ANDSF successfully met the standards for each. They included planning transportation resources based on priorities and situational changes for the NTB and tracking materials for distribution for the supply and logistics centers. CSTC-A reported MOD and MOI are 100% compliant with critical cybersecurity requirements established by the MOD and MOI FY 1396 Bilateral Financial Commitment Letters.²¹⁵
- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** ANDSF efforts this quarter were mainly dedicated to the execution of Phase II and Phase III of Operation Khalid, the annual operational plan, following Phase I completion last quarter. CSTC-A reported that the ANDSF continued to prevent enemy forces from capturing any provincial centers and improved the use of the AAF and ANASOC in support of conventional forces. The process of transferring the Afghan Border Police (ABP) from MOI to MOD control has nearly been completed, and the transfer for the Afghan National Civil Order Police (ANCOP) to MOD control is ongoing.²¹⁶
- **EF-7 (Intelligence):** This quarter, two additional ScanEagle unmanned aerial system detachments were activated in the 205th and 201st Corps, doubling the ANA's aerial intelligence, surveillance, and reconnaissance capabilities. ScanEagle is now used by four ANA Corps (201st, 205th, 209th and 215th), of which the 215th Corps has shown the greatest proficiency in using the system. CSTC-A reported significant progress in developing overall MOD intelligence capabilities, whereas MOI made only modest improvements this quarter. Increased

Afghanistan Compact: ANCOP Transfer to MOD

The Compact includes several milestones for the transfer of ANCOP from MOI to MOD. DOD reported in December that this process is taking longer than the ABP transfer as MOD considers multiple options for how best to utilize the force. RS reported that ANCOP achieved the following Compact milestones this quarter:

- developed a plan for ANCOP integration into MOD
- established their facilities

RS reported as of November that the following milestones had not been completed by the deadline:

- development of a tashkil
- creation of training plans
- establishment of an organizational structure

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2017, p. 33; RS, response to SIGAR data call, 10/15/2017 and 12/13/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.

ANA use of the National Information Management System led to an approximate 30% increase in target execution, while improved intelligence coordination between ANA Corps and the AAF resulted in a 10% decrease in cancellations of targeting missions against enemies.²¹⁷

- **EF-8 (Strategic Communications):** CSTC-A described the overall trend in ANDSF communication as “slightly positive” this quarter. MOI and MOD ministers personally engaged with media to reinforce Afghan government messaging during crises, although concerns remain about the accuracy of insurgent casualty figures released to the media. In October, MOI hired a new deputy spokesman, which CSTC-A categorized as a major step forward since the MOI’s principal spokesman has been serving in an acting capacity for the previous two quarters.²¹⁸
- **Gender Office:** CSTC-A reported a “desperate shortage” of senior women in the ANDSF to serve as role models for younger Afghan women, and is researching ways to address this. The Gender Occupational Opportunity Development (GOOD) Program to train female security personnel in job-applicable skills has been expanded to include the MOI. This quarter, the MOI established the Sexual Harassment and Assault Prevention Committee, which was recognized and approved by the Minister of Interior. Standard operating procedures for the committee were established, outlining the composition and responsibilities of the members, and Coalition advisors will continue to provide TAA to the committee to ensure its efforts to counter sexual harassment and assault are robust and effective.²¹⁹

AFGHAN SECURITY MINISTRIES AND THE ANDSF

ANDSF Force Element Performance

USFOR-A provided basic ANDSF performance assessments that were previously classified in an unclassified format this quarter; however, SIGAR is unable to determine the results of the findings of these unclassified assessments with the data provided.

This quarter, USFOR-A reported that visibility into ANDSF units remains limited, as U.S. and Coalition forces are typically not co-located with Afghan units, and insights gleaned on operational readiness come from second- or third-hand knowledge from ANDSF partners. The RS mission provides the majority of its training, advising, and assisting at the ANA corps- and ANP zone-level and above.²²⁰

USFOR-A noted that ANDSF headquarter elements continue to progress toward developing and executing their annual operational plans but they still struggle with personnel management. However, USFOR-A said leadership and general use of training cycles showed improvement over previous reporting periods.²²¹

USFOR-A classified more detailed performance assessments of the ANDSF's combat elements, and SIGAR will report on them in the classified annex to this report.

Ministry Performance Assessments

USFOR-A provided the following narrative, previously classified MOD and MOI performance-assessment information in an unclassified format this quarter.

According to USFOR-A, since summer 2017, the MOD has steadily increased its ability to build effective fighting capability, provided enablers in support of operations, and implemented and established personnel and logistics systems. Though more effort is placed at the operational and strategic levels, Minister of Defense Tariq Shah Bahrami must still routinely respond to tactical-level challenges due to domestic political pressures rather than focus on broader strategic concerns. Despite these challenges, USFOR-A said, he and his Chief of General Staff (CoGS) aim to create a MOD that is professionally trained, free of corruption, and an effective and efficient steward of resources. USFOR-A said the CoGS, Lieutenant General Sharif Yaftali, "has completely immersed himself in the role of directing, guiding, and driving the staff." However, the MOD is still without a first deputy minister, requiring both Minister Bahrami and Lieutenant General Yaftali to execute duties of that position, distracting them from their primary roles. With the Afghanistan Compact now in full effect, USFOR-A noted that both leaders are pursuing regional and international relationships beyond Resolute Support partner nations.²²²

Afghanistan Compact: MOD Optimization

The reform effort across all Afghan security institutions includes several milestones for reforming the MOD. This quarter, RS reported that MOD accomplished the following:

- MOD signed its countercorruption policy on December 19, 2017
- completed a review of its staff structure and identified unnecessary redundancy across staff and positions
- defined its organizational structure
- developed a future organizational structure with subordinate functional commands appropriately realigned under the first deputy minister and CoGS
- reduced MOD HQ tashkil positions to offset projected ASSF and AAF growth

According to RS, MOD failed to achieve the following milestones by the deadlines: completing a tashkil for the National Joint Command (by October 2017, approved by the Minister of Defense subsequently), and operationalizing the National Joint Command (November 2017, now scheduled for March 2018).

Source: RS, response to SIGAR data call, 10/15/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018; RS, response to SIGAR vetting, 1/16/2018.



ANDSF senior leaders and U.S. Marine advisors plan offensive operations at Bost Airfield, Afghanistan. (USMC photo by Sgt. Justin T. Updegraff)

Afghanistan Compact: MOI Optimization

This quarter, RS reported that MOI accomplished the following:

- developed and published the Minister of Interior's 10-Year Vision document derived from goals and objectives laid out in the Afghan National Security Strategy
- established and executed an effective capability to monitor, assess, and report on strategy and policy implementation
- used the High Board of Oversight to appoint senior officials to vacant positions

According to RS, MOI failed to achieve the following milestones by the deadlines: create an annual plan based on its 10-Year Vision (due December 2017); establish a force-management process (October 2017); and begin strategic leadership meetings that can monitor and direct progress towards the Ministry's strategic end state (October 2017).

Source: RS, response to SIGAR data call, 10/15/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.

USFOR-A reported that MOI development has seen some encouraging signs as a result of the appointment of now-Minister of Interior Wais Ahmad Barmak. The Afghan parliament confirmed his appointment on December 4. Within weeks of his arrival, USFOR-A said, Acting Minister Barmak ordered the development of a revised four-year MOI Strategic Plan (MISP). The MISP will provide the framework for meaningful reform and development. The plan will comprise an institutional reform element within the MOI and a phased geographical plan to reform the ANP. Institutional reforms are expected to place a high first-year priority on countering corruption and developing a merit-based assignment and promotion process. This is part of a new human-resource management policy intended to reform officer training and enhance the MOI's overall performance.²²³

The MISP will also play a key role in the "police normalization process" laid out in Afghan government's Four Year Roadmap for ANDSF development. While the MISP will initially focus on transitioning the police from a paramilitary organization to one that better provides rule of law in Kabul and Herat, it will later be expanded in the rest of the country.²²⁴

ANDSF Strength

USFOR-A classified most ANDSF strength data this quarter (including the ANA, AAF, and ANP), with the exception of the Afghan Local Police and female ANDSF personnel, a further restriction from the rounded assigned-strength figures provided last quarter. However, in its December 2017 *Enhancing Security and Stability in Afghanistan* report, DOD reported authorized strength figures for the ANA, AAF, and ANP, which SIGAR is also reporting here. Full details about ANDSF strength will be reported in the classified annex to this report. The questions SIGAR asked about ANA, AAF, and ANP strength can be found in Appendix E of this report.

The current goal strength for the ANDSF, or the authorized force level that donor nations have agreed to fund, is approximately 352,000, including roughly 195,000 ANA and 157,000 ANP. DOD's December report did not provide information about the actual, assigned strength of all the ANDSF force elements. DOD noted that the actual strength of the ANDSF will become clearer once the ANDSF has finished the process of establishing centralized personnel accountability and payment databases in 2018. For more information about the databases and unaccounted-for personnel, see pages 97–98.²²⁵

ANDSF Casualties

For the second consecutive quarter, USFOR-A classified ANDSF casualty data, which SIGAR had 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 DOD said could greatly improve protection for the U.S. funds that pay the personnel costs for the ANA and ANP that constitute much of the ANDSF's expenses.²²⁶

The Afghan Human Resource Information Management System (AHRIMS) contains data that includes the name, rank, education level, identification-card number, and current position of ANDSF personnel. AHRIMS also contains all the approved positions within the MOD and the MOI, along with information such as unit, location, and duty title. The Afghan Personnel Pay System (APPS) is under development; when implemented, it will integrate AHRIMS data with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.²²⁷ The AHRIMS (and in future, APPS) data is also used to provide background information on ANDSF in determining promotions and assignments.²²⁸ APPS reached initial operational capability in July 2017 and is expected to be fully operational by May 2018.²²⁹

CSTC-A is overseeing the transition from AHRIMS to APPS to ensure interoperability. The process of verifying AHRIMS data includes a personnel asset inventory (PAI) that physically accounts for ANA and ANP personnel so 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 “ghost” personnel. Routine checks will still be required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.²³⁰ The biometric cards will also, once implemented, be used to access all human-resources information for security force members, including identity, pay and APPS data, promotions, assignments, killed/wounded/absent-without-leave information, and other documents.²³¹

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.²³²

This quarter, USFOR-A reported delays in completing the final six-month PAI sweep of all six ANA corps; they expect the ANP PAI effort to continue for another 8–12 months. The delays are reported to be normal challenges of accessing remote and insecure areas and ANDSF members posted at isolated border checkpoints. Additionally, USFOR-A notes that MOI has no dedicated helicopters to support their PAI teams' transport through combat

areas. USFOR-A reported that the MOD's PAI is nearly finished, with 90% of ANA slotted and 93% of the ANA PAI complete. The ANA is expected to be fully operational in APPS by May 30, 2018. MOI's PAI is at 70% slotted and the PAI is 80% complete; completion is currently expected around late September 2018.²³³

“Unaccounted-for” or “Ghost” Personnel

As a result of increased attention in late 2016 to the possible inclusion of many “ghost” or nonexistent personnel within the ANDSF rolls, U.S. officials confirmed that since January 1, 2017, salaries are paid only to MOD and MOI personnel correctly registered in AHRIMS.²³⁴

For the second consecutive quarter, USFOR-A did not provide estimated numbers of unaccounted-for MOD or MOI personnel. In July 2017, USFOR-A estimated that 10,000 MOD personnel remained unaccounted for in AHRIMS. For MOI, approximately 41,000 ANP and 13,000 ALP personnel remained unaccounted for; and there was 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.²³⁵

However, USFOR-A reiterated that the PAI process matches individuals through biometric identification against the numbers of personnel claimed to exist according to monthly personnel reports provided by ANDSF units. USFOR-A has said the attention directed to “ghost soldiers” is largely unfounded because there are no indications of so-called “ghost soldier” challenges within the six ANA corps as the PAI process progresses. Once the ANA is fully operational in APPS (May 30, 2018), the issue of “ghost soldiers” will be resolved.²³⁶ DOD echoed this assessment, explaining that most of the soldiers and police that were unaccounted for were performing duties and being paid, but were not properly enrolled in the AHRIMS system due to poor systems management, missing biometric data, or missing ID cards.²³⁷

The U.S. government continues to disburse funds only to those ANDSF personnel it is confident are properly accounted for. USFOR-A reported approximately \$59.5 million in cost avoidance by not paying unaccounted-for and suspected ghost personnel from January through November 2017, up \$14.9 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.²³⁸ SIGAR cannot verify these cost-avoidance figures because it has not been provided with data on the number of ghost soldiers in the Afghan security forces.

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



ALP guardians meet with Wais Ahmad Barmak, Afghan Minister of Interior Affairs, during a human-rights seminar in Kabul, Afghanistan. (U.S. Army photo by Sgt. Connor Mendez)

attack, guard facilities, and conduct local counterinsurgency missions.²³⁹ While the ANP's personnel costs are paid via the LOTFA, only DOD funds the ALP, including both personnel and other costs. Funding for the ALP's personnel costs is provided directly to the Afghan government.²⁴⁰ Although the ALP is overseen by the MOI, it is not counted toward the ANDSF's authorized end strength.²⁴¹

As of November 30, 2017, the NATO Special Operations Component Command-Afghanistan (NSOCC-A) reported that according to the ALP Staff Directorate, the ALP has roughly 28,911 guardians on hand, 24,858 of whom are trained, 4,053 untrained, and 168 in training.²⁴² These figures indicate an increase of 1,288 ALP personnel overall, a 993-person increase in trained personnel, and an increase of 496 untrained personnel from the same period in 2016.²⁴³ The MOI's FY 1396 (2017) Bilateral Financial Commitment Letter obligates the MOI to have no more than 5% of the on-hand ALP force untrained, but currently about 14% of the force is untrained, the same as last quarter.²⁴⁴

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.²⁴⁵ As mentioned, PAI teams are in the final stages of collecting AHRIMS enrollments from lower-enrolled ALP units. According to USFOR-A, as of December 31, 2017, the AHRIMS enrollment rate was 71% for ALP, a six-point decrease since last quarter.²⁴⁶ Additionally, 86% of the ALP has been enrolled in EFT. NSOCC-A

noted that ALP are just beginning to transition to APPS; they expect that it will be complete in May 2018.²⁴⁷

As with the ANA and ANP, CSTC-A will fund salaries only for ALP guardians who are actively slotted in AHRIMS. NSOCC-A reported an increase in their estimated U.S. funding for the ALP from \$93 million annually in early 2017 to an estimated \$96.6 million for FY 2018, assuming an ALP force authorization of 30,000 personnel.²⁴⁸ NSOCC-A says that CSTC-A reviews validated personnel numbers every three months and provides updated funding based on validated AHRIMS personnel numbers.²⁴⁹

NSOCC-A reported 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 assessed the ALP reform process in September and October 2017. The resulting data is being compiled to create a 2018 action plan for implementation across all reform areas.²⁵⁰ NSOCC-A said that monthly equipment inventories have been submitted by district with a 100% completion rate since October. This is a 17-point improvement from last quarter. The ALP now has two Coalition advisors specifically helping the force implement logistics reforms.²⁵¹

Last quarter, the ALP's Coalition advisors submitted a report on the influence of powerbrokers in the ALP. The report found that 395 ALP personnel were under powerbroker influence in August 2017, meaning that they were performing duties for a powerbroker rather than those assigned by the ALP. While this was considerably lower than the 1,395 reported to be under powerbroker influence in early 2016, it was an increase from earlier in 2017. This quarter, NSOCC-A reported only 195 ALP guardians under powerbroker influence, a roughly 50% reduction since last quarter. The main powerbrokers influencing ALP personnel continue to be parliamentarians, provincial councils, provincial governors, and district and provincial chiefs of police.²⁵²

AFGHAN NATIONAL ARMY

As of December 31, 2017, the United States had obligated \$44.1 billion and disbursed \$43.5 billion of ASFF funds to build, train, equip, and sustain the ANA.²⁵³

ANA Strength

For the first time, USFOR-A classified all ANA strength data this quarter, unlike last quarter, when they provided rounded assigned strength figures. Information about assigned ANA strength will therefore appear only in the classified annex to this report. The questions SIGAR asked about ANA strength can be found in Appendix E of this report. Authorized-strength figures reported here are drawn from DOD's December 2017 *Enhancing Security and Stability in Afghanistan* report.

The current authorized force level for the MOD is 195,000 ANA soldiers and 5,502 MOD civilians.²⁵⁴ DOD has reported the authorized strength by MOD echelons for FY 2017–2018. These echelons include MOD headquarters, the general staff, intermediate commands, combat commands, special operations forces, the AAF and SMW, TTHS (training, transient, holding, and students), unassigned resources, and MOD civilians. Of these echelons, the combat commands (119,814), intermediate commands (27,888), and TTHS (13,359) account for the majority of MOD personnel.²⁵⁵ The assigned, or actual, strength of the ANA remains classified.

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.²⁵⁶ For more information on AHRIMS, APPS, and ghost personnel, please see pages 97–98.

ANA Attrition

USFOR-A classified ANA attrition data for the second consecutive quarter. SIGAR's questions 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 December 31, 2017, the United States had obligated \$21 billion and disbursed \$20.4 billion of ASFF for ANA sustainment.²⁵⁷

CSTC-A reported the total amount expended for all payroll and nonpayroll sustainment requirements in Afghan FY 1396 (2017) was \$509.5 million through November 25, 2017, an \$85.8 million decrease compared to the same period in 2016.²⁵⁸ While the majority of sustainment funding goes toward ANA salaries and incentive payments, the other largest uses of sustainment funding were for equipment and supplies—mainly vehicle fuel, (\$37.4 million), clothing (\$4.1 million), and energy-operating equipment (\$3.8 million).²⁵⁹

ANA Salaries and Incentives

Of the total amount spent on ANA sustainment in Afghan FY 1396 through November 25, 2017, \$226.3 million was spent on salaries and \$279 million on incentive pay for ANA officers, noncommissioned officers and soldiers, civilians, and contractors.²⁶⁰ Funding for ANA salaries increased by \$34.9 million since this period in 2016, while incentive pay increased by about \$10.3 million.²⁶¹

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives for the next three years (2018–2020) will average \$667 million annually, a \$56.8 million increase from last quarter's estimate



ANA equipment maintainers repair an engine at FOB Gamberi to support winter operations against the Taliban. (U.S. Army photo by Sgt. 1st Class Randall Pike)

of \$610.2 million. DOD 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 Roadmap plan to move certain paramilitary police elements (Afghan Border Police and Afghan National Civil Order Police) from MOI to MOD authority (as well as a 5% pay increase).²⁶² DOD also said forecasted salary and incentives figures are for planning 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.²⁶³

ANA Equipment and Transportation

As seen in Figure 3.31, as of December 31, 2017, the United States had obligated and disbursed \$13.2 billion of ASFF for ANA equipment and transportation.²⁶⁴

ANA Equipment Operational Readiness Falls Short of Benchmarks

This quarter USFOR-A classified some of the 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.

CSTC-A stated that the ANDSF readiness-reporting system is currently unable to accurately capture equipment-serviceability rates by unit. Therefore, equipment readiness is calculated by dividing the number of fully mission-capable vehicles on hand by the authorized number. In some cases, this causes calculated equipment-readiness rates to exceed 100%.²⁶⁵ For example, ANASOC equipment readiness exceeds 100% due to the excess equipment created when one Mobile Strike Force Brigade was reorganized under ANASOC.²⁶⁶ CSTC-A noted this quarter that under the current maintenance contracts, the goal readiness rate for all ANA equipment is at least 70%. Since ANASOC is the primary force element for the majority of ANDSF offensive operations, the ANASOC equipment readiness has established a higher benchmark.²⁶⁷

According to CSTC-A, the 215th Corps (southern Helmand Province), the 205th Corps (southern provinces of Daykundi, Kandahar, Uruzgan, and Zabul), and the 209th Corps (nine northern provinces, including Balkh and Kunduz) have been supporting ANASOC's major offensive operations. Of these three corps, only the 215th has shown a slight increase in equipment readiness; both the 205th and 209th have shown a slight decrease. Overall, CSTC-A reported that five of the six ANA corps did not meet the equipment readiness goal of 70%.²⁶⁸

According to CSTC-A, specific reasons for an ANA corps' failure to reach benchmarks for some of its equipment vary, but all suffer from similar conditions imposed by the combat environment. These conditions include battlefield damage and losses, poor maintenance management and reporting

Afghanistan Compact: ASSF Expansion

As part of the wider ASSF expansion, the first of two Mobile Strike Force Brigades was transferred to ANASOC's Special Operations Brigade East in August 2017. The other is scheduled to transfer to Special Operations Brigade South in August 2018.

Source: RS, response to SIGAR data call, 10/15/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.

FIGURE 3.31

ANA EQUIPMENT AND TRANSPORTATION FUNDS OBLIGATED (\$ BILLIONS)



Note: These figures are cumulative.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014," 1/17/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/17/2014; DOD, response to SIGAR data call, 1/17/2013.

(including misuse of mechanics), lack of logistics leaders, underuse of contracted maintenance, failure to evacuate mission-critical equipment to repair facilities, and poor supply-chain management. Further, CSTC-A noted that these data are from the end of an operationally demanding summer campaign; equipment readiness is expected to improve throughout the winter campaign due to a seasonal decrease in fighting, increased maintenance, and an emphasis on winter "reset operations."²⁶⁹

According to CSTC-A, an aspect of winter reset operations consists of moving ANA and maintenance contractors and equipment to the corps supporting the annual operational plan to improve readiness rates before the 1397 campaign (beginning in spring 2018). Further, on December 29, 2017, the National Maintenance Strategy-Ground Vehicle Support contract became fully operational for all ANA corps and ANP zones. Under the new contract, the contractor is responsible for providing training and mobile maintenance teams, and shifting the workload to the ANA and ANP over time to help both forces build a more sustainable maintenance capability.²⁷⁰

Core Information Management System

The Core Information Management System (CoreIMS) is part of the effort to address capability gaps in the Afghan logistical supply chain to ensure that the ANDSF are properly equipped. Since 2012, efforts have been under



Afghan Minister of Defense Tariq Shah Bahrami examines an ANA uniform during a visit to the Central Supply Depot in Kabul. (RS photo by Sgt. First Class E.L. Craig)

way to develop and implement an automated system within both MOD and MOI to replace a paper-based process to better monitor Afghan- and U.S.-purchased ANDSF equipment and supplies.²⁷¹

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.²⁷² According to CSTC-A, the challenge with any inventory-management system like CoreIMS is that once materiel leaves regional warehouses, inventory-management systems lose visibility because equipment is considered to be “issued.” CoreIMS, therefore, does not track lost, stolen, or destroyed equipment because it is not designed to do so. Nonetheless, to close the accountability gap between regional warehouses and corps-level supply depots, this quarter CSTC-A said the CorePropertyManagement (CorePBM) system will begin to be implemented in April 2018. CorePBM will provide visibility of accountable items issued from corps’ depots and brigade maintenance nodes.²⁷³ 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.²⁷⁴

This quarter, CSTC-A reported as of December 2017 that 187 Afghan logistic specialists are available to the ANDSF, and a substantial number have been actively logged into CoreIMS (123 operators have logged in over past 30 days). Training is ongoing with 24 classes held this quarter. Specifically, each logistics specialist is a college-educated Afghan responsible for training the ANDSF in CoreIMS. Afghan logistics specialists are

therefore a key element in CSTC-A's efforts to enable automated inventory management at the corps and zone level. Further, CSTC-A reported that a new contract began in November to provide a total of 274 college-educated Afghan logistics specialists, which is an increase from the 144 previously contracted.²⁷⁵ CSTC-A also noted that this increase in logistics specialists will coincide with initiating CorePBM as noted above. Both the implementation of CorePBM and the integration of additional logistics specialists is expected to conclude no later than March 2019.²⁷⁶

ANA Infrastructure

The United States had obligated and disbursed \$5.9 billion of ASFF for ANA infrastructure projects as of December 31, 2017.²⁷⁷ As of December 31, CSTC-A reported that facilities sustainment costs for FY 2017, covering all ANA facility and generator requirements, were roughly \$58.3 million; \$50.8 million was U.S.-funded through ASFF and \$7.5 million through the NATO ANA Trust Fund.²⁷⁸

According to CSTC-A, as of December 5, 2017, the United States has completed 436 ANA infrastructure projects in Afghanistan valued at \$5.4 billion, an increase of 19 projects completed since last quarter, with another 31 ongoing projects valued at \$115.4 million.²⁷⁹ The largest ongoing ANA infrastructure projects include two Northern Electrical Interconnect (NEI) substation projects, one in Balkh Province (\$27.7 million) slated for completion in October 2019, and one in Kunduz (\$9.5 million), due to be completed in February 2019. Additionally, an ongoing infrastructure and security improvement project at MOD Headquarters in Kabul (slated for completion in February 2019) has more than doubled in cost to \$13.6 million, of which \$5.8 million was awarded by the United States.²⁸⁰

Nine ANA infrastructure contracts with a total value of \$12.5 million were awarded this quarter. The largest of these include: the initial operating capacity infrastructure (utilities, barracks, dining facility, and other essential infrastructure) for Camp Commando in Kabul (\$6.5 million) as well as for the tactical operations center at Camp Pratt in Mazar-e Sharif (\$800,000), and classrooms for the Mobility School of Excellence (for training engineers) in Kabul (\$72,960).²⁸¹

The remaining 15 projects, valued at around \$135.3 million, comprise other ANA infrastructure and sustainment projects supporting the new MOD headquarters, the **Women's Participation Program** (WPP), and other security facilities.²⁸²

This quarter, CSTC-A reported three ongoing, four planned, and no completed projects to develop facilities for women in the ANA as part of the WPP. The ongoing projects include: WPP construction at the AAF base at Kabul International Airport (barracks, daycare, dining facility, \$1.5 million), WPP construction at the Marshall Fahim National Defense University (conference center, gym, daycare, \$5.3 million), and an MOD daycare expansion

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 ANDSF.

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

(\$984,873). Planned projects include: a dorm at Pohantoon-e Hawayee (the AAF's training school in Kabul, \$1.7 million), construction at Camp Zafar in Herat (daycare and kitchen, \$1 million), daycare and kitchen construction at the Kabul Military Training Center (\$1.1 million), and equipment and building upgrades for the Female Tactical Platoon (\$805,200).²⁸³

Afghanistan Compact: Unified Training Command

RS is tracking the Afghan government's efforts to establish a Unified Training Command (UTC) to streamline training efforts across the ANDSF. There are several milestones for the MOD's creation of a UTC and implementation of a Unified Training System (UTS). This quarter, RS reported that MOD accomplished the following:

- creation of a detailed, provisional Tashkil for the UTC HQ that was approved by CSTC-A
- developed and implemented UTC curriculum for training and education at existing UTS elements

Source: RS, response to SIGAR data call, 10/15/2017 and 12/13/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018; OSD-P, response to SIGAR vetting, 1/15/2018.

ANA and MOD Training and Operations

As of December 31, 2017, the United States had obligated and disbursed \$4 billion of ASFF for ANA, AAF, and MOD training and operations.²⁸⁴

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.²⁸⁵

As of December 2, 2017, CSTC-A reported 26 ongoing U.S.-funded training programs for the ANA and AAF. Most ongoing contracts span 6–12 months and include an \$81.2 million ANA advisors and mentors program, a \$48.1 million contractor logistics support maintenance training program for the UH-60 AAF fleet, and a \$43.5 million project to train ASSF.²⁸⁶

Afghan Air Force

For the first time, USFOR-A classified AAF authorized and assigned strength figures. 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.

Authorized-strength figures for the AAF and SMW were published in DOD's *Enhancing Security and Stability in Afghanistan* report. As of December 2017, the authorized strength of the AAF and the SMW is 8,626 personnel, not including civilians.²⁸⁷ Last quarter, USFOR-A reported that the assigned strength of the AAF was roughly 8,000 personnel, as of August 28, 2017. In addition, the AAF has approximately 250 civilian personnel.²⁸⁸

As of November 30, 2017, the United States has appropriated approximately \$5.1 billion to support and develop the AAF from FY 2010–FY 2017, with roughly \$1.4 billion appropriated in FY 2017. Additionally, DOD requested approximately \$1.6 billion for FY 2018, a large portion of which is earmarked for AAF sustainment costs. According to DOD's FY 2018 budget justification document, included in the \$1.6 billion is \$709.8 million for the second year of the Afghan Air Force Modernization (AAFMM) plan to continue the transition from Russian-manufactured helicopters to U.S.-manufactured UH-60 helicopters.²⁸⁹



AAF pilots wear Black Hawk pendants marking their completion of UH-60 helicopter training at Kandahar Airfield, Afghanistan. (USAF photo by Sgt. Veronica Pierce)

Also as of November 30, nearly \$4.6 billion has been obligated for the AAF from FYs 2010–2017, with roughly \$1.3 billion of those funds obligated in FY 2017 alone. The majority of the funding obligated since FY 2010 continues to be for sustainment items, which account for 44.1% of obligated funds, followed by equipment and aircraft at 39.1%.²⁹⁰

The AAF's current inventory of aircraft includes:²⁹¹

- 4 Mi-35 helicopters (two unavailable)
- 46 Mi-17 helicopters (22 unavailable)
- 25 MD-530 helicopters (one unavailable)
- 24 C-208 utility airplanes (one unavailable)
- 4 C-130 transport airplanes (two unavailable)
- 20 A-29 light attack airplanes (one unavailable)
- 4 UH-60 utility helicopters

The Mi-17 and Mi-35 helicopters are Russian-made, with the United States procuring 33 of the Mi-17s from Russia with ASFF funds (the others the Afghans had before 2001) but providing no funding or other support for Mi-35s. The A-29 planes are Brazilian-designed and manufactured in the United States. The rest of the AAF inventory is composed of U.S.-made aircraft.²⁹²

As of December 3, 2017, six of the 22 unavailable Mi-17s are in overhaul, four are in heavy repair, four are awaiting extraction and assessment, and eight have expired, meaning they will be reused once they are overhauled. One unavailable MD-530 and one unavailable C-208 are damaged due to

Afghanistan Compact: AAF Modernization Program

The AAF's effort to expand and increase its capabilities includes several milestones in the Compact. This quarter, RS reported that the AAF developed a comprehensive plan in preparation for AAF growth, to include personnel, organization, equipment, maintenance and sustainment, facilities, and leadership and training; received four UH-60s for initial training; and began creating its own specific recruiting policy and the ability to recruit independently.

Source: RS, response to SIGAR data call, 10/15/2017 and 12/13/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018; RS, response to SIGAR vetting, 1/16/2018.

hard landings. In addition to the one unavailable C-208, USFOR-A noted that the six C-208s belonging to the Shindand Air Wing are overdue for periodic maintenance, and while grounding them remains an AAF headquarters decision, USFOR-A has suggested that they do so. Two unavailable C-130s are going through routine depot-level maintenance.²⁹³ Of the 20 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. Another six have been procured as part of the AAFM. An additional A-29 was destroyed in the U.S. during training operations in March 2017. When the A-29 training program at Moody concludes, the remaining U.S.-based A-29s will be moved to Afghanistan.²⁹⁴

As part of AAFM, the AAF has received its first four UH-60s and Afghan pilots have begun qualifying to fly them. Additionally, the AAF is scheduled to receive 24 UH-60s in calendar year 2018, with deliveries of two per month. The AAF is also scheduled to receive 10 additional MD-530 helicopters beginning in July 2018, with deliveries of five aircraft per quarter beginning the third quarter of calendar year 2018.²⁹⁵

Over the next several years, the AAF inventory will grow with significant numbers of new or refurbished airframes. 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: 81 UH-60s, 38 Fixed Forward Firing UH-60s, 55 MD-530s, 24 C-208s, four C-130s, 25 A-29s, and 32 AC-208s.²⁹⁶

AAF Operational Readiness

AAF operational readiness over the reporting period remained approximately the same as last quarter 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).²⁹⁷

This quarter, USFOR-A indicated that AAF operational reporting had reverted to the pre-June 2017 standard. The number of sorties (defined as one takeoff and one landing) is again being used for reporting, rather than the number of "missions" (a single operation, which may include multiple sorties) as reported last quarter. According to updated data for last quarter provided by USFOR-A, the AAF flew 8,344 sorties from May 1 through July 31, 2017, at an average of 2,781 sorties per month, with the most sorties (3,347) flown in July 2017. The Mi-17 flew the most sorties (4,471) followed by the C-208 (1,921).²⁹⁸

This quarter, USFOR-A reported that the AAF flew 9,308 sorties from August 1 through October 31, 2017, at an average of 3,102 per month, with the most sorties (3,364) flown in August 2017. As in previous quarters, the Mi-17 flew the greatest number of sorties (4,892) followed by the C-208 (1,976).²⁹⁹ The Mi-17 continued to fly the most hours of any airframe, an average of 858 hours per month this reporting period, followed by the MD-530 at 814 average hours. This was a decrease compared to the Mi-17's

986-hour per month average last quarter, but an increase in the MD-530's 767-hour per month average reported last quarter.³⁰⁰

In aggregate, AAF airframes flew roughly the same number of hours per month this quarter (2,845) as last quarter (2,835 hours per month).³⁰¹ USFOR-A confirmed that the flight hours they provide include all hours flown by the airframes, whether those are operational hours, or maintenance, training, and navigation hours.³⁰²

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*.³⁰³ According to USFOR-A, this quarter:³⁰⁴

- **C-130:** 12 total pilots, including four aircraft commanders, two instructor pilots, two evaluator pilots, four copilots who are CMR; 19 total aircrew, including eight flight engineers (up three from last quarter), and 11 loadmasters (up two from last quarter) who are CMR.
- **C-208:** 41 total pilots, including 10 aircraft commanders, 11 instructor pilots, and 16 co-pilots who are CMR (plus three unqualified pilots); three aircrew loadmasters who are CMR (up eight pilots and three aircrew since last quarter).
- **A-29:** 14 total pilots, including eight aircraft commanders, two instructor pilots, and four wingmen who are CMR (up two from last quarter).
- **MD-530:** 55 total pilots, including 20 aircraft commanders, 27 copilots, and eight instructor pilots who are CMR (down four from last quarter).
- **Mi-17:** 82 total pilots, including 32 aircraft commanders, 11 instructor pilots, 39 copilots who are CMR; 104 total aircrew, including 27 flight engineers and 77 gunners who are CMR (up 24 gunners since last quarter).
- **Mi-35:** 10 pilots (not clear if they 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. Recruiting standards are also higher for the SMW than they are for the AAF or other ANDSF elements.³⁰⁵

The latest strength figures for the SMW are from June 2017, when the SMW had 788 personnel. This put the SMW at 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.³⁰⁶

For the first time, this quarter NSOCC-A provided key SMW data in an unclassified format. These include: the number and type of airframes in the SMW inventory, the number of pilots and aircrew for these airframes, and a percent-breakdown of counternarcotics and counterterrorism missions flown.

The SMW has a total of 33 Mi-17s on hand (nine Mi-17 version 1 and 24 version 5 variants) as well as a total of 18 PC-12 aircraft.³⁰⁷ According to NSOCC-A, the main difference between the Mi-17 version 1 and 5 variants is that version 1 mounts one door gun, versus two for version 5. The version 5 airframe is the newer of the two; none were built before 2013. Part of the AAFM, the SMW's Mi-17s will be replaced with a mix of UH-60s and a small quantity of U.S.-made, heavier lift rotary wing aircraft to meet the SMW's requirement for more lift capability than the UH-60s provide. A possible platform identified by DOD in 2015 could be the U.S. Army's excess CH-47s.³⁰⁸

The SMW has 58 Mi-17 pilots (including nine instructor pilots), 32 flight engineers (including 23 instructor crew), and 14 crew chiefs who are CMR. The SMW also has 33 PC-12 pilots (including nine instructor pilots) and 16 mission system operators (including 10 instructor mission system operators) who are CMR. NSOCC-A also reported that the SMW flew 316 sorties during the reporting period, with 8% of these sorties for counternarcotics operations and 92% for counterterrorism operations.³⁰⁹

The two main funding sources for the SMW are the ASFF and the DOD Counternarcotics (DOD-CN) fund.³¹⁰ According to NSOCC-A, from FY 2012 to November 29, 2017, approximately \$2.3 billion has been obligated for the SMW from both funds, roughly \$146 million more than last quarter. NSOCC-A notes that the additional funds are due to a new Mi-17 maintenance contract. NSOCC-A also reported that it requested \$305.5 million for the SMW for FY 2018, nearly \$100 million more than the funds obligated for FY 2017. The vast majority of the funding obligated since FY 2012 has been designated for equipment and aircraft (43.2%) and sustainment items (46.2%) with the rest going toward training and infrastructure costs.³¹¹

This quarter, NSOCC-A reported that the SMW continues to provide special forces aviation support to intelligence-driven counterterror and counternarcotics missions. NSOCC-A reported that at the end of the annual fighting season, SMW will begin a squadron rotation to better maintain operational readiness, as is the practice in the ANA. This enables the squadrons to rotate annually from Kabul to Mazar-e Sharif and Kandahar. It also allows

squadrons to rest, increase regional familiarization, and increase qualifications during winter when operational requirements are at their annual low. The annual rotation and reset cycle also prepares the squadrons for the 2018 fighting season.³¹²

In recent months, SMW has focused on developing new capabilities. SMW has begun training ground elements on rapid insertion and exfiltration techniques, as well as finalizing the use of encrypted air-to-ground communications. Both capabilities should be available for employment by the beginning of the 2018 fighting season.³¹³

SIGAR will report additional details about SMW capabilities in the classified annex to this report.

AFGHAN NATIONAL POLICE

As of December 31, 2017, the United States had obligated \$21 billion and disbursed \$20.7 billion of ASFF funds to build, train, equip, and sustain the ANP.³¹⁴

ANP Strength

For the first time, USFOR-A classified all ANP strength data this quarter, unlike last quarter when they provided rounded assigned-strength data. Information about ANP strength will be reported in the classified annex to this report. SIGAR's questions about ANP strength can be found in Appendix E of this report. Authorized-strength figures reported here are drawn from DOD's December 2017 *Enhancing Security and Stability in Afghanistan* report.

The current goal strength for the MOI is approximately 157,000. The MOI echelons include MOI headquarters and institutional support, the Afghan Border Police (23,219), the Afghan National Civil Order Police (17,030), General Command of Police Special Units (1,715), Afghan Uniformed Police (101,135), and TTHS (13,901).³¹⁵ The assigned, or actual, strength of the ANP remains classified.

ANP Attrition

USFOR-A classified ANP attrition data for the second consecutive quarter. SIGAR's questions 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 December 31, 2017, the United States had obligated \$8.8 billion and disbursed \$8.7 billion of ASFF for ANP sustainment.³¹⁶

According to CSTC-A, the United States spent \$74.2 million on ANP payroll and \$9.7 million of on incentive pay from January 1, 2017, through



Special Mission Wing members graduate from an eight-week training course in late November. (NATO photo by LaShawn Sykes)

Afghanistan Compact: Police Reorganization

Using the Compact, RS is tracking the reorganization of the ANP to fulfill its civil policing role. RS reported that the following Compact milestones were accomplished this quarter: in November, a civil outreach plan signed and established; a new MOI training curriculum was created; and, retraining MOI personnel began.

Source: RS, response to SIGAR data call, 10/15/2017 and 12/13/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.

November 30, 2017. The payroll funds included \$20.8 million, contributed by the United States on-budget (through ASFF) to LOTFA to pay for ANP salaries.³¹⁷

In addition to LOTFA, CSTC-A has provided \$78.1 million of ASFF funds for ALP salaries and incentives since the beginning of FY 1396. Last quarter, CSTC-A estimated ALP salary and incentive costs at \$73.8 million per year for the next two years, including the U.S. contribution to LOTFA.³¹⁸

CSTC-A reported that aside from payroll expenses, the majority of ASFF ANP sustainment funding for FY 1396, the greatest expenditures for the funds have been for fuel (\$12.2 million) and electricity (\$8.7 million).³¹⁹

ANP Equipment and Transportation

As seen in Figure 3.32, as of December 31, 2017, the United States had obligated and disbursed \$4.7 billion of ASFF for ANP equipment and transportation.³²⁰

CSTC-A reported the major items of equipment provided to the ANP from September 1 through November 30, 2017. During that period, the ANP received 75 M9 pistols, costing \$55,200.³²¹

Equipment Operational Readiness

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

CSTC-A reported this quarter that the new contractor the National Maintenance Strategy Ground Vehicle Support contract is responsible for providing maintenance and supply-chain-management training for the ANP while also conducting 95% of its vehicle maintenance for the next year. In years two through five, the contractor-led training will continue and the workload for the ANP will gradually shift over time to begin building the ANP's organic maintenance capability. During the contract's final year, the ANP is expected to assume 85% of its vehicle-maintenance workload.³²²

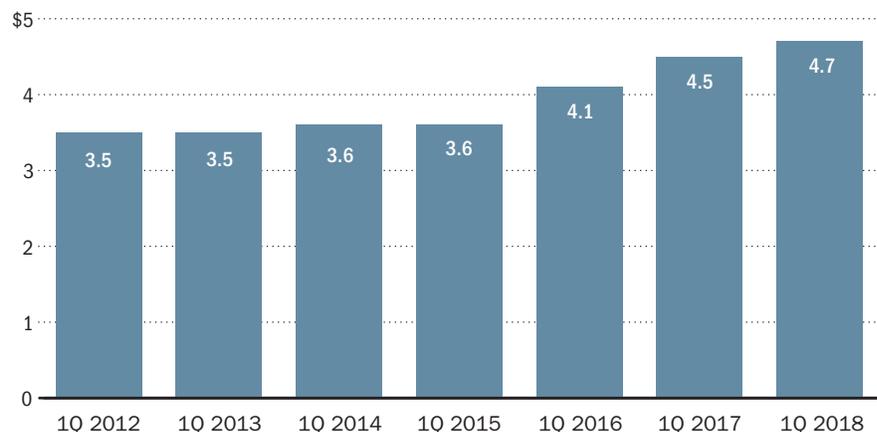
ANP Infrastructure

As of December 31, 2017, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.³²³

According to CSTC-A, as of November 30, 2017, the United States had completed a total of 752 ANP infrastructure projects in Afghanistan valued at \$3.6 billion. This quarter, CSTC-A reported 26 ongoing projects valued at roughly \$76 million. Five infrastructure projects in the planning phase will cost roughly \$108.4 million; the majority are Women's Participation Program (WPP) projects. One project was completed this quarter—a women's barracks and daycare center (costing roughly \$870,000) at the Afghan Border Police headquarters in Gardez, Paktiya Province.³²⁴

FIGURE 3.32

ANP EQUIPMENT AND TRANSPORTATION FUNDS OBLIGATED (\$ BILLIONS)



Note: These figures are cumulative.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2014," 1/17/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2013," 1/17/2014; DOD, response to SIGAR data call, 1/17/2013.

The largest ongoing ANP infrastructure project this quarter continues to be the installation of an information-technology server at the MOI Headquarters Network Operations Center in Kabul. This \$43.5 million project is expected to be completed in January 2018. The next-largest projects are two WPP projects: compounds for women at the Kabul Police Academy to be completed by June 2019 (\$7.1 million, up roughly \$360,000 since last quarter) and a women's training facility at the Police Central Training Command in Kabul, which is to be completed by March 2019 (\$3.9 million).³²⁵

CSTC-A reported that several other WPP projects are under way, the largest of which are training facilities and daycare centers for ANP regional training centers at Paktiya Province (\$3.8 million) and Herat Province (\$3.5 million), to be completed in March 2019 and September 2018 respectively.³²⁶

Three small ANP infrastructure contracts with a total value of \$843,400 were awarded this quarter. These include the renovation of three police special units, one in Logar Province (\$128,110), and two in Kabul Province (\$94,000 and \$56,360).³²⁷ CSTC-A reported, as of December 31, that the U.S. government spent roughly \$57.4 million of ASFF funds on ANP sustainment costs for FY 2017. Part of this amount is \$8.1 million to accommodate the growth of the Afghan special forces.³²⁸

CSTC-A provided an update on its infrastructure-related training and advisory role with MOI's Facilities Department (FD) engineers. This quarter, CSTC-A reported that its eight advisors meet daily with the MOI FD to train and advise on all aspects of facility engineering and program management including budget planning, contract reviews, project planning, and project development.³²⁹

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 November 30, 2017, there were 50 SME engineers working at MOI FD, an increase of 31 since last quarter. CSTC-A reported 20 SMEs working at MOI FD headquarters in Kabul and 30 SMEs working in provinces. A total of 72 SME positions are allotted for MOI FD. CSTC-A continues to evaluate, interview, and hire the remaining SMEs.³³⁰

ANP Training and Operations

As of December 31, 2017, the United States had obligated \$4.3 billion and disbursed \$4.2 billion of ASFF for ANP and MOI training and operations.³³¹

This quarter, SIGAR requested additional information about DOD's police-training capability for the ANP. According to USFOR-A, elements of the U.S. Army and Marine Corps, DOD civilians, and contractors assigned to Train, Advise, and Assist Command-East (TAAC-E), TAAC-South, and Task Forces Southeast and Southwest advise the Afghan Uniform Police (AUP), the largest civil policing element within the ANP. There are also U.S. Army, Marine Corps, Navy, and Air Force personnel (military and civilians) assigned in various other positions, including at RS headquarters and elsewhere, who have a direct advisory role with the AUP.³³²

However, USFOR-A characterized the current police-training effort as "minimal" for the AUP "as the Resolute Support Mission does not provide the type of tactical, hands-on training that was the case under ISAF," the International Security Assistance Force, the precursor of RS. USFOR-A noted that U.S. Special Operations Forces do provide direct training for the ALP and General Command of Police Special Units (GCPSU). The majority of the DOD personnel assigned to RS—including those with advising responsibilities for the AUP—are working with Afghan leadership to develop self-sustaining processes that will enable the ANP to conduct their own police training.³³³

CSTC-A uses U.S.-provided ASFF funds for professional military education, travel, living allowances, and medical expenses for the MOI, ANP, and GCPSU personnel to attend law-enforcement and military training in the United States. 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.³³⁴

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.³³⁵

The MOI's largest ongoing ASFF-funded training contracts include a \$64 million contract for MOI advisors and mentors, a \$13.9 million contract to train MOI special forces, and a \$4.8 million contract to train Afghan logistics specialists for the ALP.³³⁶

USFOR-A classified the percentage of trained and untrained ANP personnel this quarter. Last quarter, roughly 5,000 ANP personnel were untrained, about 4% of the force, as of August 31, 2017. Therefore, the ANP maintained better training readiness than the 5% untrained-personnel threshold mandated by the MOI's FY 1395 Bilateral Financial Commitment Letter.³³⁷

WOMEN IN THE ANDSF

According to the RS Gender Advisor Office, as of December 1, 2017, there were 4,632 women serving in the ANDSF, an increase of 443 personnel over the last six months.³³⁸ Of the total female personnel in the ANDSF, 3,193 were in the ANP, 1,185 were in the ANA, 139 were in the ASSF, and 115 were in the AAF. Of the women in the ANP, ANA, ASSF, and AAF, there were 1,502 officers, 1,659 noncommissioned officers, 1,303 enlisted personnel, and 168 cadets. The largest increase in female personnel occurred within the ANP, which added more than 300 personnel since May 2017.³³⁹

This quarter, there was renewed focus on sexual harassment and abuse of female members of the security forces when a graphic video was posted to Facebook purportedly showing an AAF colonel having intercourse with a young, unidentifiable woman who covertly recorded the encounter and gave the footage to a colleague. According to the *Guardian*, several of the colonel's co-workers confirmed that he had pressured the woman for sex after she had requested a promotion, with one pilot alleging that the colonel "has done this many times" with other women.³⁴⁰ The ANDSF women SIGAR interviewed for its fact-finding mission on the status of women in Afghanistan in October 2016 also reported sexual harassment, rape, and the abuse of female colleagues by male superiors. After public outrage over the Facebook incident, the MOD has said it has launched an investigation.³⁴¹

This is a rare example of a woman in the Afghan defense and police forces shedding light on the sexual harassment and abuse faced in the

Afghanistan Compact: Women in the ANDSF

As of December 2017, RS reported that MOI missed its required October 2017 deadline to strengthen its policy for dealing with sexual harassment and bullying of female personnel, to include penalties for violations as stipulated in the Compact.

Source: RS, response to SIGAR data call, 10/15/2017; SIGAR, analysis of RS-provided ANDSF data, 1/2018.



A female Ktah Khas national counterterrorism soldier trains alongside male colleagues on a firing range outside of Kabul. (USAF photo by Staff Sgt. Douglas Ellis)

workplace. Though harassment and abuse are pervasive, women frequently quit their jobs rather than speak out or identify their abusers. This is mainly out of fear that the abuser could kill the woman or even that one of her own family members could carry out an honor killing against her due to the harsh stigmas attached to rape.³⁴²

Both the ANDSF and its Coalition advisors are working to address sexual harassment and abuse issues within the security forces. The RS Gender Advisor Office told SIGAR this quarter that efforts are under way to make the ANDSF a safer place for women to work, including the construction of secure facilities for female personnel and continued training and advising on the finalization of the MOI's Sexual Harassment and Assault Policy. RS reported that they expect the MOI will implement its policy soon, but the MOD has just begun the process for developing its own policy.³⁴³

The FY 2018 NDAA stipulates that a goal of \$41 million (but no less than \$10 million) be spent for “the recruitment, integration, retention, training, and treatment of women in the ANDSF; and the recruitment, training, and contracting of female security personnel for future elections.” This is a \$16 million increase in the goal funding from the FY 2017 NDAA.³⁴⁴

The money can also be used for other projects that benefit women in the ANDSF: programs and activities of the MOD's Directorate of Human Rights and Gender Integration and the MOI's Office of Human Rights, Gender and Child Rights; development and dissemination of gender and human rights educational and training materials and programs within the MOD and MOI; efforts to address harassment and violence against women within the ANDSF; improvements to infrastructure that address the requirements of

women serving in the ANDSF, including appropriate equipment for female security and police forces, and transportation for policewomen to their station; support for ANP Family Response Units; and security provisions for high-profile female ANA and ANP officers.³⁴⁵

ANDSF MEDICAL AND HEALTH CARE

For the first time, USFOR-A classified the exact figures for assigned strength of medical personnel in the ANDSF this quarter, unlike last quarter, when they provided rounded assigned strength figures. SIGAR's questions 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.

Last quarter there were approximately 1,000 physicians and 3,000 other staff within the ANDSF healthcare system, as of August 21, 2017. Many positions reportedly remained vacant, including about 250 physician positions and nearly 450 other medical positions, according to CSTC-A.³⁴⁶

This quarter, CSTC-A reported that it procured and fielded \$910,000 in repair parts and tools for the ANDSF.³⁴⁷

The ANDSF Medical Command (MEDCOM) and the Office of the Surgeon General (OTSG) reported training over 7,000 ANA and 3,500 ANP recruits in the course of FY 1396. According to CSTC-A, approximately 300 ANA combat medics are trained annually, along with 375 ANP medics.³⁴⁸

This quarter, ANA MEDCOM and the Afghan Armed Forces Academy of Medical Sciences (AAFAMS) developed a memorandum of agreement with Craig Joint Theater Hospital (CJTH) at Bagram Airfield, enabling ANDSF medical professionals to obtain on-site training at CJTH. Coalition advisors began training ANDSF personnel on the Combat Casualty and Disease Non-Battle Injury Committee, which was chartered last quarter to enhance ANDSF medical decision making.³⁴⁹

As anticipated last quarter, the Afghan National Police Hospital (ANPH) renovation project experienced work delays. However, according to CSTC-A, President Ghani directed that the hospital be fully open on January 21, 2018.³⁵⁰

This quarter, ANA received 120,000 additional influenza vaccines to vaccinate much of the remaining unvaccinated ANDSF personnel.³⁵¹ Coalition advisors advised and assisted the ANDSF-wide vaccination program, which vaccinated 170,000 ANA and 110,000 ANP personnel.³⁵²

REMOVING UNEXPLODED ORDNANCE

According to the United Nations (UN), Afghanistan is one of the countries most affected by landmines and “explosive remnants of war” (ERW).³⁵³ The Department of State’s (State) Bureau of Political-Military Affairs’

Office of Weapons Removal and Abatement (PM/WRA) manages the conventional-weapons destruction program in Afghanistan. Since FY 2002, State has provided \$361.7 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has obligated approximately \$1.6 million in FY 2017 funds, representing no change from last quarter, and will obligate remaining funds upon availability. PM/WRA obligated a small portion of the FY 2017 funding because State's Bureau of South Central Asia has not finalized its congressionally-mandated spend plan and transmitted it to Congress. PM/WRA has not requested the release of FY 2018 funding under the Continuing Resolution.³⁵⁴

State directly funds six Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S.-based higher-education institution. These funds enable clearing areas contaminated by ERW and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices. As of September 30, 2017, State-funded implementing partners have cleared more than 236.7 million square meters of land (approximately 91.4 square miles) and removed or destroyed approximately 7.9 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.5).³⁵⁵

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 583.6 square kilometers (225.3 square miles) of contaminated minefields and battlefields. By the end of the quarter, the total known contaminated area was 547 square kilometers (211.2 square miles) in 3,933 hazard areas. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.³⁵⁶

USAID, in partnership with the UN Mine Action Service, provides services for victims and survivors of mines and ERW, as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP) III. The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians.³⁵⁷

ACAP III is a nationwide program with a budget of \$19.6 million—the amount was lowered in 2017 from \$30.2 million—and projects are expected to continue through February 2018.³⁵⁸ ACAP III works to enhance the government's capacity to better deliver services to the families of martyrs and disabled persons in Afghanistan. Some of the victims of conflict to whom ACAP III provides assistance are disabled.

After the deadliest militant attack in Kabul since 2001, ACAP III responded swiftly by distributing relief packages to 516 families, supporting nearly 4,000 civilians. The program assisted 1,110 people with psychosocial counseling and 184 victims with physical therapy support. ACAP III also

TABLE 3.5

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2017						
Fiscal Year	Minefields Cleared (m²)	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Estimated Contaminated Area Remaining (m²)*
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	31,897,313	6,646	37,632	88,261	1,158,886	547,000,000
TOTAL	236,751,619	70,314	1,919,908	5,945,555	83,620,528	547,000,000

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

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

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

Source: PM/WRA, response to SIGAR data call, 12/21/2017.

provided income-generation packages to more than 30 beneficiaries.³⁵⁹

Income-generation packages are not intended to compensate for income loss or to serve as reparations for damage or loss. An ACAP III staff member visits eligible families following the assessment process and determine how the program can provide short-term opportunities to improve their economic situation. Common income generation opportunities include agricultural farming, livestock, cargo tricycles, assistance for grocery shops, and other small business support.³⁶⁰

In December 2017, the UN Secretary-General reported the average monthly rate of casualties from mines, ERW and IEDs increased slightly to 169 from January to October 2017. The average casualty rate was 168 during the same period in 2016. ERW and IEDs account for 96.3% of casualties.

The UN Mine Action Service and Directorate of Mine Action Coordination declared 15 communities mine-free between August 1 and October 31. This enabled nearly 235,000 individuals to move freely within their communities. The UN estimates that over 3,300 minefields, 296 battlefields, and 37 contaminated firing ranges remain.³⁶¹

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GOVERNANCE

KEY ISSUES AND EVENTS

This quarter, there was significant political tension between the Afghan central government and powerful regional powerbrokers. The latest dispute followed the December 18 announcement by the Afghan presidential palace that it had accepted the resignation of Balkh Province Governor Atta Mohammad Noor. (President Ashraf Ghani already had replaced the governors of all 33 other provinces).³⁶² Noor is one of the founders, along with First Vice President Abdul Rashid Dostum, of the Council for the Salvation of Afghanistan, a rival political group that accused President Ghani of monopolizing political power.³⁶³ Noor rejected what he labeled as his dismissal. Claiming his removal was illegal and in violation of an agreement he had with President Ghani, he returned to the Balkh Province governor's office on December 30.³⁶⁴

In addition to being the governor of Balkh Province for the past 13 years and expressing an interest in running for president, Noor is the chief executive of the Jamiat-e Islami party.³⁶⁵ The Jamiat-e Islami party—one of the oldest and largest political parties in Afghanistan—issued a statement saying Noor's removal violated the terms of the 2014 power-sharing agreement that led to the formation of the national unity government.³⁶⁶ Jamiat party representatives held a series of negotiations with the presidential palace but, as of mid-January, there was no resolution of the matter. The dispute has sowed division within Jamiat, with Noor accusing President Ghani's coalition partner Chief Executive Abdullah Abdullah—who Jamiat backed in the disputed 2014 presidential election—of weakness. According to Reuters, Chief Executive Abdullah confirmed that he approved the decision to remove Noor from office.³⁶⁷

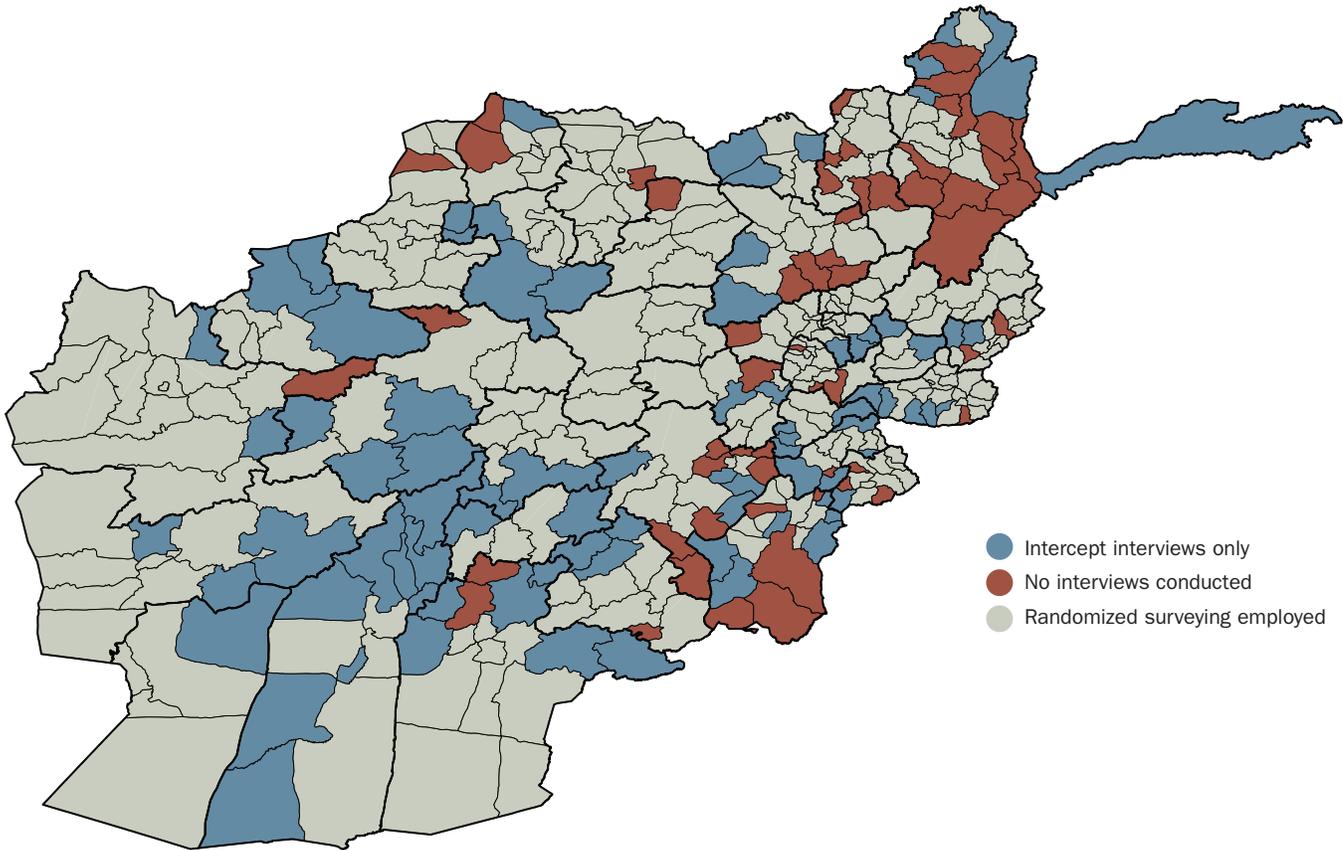
On January 16, Vice President Michael Pence spoke with President Ghani over the phone to encourage “the Afghan government to engage with Balkh Governor Atta and conduct a peacefully negotiated transition of leadership.”³⁶⁸

On December 2, an anti-Ghani rally was held in Kandahar Province that involved parliamentarians, former governors and ministers, and some local elders. According to the *New York Times*, the powerful Kandahar Province chief of police General Abdul Raziq was one of the hosts of the event.

GOVERNANCE

FIGURE 3.33

2017 SURVEY OF THE AFGHAN PEOPLE (DISTRICTS BY SURVEY METHOD)



Source: SIGAR analysis of the Asia Foundation's 2017 Afghan Survey Data (downloaded 11/16/2017).

Then-Balkh Governor Noor attempted to attend the rally, but the Afghan government reportedly denied his plane permission to take off.³⁶⁹

Following the presidential palace's announcement regarding Noor's dismissal, Raziq publicly came out in support of Noor, saying he still considered Noor the incumbent governor. Further, Raziq told reporters that the Afghan government cannot fire him.³⁷⁰ Noor has also warned the Afghan government against using the Afghan security forces to forcibly remove him from the governorship, claiming that a majority of these forces support him.³⁷¹

In November 2017, Agence France Presse reported that seven of First Vice President Dostum's bodyguards were sentenced to five years in prison for the abduction and sexual assault of Dostum's political rival in November 2016. According to the U.S. Department of Justice (DOJ), the failure to arrest or convict Dostum is an example of Afghanistan's weak and dysfunctional legal system.³⁷²

In November, the Asia Foundation released its annual *Survey of the Afghan People*. The survey polled 10,012 Afghan respondents aged 18 years and older between July 5 and July 23, 2017. The survey was conducted prior to President Donald Trump's August 21 announcement of his administration's strategy in Afghanistan, so its effect was not included. While optimism remains below the high point of 2013 (when 58.2% of respondents said Afghanistan was moving in the right direction), this year, optimism rose slightly from 29.3% in 2016 to 32.8% of respondents. For those who expressed optimism, the rebuilding of the country and improved security were cited as the most frequent reasons. Conversely, insecurity and crime, economic concerns, and governance issues were the most frequently cited reasons for pessimism. More than half of the Afghans surveyed (56.2%) believe the central government is doing a good job ("very good" or "somewhat good"), a 7.1-point increase over 2016 (49.1%).³⁷³

A number of districts were deemed too insecure for interviewers to randomly select a sample of respondents. To collect information on the perceptions of those living in insecure areas, the Asia Foundation relied on "intercept interviews." Intercept interviews are interviews with respondents traveling to or from an insecure or inaccessible district. Respondents are "intercepted" at bus stops, in hospitals, and in other places of transit. The Asia Foundation excludes intercept interviews from its main statistics because they are not random samples.³⁷⁴ Figure 3.33 shows the districts that relied exclusively on intercept interviews to gauge perceptions (in blue). The population of these districts represents approximately 15.5% of the total estimated Afghan population. Approximately 6.5% of the population lives in districts that were not included in the survey (in red).³⁷⁵

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of December 31, 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).³⁷⁶

AFGHANISTAN COMPACT

Last quarter, the U.S. and Afghan governments announced the launch of the "Afghanistan Compact" (which State has variously referred to as the "Kabul Compact" or simply "Compact"). The Afghanistan Compact is an Afghan-led initiative designed to demonstrate the government's commitment to reforms. 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.³⁷⁷

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The Afghanistan 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 (which State refers to as “voluntary, unilateral reform commitments”) to chart reform progress for the next three years.³⁷⁸ The Afghan government is not obliged to provide documentary evidence at these working group meetings to prove its progress in meeting the benchmarks, and has not done so.³⁷⁹

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 Afghanistan Compact reforms.³⁸⁰ However, there are no foreign assistance funds tied to the Afghanistan Compact, meaning the Compact does not create any obligations on the United States and there is no conditionality tied to any of the benchmarks.³⁸¹

This quarter, State reported that the Afghan government met the following governance-related Afghanistan Compact benchmarks:³⁸²

- held a monthly National Elections Forum (NEF) meeting to chart progress toward timely, credible, and inclusive elections
- issued a decree to add an enforcement mechanism to strengthen the audit law
- passed and implemented a land management and land acquisition law
- held a meeting of the Counter Narcotics High Commission

The deadlines for a number of governance-related benchmarks due this quarter were delayed, including:³⁸³

- create a voter list (originally due in October 2017 but postponed to April 2018)
- conduct voting and counting process (originally due in October 2017 but postponed to October 2018)
- tabulate elections results (originally due in October 2017 but postponed to October 2018)
- establish, and advertise in public media, an anticorruption tip hotline and provide financial rewards for tips that lead to corruption charges (originally due in November 2017 but not met, as the tip hotline that was established covered only corruption in the Attorney General’s Office, not the government as a whole)

Additionally, State reported that the Afghan government has successfully achieved a number of peace and reconciliation benchmarks ahead of schedule, including reforming provincial peace committees and establishing and implementing fiscal oversight and project-management procedures for High Peace Council and provincial peace council activities in 2017.³⁸⁴

ELECTORAL REFORM

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, 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.³⁸⁵ At present, parliamentary elections are still officially scheduled for July 2018. Presidential elections are slated for April 2019.³⁸⁶ In December, the UN Secretary-General's Special Representative for Afghanistan declared Afghan government electoral preparations insufficient.³⁸⁷

The Independent Elections Commission (IEC) has committed to connecting voters to specific polling centers during the registration process. According to State, elections experts assess that polling-center-based registration is the critical reform necessary to reduce ballot-box stuffing (the principal method of fraud in the 2014 election) by aligning the number of ballots delivered to each polling center more closely with the number of voters registered there.³⁸⁸

The IEC plans to begin voter registration in provincial capitals and districts in April 2018. Every eligible voter will be required to register at one of more than 7,000 polling centers. Voters will be required to present their citizenship identification at the time of registry (parallel to the voter registration, the Afghanistan Central Civil Registration Authority plans to distribute an additional 10 million identity cards). Each registered voter will receive a voter registration certificate (with a unique number) that will be attached to their national identification card and recorded in a central registry. The national identification card (with certificate) will serve as the voter's proof of registration. Once the voter registration effort is completed, old voter registration cards will be invalid. The IEC plans to recruit 33,000 personnel for the voter registration effort that is expected to cost \$28 million.³⁸⁹ According to the UN, donors have agreed to fund up to 90% of this voter registration effort.³⁹⁰

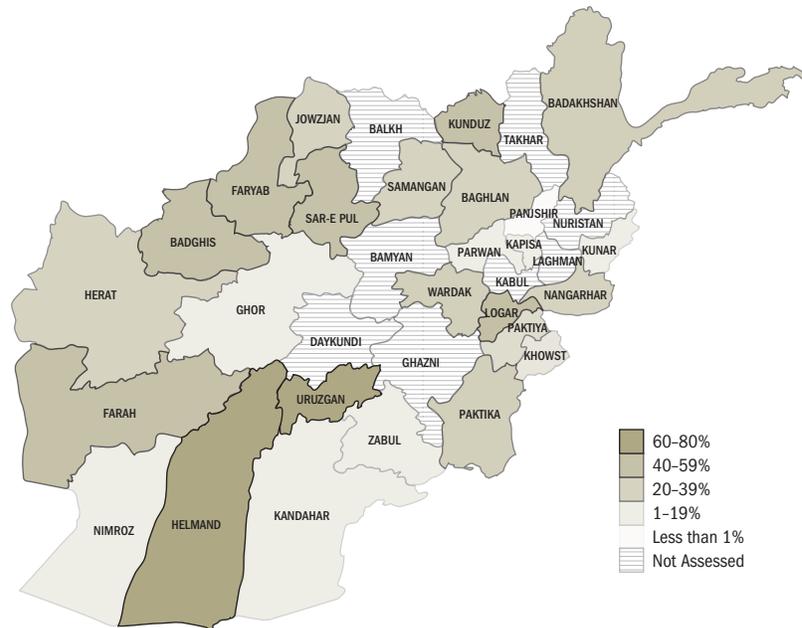
As of December 6, the IEC assessed 5,436 previously used polling centers but was unable to assess 1,744 other previously used polling centers due to insecurity. With the addition of replacement polling center sites, the IEC has approved 7,355 polling centers for the next election.³⁹¹ As shown in Figure 3.34 on the following page, certain provinces saw a large percent of the polling centers from the previous election become inaccessible due to insecurity.

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, which were subsequently delayed until 2018.³⁹²

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FIGURE 3.34

PERCENT OF PREVIOUS POLLING CENTERS NOT ASSESSED DUE TO INSECURITY, AS OF NOVEMBER 2017



Note: This data is as of November 2017 and includes the results of only 26 provinces that were assessed during the first three phases of polling center assessments.

Source: IEC, "PC Assessment Results," 11/2017.

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 sustainable political settlement with the Taliban.³⁹³ However, according to the UN Secretary-General, there was no discernible progress on peace talks between the Afghan government and the Taliban this quarter.³⁹⁴ State also reports that there have been no new developments in the Taliban's position on reconciliation.³⁹⁵

In its annual survey, the Asia Foundation found that only half of the Afghan respondents (52.3%) believed that reconciliation with the Taliban is possible. Additionally, approximately 15.7% of respondents expressed either "a lot" or "a little" sympathy for the Taliban.³⁹⁶

According to State, the Afghan government will announce a new a whole-of-government peace strategy at the Kabul Process Conference on February 1, 2018.³⁹⁷ However, the UN Secretary-General reported that the High Peace Council (HPC) finalized its strategic plan this quarter. This plan reportedly stipulates that the Afghan government will not negotiate from

a position of weakness. The plan also calls for peace talks to be hosted in Kabul, with no international intermediaries.³⁹⁸ In December, a senior HPC official said the Taliban could open a representative office either in Kabul or in a country of their choice. The same official said the Afghan government was ready to begin a peace process without any preconditions.³⁹⁹

Afghanistan's strategic plan for peace and reconciliation envisions an Afghanistan free of violence and armed conflict, where social cohesion prevails over fragmentation, and state institutions have the capacity to mediate as and when needed. The primary objectives of the plan are:⁴⁰⁰

1. armed opposition groups reconcile to a peaceful political and social life through inter-Afghan dialogue and negotiations
2. national consensus and public mobilization to garner support for Afghan-led solutions
3. community security and stabilization enhanced through community-based peace and stability initiatives
4. implement peace agreements with armed opposition groups after negotiated settlements
5. institutionalize and reinforce Afghan capacities for peace

According to the HPC, objectives 2 and 5 were the priorities for 2017.⁴⁰¹

According to State, the Afghan government continues to work through the HPC to prepare the Afghan public for negotiations with the Taliban through extensive outreach efforts in all 34 provinces.⁴⁰² The HPC reported that they sent delegations to 12 provinces between September and November 2017. These delegations held 48 events to meet with religious scholars, political and tribal leaders, university students, and representatives of victims of war. The HPC identified representatives of each group for future collaboration. The HPC claimed these efforts have created a nationwide momentum for peace, which it called a "revolution for peace."⁴⁰³ Additionally, the HPC reported that the Taliban rank and file desire to join the peace process. According to HPC-collected reports, there are a "huge number" of armed opposition fighters who wish to stop fighting.⁴⁰⁴

State said the HPC has significantly reformed and streamlined their staffing structures, held ambitious outreach activities to assess social attitudes toward reconciliation, documented challenges, mobilized support for reconciliation, and developed the capacity to facilitate the reconciliation process. State believes that the meetings held by the HPC ensures that the perspectives of women, youth, religious leaders, and civil society are heard.⁴⁰⁵

In December 2017, the HPC organized a gathering of 700 religious scholars, clerics, and prominent religious figures to discuss the war in Afghanistan. The participants unanimously called on the Afghan government to be more tolerant and patient towards the Taliban; refrain from using harsh words when describing the Taliban; increase its fight against moral and administrative corruption; ensure the Afghan security forces

(labeled the “true protectors of [the Afghan] nation”) remain apolitical; control media outlets to prevent programs that are in conflict with religious, cultural, and national values; and address causes of conflict such as narcotics trafficking, illegal mining, and smuggling alcoholic beverages. The participants also called on the Taliban to put forward their demands for peace, eject all members who have ties with international terrorism, and renounce violence as this would remove the justification for the continued presence of international forces.⁴⁰⁶ President Ghani reportedly accepted the demands and expressed hope that the Taliban would do so as well.⁴⁰⁷

State has provided \$3.9 million to the UNDP to support reconciliation (including the activities of the HPC). While this support was originally planned to last through 2017, State and other donors are currently in discussions with UNDP and the Afghan government on extending a UNDP pilot project through March 2018. According to State, a new UNDP peace and reconciliation-related project should then cover the remainder of 2018.⁴⁰⁸

In September 2016, the Afghan government finalized a peace agreement with Gulbuddin Hekmatyar’s Hezb-e Islami Gulbuddin (HIG) insurgent group.⁴⁰⁹ 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 upon signing the agreement, “This day starts the subsiding of war in Afghanistan and the beginning of rebuilding it.”⁴¹⁰

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.⁴¹¹

Regional Dynamics

U.S. frustrations with Pakistan grew throughout the quarter. On January 1, 2018, President Donald Trump said on social media that Pakistan provides safe haven to terrorists who operate in Afghanistan. He further vowed to no longer provide foreign aid to Pakistan.⁴¹² Previously, in December 2017, Vice President Michael Pence said that President Trump had “put Pakistan on notice” for continuing to harbor the Taliban, criminals, and terrorists.⁴¹³

On January 4, State announced that the United States had suspended security assistance to Pakistan until the Pakistan government takes decisive action against the Taliban and Haqqani network.⁴¹⁴

In late December, the Chinese government hosted the first set of talks with Afghanistan and Pakistan since the three countries agreed to establish a trilateral mechanism in June 2017. The three countries called on the Taliban to join peace talks with the Afghan government and promised to “not allow any country, organization or individual to use their own territory

to engage in terrorist activities against other countries.” Additionally, China’s foreign minister said that China and Pakistan would consider extending the Chinese-Pakistan Economic Corridor—a Chinese initiative involving approximately \$60 billion in Chinese investments in highways, railways, and power plants in Pakistan—into Afghanistan.⁴¹⁵

Earlier in December, the foreign ministers of China, Russia, and India issued a joint communiqué expressing their support for an Afghan-led peace process, labeling the Afghan security forces as a key to stabilizing Afghanistan, and advocating regional engagements with Afghanistan. A spokesman for the Afghan Ministry of Foreign Affairs was quoted in Afghan media calling Russia one of Afghanistan’s “good friends.” While still in India, the Russian foreign minister rejected U.S. concerns that Russia supported the Taliban.⁴¹⁶

Pakistan continues its efforts to build a fence between itself and Afghanistan, with plans to cover 2,400 kilometers by the end of 2018. As of December 2017, Pakistan has completed a section of approximately 150 kilometers. Afghanistan opposes the fence, which follows along the disputed colonial-era border.⁴¹⁷

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of Assistance Agreements

At the Brussels Conference in October 2016, the United States and other international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan’s development priorities.⁴¹⁸ 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 2020.⁴¹⁹

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.⁴²⁰ According to USAID, 47% of its assistance in FY 2017 was committed to on-budget mechanisms. Additionally, USAID reports that it is not necessarily committed to a specific on-budget target.⁴²¹

As shown in Table 3.6 on the following page, USAID expects to spend \$800 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).⁴²²

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 bilaterally from a donor to Afghan government entities, or through multidonor trust funds. (DOD prefers the term “direct contributions” when referring to Afghanistan Security Forces Fund (ASFF) monies executed via Afghan government contracts or Afghan spending on personnel).

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; DOD, OSD-P response to SIGAR vetting, 1/15/2018.

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TABLE 3.6

USAID ON-BUDGET PROGRAMS					
Project/Trust Fund Title	Afghan Government On-Budget Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Bilateral Government-to-Government Projects					
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	1/1/2013	12/31/2018	\$725,000,000	\$158,579,664
Textbook Printing and Distribution	Ministry of Education	9/15/2017	12/31/2019	75,000,000	0
Multi-Donor Trust Funds					
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	3/31/2012	7/31/2019	2,700,000,000	1,755,686,333
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	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 disbursement from the two ARTF awards is currently \$3,127,677,528.

Source: USAID, response to SIGAR data call, 1/17/2018.

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.

Civilian On-Budget Assistance

USAID delivers on-budget civilian assistance (1) bilaterally to Afghan government entities and (2) through contributions to two multidonor trust funds, the ARTF and the AITF.⁴²³ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance (MOF) for each program.⁴²⁴

The ARTF, administered by the World Bank, provides funds to the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.⁴²⁵ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁴²⁶ 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.⁴²⁷

As of November, the United States remains the largest donor to the ARTF (31.1% of actual contributions) with the next largest donor being the United Kingdom (17.2% of actual contributions).⁴²⁸ The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. As of November, 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 \$556 million for ad hoc payments since 2002.⁴²⁹

According to the World Bank, it is uncommon to apply the amount of fiduciary scrutiny it applies to overseeing the ARTF (particularly hiring private consulting firms as third-party monitors to compensate for the World Bank's limited field supervision and to supplement limitations of the Afghan government's own public financial-management systems) in budget support

operations. This scrutiny includes having a monitoring agent verify the eligibility of Afghan government-incurred expenditures for reimbursement by ARTF. Given that a large fraction of the government's recurrent-cost budget goes to government employees' salary payments, since 2014 the monitoring agent began conducting sample physical verifications of government employees to address concerns of possible "ghost" employees.⁴³⁰

Although physical verification of government employees was not contemplated in the original monitoring agent contract, the firm agreed to carry out these physical verifications without additional cost. According to the World Bank, this ad hoc arrangement—in which no additional resources have been made available to mitigate the security risks faced by the monitoring agent—means the geographic reach of the physical verifications carried out by the monitoring agent is limited. So far, around 40% of Afghan government employees on the payroll sample have not been subject to physical verification.⁴³¹

According to the latest monitoring agent report made available to ARTF donors, the monitoring agent recently selected a sample of 2,597 Afghan government employees for physical verification (during the period of time covered by this sample, the monitoring agent reported that there were on average 270,812 non-uniformed Afghan government employees serving in the provinces and 95,605 non-uniformed Afghan government employees serving at the central ministries). Approximately 43% of the initial sample were dropped due to security and accessibility concerns (according to the monitoring agent, verification can only occur in districts and provinces considered safe for their Afghan national monitoring team to visit).⁴³²

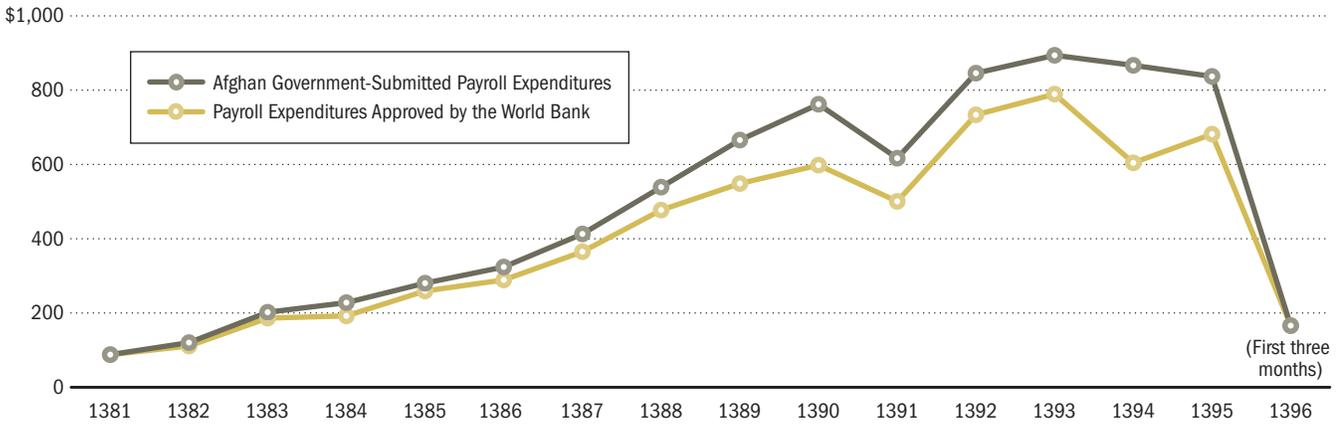
Of the 1,475 Afghan government employees remaining from the initial sample, 78% were physically verified without issue. Of the remaining 319 employees who were not physically verified, 55% were reported absent due to school exams, holidays, or vacation. Additionally, the monitoring agent did not have authorization to physically verify 20 individuals.⁴³³

Since the establishment of ARTF in 2002, the World Bank has approved approximately \$8.4 billion of \$11.8 billion Afghan government-incurred recurrent cost expenditures submitted to the ARTF (71.3%). As shown in Figures 3.35 and 3.36 on the following page, during this time, the World Bank approved Afghan government-submitted payroll expenditures at a higher rate (approximately 84%) than operations and maintenance expenditures (approximately 46%).⁴³⁴ Afghan government-submitted expenditures may be deemed ineligible for a number of reasons, including missing documentation (such a bank transfer or payment receipts, procurement documents or payment vouchers), noncompliance with procurement procedures, and payment not matching the supporting documents.⁴³⁵

GOVERNANCE

FIGURE 3.35

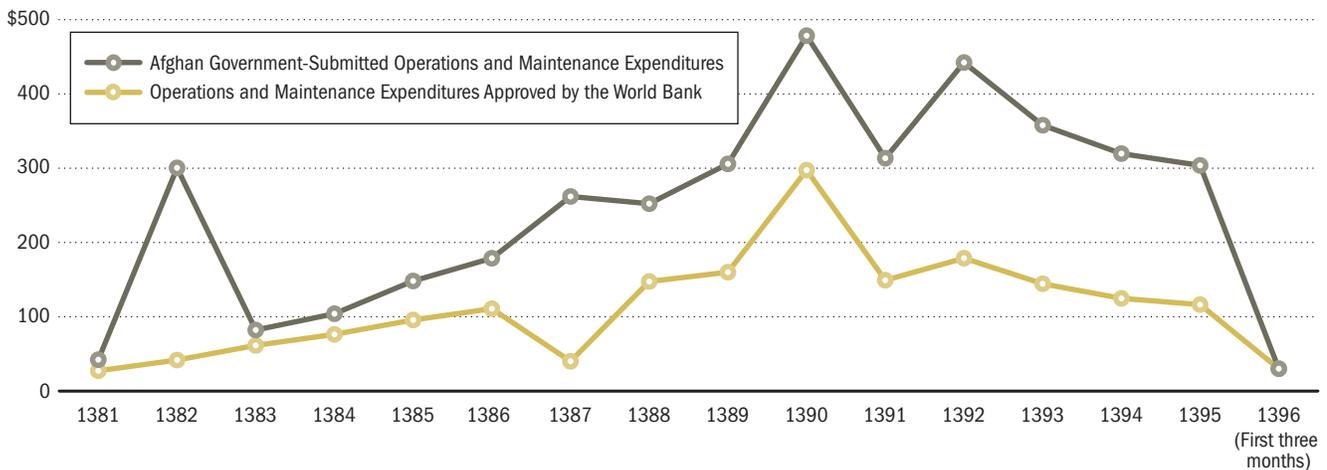
AFGHANISTAN RECONSTRUCTION TRUST FUND PAYROLL EXPENDITURE SUBMISSIONS AND APPROVALS (\$ MILLIONS)



Source: BDO, Monitoring Agent for Afghanistan Reconstruction Trust Fund (ARTF): Detailed Quarterly Management Report, Period Covered: Saratan to Sunbula FY 1396, 10/2017, p. 17.

FIGURE 3.36

AFGHANISTAN RECONSTRUCTION TRUST FUND OPERATIONS AND MAINTENANCE EXPENDITURE SUBMISSIONS AND APPROVALS (\$ MILLIONS)



Source: BDO, Monitoring Agent for Afghanistan Reconstruction Trust Fund (ARTF): Detailed Quarterly Management Report, Period Covered: Saratan to Sunbula FY 1396, 10/2017, p. 17.

On-Budget Assistance to the ANDSF

More than 60% of total U.S. on-budget assistance goes toward Afghan security forces' requirements.⁴³⁶ The U.S. Department of Defense (DOD) provides on-budget assistance to the Afghan government through direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund Ministry of Defense (MOD) and Ministry of Interior (MOI) requirements, and ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan (LOTFA).⁴³⁷ LOTFA is administered by the UN Development Program (UNDP) and primarily funds Afghan National Police salaries and incentives.⁴³⁸ Direct-contribution funding is provided to the MOI, which allots it incrementally to the MOD and MOI, as required.⁴³⁹

The U.S. Combined Security Transition Command-Afghanistan (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.⁴⁴⁰

For Afghan fiscal year (FY) 1396 (December 2016–December 2017), DOD planned to provide the equivalent of \$801 million to support the MOD and \$216 million to support the MOI directly to the Afghan government.⁴⁴¹

Despite the Afghan fiscal year's beginning in December 2016, only the MOI commitment letter has been signed. CSTC-A reports that they are enforcing the conditions in both the MOI and MOD commitment letters.⁴⁴²

One consequence of not fully finalizing the 1396 commitment letters is confusion regarding whether MOD and MOI are required to complete monthly assessments of their anticorruption efforts. An appendix to the 1396 MOD and MOI commitment letters shows an expectation of monthly assessments of the MOD and MOI counter- and anticorruption efforts. When SIGAR has requested copies of these monthly assessments, CSTC-A acknowledged that such a requirement was specified in the appendix of the commitment letters. However, since the commitment letters have not been signed, the MOD and MOI have not conducted any assessments as neither ministry was tasked with conducting them. CSTC-A says this issue will be addressed in future commitment letters.⁴⁴³

CSTC-A has reduced the number of conditions in the MOD and MOI commitment letters from 130 to 30. According to DOD in its public report, the original 130 conditions defined in previous commitment letters proved too difficult to enforce and accurately track. (However, USFOR-A responded to SIGAR that the conditions were reduced “to best meet the operational environment”).⁴⁴⁴ Imposing financial penalties for noncompliance with defined conditions, as originally envisioned, would often detract from the combat effectiveness of the Afghan security forces, DOD said. For example, penalties such as withholding fuel allocations inhibited unit mobility. Instead, DOD believes that alternative penalties—such as withholding funding for senior MOD or MOI official travel—is more effective.⁴⁴⁵

For Afghan fiscal year 1396, CSTC-A provided the Afghan government the equivalent of \$553.5 million to support the MOD.⁴⁴⁶ Additionally, as of December, CSTC-A provided the equivalent of \$184.4 million to support the MOI. Of these funds, \$20.8 million was delivered via the UNDP-managed LOTFA, while \$163.6 million was provided directly to the Afghan government.⁴⁴⁷

According to CSTC-A, the MOD and MOI have immature, but improving, capability to effectively manage ASFF funding. Both ministries reportedly fail to determine their actual needs and instead spend funds as provided. According to CSTC-A, many of the ASFF-funded MOD and MOI projects lack a measureable impact on Afghan defense capabilities. MOD and MOI have changed the priority of various ASFF-funded projects without clear rationale, resulting in inefficiencies. CSTC-A reports that it is now forcing MOD and MOI to develop prioritized procurement plans for ASFF-funded projects that are signed by the ministers of defense and interior. Any changes to these plans will require minister approval. Additionally, CSTC-A will fund the highest priorities before funding the lower ones.⁴⁴⁸

According to DOD, Secretary of Defense James N. Mattis does not support providing ASFF to the Afghan government to be executed via Afghan government contracts.⁴⁴⁹

CSTC-A reports that the involvement of the National Procurement Authority (NPA) and the National Procurement Commission (NPC) in MOD and MOI procurements has created unease within the MOD and MOI. This unease is reportedly due to the increased oversight and scrutiny of MOD and MOI procurement requests. For example, CSTC-A reports that the NPC has, on numerous occasions, highlighted inconsistencies that result in projects not being awarded until an independent investigation concluded. While CSTC-A reports that it is too early to know whether the increased oversight will result in improved MOD and MOI processes, they believe the trend is positive (the NPC was created in February 2015 by presidential order).⁴⁵⁰

NATIONAL GOVERNANCE

Capacity-Building Programs

As shown in Table 3.7, USAID capacity-building programs seek to improve Afghan government stakeholders' 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 such as civil society organizations and the media.⁴⁵¹

According to a recent USAID-commissioned assessment of USAID's progress in advancing the objectives contained in its 2015–2018 strategy for Afghanistan, USAID's implementation of the Afghan government's national technical assistance (NTA) policy (which aims to improve the Afghan

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TABLE 3.7

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$56,828,197
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	23,145,307
Rasana (Media)	N/A	3/29/2017	3/28/2020	9,000,000	1,249,700

Source: USAID, response to SIGAR data call, 1/17/2018.

government's recruitment and retention of civil servants by harmonizing the compensation of all Afghan national staff employed by donor-funded implementing partners) has forced USAID implementing partners to lower salary offers and reduce salaries for existing project staff. This created difficulties in hiring and retaining qualified staff and, in turn, has adversely affected project implementation. Multiple implementing partners reported that some donors subvert the NTA process by offering Afghan staff special benefits in lieu of salary.⁴⁵²

The assessment also found that most USAID capacity-building projects have performance indicators which are input- or output-based but do not measure effectiveness well.⁴⁵³

National Assembly

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). According to the parliament, these votes of no-confidence mean that the ministers are dismissed. President Ghani, however, ordered the ministers to continue working.⁴⁵⁴

This quarter, the Afghan government introduced 12 cabinet minister nominees to parliament (including replacements for five of the seven ministers who had previously received parliamentary votes of no-confidence). In December 2017, the parliament approved 11 of the 12 minister nominees (including all five replacement nominees). Only the nominee for minister of mines and petroleum failed to receive parliamentary approval (but remains in office as an acting minister). For the two remaining ministers who received parliamentary votes of no-confidence in 2016 (the ministers of foreign affairs and education), the minister of foreign affairs remains in office despite the previous no-confidence vote while the Ministry of Education is led by a new acting minister who was appointed by President Ghani in November 2017.⁴⁵⁵ The newly approved ministers include:

- Mohammad Shafiq Gul Agha Sherzai, Minister of Border and Tribal Affairs
- Mohammad Mustafa Mastoor, Minister of Economy

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- Shahzadgul Ayobiy, Minister of Telecommunication and Information Technology
- Tariq Shah Bahrami, Minister of Defense
- Naseer Ahmad Durrani, Minister of Agriculture, Irrigation, and Livestock
- Mujib-ul-Rahman Karimi, Minister of Rural Rehabilitation and Development
- Wais Ahmad Barmak, Minister of Interior
- Mohammad Hameed Tahmasi, Minister of Transport and Civil Aviation
- Najibullah Khwaja Omari, Minister of Higher Education
- Faizullah Zaki, Minister of Labor, Social Affairs, Martyrs and Disabled
- Yama Yari, Minister of Public Works⁴⁵⁶

In December, the lower house of parliament rejected a presidential decree that lowered the retirement age for military personnel. After the decree was rejected, an MOD spokesman said the ministry still plans to retire a number of officers over the next two years.⁴⁵⁷ Seven days before the start of the new Afghan fiscal year in December, the lower house rejected the draft national budget after the upper house approved the draft on November 22. Members of the lower house claimed the budget lacked balance among the provinces.⁴⁵⁸ However, on January 17, the lower house approved a revised budget.⁴⁵⁹

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.⁴⁶⁰ ALBA regularly supports parliamentary oversight visits to provinces. This quarter, the lower internal security and local administrations commission visited Baghlan Province to assess the overall security situation in the province, monitor food shortages affecting police officers, observe the condition of male and female prisoners, and monitor a sample of police checkpoints. During the visit to Baghlan Province, the delegation met the province governor, security heads, and prisoners. The delegation heard complaints of insufficient police, heavy weapons, clean drinking water, electricity, and medical doctors.⁴⁶¹

Civil Society and Media

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.⁴⁶²



USAID's Assistance to Legislative Bodies of Afghanistan project delivering training on the process of drafting a law. (USAID photo)

This quarter, the ACEP sponsored a group of 32 civil society leaders to travel to Sri Lanka for a 10-day study tour. ACEP also facilitated a civil society elections coordination meeting with participation from Afghan election management bodies, international donors, the Ministry of Interior, and civil society members. The session focused on constructive engagement of election-focused CSOs with Afghan government election-management bodies to exchange ideas about progress, existing challenges, and ways to cooperate to address the challenges.⁴⁶³

In March 2017, 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 also aims to 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.⁴⁶⁴ This quarter, Rasana trained female journalists in Balkh, Herat, and Kabul Provinces on the essentials of journalism. Rasana also sponsored 13 investigative reports that were published online by Afghan media outlets.⁴⁶⁵

This quarter, NAI, an organization supporting open media in Afghanistan, reported that there were 167 recorded cases of violence against journalists in 2017. This was down from the 415 recorded incidents in 2016. According to NAI, the Afghan government was involved in 37% of violent incidents in 2017, whereas insurgents were involved in 40%. NAI reported that 21 reporters were killed (the previous high was 14 in 2016); however, the Afghan government was not responsible for any of these killings.⁴⁶⁶

SUBNATIONAL GOVERNANCE

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 3.8 summarizes total program costs and disbursements to date.

TABLE 3.8

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2019	\$62,000,000	\$ 41,057,692
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	22,583,823

Source: USAID, response to SIGAR data call, 1/17/2018.

According to a recent USAID-commissioned assessment of USAID's progress in advancing the objectives contained in its 2015–2018 strategy for Afghanistan, some of USAID's subnational governance strengthening efforts are slowed by the pace of Afghan government reform, which itself is hindered by political uncertainty.⁴⁶⁷

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.⁴⁶⁸

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. Last quarter, USAID reported 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 MOF.⁴⁶⁹

This quarter, USAID reported that the Ministry of Economy recognized the improved quality of the recently submitted provincial development plans (which USAID attributed to ISLA's technical support). According to USAID, it is not yet possible to know whether the province-submitted projects have been approved by the central government and integrated into the national budget. USAID reports that this analysis will be conducted after parliament approves the budget.⁴⁷⁰

In April 2017, the MOF informed provincial governors of the unconditional fund budgets in the 1396 national budget. The purpose of the unconditional fund is to delegate a small amount of funding (and associated management responsibilities) to the provinces to improve capacities of province officials in public financial management. For each province, \$1 million was approved to be allocated across four sectors: education, health, agriculture, and rural development. The 16 ISLA-supported provinces developed and submitted 179 budget proposals to the MOF. As of September 2017, 175 of these projects have been contracted and \$1.4 million has been spent (out of the total \$16 million made available).⁴⁷¹

Strong Hubs for Afghan Hope and Resilience

The objective of the \$62 million SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population. Afghanistan's urban population has risen from 22% in 2004/2005 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.⁴⁷²

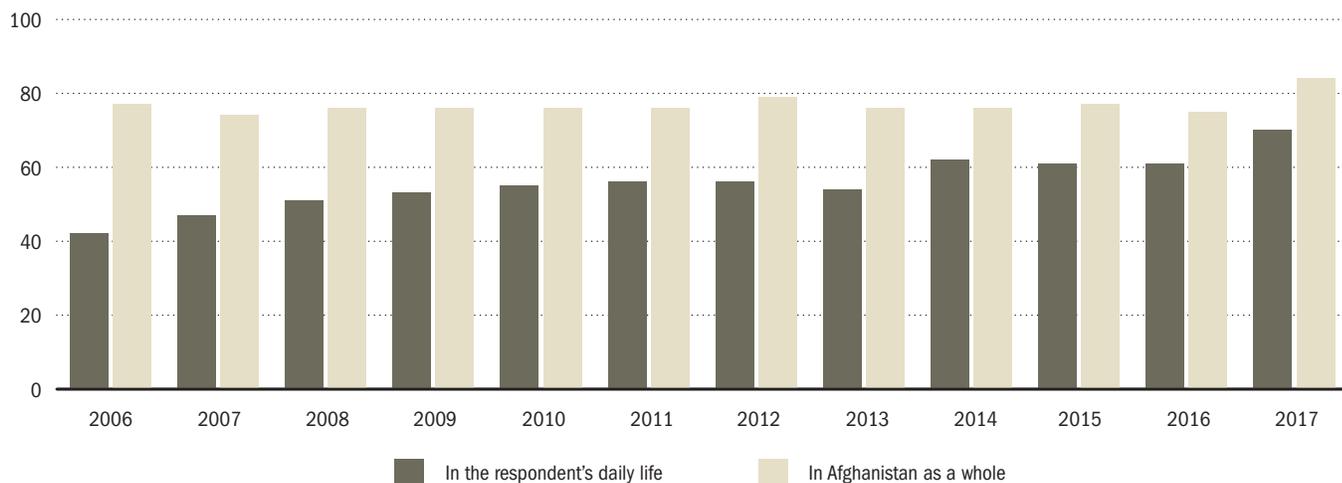
In October, SHAHAR reported that partner municipalities increased their revenue by 15% for the first three quarters of the Afghan fiscal year to the same period in the previous year. The municipalities that registered the largest increases in revenue were Maymana (106% increase, Faryab Province), Qala-e Naw (79% increase, Badghis Province), and Aybak (72% increase, Samangan Province). Expenditures increased by 16% compared to the previous year. The municipalities that registered the largest expenditure increases were Maymana (75% increase, Faryab Province) and Kandahar (60% increase, Kandahar Province).⁴⁷³

RULE OF LAW AND ANTICORRUPTION

According to the Asia Foundation, almost all Afghans surveyed in 2017 believe corruption is a problem in all areas of their lives, with 83.7% saying corruption is a major problem in Afghanistan as a whole, and 13.1% saying it is a minor problem. As shown in Figure 3.37 below, the number of respondents who believe corruption is a concern in daily life has continued to grow over the years, and has now reached a record high. Urban residents (81.5%) are significantly more likely than rural residents (66.0%) to perceive everyday corruption as a major problem.⁴⁷⁴

FIGURE 3.37

PERCENT OF RESPONDENTS SAYING CORRUPTION IS A MAJOR PROBLEM

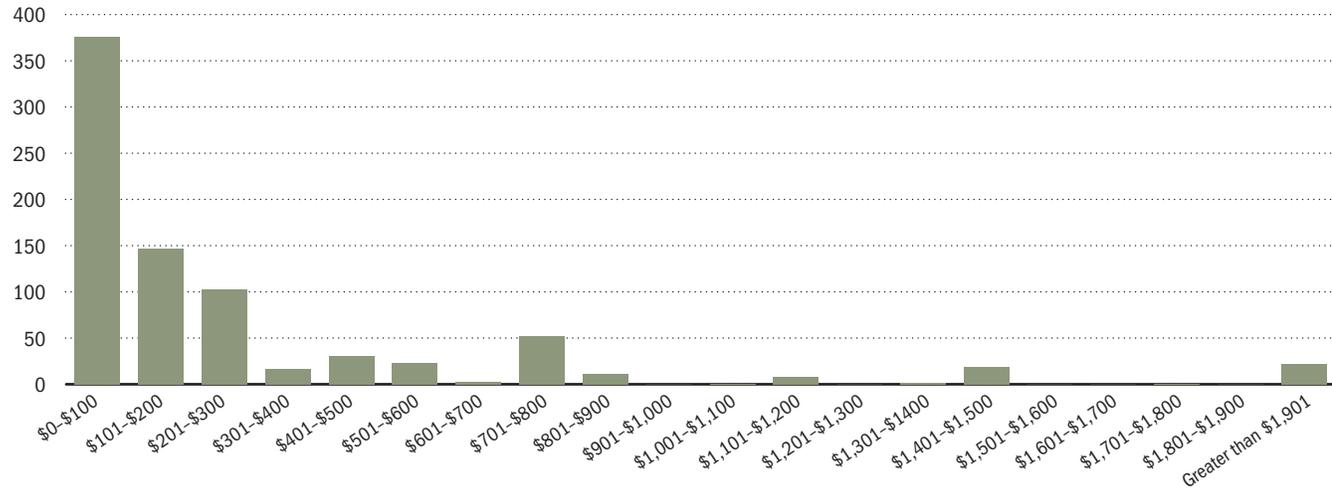


Source: The Asia Foundation, *A Survey of the Afghan People: Afghanistan in 2017*, p. 100.

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FIGURE 3.38

DISTRIBUTION OF BRIBES PAID TO THE JUDICIARY/COURTS

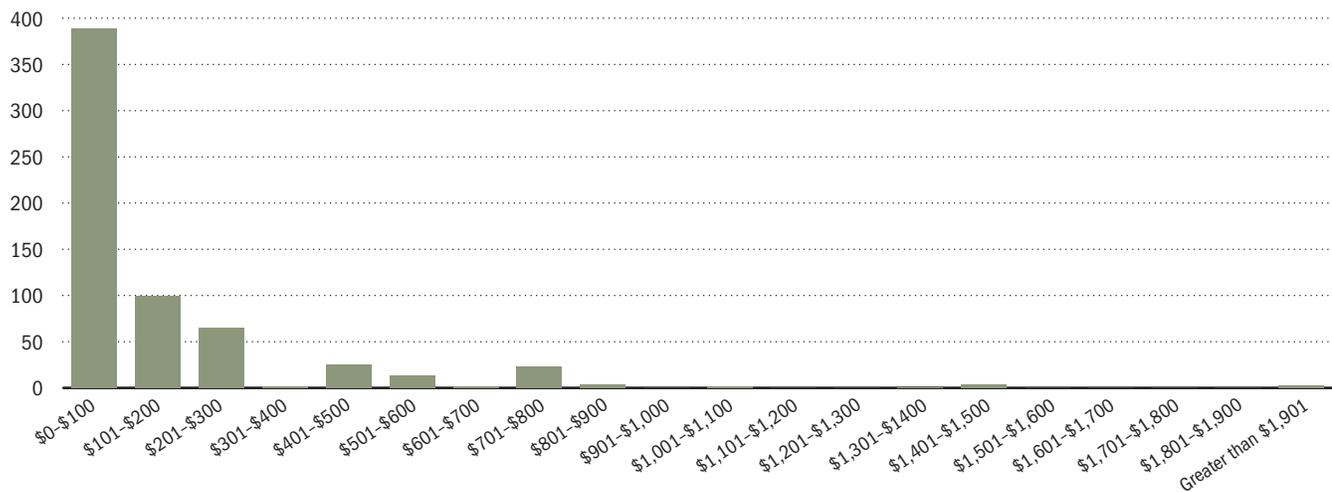


Note: Of the 3,677 randomly selected respondents who said they had interacted with the courts, 908 said they had to pay a bribe in all, most, or some cases. The reported value of the most recently paid bribes ranged from \$100 or less to more than \$10,000.

Source: SIGAR analysis of the Asia Foundation's 2017 Afghan Survey Data (downloaded 11/16/2017).

FIGURE 3.39

DISTRIBUTION OF BRIBES PAID WHEN APPLYING FOR A JOB

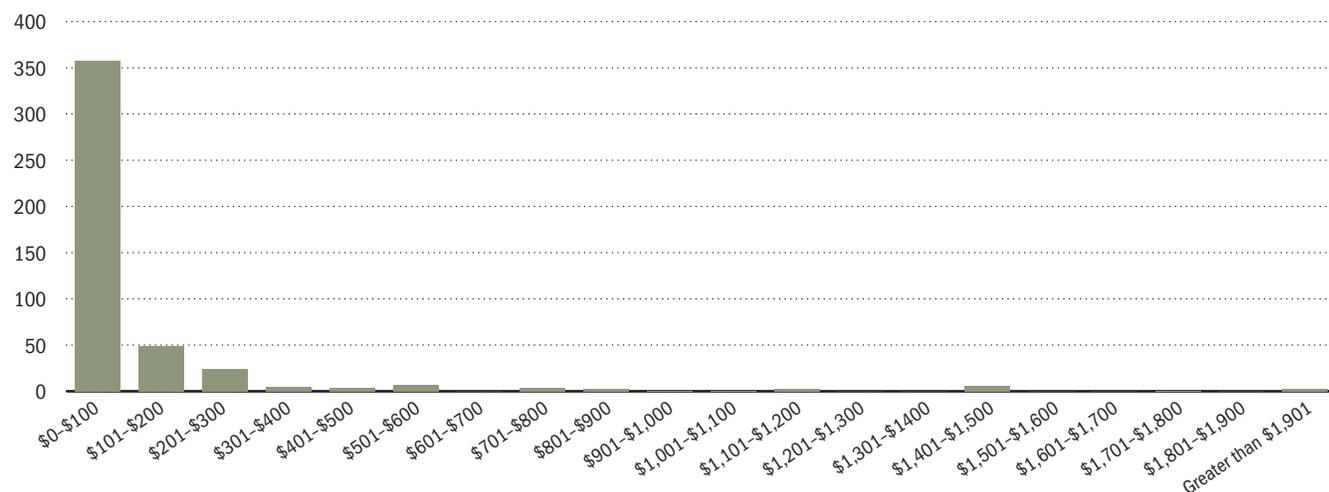


Note: Of the 3,842 randomly selected respondents who said they had applied for a government job, 702 said they had to pay a bribe in all, most, or some cases in which they applied for a job. The reported value of the most recently paid bribes ranged from \$100 or less to more than \$4,400.

Source: SIGAR analysis of the Asia Foundation's 2017 Afghan Survey Data (downloaded 11/16/2017).

FIGURE 3.40

DISTRIBUTION OF BRIBES PAID TO THE PROVINCE GOVERNOR



Note: Of the 3,449 randomly selected respondents who said they had contact with the province governor's office, 508 said they had to pay a bribe in all, most, or some cases in which they interacted with the province governor. The reported value of the most recently paid bribes ranged from \$100 or less to more than \$10,000.
 Source: SIGAR analysis of the Asia Foundation's 2017 Afghan Survey Data (downloaded 11/16/2017).

This year, for the first time, the Asia Foundation's survey asked the approximate cash value of bribes respondents have had to provide to obtain government services. Respondents reported providing the largest bribes (on average) to the judiciary and courts (\$347), followed by when applying for a job (\$172), and to the provincial governor's office (\$133).⁴⁷⁵ Figures 3.38 to 3.40, show the distribution of reported bribe value by institution.

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

SIGAR is currently responding to a FY 2017 Congressional directive to assess the Afghan government's implementation of an anticorruption strategy called for at the Brussels Conference on Afghanistan held October 4-5, 2016. This 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. SIGAR announced its audit on June 22, 2017, to determine the extent to which the Afghan government

- (1) Met the first part of the second (Self-Reliance through Mutual

- Accountability Framework) SMAF deliverable to draft and endorse a whole of government anti-corruption strategy by June 30, 2017;
- (2) Met the second part of the second SMAF deliverable to initiate implementation of the strategy by December 31, 2017;
- (3) Met the third part of the second SMAF deliverable for the five revenue generating ministries to publicly report on their progress implementing their anti-corruption action plans in 2017; and
- (4) Developed mechanisms for overseeing the development and implementation of the anticorruption strategy.

GOVERNANCE

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 3.9.

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 monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁴⁷⁶

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 contract began in August 2017 and has an estimated cost of \$20 million for the first year. The previous JSSP contract, which began in 2010, cost \$286 million.⁴⁷⁷

JSSP embeds Case Management System (CMS) advisors in various ministries including the Supreme Court, Ministry of Interior (MOI), Attorney General's Office (AGO), MOD, High Office of Oversight and Anti-corruption (HOOAC), National Directorate of Security (NDS), and the Ministry of Justice (MOJ). 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. The JSSP advisors conduct quality control audits each week to monitor the accuracy of data being entered into the online database.⁴⁷⁸ Despite these efforts, anecdotal evidence suggests that certain Afghan government entities still prefer alternative methods for tracking their cases. For example, this quarter, the U.S.

TABLE 3.9

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	11/27/2017	\$298,290,903	\$286,384,129
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	9,656,114
Justice Training Transition Program (JTTP) Follow On*	1/2/2013	1/15/2018	47,759,796	47,759,796
Afghanistan's Measure for Accountability and Transparency (AMANAT)**	8/23/2017	8/22/2022	31,986,588	31,986,588
Corrections System Support Program (OASIS CSSP)***	6/1/2017	11/30/2022	13,574,083	3,079,095
JSSP OASIS Contract	8/28/2017	8/28/2022	10,121,391	891,044
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: * The follow-on project is a no-cost extension with funds having already been disbursed.

** The award for this program is currently being protested.

*** Disbursements as of 10/29/2017.

Source: State, INL, response to SIGAR data call, 12/27/2017; USAID, response to SIGAR data call, 12/21/2017 and 1/17/2018.

Department of Justice Attaché informed State that various AGO offices were unable to provide him with requested case information using CMS. Instead, these AGO entities complained of the difficulty in using CMS and provided statistics derived from their own case management systems.⁴⁷⁹

This quarter, State's \$48 million Justice Training Transition Program (JTTP) finalized an institutional learning-needs assessment that tested the knowledge and skills of 30.5% of AGO prosecutors. Each assessment included 10 knowledge- and skills-related questions tailored to the prosecutors' specific function. Each question could receive a score of 0 to 3 (for a total maximum score of 30). Approximately 79.7% of prosecutors scored 20 or less, making them priorities for additional training. The assessment found that more junior prosecutors were generally less in need of training than their mid- and senior-level counterparts.⁴⁸⁰

In September 2017, State agreed to provide \$2.3 million to fund two international mentors and support staff for on-site technical assistance to Afghanistan's financial intelligence unit and two AGO prosecutorial units focused on corruption cases. This quarter, State and the UN Office on Drugs and Crime cooperated on recruiting the mentors and local staff.⁴⁸¹

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.⁴⁸² This quarter, ADALAT completed the assessment of their subcontractor that provides training to improve traditional justice decision making. The assessment team interviewed 66 ADALAT trainees from Khowst and Kunar Provinces.⁴⁸³ The trainees offered successes that they attributed to the ADALAT training, including:

- A woman confined to her house by her husband for eight years somehow attended an ADALAT training. At the training, she learned of her rights and petitioned the court. The court found the husband guilty and set the woman free. The trainee obtained a divorce and now reportedly lives an independent and happy life.
- Another ADALAT trainee recounted the story of a divorced couple and their young son. The ex-husband wanted to take the infant from his ex-wife and so appealed to a community development council to help him. Following an inquiry that included consideration of the ADALAT training, the community development council denied the petition and granted the custody to the ex-wife until the son is seven years old.
- Finally, a third trainee said that he had originally arranged to let a potential son-in-law marry his daughter after receiving the equivalent of more than \$7,000 in cash, gold jewelry, and other items as bride price. After attending an ADALAT training and learning about women's rights and the marriage law, the trainee claimed that he decided to

refuse the cash, jewelry, and other items but still allowed the marriage to proceed.⁴⁸⁴

Afghan Correctional System

As of October 31, 2017, the General Directorate of Prisons and Detention Centers (GDPDC) incarcerated 29,102 males and 951 females, while the MOJ's Juvenile Rehabilitation Directorate (JRD) incarcerated 712 male and 89 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.⁴⁸⁵

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite stagnant prison population numbers. As of October 31, the total male provincial-prison population was at 182% 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 122% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 59% of ICRC-recommended capacity.⁴⁸⁶

In September 2017, following two years of studies and lobbying by State, the LOTFA project board approved an increase of 1,400 positions for the GDPDC. State expects that this increase will help improve GDPDC capacity and help mitigate some of the staffing issues related to prison overcrowding.⁴⁸⁷

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 2017.⁴⁸⁸ On September 28, the High Council on Rule of Law and Anti-corruption approved the National Strategy for Combatting Corruption.⁴⁸⁹

Work on the draft anticorruption law was suspended in September 2017 following a meeting of the Criminal Law Reform Working Group (an Afghan-led working group populated by Afghan government and international justice actors). The working group had been developing the anticorruption law (at the direction of the Ministry of Justice) since late 2016. Working-group members noted the draft anticorruption law conflicts with the newly released anticorruption strategy. A central feature of the draft anticorruption law was the creation of an independent anticorruption commission that would be free from any undue influence of the government. At the meeting, the working group chairman noted that the anticorruption strategy would place anticorruption activities under the authority of the AGO, instead of an independent commission. The consensus of working group members was that the new strategy will fail due to

political interference at the AGO. As a result, work on the anticorruption law was suspended.⁴⁹⁰

DOJ continues to follow the case of the former minister of telecommunication and information technology, Abdul Razzaq Wahidi. Last quarter, Chief Executive Abdullah was quoted in Afghan media saying that Wahidi was cleared by the AGO of charges of having manipulated the ministry's revenue statistics. The AGO has accused Wahidi of having misused his office for personal gain and nepotism. According to DOJ follow-up, the AGO substantiated these allegations and completed their investigation against Wahidi in February 2017, but the case file was not forwarded to the Afghan Supreme Court until July 2017. The case has reportedly sat with the Supreme Court since that time without a clear explanation as to its disposition. According to State, the Supreme Court has rebuffed U.S. officials' attempts to obtain further information on the case, citing privacy laws that may not apply to corruption prosecutions regarding official acts.⁴⁹¹

Anti-Corruption Justice Center

In May 2016, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁴⁹² The ACJC brings together MCTF investigators, AGO prosecutors, and judges to combat serious corruption.⁴⁹³ 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).⁴⁹⁴ According to the Afghanistan Compact, the Afghan government was expected to develop, implement, and publish rules for when cases are to be submitted to the ACJC. However, as of December 2017, State reports the status of this benchmark is unknown.⁴⁹⁵

Since October 2016, the ACJC has considered 386 potential cases, of which 287 involve civilians and 99 involve military personnel. Of these, 53 have been referred to the ACJC's primary court or primary prosecution office. A number of potential cases were rejected for missing documents or lack of evidence (84 cases) or because they did not meet the ACJC's jurisdiction requirements (104 cases).⁴⁹⁶

The ACJC's primary court has concluded 24 trials, convicting 93 offenders. The ACJC's court of appeals has subsequently held 21 trials, convicting 72 offenders, while the Supreme Court has convicted 42 offenders in 15 trials.⁴⁹⁷ As of November 20, 62 defendants have had their cases referred to either the ACJC court of appeals or Supreme Court. Of those, 30 defendants had their sentences reduced while six had their sentenced increased.⁴⁹⁸

In November, the ACJC's court of appeals reviewed the case of two former MOI officials from Kandahar Province who were charged with embezzling police salaries. The ACJC's appeals court upheld an October primary court decision that sentenced one defendant to 20 years in prison and fined him the equivalent of more than \$330,000 (the approximate amount

of embezzled funds). The appeals court also sentenced an accomplice to 20 years in prison, overturning the primary court's previous acquittal.⁴⁹⁹

According to DOJ, the Supreme Court's decision to vacate the jail sentence of Herat Provincial Council Chairman Kamran Alizai harmed efforts to prosecute corrupt officials. Alizai had stormed a prosecutor's office with 20 bodyguards after an ally of his was questioned by Afghan government prosecutors. In a high-profile case, Alizai was convicted by the ACJC primary court of misuse of authority on March 17, 2017. However, he was not arrested until a month later and then only following negotiations with Herat elders and MOI officials. Unlike other detained ACJC defendants, Alizai was not incarcerated at Kabul's Pul-e Charkhi prison, but remained free until he agreed to detention in the guest quarters at Herat's police headquarters. Later, with the AGO's acquiescence, Alizai was released on bail. Alizai was sentenced to 30 months' imprisonment, which was reduced to eight months on appeal, after the prosecutor chose not to defend the sentence. Alizai further appealed to the Supreme Court, which vacated the imprisonment altogether and assessed a nominal fine of approximately \$175. He never served a day in jail.⁵⁰⁰

DOJ expressed concern that no Afghan authority disclosed the Supreme Court's decision to vacate Alizai's prison sentence. The U.S. Embassy became aware of the decision only in October 2017, after they specifically followed up with Afghan justice officials. According to DOJ, per the Criminal Procedure Code (CPC), the Supreme Court is generally supposed to remand such cases to the authorized court—in this case the ACJC—for re-adjudication if it overrules the verdict. However, the Supreme Court asserted to DOJ that the given CPC article did not apply and maintained that their decision was lawful. DOJ is also concerned that the issue was not handled transparently, especially given the intense media coverage of the conviction.⁵⁰¹

The ACJC has not been a factor in the most high-profile and egregious abuse of power and corruption cases DOJ reported. DOJ cited the failure to pursue three recent cases (First Vice President Abdul Rashid Dostum attacking a political rival; Balkh Governor Atta Mohammad Noor initiating a gun battle against a political rival that left two dead; and former Minister of Telecommunications and Information Technology Wahidi manipulating the ministry's computer system for tracking mobile phone card usage, misusing his office for personal gain, and nepotism) as examples that most obviously undermine rule of law in the eyes of the Afghan people and call into question the legitimacy of the government.⁵⁰²

According to a November Agence France-Presse report, ACJC-affiliated personnel remain under threat despite a presidential decree ordering increased security protections. A secure residential compound for ACJC staff and families is reportedly under construction but will

not be completed for another year. In the meantime, ACJC staff largely travel to work either in unarmored police vehicles, private cars, or public transport.⁵⁰³

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. 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.⁵⁰⁴

This quarter, the MEC published its assessment of the Ministry of Higher Education's (MOHE) implementation of its anticorruption plan. According to the MEC, the MOHE has made some, but insufficient, progress. The MEC found that the MOHE's anticorruption plan lacks baselines against which to judge progress. Additionally, the MOHE has hired only three of the eight personnel for the internal-audit directorate. On a positive note, the MEC found that MOHE had improved the university entrance exam process by registering students with a biometric system prior to their exam.⁵⁰⁵

The MEC also published a report on Afghanistan's public utility Da Afghanistan Breshna Sherkat (summarized on page 175 of this report) and a follow-up report on the Ministry of Public Health.

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. The MCTF investigated 373 cases in 1395 and 322 cases in 1396 (up to November 30, 2017). This quarter, the MCTF opened 17 corruption cases. The MCTF's Corruption Investigation Unit currently has approximately 58 trained corruption investigators.⁵⁰⁶

Last quarter, the position of MCTF director was reportedly upgraded from a brigadier general to a major general billet. This quarter, however, Resolute Support reports that the MCTF director remains a brigadier general. According to Resolute Support, the MCTF could be more effective if the director was promoted.⁵⁰⁷

According to Resolute Support, MCTF investigator morale remains 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.⁵⁰⁸

HUMAN RIGHTS

In November, the prosecutor of the International Criminal Court (ICC) announced that she had requested authorization to open an investigation into war crimes and crimes against humanity allegedly committed by any party in Afghanistan since May 1, 2003.⁵⁰⁹ A DOD spokesman responded that “an ICC investigation with respect to U.S. personnel would be wholly unwarranted and unjustified.”⁵¹⁰ In August 2017, the Afghanistan Independent Human Rights Commission had requested the ICC begin an investigation. A senior advisor to President Ghani responded that while Afghanistan respects the ICC’s independence, the Afghan government would have preferred that their domestic judicial system be strengthened to respond to such crimes.⁵¹¹

REFUGEES AND INTERNAL DISPLACEMENT

According to State, refugee returns to Afghanistan have fallen compared to the elevated levels in 2016. 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.⁵¹² As of December 24, 58,752 refugees have returned from Pakistan, Iran, and other countries. Some 98% of these refugee returns came from Pakistan. The number of refugee returns in all of 2017 fell to about 16% of the number of refugee who returned to Afghanistan in 2016.⁵¹³

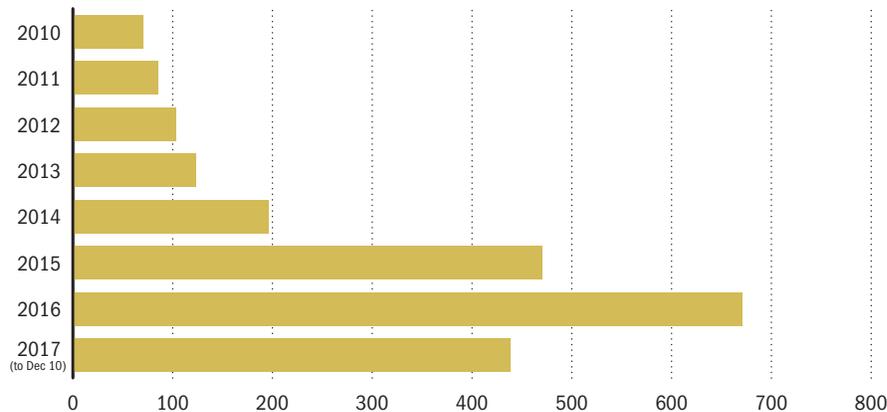
According to State, returning Afghan refugees from Pakistan interviewed by the United Nations High Commissioner for Refugees (UNHCR) said that



Participants celebrating International Migrants Day display the Afghan flag. (UNAMA photo)

FIGURE 3.41

CONFLICT-INDUCED DISPLACEMENTS OF PERSONS (THOUSANDS)



Source: UN OCHA, "Afghanistan: Conflict Induced Displacements in 2017 - Snapshot," 6/18/2017; UN, OCHA, "Afghanistan Weekly Field Report," 12/24/2017, p. 1.

the primary reasons for their return were improved security in Afghanistan, lack of employment opportunities in Pakistan, abuse by police or state authorities, and strict border entry requirements.⁵¹⁴

On January 3, 2018, Pakistan's federal cabinet decided to extend recognition of 1.4 million Afghan refugees for only one month, rather than the expected one-year. A UNHCR representative said that this move went against a previous understanding from November 2017 in which Pakistan, Afghanistan, and UNHCR agreed to a one-year extension. Pakistan's cabinet said that Pakistan can no longer continue to bear the economic burden of hosting Afghan refugees. Additionally, a Pakistani military spokesman claimed that Afghan refugee communities hinder counterterrorism efforts as they provide cover for launching attacks into Afghanistan.⁵¹⁵

As of December 23, 97,642 undocumented Afghans returned from Pakistan while 453,600 undocumented Afghans returned from Iran. Approximately 4% of Afghan returnees from Pakistan were deported (with the remainder spontaneous returns) whereas approximately 59% of Afghan returnees from Iran were deported.⁵¹⁶

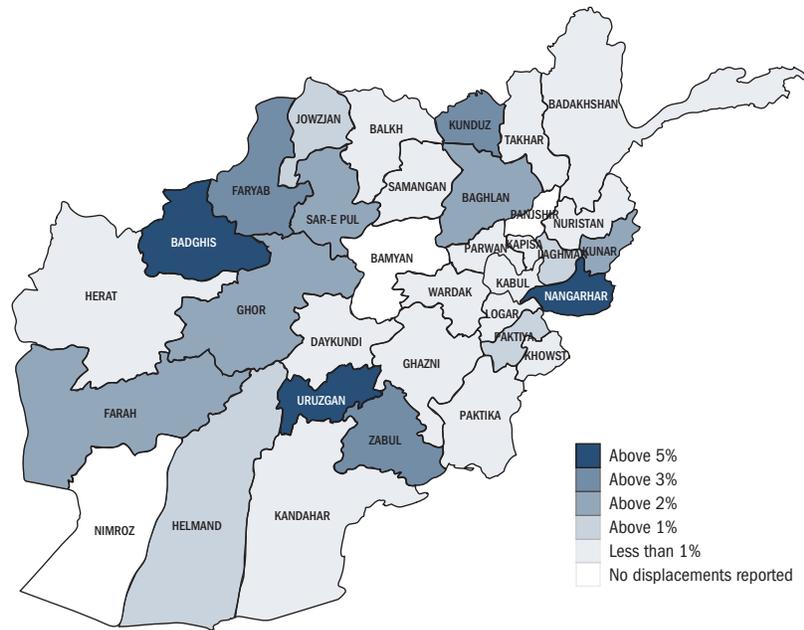
As shown in Figure 3.41, there has been less internal displacement this year compared to last. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), as of December 19, 437,907 people have fled their homes due to conflict.⁵¹⁷ According to State, 261 natural disasters in 2017 contributed to internal displacement affecting 111,543 individuals in 33 out of 34 provinces.⁵¹⁸

As shown in Figure 3.42 on the following page, as of December 19, approximately 8% of the estimated population of Nangarhar Province

GOVERNANCE

FIGURE 3.42

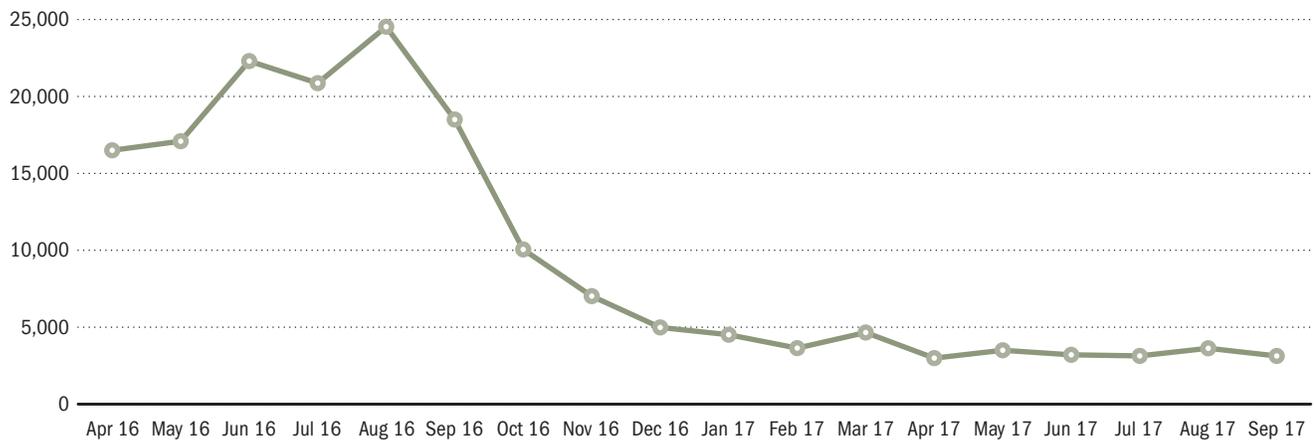
PROVINCE POPULATION DISPLACED BY CONFLICT 2017



Source: Humanitarian Data Exchange, "OCHA Afghanistan: Afghanistan - Conflict Induced Displacements in 2017," 12/24/2017; Central Statistics Office, "Estimated Population by Civil Division, Urban, Rural, Nomicid and Sex-2017-18," n.d.

FIGURE 3.43

FIRST-TIME AFGHAN ASYLUM APPLICANTS TO THE EUROPEAN UNION



Source: EUROSTAT, "First time asylum applicants in the EU-28 by citizenship, Q3 2016-Q3 2017," 12/13/2017.

was displaced due to conflict. Uruzgan (6.68%), Badghis (6.04%), Kunduz (3.86%), Faryab (3.16%), and Zabul (3.06%) Provinces registered more than 3% of their total estimated populations as displaced by conflict.⁵¹⁹

Eurostat, the statistical office of the European Union (EU), reported 32,395 first-time Afghan asylum seekers in the EU in the first nine months of 2017 (a decrease of approximately 80% from the first nine months of 2016). As shown in Figure 3.43, the number of Afghan asylum applications from July to September 2017 was 2% higher than the number for the previous three months.⁵²⁰

GENDER

The largest gender-focused initiative in USAID’s history is the Promote partnership, which 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.⁵²¹ USAID has committed \$280 million to Promote.⁵²² Table 3.10 show the current Promote programs.

According to a recent USAID-commissioned assessment of USAID’s progress in advancing the objectives contained in its 2015–2018 strategy for Afghanistan, the Promote programs have been “a major force for women with leadership potential.” However, the assessment did not elaborate significantly on the achievements of the Promote programs in particular. Instead, the assessment touted how girls comprise 39% of school enrollment and health has registered “exceptional advances for women and girls.” However, the assessment notes that maternal mortality has begun to climb for the first time in 15 years as insecurity results in more women dying at home in childbirth without access to skilled assistance and life-saving medication. Additionally, the assessment found that gender-based violence remains widespread and accepted as a norm.⁵²³

TABLE 3.10

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Promote: Women in the Economy	7/1/2015	6/30/2019	\$71,571,543	\$25,392,990
Promote: Women’s Leadership Development	9/23/2014	9/22/2019	41,959,377	27,063,615
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	16,603,101
Promote: Women’s Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	10,489,948
Promote: Rolling Baseline and End-line Survey	2/21/2017	10/20/2020	7,577,638	1,601,030
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, 1/17/2018.

GOVERNANCE

As of November, the Women in the Economy (WIE) program has placed 5,103 interns. Of these interns, 37% are in the education sector, 23% in the technology sector, and 22% in the education sector. The program has helped 1,501 interns gain full-time employment. Thus far, 38,372 women have enrolled in job placement services offered by WIE.⁵²⁴

According to USAID, WIE has encountered difficulties in placing interns in about half of the program provinces. Challenges include potential host companies not having the financial or human resources to host interns, security concerns, and companies not meeting WIE criteria for safe, women-friendly workplaces. During the last few months, WIE reduced its internship and apprenticeship efforts in certain provinces and shifted to more urban areas to better serve the more robust private sector in these more developed areas. WIE no longer maintains full-time representatives in Kunduz, Kapisa, Nuristan, Uruzgan, Faryab, Paktika, Parwan, Daykundi, Wardak, Kunar, or Panjshir Provinces due to the low numbers of prospective beneficiaries and host companies or because of security considerations.⁵²⁵

As of November, 2,815 women have received or are receiving civil service training and internships through Promote's Women in Government (WIG) program. So far, 67 interns have gained full-time employment in the government. This quarter, WIG assisted 1,800 WIG-sponsored interns respond to an Afghan government announcement of 9,000 entry-level and 8,000 teaching positions.⁵²⁶

This quarter, Promote's Women in Civil Society program reported on the efforts of one of their partner civil society organizations in its advocacy efforts in Nangarhar Province. After meeting with residents in two districts, the grantee advocated with the province education directorate to increase in the number of female teachers in two villages. As a result of the meeting, 33 new female teachers were recruited. In addition, the grantee met with members of provincial council to address complaints of boys harassing girls while going to school. It was decided in the meeting that village elders and mullahs would talk to the parents of the perpetrators. As a result, 23 girls resumed going to school in the Kama District.⁵²⁷

This quarter, a USAID third-party monitor finalized its mid-term performance evaluation of the Promote Women's Leadership Development (WLD) program. USAID designed WLD to enable Afghanistan's most talented young women to enter public, private, and civil society sectors, advance into decision-making positions, and become future leaders. According to the evaluation, the WLD program is doing a good job of preparing a new generation of Afghan women leaders. A large majority, 86% of the 1,176 telephone survey respondents who had graduated from WLD's training program, agreed or strongly agreed that the training was relevant to their interest in securing a management or leadership position.⁵²⁸ Many WLD trainees identified negotiations training as their favorite topic, citing

SIGAR AUDIT

SIGAR is currently conducting a performance audit of Promote that is assessing 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, Promote contractors, and program participants.

examples of how they had applied new negotiation skills at home, in preparation for employment, and on the job.⁵²⁹

The WLD evaluators found that a few informants raised concerns about the impact the economic and security situation in Afghanistan could have on the ability of WLD graduates to take full advantage of their newly acquired leadership potential. As one informant from the private sector put it: “Is WLD raising expectations that cannot be filled?” Even with the constraints Afghanistan’s environment places on women’s leadership, the evaluators reported that most key informants (85%) agreed that the WLD program is contributing to the creation of a critical mass of young women from which the next generation of leaders in the public, private, and civil society sectors will emerge.⁵³⁰

ECONOMIC AND SOCIAL CONTENTS

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ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES AND EVENTS

In November 2017, the World Bank released its semiannual *Afghanistan Development Update*, summarizing the institution's current views on the situation in Afghanistan. The Bank said persistent deterioration of the security environment appeared to be preventing the Afghan economy from recovering fully from the 2014 security transition. Economic growth was projected to continue at a pace of 2.6% in 2017, an increase of just 0.4 percentage points over 2016. The World Bank anticipated that industry and services would grow by 2.0% and 3.3%, respectively, in 2017. Growth in agricultural output was expected to decline to about 1.5% this year, following a 6.0% increase in 2016.⁵³¹

On December 8, 2017, the International Monetary Fund (IMF) completed its second review of Afghanistan under the Extended Credit Facility. The ECF is an IMF financing vehicle that provides assistance to countries experiencing extended balance-of-payments problems. The IMF said that Afghanistan had met all quantitative performance criteria and indicative targets. It continued to predict 2.5% Gross Domestic Product (GDP) growth for 2017, and projected 3.0% growth in 2018. Projections for future growth were contingent on continued donor support and implementation of reforms, among other factors. In the near term, the IMF said, growth would not be strong enough to reduce unemployment.⁵³²

The government's fiscal year (FY) 1397 budget, although approved by Afghanistan's cabinet and upper house of parliament on November 5 and November 21, 2017, respectively, was initially rejected by the lower house of parliament for the ninth consecutive year.⁵³³ Following extensive negotiations, the lower house subsequently approved the AFN 377 billion (\$5.4 billion) budget on January 17, 2018.⁵³⁴ An Integrity Watch Afghanistan (IWA) report released in December said the lower house's repeated rejection of draft national budgets has "generated a pattern of patronage where the [members of parliament] get the chance to negotiate their benefits with the Ministry of Finance and other ministries."⁵³⁵ According to the Afghanistan Analysts Network, the budget was designed to address both corruption and declining levels of donor support, and departs from previous budgets in several important respects—for example, by discontinuing the practice of carrying unspent development funds over to the next year.⁵³⁶

IWA warned that, historically, the budget process “has been riddled with incompetence, corruption, and collusion.”⁵³⁷

This quarter, USAID told SIGAR that it is currently conducting an energy-sector assessment to ensure that its power infrastructure projects are aligned with the Trump Administration’s new South Asia strategy, which was announced last quarter on August 21, 2017.⁵³⁸ USAID said two key segments of its \$725 million Power Transmission and Connectivity (PTEC) program would be on hold until the review is complete.⁵³⁹

SIGAR analysis this quarter showed that Afghan government revenue growth remained strong in FY 1396 (December 22, 2016, to December 21, 2017). The Ministry of Finance categorizes domestic revenue as either “sustainable” or “one-off.”⁵⁴⁰ While sustainable domestic revenues increased by 15%, aggregate revenues grew by 7%, year-on-year from FY 1395 to FY 1396.⁵⁴¹ Due to data limitations, SIGAR was unable to compare total FY 1396 expenditures with MOF- or USAID-supplied data for FY 1395. However, a comparison of current FY 1396 data exported from Afghanistan’s government-wide accounting system to FY 1395 figures reported by the World Bank shows that year-on-year expenditures appear to have grown by just over 4% in FY 1396.⁵⁴²

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 since 2002. 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 \$15.7 billion has been disbursed.⁵⁴³

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.⁵⁴⁴

State’s budget request indicates that ESF investments will be made in key sectors like agriculture and natural resources. They intend to 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 will also be used to enhance civic engagement to combat violent extremism, and to empower women through increased access to education and employment opportunities.⁵⁴⁵

USAID Working to Align Programming with New U.S. South Asia Strategy

On August 21, 2017, President Trump announced the new U.S. strategy in Afghanistan and South Asia. The strategy involves the “integration of all instruments of American power—diplomatic, economic, and military.” The President also emphasized his hope that India would begin to play a larger role in economic assistance to Afghanistan, and underscored that the U.S. would “participate in economic development to help defray the cost of [the] war.”⁵⁴⁶

This quarter, USAID told SIGAR that it is developing its first Country Development Cooperation Strategy (CDCS). The CDCS will articulate how USAID plans to support the new U.S. South Asia strategy. USAID expects the CDCS to be completed by the summer of 2018, but has shared with SIGAR the high-level contours of how the new strategy will affect U.S. economic and social development programming.⁵⁴⁷

USAID said it plans to help Afghanistan produce private-sector-driven, export-led growth by increasing the country’s competitiveness and export capacity. USAID expects these efforts to “bridge the massive trade deficit, improve the fiscal strength of the government, and create millions of sustainable private sector jobs.”⁵⁴⁸ The agency added that the CDCS, which will cover the years 2018–2021, will not only support President Trump’s broad vision for the region, but also U.S. military efforts and the Afghan government’s National Peace and Development Framework, which describes Afghanistan’s plan to achieve self-reliance. USAID hypothesizes that the combination of export-led economic growth; additional gains in education, health, and women’s empowerment; and increased Afghan government accountability to its citizens will create a “more inclusive, economically viable, and self-reliant country.”⁵⁴⁹

In remarks at the Center for Strategic and International Studies on November 27, 2017, Office of Afghanistan and Pakistan Affairs Assistant to the Administrator Greg Huger clarified USAID’s approach to private-sector development. USAID will focus efforts on market areas in and around Afghan cities. According to Huger, these are areas where the government has greater control, where ready workforces exist, and where Afghan businesses can establish facilities to process products from the countryside.⁵⁵⁰ About 72% of Afghans, however, do not live in urban areas.⁵⁵¹ SIGAR will continue to track and report on the developing implications of the new U.S. strategy as they become clearer.

ECONOMIC PROFILE

According to the IMF, Afghanistan remains poor, conflict-affected, and aid-dependent.⁵⁵² Near-term growth is expected to be modest: the IMF projected 2.5% GDP growth for 2017, and 3.0% for 2018.⁵⁵³ The World Bank projected

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 (in 2016, 3.6% and 2.1% respectively). Opium-related earnings boost domestic demand and are a significant source of foreign exchange. Exports of opium were valued at \$2 billion in 2015.

The estimated net value of opium production was \$2.9 billion in 2016, representing the equivalent of 16% of GDP. The United Nations Office of Drugs and Crime estimated that the farm-gate value of opium production—national potential production multiplied by the weighted average farm-gate price of dry opium at the time of harvest (which excludes money made by traffickers)—for 2017 was \$1.4 billion, a 55% increase over the 2016 figure of \$0.9 billion.

Source: World Bank, *Afghanistan Development Update*, 11/2017, p. 1; IMF, "IMF Executive Board Concludes 2017 Article IV Consultation and Completes the Second Review Under the ECF for the Islamic Republic of Afghanistan," Press Release No. 17/476, 12/8/2017; ADB, *Asian Development Outlook 2017*, 4/2017, p. 178; ADB, *Asian Development Outlook 2015*, 3/2015, p. 167; CSO, *Afghanistan Statistical Yearbook 2016-2017*, p. 163; UNODC, *Afghanistan Opium Survey 2017 Cultivation and Production*, 11/2017, p. 8; UNODC, "Afghanistan opium crop cultivation rises 36 per cent, production up 49 per cent," 11/13/2013, <http://www.unodc.org/unodc/en/frontpage/2013/November/afghanistan-opium-crop-cultivation-rises-a-record-36-per-cent-opium-production-up-49-per-cent.html>, accessed 1/15/2017.

2.6% and 3.2%, respectively.⁵⁵⁴ Growth expectations were contingent on continued substantial donor support, implementation of reforms, improvements in confidence, and no additional deterioration in security.⁵⁵⁵

The World Bank said the worsening security situation appeared to be preventing consumer and business confidence from fully recovering from the effects of the 2014 security transition. Economic activity was sluggish in the first half of 2017. Whereas about 1,700 new firms were registered in the first half of 2016, only 1,500 were registered in the first half of 2017, according to Afghanistan's Ministry of Commerce and Industries. Confidence may have improved modestly in response to the recent announcement of the new U.S. strategy, according to the World Bank, based on anecdotal evidence.⁵⁵⁶ Business sentiment rose slightly over the first half of 2017, according to survey results from the Afghan Chamber of Commerce and Industries.⁵⁵⁷

Year-on-year consumer price inflation has leveled off. The World Bank reported that a spike of 7.5% in May 2017 had subsided to 3.8% in September 2017, year-on-year. A relatively steady exchange rate, combined with stable global commodity prices, may have accounted for the slowdown in domestic food and energy price increases since May 2017, according to the World Bank. Because Afghanistan imports both fuel and cereals, its domestic prices tend to ebb and flow with global commodities markets.⁵⁵⁸

The IMF recommended that the Afghan government support growth by reducing corruption, improving the business climate, increasing human and physical capital, strengthening institutions, and increasing access to financial services. IMF directors continue to underscore the many obstacles impeding Afghanistan's development, including aid dependence, political uncertainty, and corruption, among others.⁵⁵⁹

Afghanistan's FY 1397 Budget Passed Following Initial Rejection by Lower House

On November 5, 2017, Afghanistan's cabinet, which consists of top Afghan government officials, including President Ghani, approved the Ministry of Finance's (MOF) draft FY 1397 budget.⁵⁶⁰ Afghanistan's upper house—the *Meshrano Jirga*—subsequently approved the budget on November 21, 2017.⁵⁶¹ However, three weeks later it was initially rejected by the lower house—the *Wolesi Jirga*—for the ninth consecutive year due to concerns about imbalance among provinces and cuts in the development budget.⁵⁶² Following extensive negotiations, the lower house eventually approved the AFN 377 billion (\$5.4 billion) budget on January 17, 2018.⁵⁶³

Anticipated expenditures in the version of the budget approved by the lower house were about AFN 20 billion (approximately \$288 million) higher than those in the draft initially presented by the MOF in early November, a 6% increase.⁵⁶⁴ According to Afghan news reporting, the development budget increased by AFN 17 billion, accounting for the majority of the

difference in allocations between the draft and final versions.⁵⁶⁵ Overall, however, the FY 1397 budget was about AFN 52 billion (nearly \$1 billion, accounting for the depreciating afghani)—or about 12%—lower than that of FY 1396.⁵⁶⁶ When the MOF introduced the draft budget, it expected that the Afghan government would finance 47.5% of total expenditures. Donors were expected to finance the remaining 52.5%.⁵⁶⁷

The MOF said the budget was prepared in accordance with international standards.⁵⁶⁸ According to the Afghanistan Analysts Network (AAN), this year's draft budget request represented a significant departure from previous years because it provided greater detail on anticipated expenditures at the ministry, project, and province levels, eliminated the practice of carrying unspent development funds over to the next year, and incorporated more realistic projections over a longer time horizon.⁵⁶⁹

AAN said the budget was designed to address both corruption and declining levels of donor support.⁵⁷⁰ It addressed the latter by providing projections to 2021—a year that existing donor commitments do not cover—and by jettisoning the carryover provision, the abandonment of which would decrease budgetary rigidity and allow the government to better address national priorities.⁵⁷¹ The draft budget addressed corruption not only through greater transparency, but also through reductions in so-called 'contingency' categories that, as effective "non-allocations" open to negotiation, are susceptible to rent-seeking, according to AAN.⁵⁷²

AAN had foreshadowed that shepherding the budget through parliament intact might be difficult.⁵⁷³ In a December 2017 report, Integrity Watch Afghanistan (IWA) said that, historically, the budget process had "been riddled with incompetence, corruption, and collusion." In particular, IWA underscored that the "decisions of Wolesi Jirga to reject the National Budget have generated a pattern of patronage where the parliamentarians get the chance to negotiate their benefits with the Ministry of Finance and other ministries." IWA claimed that an additional 350 projects worth \$70 million were "forced into the National Budget" last year as a result of this "patronage." These projects, according to IWA, were included "against the relevant laws" in part so that MPs could secure reelection.⁵⁷⁴

Because the FY 1397 budget was passed just before this report went to press, SIGAR has not yet seen the final version of the document. SIGAR will provide further analysis in its April quarterly report.

Fiscal Outlook: Some Improvement, But Still Fragile

The IMF said that the Afghan government's fiscal performance has generally been good. **IMF-defined domestic revenue** targets for June 2017 under the IMF's Extended Credit Facility program were exceeded by 20%. However, the IMF noted that execution of Afghanistan's **development budget** remained relatively low at about 21%—in line with recent trends. Historically, low execution rates have degraded public confidence in the

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.

Development budget: one of two components of the Afghan government's national budget—the other being the operating budget. The operating budget generally covers recurrent expenditures for government salaries and operations and maintenance, while the development budget generally covers all other government investments and projects.

Source: IMF, *First Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria*, 5/8/2017, p. 60; Afghanistan Analysts Network, "The 2018 Afghan National Budget: Confronting hard realities by accelerating reforms," 12/5/2017, p. 5; Afghanistan Analysts Network, "Parliament Kicks Out Ministers Again: A multi-dimensional power struggle," 12/19/2016.

Afghan government, according to the AAN. Revenue collection, in the IMF's judgement, remained strong.⁵⁷⁵

Nevertheless, Afghanistan's overall fiscal position continues to be fragile. In the IMF's estimation, the Afghan government's revenue collection amounts to approximately 11% of GDP (reflecting marginal improvements in recent years to pre-security-transition levels), and covers only half of recurrent expenditures.

Short-term opportunities to increase revenue through taxation remain limited due to insecurity and the potential for tax measures to adversely affect economic growth. The security situation, in particular, imposes significant constraints. A study published by the IMF this quarter concluded that conflict-related violence appeared to have reduced the Afghan government's 2016 revenues by about 50%.⁵⁷⁶

Afghan authorities believe that recent efficiency gains in revenue collection are unlikely to continue, as prolonged emphasis on collection could negatively affect business activity.⁵⁷⁷ This view may account for the more modest government revenue projections reflected in the Ministry of Finance's FY 1397 budget. While Afghanistan's FY 1396 budget projected revenue growth of 8.1% in 2018 and 7.2% in 2019, the current draft budget projections are substantially lower: 4.6% in 2019 and 5.9% in 2020.⁵⁷⁸

Government Revenues and Expenditures: Strong Year-on-Year Revenue Gains in FY 1396

Afghan government revenue growth remained strong in FY 1396 (December 22, 2016, to December 21, 2017). The Ministry of Finance categorizes domestic revenue as either "sustainable" or "one-off."⁵⁷⁹ SIGAR analysis of USAID-provided data from the MOF's government-wide accounting system—the Afghanistan Financial Management Information System (AFMIS)—shows that sustainable domestic revenues increased by 15%, and aggregate revenues by 7%, year-on-year from FY 1395 to FY 1396.⁵⁸⁰

In previous quarterly reports, SIGAR compared MOF figures from FY 1395 Financial Statement Reports (FSRs) to figures derived from USAID-provided AFMIS data in presenting year-on-year analysis of revenues.⁵⁸¹ However, the MOF ceased making its FSRs publicly available in December 2016.⁵⁸²

Additionally, SIGAR observed that a large amount of revenues (AFN 15,539,328,952) were categorized as "Miscellaneous" in Month 12 AFMIS data for FY 1396. This figure was higher than both the monthly average funds categorized as Miscellaneous in FY 1396 (AFN 213,211,210 through Month 11) and funds categorized as Miscellaneous in FY 1395 Month 12 (AFN 314,140,420). SIGAR therefore assessed that the large proportion of Miscellaneous funds in Month 12 FY 1396 AFMIS data would likely be recategorized as it was reconciled, precluding a full-year category-level comparison of revenues this quarter.⁵⁸³ Instead, SIGAR provides

Sustainable Domestic Revenues:

According to Afghanistan Ministry of Finance (MOF) officials, revenues—such as customs, taxes, and non-tax fees—used by multilateral institutions such as the World Bank and the International Monetary Fund to judge the Afghan government's fiscal performance.

One-Off Domestic Revenues: Revenues arising from one-time transfers of funds, such as central bank profits, to the Afghan government. The IMF excludes central bank transfers from its definition of domestic revenues for the purpose of monitoring Afghanistan's fiscal performance under its Extended Credit Facility Arrangement.

Source: SIGAR, communications with MOF officials, 8/21/2017; SIGAR, communications with IMF officials, 9/7/2017.

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a year-over-year comparison of revenues through Month 11 (e.g. from December 21, 2016, through November 21, 2017).

Through Month 11, FY 1396, customs duties and fees constituted nearly 23% of overall revenues, continued to be the largest source of income for

TABLE 3.11

DOMESTIC REVENUES, FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)				
Category		1395 (Through Month 11)	1396 (Through Month 11)	% Change
Ministry of Finance (MOF)-defined "Sustainable" Domestic Revenue				
Taxation & Customs Revenues	Fixed Taxes	9,496,106,924	11,253,780,418	18.51%
	Income Taxes	21,602,729,856	23,947,165,420	10.85%
	Property Taxes	385,707,248	408,537,518	5.92%
	Sales Taxes	25,633,573,675	30,453,198,330	18.80%
	Excise Taxes	0	0	N/A
	Other Taxes	4,285,704,251	0	(100.00%)
	Tax Penalties and Fines	0	2,555,127,578	N/A
	Customs Duties and Fees	28,770,417,684	32,512,138,112	13.01%
Social Contributions	Retirement Contributions	4,098,406,193	4,505,373,888	9.93%
Other Revenue	Income from Capital Property	1,594,221,474	1,717,411,866	7.73%
	Sales of Goods and Services	5,516,197,534	7,303,585,706	32.40%
	Administrative Fees	21,677,451,888	23,561,684,532	8.69%
	Royalties	229,565,653	379,798,982	65.44%
	Non-Tax Fines and Penalties	992,670,893	673,811,468	(32.12%)
	Extractive Industry Fees	1,039,437,487	1,561,075,927	50.18%
	Miscellaneous Revenue	4,080,388,529	2,345,322,215	(42.52%)
	Sale of Land and Buildings	13,676,633	94,140,208	588.33%
	Revenue collected from sources under claims	0	0	N/A
Subtotal of MOF-defined "sustainable" domestic revenues		129,416,255,922	143,272,152,168	10.71%
MOF-defined "One-off" Domestic Revenue				
Other Revenue	Profit Transfer from Central Bank ^a	10,256,709,000	0	(100.00%)
	Sale of Land and Buildings ^b	1,085,668,448	0	(100.00%)
Subtotal of MOF-defined "One-off" domestic revenues		11,342,377,448	0	(100.00%)
Total Domestic Revenue		140,758,633,370	143,272,152,168	1.79%

Note: Negative values in parentheses. In previous quarterly reports, SIGAR compared figures from Afghanistan Ministry of Finance (MOF) FY 1395 Financial Statement Reports (FSRs) to figures derived from USAID-provided AFMIS data in presenting year-on-year analysis of revenues. This quarter, SIGAR uses its analysis of USAID-provided AFMIS data exported on 3/7/2017 as the basis for FY 1395 figures. The MOF ceased making its FSRs publicly available in December 2016. As a result, SIGAR used direct AFMIS exports to present aggregate, 12-month, year-over-year revenue analysis in the text accompanying this table. For consistency, SIGAR chose to use data from direct AFMIS exports as the basis for all figures presented above. Additionally, SIGAR chose to provide a year-on-year revenues comparison for 11 months rather than 12 months. SIGAR observed that a large amount of revenues (AFN 15,539,328,952) was categorized as "Miscellaneous" in Month 12 AFMIS data for FY 1396. This figure was higher than both the monthly average of funds categorized as Miscellaneous in FY 1396 (AFN 213,211,210) and funds categorized as Miscellaneous in FY 1395 Month 12 (AFN 314,140,420). SIGAR therefore assessed that the large amount of Miscellaneous funds in Month 12 FY 1396 would likely be recategorized as they were reconciled, precluding a full-year category-level comparison of revenues.

^a A significant component of FY 1395 revenues was an approximately AFN 10.3 billion transfer of profits from the Afghan central bank to the MOF. Based on SIGAR 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. SIGAR has deducted AFN 10.3 billion from the Miscellaneous Revenue figure presented under "sustainable" revenue. Additionally, 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 that the MOF did not identify as "one-off" in communications with SIGAR.

^b 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.

Source: SIGAR analysis of USAID-provided AFMIS data exported 1/8/2018; SIGAR analysis of USAID-provided AFMIS data exported 3/7/2017; SIGAR, communications with MOF officials, 8/21/2017 and 9/4/2017.

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TABLE 3.12

EXPENDITURES, FIRST 11 MONTHS, FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)				
	Category	1395 (Through Month 11)	1396 (Through Month 11)	% Change
Personnel	Salaries in Cash	124,764,258,269	129,754,617,385	4.00%
	Salaries in Kind	18,977,304,753	21,467,279,068	13.12%
	Salaries and Wages Advance	397,770,316	143,051,173	(64.04%)
	Social Benefits in Cash	2,539,503,258	2,686,202,415	5.78%
	Social Benefits in Kind	0	0	N/A
Supplier Expenditures	Travel	2,640,490,596	2,624,291,555	(0.61%)
	Food ^a	2,952,035,935	2,676,879,780	(9.32%)
	Contracted services	26,689,850,401	27,350,517,804	2.48%
	Repairs and Maintenance	5,752,486,721	4,051,308,008	(29.57%)
	Utilities	3,912,975,122	3,703,690,838	(5.35%)
	Fuel	21,235,697,246	9,948,878,885	(53.15%)
	Tools and Materials	5,166,258,320	5,262,381,801	1.86%
	Other	13,905,704,218	10,824,990,214	(22.15%)
	Advances and Return of Expenditure	5,344,558,978	5,272,209,335	(1.35%)
Subsidies, Grants, and Social Benefits	Subsidies	1,459,162,500	1,389,151,377	(4.80%)
	Grants to Foreign Governments	286,495,683	234,586,580	(18.12%)
	Current Grants - General Government Units	0	82,804,906	N/A
	Social Security Benefits in Cash	20,304,545,100	20,436,962,740	0.65%
	Social Assistance Benefits in Cash	19,800,000	15,250,000	(22.98%)
	Subsidies, Grants, and Social Benefits Advance	1,061,121,213	1,240,979,240	16.95%
Capital Expenditures	Buildings and Structures	30,203,080,483	29,948,448,383	(0.84%)
	Machinery and Equipment ^b	9,360,268,254	8,147,446,078	(12.96%)
	Valuables	1,554,316	1,284,600	(17.35%)
	Land	477,368,817	370,499,624	(22.39%)
	Capital Advance Payments>Returns	5,275,712,072	7,310,176,543	38.56%
Interest and Principal^c		678,568,360	1,407,122,993	107.37%
Total		303,406,570,929	296,351,011,324	(2.33%)

Note: Month 12 expenditures in FY 1396 (AFN 61,239,553,024) were 106% higher than average monthly expenditures for the year (AFN 29,799,213,695). Thus, increased expenditure activity in Month 12 appears to explain why expenditures decreased by 2.3%, year-on-year, for the first eleven months of FY 1396, but increased, year-on-year, over all 12 months. Negative values in parentheses. The AFMIS data SIGAR received from USAID this quarter contained expenditure information in AFN only.

^a 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.

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

^c 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. Therefore, the figure listed here combines the object codes 230 and 232.

Source: SIGAR analysis of USAID-provided AFMIS data exported 1/8/2018; MOF, Aqrah Financial Statements FY 1395, 12/4/2016.

the government, and grew by about 13% year-on-year. According to the Afghanistan Analysts Network, customs duties have increased because customs offices have reduced incidences of mis-declared (in order to pay a lower tariff rate) and under-valued goods.⁵⁸⁴

Sales taxes, the second-largest source of income for the Afghan government at 21% of overall revenues through Month 11, grew by about 19% year-on-year, as did fixed taxes. Extractive industry fees, meanwhile, posted a strong year-over-year increase of about 50%, although their contribution to overall revenues remained marginal at about 1.1%.⁵⁸⁵ On page 161, Table 3.11 compares the Afghan government's domestic revenues (excluding donor grants) for FY 1396 with those of FY 1395.

Due to data limitations, SIGAR was unable to compare FY 1396 with FY 1395 expenditures using MOF- or USAID-supplied data. For unknown reasons, aggregate FY 1395 expenditures provided to SIGAR by USAID in March 2017 (totaling AFN 177 billion) appeared to be too low relative to World Bank estimates (AFN 342.8 billion).⁵⁸⁶ Further, because the MOF did not make its FY 1396 Month 12 FSR publicly available, SIGAR could not compare recent expenditure figures to an MOF-generated FSR.⁵⁸⁷ However, a comparison of current FY 1396 data exported from Afghanistan's government-wide accounting system to FY 1395 figures reported by the World Bank showed that year-over-year expenditures appear to have grown by just over 4% in FY 1396.⁵⁸⁸ Using the most recent reliable data available, and in lieu of a full year category-level comparison, SIGAR provides an 11-month year-on-year presentation of Afghan government expenditures in Table 3.12.

Trade

Afghanistan maintains a large trade deficit that exceeds 30% of its GDP. The IMF said that Afghanistan's external trade, heavily concentrated in agriculture, does not contribute substantially to economic growth. Overall, trade flows are so low that Afghanistan's share of global trade is immaterial. The value of the country's official exports has remained below 10% of its GDP every year since 2012. Imports, the IMF said, are dominated by donor-financed security spending and foreign aid-related imports.⁵⁸⁹

Afghanistan's landlocked geography, low levels of infrastructure and institutional capacity, and persistent, decades-long conflict have stunted trade expansion. The IMF said being landlocked imposes well-documented obstacles to trade: delays and costs associated with both exporting and importing are higher for landlocked countries than for coastal countries. For Afghanistan, high energy costs and low levels of access to electricity, land, and finance also pose major challenges.⁵⁹⁰

Export and Import Data

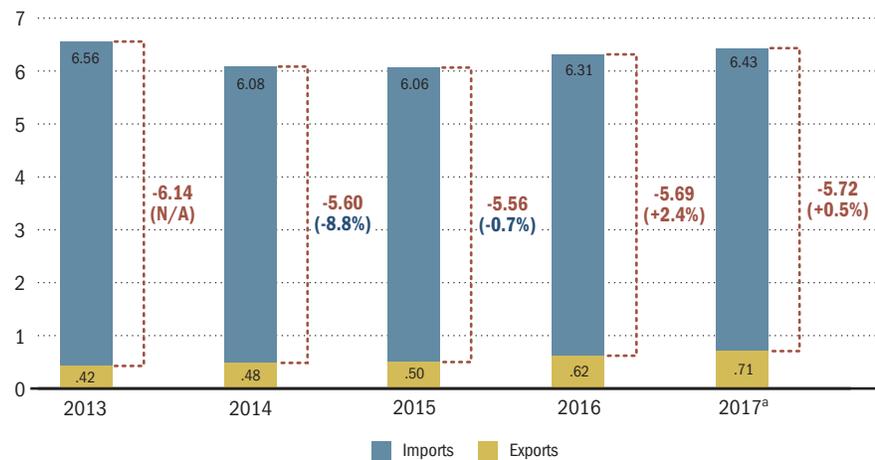
The World Bank said Afghanistan's official exports decreased marginally in the first half of 2017 by about 3%, year-on-year. Also during the first half

of the year, Afghanistan’s real effective exchange rate (REER)—a measure that adjusts a country’s nominal exchange rate by accounting for the effects of inflation—appreciated by 4.3%.⁵⁹¹ This likely decreased the competitiveness of Afghan exports, according to the World Bank, because it implies that the country’s exports became more expensive for trading partners. In contrast, the REER depreciated by about 3% annually from 2013 to 2016, a time period over which the value of Afghanistan’s exports increased by about 23% in U.S. dollars (according to World Bank figures).⁵⁹² Afghanistan’s licit export composition is dominated by horticultural products: dried fruits and nuts constituted 29% of all exports in 2016; medicinal plants composed 18% of all exports and fresh fruits 11%.⁵⁹³

Official imports increased by almost 8% in the first half of 2017, year-on-year, according to the World Bank, growing Afghanistan’s merchandise trade deficit. Inclusive of unofficial trade, the country’s trade deficit is about 33% of GDP. Including foreign aid flows, the World Bank projected a current account surplus of 3.2% of GDP in 2017.⁵⁹⁴ Figure 3.44 displays Afghanistan’s imports, exports, and trade deficit of goods over time, using data provided

FIGURE 3.44

AFGHANISTAN'S IMPORTS, EXPORTS, AND TRADE BALANCE 2013–2017 (\$ BILLIONS)



Note: Imports and exports include goods only. Data from Afghanistan Customs Department (ACD); converted from AFN to USD by SIGAR. This data was collected by implementers of USAID’s Afghanistan Trade and Revenue (ATAR) project. Import and export figures differ from those presented by the IMF and the World Bank, likely due to differences in both the exchange rate and underlying data. While the IMF cites unspecified “Afghan Authorities” in presenting trade data, the World Bank appears to use figures from Afghanistan’s Central Statistics Organization (CSO). ATAR implementers told SIGAR this quarter that they consider ACD’s data to be more reliable than CSO’s, and observed discrepancies of about 10% between data provided by the two Afghan sources. ATAR said that those discrepancies were the result of data aggregation errors on the part of CSO officers. ATAR provided trade figures to SIGAR in afghani. SIGAR converted the figures to U.S. dollars by taking the average of mean annual “Buy” and “Sell” exchange rates published by Afghanistan’s central bank, Da Afghanistan Bank.
^a Through November 21, 2017.

Source: SIGAR analysis of USAID response to SIGAR data call, 12/21/2017; USAID, response to SIGAR vetting, 1/22/2018 and 1/9/2018; SIGAR analysis of DAB, “Currency Hijri Average,” n.d., accessed 1/5/2017, <http://dab.gov.af/en/page/monetary-policy/rates-statistics/currency-hijri-average>; SIGAR analysis of IMF, “IMF Executive Board Concludes 2017 Article IV Consultation and Completes the Second Review Under the ECF for the Islamic Republic of Afghanistan,” Press Release No. 17/476, 12/8/2017; SIGAR analysis of World Bank, *Afghanistan Development Update*, 11/2017, pp. 6, 26.

by implementers of USAID’s Afghanistan Trade and Revenue project. SIGAR notes that the data presented differs from World Bank and IMF figures, likely due to discrepancies in data sources.⁵⁹⁵

Application of the New U.S. South Asia Strategy: Afghanistan Endeavors to Increase Trade Ties with India

Given Afghanistan’s landlocked position, efforts to increase trade imply that the country must cooperate closely with its neighbors to create viable export corridors.⁵⁹⁶ This cooperation takes the form of bilateral and multi-lateral trade cooperation agreements.⁵⁹⁷

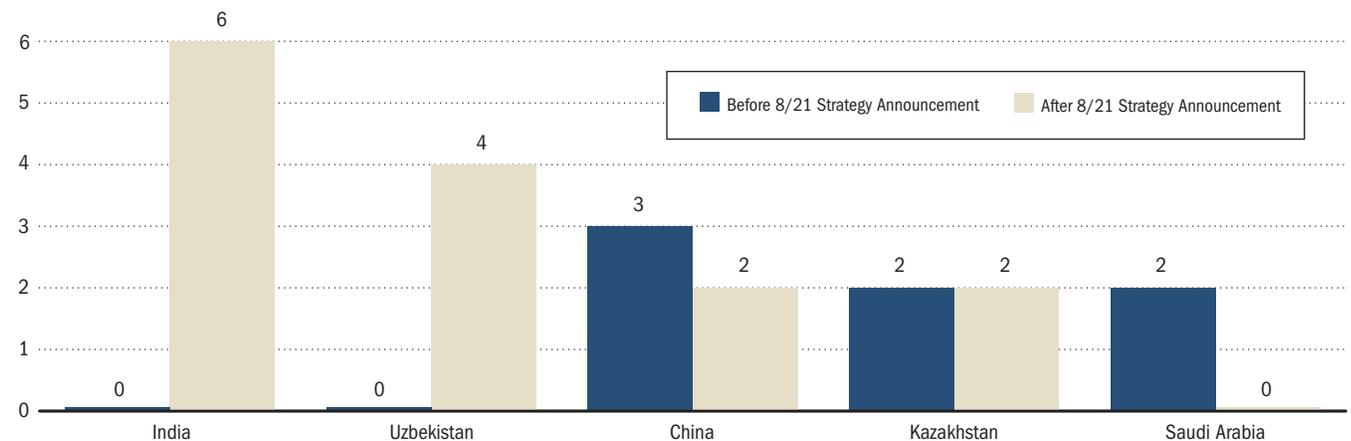
Of particular focus for the Afghan government in 2017 was its trade relationship with India. In June 2017, Afghanistan established an air-freight corridor to increase economic activity between the two countries.⁵⁹⁸

Additionally, in an apparent response to the new U.S. South Asia strategy, President Ghani and Chief Executive Abdullah Abdullah held trade-related meetings with Indian counterparts a total of six times in 2017—all after President Trump’s August 21, 2017, announcement of the new strategy (see Figure 3.45).⁵⁹⁹

President Trump has described Afghanistan’s strategic relationship with India as a “critical part” of the new strategy.⁶⁰⁰ Afghanistan’s overall goods trade volume (imports plus exports) with India increased from about \$188 million in 2012 to about \$383 million in 2016—representing an aggregate increase of 104% and a compound annual growth rate of 19.5%.⁶⁰¹ Afghanistan aims to

FIGURE 3.45

AFGHANISTAN EXECUTIVE BRANCH MEETINGS WITH REGIONAL ECONOMIC PARTNERS BEFORE AND AFTER THE TRUMP ADMINISTRATION’S SOUTH ASIA STRATEGY ANNOUNCEMENT



Note: This graph displays incidents of two or more bilateral trade meetings between Afghanistan’s executive branch (specifically President Ghani and Chief Executive Abdullah Abdullah) and representatives from regional economic partners in 2017. Assumption is that such meetings signaled Afghan emphasis on increasing trade ties. One-time meetings occurred with 11 other countries. Data are illustrative, based on English-language news write-ups in Afghan-government executive websites.

Source: Office of the President of Afghanistan and Office of the Chief Executive of Afghanistan websites, accessed periodically from November 2017 to January 2018.

continue to increase its trade ties with India in the coming years through both the air corridor and Iran's Chabahar seaport, each of which allow goods to bypass Pakistan. Political tensions between Afghanistan and Pakistan have precluded the full implementation of a transit trade agreement.⁶⁰²

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.⁶⁰³

This quarter, the World Bank reported that the total value of commercial bank loans to the private sector decreased from AFN 46 billion (about \$692 million) in December 2016 to AFN 45 billion (about \$657 million) in August 2017. The decline likely reflects both a weak appetite for lending and the unwillingness of the private sector to carry out new investments. The World Bank implied that uncertainty may underlie the apparent hesitancy to both lend and borrow. The ratio of non-performing loans to total bank assets increased from around 12% in December 2016 to almost 18% in June 2017. Overall, profitability in the commercial banking sector has declined year-on-year.⁶⁰⁴

U.S. Treasury Provides Late and Incomplete Response to SIGAR's Quarterly Data Call

In March 2015, the U.S. Treasury's Office of Technical Assistance (OTA) entered into an agreement with Afghanistan's Ministry of Finance to develop and execute technical-assistance and capacity-building programs.⁶⁰⁵ Every quarter, SIGAR asks Treasury to provide an update on its programming through its data call process by which SIGAR requests and receives periodic updates from agencies for presentation in its quarterly report. In previous quarters, Treasury has provided SIGAR with significant contextual information on issues ranging from Afghanistan's compliance with Anti-Money Laundering/Combating the Financing of Terrorism global standards, to details regarding Afghan budget reforms.⁶⁰⁶

This quarter, Treasury did not answer two of SIGAR's three questions relating to the Economic and Social Development section of this report, including a question that sought to clarify the effect of the new South Asia strategy on Treasury programs in Afghanistan. The only response that was provided to SIGAR arrived six days after the deadline for data-call responses had elapsed.⁶⁰⁷ The 2008 National Defense Authorization Act, which established SIGAR, requires federal agencies, as is practicable, to respond to SIGAR's requests for information and assistance (see Appendix A of this report for more on SIGAR's enabling legislation).⁶⁰⁸

Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT): No Significant Updates

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.⁶⁰⁹

This quarter, the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), a financial intelligence unit with purview over Afghanistan’s AML/CFT efforts, released its annual report. FinTRACA said fines against banks (totaling AFN 3.55 million, or about \$51,300) increased by 238% in 2017, year-on-year. Fines against money service providers (totaling AFN 3.84 million, or about \$55,000) increased by 17% in 2017, compared to 2016. FinTRACA also said that it had frozen 91 bank accounts holding about \$891,000 and watch-listed 193 individuals and entities suspected of money laundering, drug trafficking, and other offenses. As a result of the watch list, which was created in 2017, FinTRACA said that financial institutions terminated business relationships with 19 individuals and entities.⁶¹⁰

Kabul Bank Theft: Accountability Remains Elusive

The September 2010 near-collapse of Kabul Bank, where nearly one million Afghans held savings, significantly strained Afghanistan’s financial system. It exposed an elaborate fraud and money-laundering scheme orchestrated by Kabul Bank founder Sherkhan Farnood and chief executive officer Khalilullah Ferozi. The crisis resulted in a run on the bank during which depositors withdrew \$500 million, compelling the Afghan government to provide \$825 million to recapitalize the bank to stave off collapse.⁶¹¹

Shortly after he took office in September 2014, President Ghani issued a 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 and to monitor enforcement of the courts’ decisions.⁶¹² The decree was intended to address comprehensively all remaining aspects of the case. However, the Afghan government has struggled to compel repayment of the stolen funds from debtors. A 2016 United States Institute of Peace report said that the “crisis continues to symbolize the pervasive corruption and impunity that have threatened the legitimacy of the Afghan government.”⁶¹³

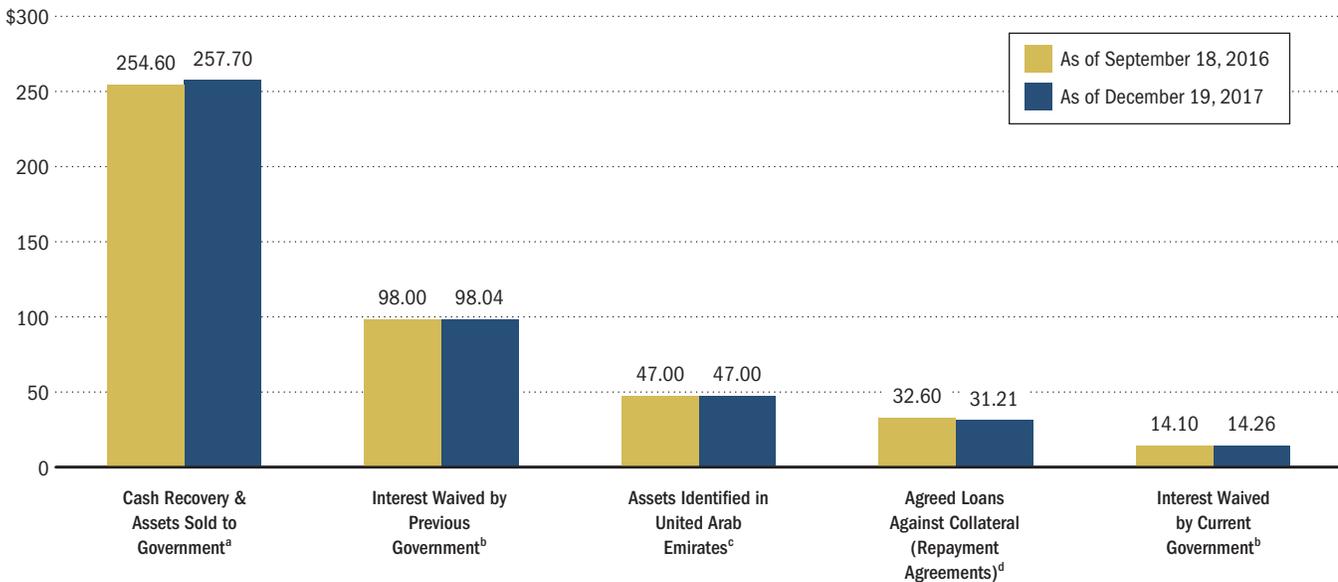
Again this quarter, no efforts were made to seize, freeze, or investigate debtor accounts, or otherwise act on President Ghani’s October 2014 decree.⁶¹⁴ Figure 3.46 on the following page shows asset recoveries since September 2016.

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 3.46

KABUL BANK RECEIVERSHIP-REPORTED RECOVERIES, SEPTEMBER 2016 VS. DECEMBER 2017 (\$ MILLIONS)



Note: Oldest, consolidated KBR recoveries data available to SIGAR is from September 18, 2016.

^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 last 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," 12/19/2017; 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.

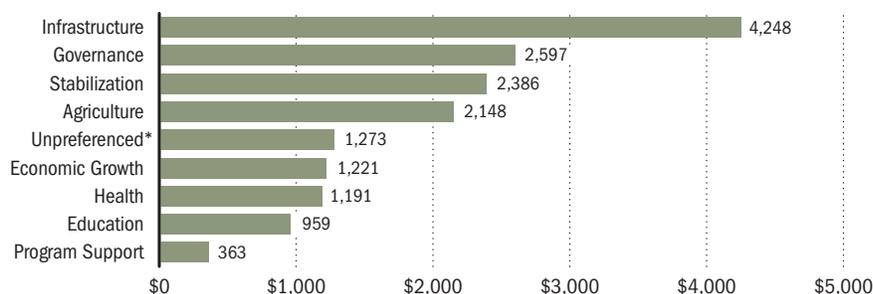
U.S. ECONOMIC AND DEVELOPMENT SUPPORT

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.⁶¹⁵

In order to inform its forthcoming Country Development Cooperation Strategy (see pages 59–60 for more on the CDCS), USAID recently commissioned an assessment of its current 2015–2018 strategy. The assessment found that, despite sound overall goals, many key components of USAID's development approach in Afghanistan have not proven to be valid. For more on the recently released USAID assessment, see pages 59–60 of Section 3 of this report.⁶¹⁶ Figure 3.47 shows USAID assistance by sector.

FIGURE 3.47

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF DECEMBER 31, 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. * Unpreferenced funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR analysis of USAID, response to SIGAR data call, 1/17/2018; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status, as of November 21, 2017.

Natural Resources: Potential Source of Government Revenue Remains Untapped

Geological surveys show that Afghanistan is endowed with significant mineral resources, including granite, talc, nephrite, chromite, coal, gold, silver, iron, copper, and precious gemstones.⁶¹⁷ USAID said developing Afghanistan's extractives sector could create jobs, generate government revenue, and result in significant infrastructure investment.⁶¹⁸ Yet, mining has so far contributed little to the country's licit GDP and has attracted little private-sector development.⁶¹⁹ The many obstacles to development include a deficient mining law, lack of transparency in tendering and awarding concessions, the lack of economically feasible export corridors, lack of access to power supply, and corruption.⁶²⁰ According to DOD, these impediments "limit the willingness of international mining companies to commit risk capital to exploration and production in Afghanistan when similar resources are more efficiently extracted from other countries."⁶²¹

MOMP continued to be without permanent leadership at the highest level this quarter: Acting Minister Nargis Nehan, reportedly a reformer seeking increased transparency at MOMP and nominated by President Ghani for a permanent position, was rejected by the Afghan parliament in early December—the only one of 12 Ghani nominees who failed to secure a majority of parliamentarians' votes.⁶²² (See Section 1 of this report for more information about the possibilities for the extractive sector in Afghanistan.)

Illegal mining, which persists at an estimated 1,400–3,000 sites, remains another challenge.⁶²³ The Afghan government believes \$300 million in revenue is lost annually through unlawful mining, which not only denies Kabul

SIGAR AUDIT

A SIGAR audit released this quarter found that DOD's Task Force for Business and Stability Operations (TFBSO), which obligated approximately \$200 million toward projects designed to develop Afghanistan's extractives industries, was unable to accomplish its overall goals. For example, TFBSO obligated \$51 million to facilitate the award of between eight and 12 large-scale mining contracts to international companies. However, TFBSO officials and contractors said they overestimated the speed at which the Ministry of Mines and Petroleum could work and underestimated the resistance they would face from other ministries. As a result, after repeated delays, no contracts were signed. For more, see pp. 24–25 in Section 2 of this report.

much-needed funds, but also fuels the insurgency and exacerbates corruption.⁶²⁴ According to USAID, local powerbrokers are able to profit from illicit mining because they rely on low-cost labor and mining techniques, disregard safety and environment concerns, provide their own security to transport materials to the market, and, because they are operating illegally, do not incur tax or royalty obligations to the government. In contrast, businesses operating legally in the extractives sector must comply with safety and environmental regulations, rely on hired security contractors for transportation, and face higher infrastructure and labor costs.⁶²⁵

Extractives Sector Roadmap: Ministry of Mines and Petroleum Meets Compact Benchmark, But Numerous Obstacles to Extractives Development Remain

One goal of the Afghanistan Compact launched last quarter is to develop the country's mining and hydrocarbons sectors. The Afghan government planned to produce a roadmap for the extractive industries by December 2017 with the intent of providing a clear vision for the sustainable development of natural resources, including plans for creating a viable regulatory framework and increasing transparency.⁶²⁶

This quarter, Afghanistan's Ministry of Mines and Petroleum (MOMP) met this benchmark. A copy of the MOMP's *Roadmap for Reform* dated September 2017 described major impediments to extractives-sector development. According to the *Roadmap*, those obstacles included: significant

TABLE 3.13

MINISTRY OF MINES AND PETROLEUM'S FIVE-PILLAR FRAMEWORK FOR EXTRACTIVES SECTOR DEVELOPMENT				
Institutional Reform and Development	Geological Data Acquisition and Management	Contract Management and Compliance	Transparent and Accountable Governance	Growth and Enabling Environment
1. Reform and restructuring of MOMP	1. Development of a computerized and indexed information-management system for geo-data	1. Review and resolve pending contracts and projects	1. Development of policies and strategies for the sector	1. Conduct value-chain studies of priority commodities and industries
2. Reform and development of State-Owned Enterprises (SOEs)	2. Engagement with international geological-survey departments	2. Prioritize new projects based on the needs of the government	2. Improvement of the legal and regulatory framework	2. Ensuring implementation of medium and large projects
3. Human resources development	3. Collation and analysis of data for each commodity, and assessment of data gaps	3. Streamlining and digitization of cadaster system	3. Development of robust minerals and hydrocarbons fiscal regimes	3. Implement Local Content Strategies to create jobs, promote enterprise development, and transfer knowledge to communities ^a
4. Extractives sector and women	4. Data dissemination	4. Efficient revenue collection and reporting	4. Compliance with transparency standards and donor benchmarks	4. Explore potential for regional cooperation in the extractive sector
5. Development of E-governance systems	5. Capacity development of AGS in exploration and data recording	5. Streamlining and digitization of mining inspection systems	5. Illegal mining and formalization	5. Conducting studies for potential collaboration in regional market development
6. Effective communications		6. Establish credible dispute-resolution mechanism	6. Protection of Afghan communities, environment, and heritage	6. Develop a Corporate Social Responsibility (CSR) window

Note: ^aThe original graphic presented by MOMP on page 5 of the Roadmap had only five points under Pillar 5. However, in response to SIGAR vetting questions, DOD noted that Points 2 and 3 were incorrectly merged. SIGAR corrected this in the table presented above.

Source: Reproduced with minor grammatical edits from GIROA, *Roadmap for Reform: Extractive Industries Sector In Afghanistan*, 9/24/2017, pp. 5, 39.

weaknesses in policy and legislative frameworks, low levels of managerial and technical capacity at MOMP, an inadequate geological information management system, the lack of a strategy to link the extractives sector to the broader economy, as well as corruption, insufficient infrastructure, the persistence of illegal mining, insecurity, and high transportation costs.⁶²⁷

To address these impediments to extractives development, MOMP presented a five-pillar framework designed to help “guide implementation.” Those pillars included: (1) institutional reform, (2) geological data collection and improved data management, (3) improved contract management, (4) increased sector transparency, and (5) an improved enabling environment.⁶²⁸ Table 3.13 provides more detail on each pillar.

USAID Assistance: No Major Active Extractives Programming

USAID has no current, major active mining or hydrocarbon programs. USAID’s most recent mining and gas-generation projects ended March 31, 2017, and July 31, 2016, respectively.⁶²⁹ Speaking at a recent event at the Center for Strategic and International Studies in November 2017, Assistant to the Administrator for USAID’s Office of Afghanistan and Pakistan Affairs Greg Huger commented that these and other previous U.S. efforts to develop Afghanistan’s extractives sector “really weren’t very successful.”⁶³⁰ Huger said that although USAID is open to further extractives programming, the agency would not “get ahead of the Afghan government . . . because it can be a huge diversion and waste of money and time.”⁶³¹

However, USAID is funding legal and technical advisory services to Afghanistan’s Ministry of Mines and Petroleum through interagency agreements with the Department of Commerce and the United States Geological Survey (USGS). USAID said that USGS is assisting MOMP with organizing and analyzing existing mineral data, and that the Department of Commerce’s Commercial Law and Development Program is helping the ministry draft regulations designed to strengthen its contracting division. USAID said that this work supports the U.S. government’s new South Asia strategy, and would help the Afghan government meet economic benchmarks presented in the Afghanistan Compact announced last quarter.⁶³²

Agriculture: A Key Sector

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.⁶³³ 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.⁶³⁴

The World Bank projected that agricultural output would grow by 1.5% in 2017, largely due to increased horticultural production. This figure is significantly less than the 6% growth rate recorded in 2016, a year in which fruit production increased to levels close to full potential due to favorable weather.⁶³⁵ Despite Afghanistan’s heavy reliance on agriculture, the sector’s growth has been constrained by underinvestment in developing water resources, degrading natural resources, poor-quality inputs such as seeds and fertilizer, and weak domestic- and export-product marketing.⁶³⁶

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.⁶³⁷

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.⁶³⁸ Pages 203–210 of this quarterly report discuss USAID’s agriculture alternative-development programs. USAID’s active agriculture programs have a total estimated cost of \$362 million and can be found in Table 3.14.

TABLE 3.14

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	\$87,905,437	\$4,624,900
Regional Agriculture Development Program (RADP North)	05/21/2014	5/20/2019	78,429,714	45,739,199
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	02/1/2010	12/31/2019	61,294,444	51,897,706
Kandahar Food Zone (KFZ)	7/31/2013	8/30/2018	45,402,467	40,330,000
RADP East(Regional Agriculture Development Program- East)	7/21/2016	7/20/2021	28,126,111	5,471,198
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	3,250,000
Promoting Value Chain - West	9/20/2017	9/19/2020	19,000,000	515,916
ACE II (Agriculture Credit Enhancement II)	6/24/2015	6/23/2018	18,234,849	10,763,682
SERVIR	9/14/2015	9/30/2020	3,100,000	691,200
Program Evaluation for Effective Learning (PEEL)	2/16/2017	10/31/2017	1,475,177	382,881
Total			\$362,468,199	\$163,666,682

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pages 203–210 of this report.

Source: USAID, response to SIGAR data call, 1/17/2018.



Development financial institution staff hold certificates for completing a five-day course on credit risk management in Kabul. (USAID photo)

Agricultural Credit Enhancement II: Higher Than Expected Delinquency Rates Result in Program Modifications

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.⁶³⁹ USAID reported that with ACE II help, ADF has cumulatively disbursed approximately \$98.1 million in loans impacting 40,149 direct beneficiaries, as of December 2017.⁶⁴⁰

Last quarter, SIGAR reported the ongoing deterioration of both security and the economy was reducing demand for agricultural credit and negatively impacting loan repayments. Combined with emerging weaknesses in the fund's loan evaluation criteria, these circumstances have increased the time required for the ADF to achieve operating sustainability as a stand-alone entity.⁶⁴¹

USAID said that no loans were written off by the ADF during last quarter's reporting period (July to September 2017).⁶⁴² However, the ADF has written off 32 loans totaling about \$3.3 million in current U.S. dollars during its lifetime.⁶⁴³ SIGAR learned this quarter that due to higher than anticipated delinquency rates, USAID modified the program to include Business Development Services (BDS). The purpose of BDS is to strengthen the

ability of potential clients to prepare accurate financial statements that the ADF can use to evaluate their ability to repay loans.⁶⁴⁴

USAID's modification to its ACE II task order noted that "low levels of financial literacy and financial management capacity of Afghan farmers and agribusinesses is a significant constraint on their ability to access credit."⁶⁴⁵ SIGAR observes that the lack of basic business and financial literacy among Afghans appears to represent a persistent and recurring obstacle to lenders and investors in Afghanistan. In its 2006 final report, implementers of the Afghanistan Renewal Fund, a venture capital fund that planned to invest 20% of its portfolio in agribusiness, said, "Afghan investee companies require substantial hands-on support" with, among other necessities, the development of business plans. This need, according to the report, resulted in a \$1.5 million investment in business-development activities to support the fund. As of its final report's publication, the Afghan Renewal Fund had made no investments, despite investigating 164 opportunities.⁶⁴⁶ It was dissolved in 2008.⁶⁴⁷

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: Access to Electricity Remains a Significant Challenge

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.⁶⁴⁸ 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.⁶⁴⁹

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%.⁶⁵⁰ The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁶⁵¹ Afghanistan needs regional cooperation to meet its energy demands.⁶⁵²

In developments this quarter, Afghanistan's National Procurement Commission approved two contracts for power plants to be established through public-private partnerships. The Sheberghan Gas Power Plant, with a \$38.8 million contract value, was expected to have a production capacity of 40 MW. The production capacity of the \$75 million Mazar-e Sharif

Electric Power Generation Project, financed in part by the World Bank's International Finance Corporation, was expected to be 50 MW.⁶⁵³

Corruption Vulnerability at DABS: MEC Underscores Poor Asset Management

In December 2017, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) released a corruption vulnerability assessment of Da Afghanistan Breshna Sherkat (DABS), Afghanistan's government-owned power utility. Among other findings, the MEC concluded that DABS lacked a reliable fixed-assets registry. Based on its interviews with DABS employees, the MEC said as a result, "warlords" have been able to steal more than 350,000 square miles of land and nearly 100 buildings from DABS.⁶⁵⁴

Additionally, the MEC said, "DABS received AFN 12.5 billion from donors and it is shown in balance sheet in the form of assets, but the donors are claiming that they have contributed around \$4 billion which equals AFN 220 billion to the energy sector in Afghanistan, [which] means billions of AFN is missing."⁶⁵⁵ The MEC derives this figure from SIGAR's July 2014 *Quarterly Rreport to the United States Congress*.⁶⁵⁶ However, the levels of power-sector spending reported in SIGAR's July 2014 report include technical assistance, which would likely not be reflected directly in the value of any power-production assets transferred to DABS.⁶⁵⁷

Moreover, the figures SIGAR presented in its July 2014 quarterly report reflected appropriated monies.⁶⁵⁸ Disbursements at the time (which would capture actual spending levels on physical power-infrastructure assets such as substations and transmission lines) were lower (see next section below for a summary of current disbursements in the power sector). Thus, SIGAR cannot confirm the claims in the MEC report.⁶⁵⁹

However, SIGAR has long been concerned about U.S. on-budget assistance to DABS, \$221.7 million of which has been provided directly to DABS thus far.⁶⁶⁰ Citing concerns about significant corruption in a current DABS contract, President Ghani suspended the award, referred the matter to the Attorney General's Office (AGO) for investigation, and requested that SIGAR and USAID's Office of Inspector General provide assistance to the AGO. The investigation is ongoing (see page 63 of SIGAR's October 2017 quarterly report for further details).

U.S. Power-Sector Assistance Characterized by Large-Scale Infrastructure Projects

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.⁶⁶¹ 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.⁶⁶²

SIGAR INSPECTION

An ongoing SIGAR inspection is assessing the extent to which the U.S. Army Corps of Engineers properly managed a \$59.7 million contract to design and construct transmission lines and substations in Parwan and Kapisa Provinces.

TABLE 3.15

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2017 (\$)
Power Transmission Expansion and Connectivity (PTEC)	01/01/2013	12/31/2018	\$725,000,000	\$158,579,664
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	03/07/2013	03/06/2018	153,670,184	153,670,184
Engineering Support Program	07/23/2016	07/22/2019	125,000,000	31,527,327
Kandahar Solar Project	02/23/2017	08/26/2018	10,000,000	0
Total			\$1,013,670,184	\$343,777,175

Source: USAID, response to SIGAR data call, 1/17/2018.

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

SEPS: currently 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; DOD, response to SIGAR vetting, 1/16/2018.

DOD has disbursed approximately \$180 million for power projects through the Commander’s Emergency Response Program as of July 2015, and roughly \$510 million, as of November 30, 2017, through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁶⁶³

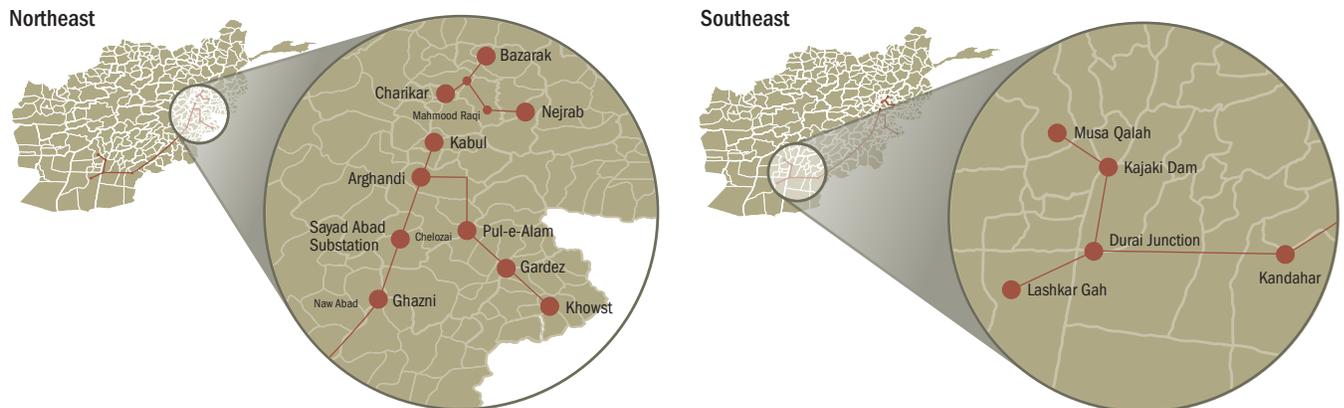
Of that amount, DOD has disbursed about \$369 million to construct or improve Afghanistan’s two primary power systems—the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**—which U.S. Forces-Afghanistan (USFOR-A) and USAID aim to connect, increasing the electricity supply in both systems (see Figure 3.48 for an overview of NEPS and SEPS). 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.⁶⁶⁴ USAID’s active power-infrastructure projects have a total estimated cost of \$1 billion and are listed in Table 3.15.

Power Transmission Expansion and Connectivity Program: Key NEPS-SEPS Segments On Hold and Under Review

The U.S.-funded Power Transmission Expansion and Connectivity’s (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.⁶⁶⁵ 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.⁶⁶⁶ Technical losses include energy lost to line heating and current leakage; commercial losses include customers’ nonpayment of bills and energy theft from illegal tapping into lines or bypassing meters.

FIGURE 3.48

Overview of Planned Northeast and Southeast Power Systems



Note: Locations and routes are approximate. The majority of planned NEPS and SEPS segments remain incomplete. DOD told SIGAR this quarter that transmission lines, substations, and towers from Arghandi to Pul-e Alam, Pul-e Alam to Gardez, and Charikar to Gul Bahar and Nejrab were scheduled for turnover to GIROA in January 2018. Remaining USAID PTEC segments are on hold, pending the results of USAID's energy sector assessment.

Source: DOD, response to SIGAR data call, 4/3/2014; DOD, response to SIGAR vetting, 1/16/2018.

This quarter, USAID reported that it is currently conducting an energy-sector assessment to ensure that its power-infrastructure projects are aligned with the Trump Administration's new South Asia strategy, announced on August 21, 2017.⁶⁶⁷ As a result of the review, USAID said two key PTEC projects were on hold.⁶⁶⁸ Specifically, USAID has partially suspended funding for its Ghazni–Kandahar transmission line project and has withdrawn its consent for DABS to execute an on-budget contract for the SEPS Completion transmission lines.⁶⁶⁹ USAID will not consent to any new procurements for the Ghazni–Kandahar substations for the duration of its energy assessment, and has postponed SEPS Completion on-budget activities.⁶⁷⁰ USAID said it expects to complete the assessment by early 2018 and that it is examining ways to maximize PTEC's impact while minimizing implementation risks.⁶⁷¹

Large power-infrastructure programming was once considered a linchpin of the U.S. counterinsurgency strategy in Afghanistan. In 2010, General David Petraeus, then-head of United States Central Command, said "Sufficient electrical supply is a key component in building the population's faith in their government, increasing the average Afghan's economic prosperity, and dissuading the population from joining the Taliban." Petraeus added that NEPS and SEPS projects "will contribute to long-term stability and peace in Afghanistan."⁶⁷² SIGAR assesses that cancellation of, or any substantial changes to, USAID's PTEC programming will represent a significant departure from previous U.S. efforts in the power sector.

PTEC Commercialization Midterm Report: Key Activities Not Implemented Effectively

This quarter, USAID released the results of its midterm evaluation of the PTEC Energy Commercialization component. Funded through on-budget assistance with a cost ceiling of \$142 million, this component provides DABS with technical assistance and aims to increase the utility's capacity to manage, operate, and maintain the national power system. Key objectives are to increase DABS' ability to reduce technical and commercial losses, increase cost recovery, and generate revenue.⁶⁷³

The midterm evaluation concluded that the program's main activities were not implemented effectively, and that the program did not achieve intended results. Power loss reduction targets—10% by December 2015 and 15% by June 2016—were not met due to failed procurement of “smart” and bulk meters, as well as an automated metering system. Although PTEC Commercialization activities did help reduce power losses by 5%, DABS' commercial viability remains tenuous, according to the report (see next sub-section for more).⁶⁷⁴

Kajaki Dam Power: Sparse Updates Despite Ongoing Power Sector Assessment

Although USAID said that it is currently assessing Afghanistan's electricity needs, as well as whether current power infrastructure programming supports the new U.S. South Asia strategy, USAID did not provide an update on the Kajaki Dam's power production levels this quarter.⁶⁷⁵ USAID said DABS is not responsible for providing reports to USAID because responsibility for Kajaki has been fully transferred to the Afghan government.⁶⁷⁶

As of last quarter, the three turbines in service at the Kajaki powerhouse had a total generating capacity of 50.5 MW and were online. However, they were operating at a peak level of 41.5 MW due to seasonal reservoir-level constraints.⁶⁷⁷ It was not known how long this level of power generation would last.⁶⁷⁸ DABS postponed planned repairs on Unit 3 initially scheduled for September 2016 to an unspecified future date.⁶⁷⁹ USAID reported again this quarter that it is unaware of any near-term plans or significant need to perform repairs on any of the three turbines.⁶⁸⁰ DABS assumed full responsibility for the Kajaki power plant, including operations and maintenance (O&M), in April 2017, and hired 11 operators to take charge of the powerhouse.⁶⁸¹

Power Availability in Kandahar: No Significant Updates

U.S. fuel subsidies totaling \$141.7 million for power generation at two industrial parks in Kandahar City ended in September 2015.⁶⁸² USAID reported that since then, energy output has fallen from the diesel generators in Shorandam and Bagh-e Pol industrial parks.⁶⁸³ Five generators at Bagh-e Pol, in need of major overhauls and critical spare parts, have

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.

stopped working altogether. Three other generators were transferred to Shorandam, meaning that the Bagh-e Pol diesel power plant is no longer operational.⁶⁸⁴ USAID said that from March 21, 2017, to December 21, 2017, DABS Kandahar supplied an average of 41 MWh per day to Shorandam.⁶⁸⁵

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, 2017.⁶⁸⁶ Last quarter, USAID issued a notice to proceed, and construction on the solar-power plant commenced with a ceremonial groundbreaking on September 24, 2017.⁶⁸⁷ USAID reported this quarter that construction is ongoing. Although a boundary wall was scheduled for completion by December 31, 2017, the date was subsequently postponed to February 2018.⁶⁸⁸

Afghanistan Infrastructure Fund Power Projects: Legacy Initiatives Continue

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.⁶⁸⁹

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.⁶⁹⁰ 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.⁶⁹¹

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 3.16 on the following page.⁶⁹²

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.⁶⁹³

SIGAR AUDIT

A SIGAR audit published last 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 pages 24–29 of SIGAR's October 2017 quarterly report.

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.16

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF DECEMBER 27, 2017 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 2011	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	40.5	39.1	39.1	Complete.
	SEPS - Kajaki Dam to Lashkar Gah	Repair, install transmission lines; rebuild, construct power substations	130.0	57.5	57.5	Terminated due to out-of-scope security-cost increases.
	NEPS - 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	Project in closeout phase, but still pending war damage repairs. (Estimated completion by DABS: 4/2018)
	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 99% a/o 12/28/2017. (Completion: 1/2018) ^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 - Durai Junction to Maiwand	Design, construct transmission line; rebuild and construct substations	40.0	28.5	26.2	Towers, stringing, substations nearly complete. (Completion: 4/2018) ^b
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line, towers, and power substation	120.0	68.5	67.4	Transmission line and substations complete; project to be handed over to MEW imminently. (Completion: 1/2018) ^c
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines, towers, and power substation		38.8	37.9	All towers erected; transmission line and substations complete; MEW addressing ROW issues. (Completion: 1/2018) ^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	23.6	All towers erected; transmission line and substations complete; addressing ROW issues. (Completion: 1/2018) ^d
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South			8.2	Civil, structural, and architectural improvements underway, but contractor behind schedule. (Completion: 5/2018) ^e
		Design, construct, transmission lines from Sangin North to Lashkar Gah	75.0	63.1	38.3	Transmission towers under construction; some ROW issues remain; majority of transmission lines complete. (Completion: 3/2019) ^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	USAID revoked consent for all awards related to substations in 7/2017 due to allegations of impropriety; USAID confirming alignment with new South Asia Strategy. (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	USAID assessing alignment with new South Asia Strategy; withdrew consent for DABS to execute on-budget contract for transmission lines and will not respond to requests for consent for substation contracts during assessment. (Completion: TBD)
	NEPS - Gardez to Khowst	Design, construct transmission line and substation; DOD's final contribution to NEPS	130.0	121.3	62.5	Design nearly complete for transmission line and substations. (Completion: 9/2018) ^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, completion dates have not been determined. All AIF power projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national electric utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 11/30/2017. All other information is as of either 11/30/2017, 12/17/2017, 12/21/2017, 12/28/2017, or 1/16/2018 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 ASFF funds transferred to replace cancelled funds. BOD shifted to 1/2018 from 12/2017.

^b 111 of 114 towers completed; 25km/27km transmission lines strung. Pushmol and Maiwand substations both 91% complete. Scheduled completion pushed from 2/2018 to 4/2018.

^c Cannot fully test/commission this segment until MEW clears ROW obstructions and NEPS, Phase 1 segment is energized to Pul-e Alam. Scheduled completion extended to 12/31/2017.

^d USACE inspection complete. Resolution of ROW issues ongoing.

^e Tangi substation 80% complete. Sangin North substation 82% complete. Sangin South substation 82% complete.

^f Sangin to Durai Junction segment: Tls 90% complete, 204 of 205 towers erected. Durai Junction to Lashkar Gah segment: Tls 70% complete 194/212 towers erected. Disbursed amount includes \$2.8 million for security.

^g Includes additional, non-AIF USAID funding.

^h Construction underway on all 268 towers; 146 towers complete; design 99% complete for transmission line and substations; route clearing to begin after MEW/DABS secures real estate.

Source: USFOR-A, JENG, FY 2011-2014 AIF Program Status Report, 12/27/2017; USACE, Garrison and Infrastructure Working Group, AIF Status Sheet, 12/28/2017 and 11/25/2017; USAID, OI, response to SIGAR data call, 12/22/2017, 9/21/2017 and 3/24/2017; USAID, Implementation Letter (IL) 22-79 Withdrawal of Award Consent for SEPS Completion and Ghazni-Kandahar five substation pending procurement actions under USAID agreement 306-05-00, 11/9/2017; DOD, response to SIGAR vetting, 1/16/2018.

Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.⁶⁹⁴ 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 maintenance.⁶⁹⁵ The World Bank similarly reported that 85% of Afghanistan's roads are in poor condition; the majority cannot be used year-round.⁶⁹⁶

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.⁶⁹⁷ 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.⁶⁹⁸ DOD underscored to SIGAR this quarter that the Afghan government is responsible for the sustainability of completed infrastructure projects.⁶⁹⁹

USAID Assistance to Developing Afghanistan's Road Infrastructure: Future Programming Contingent on Ministry Reform

USAID's last road infrastructure program, the three-year, \$25.5 million Technical Assistance for the Ministry of Public Works (TA-MOPW) project, ended last quarter 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.⁷⁰¹ Because a road authority, road fund, and transportation institute were not created, USAID decided to withhold funding from the MOPW after TA-MOPW ended, in line with SIGAR's recommendation in a 2016 audit.⁷⁰² In their final project report, TA-MOPW implementers said that despite an estimated \$60 million spent on capacity building at MOPW, change has occurred "only at the margins" and that, short of a "fundamental shift," MOPW was "not equipped to meet the road sector goals and targets envisaged by the donor community going forward."⁷⁰³ This quarter, USAID said that it would predicate the majority of future work with MOPW on the passage of needed reforms.⁷⁰⁴

ECONOMIC GROWTH

Afghanistan ranked 183rd of 190 economies in the World Bank's *Doing Business 2018* report on regulatory quality and efficiency, unchanged from last year's ranking.⁷⁰⁵ Since the 2017 report, Afghanistan substantially increased the cost of starting a business at incorporation. Entrepreneurs are now required to pay the business license fee for three years, raising

SIGAR AUDIT

In October 2016, SIGAR recommended that USAID make future funding for Afghanistan's Ministry of Public Works (MOPW) contingent on successful creation of an independent road authority, road fund, and transportation institute. USAID concurred with the recommendation. Because MOPW did not create these entities, USAID ceased to fund the ministry. This quarter, USAID reiterated that it agreed with SIGAR's recommendation, and emphasized that future funding was contingent on passage of needed reforms by MOPW. No future projects are currently planned.

the cost from the equivalent of 19.9% to 82.3% of income per capita.⁷⁰⁶ As a result, Afghanistan's rank for starting a business declined significantly, from 42nd last year to 107th this year. Afghanistan remains nearly last in dealing with construction permits (185), getting electricity (163), registering property (186) and enforcing contracts (181). It remains second-worst (189) in protecting minority investors. Its rank for getting credit (105) was its best score.⁷⁰⁷

USAID has cumulatively disbursed over \$1.2 billion for economic-growth programs in Afghanistan.⁷⁰⁸ USAID's active economic-growth programs have a total estimated cost of \$379 million and can be found in Table 3.17.

TABLE 3.17

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	7/15/2018	\$104,997,656	\$104,949,972
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	2/28/2018	77,754,266	73,910,183
Women in the Economy (WIE)	7/1/2015	6/30/2019	71,571,543	25,392,990
Afghanistan Workforce Development Program (AWDP)	4/5/2012	6/30/2018	44,919,458	40,003,423
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	22,445,265	20,897,171
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	0
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	2,870,959
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	11/1/2018	4,800,000	3,450,000
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
Afghanistan Loan Portfolio Guarantee	9/27/2017	9/26/2023	665,820	0
Total			\$378,638,214	\$280,424,660

Source: USAID, response to SIGAR data call, 1/17/2018.

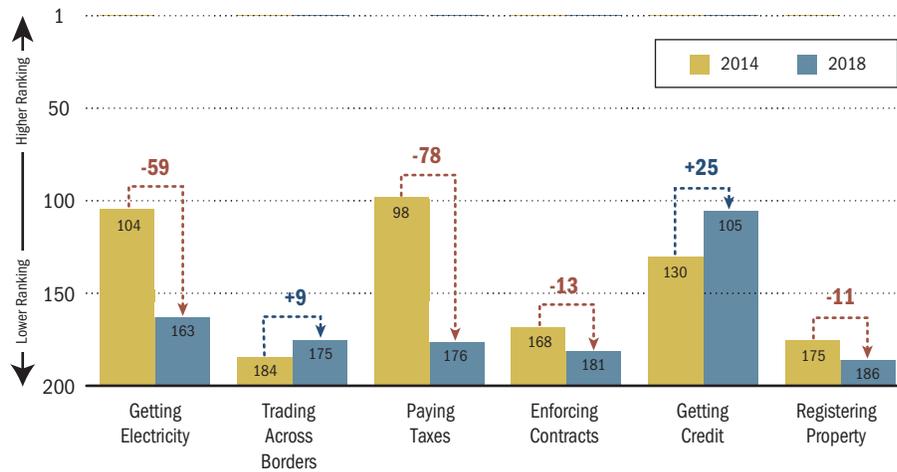
Afghanistan Compact Objectives Update: Recent Trends Must be Reversed to Achieve Aspirations

Through the Afghanistan Compact, launched in August 2017, the Afghan government committed to a total of 64 benchmarks designed to strengthen the Afghan economy.⁷⁰⁹ Included among the business climate reform benchmarks are six World Bank *Doing Business* targets, to be met by 2021:⁷¹⁰

- **Availability of electricity:** rank 120
- **Trading Across Borders:** rank 120

FIGURE 3.49

AFGHANISTAN DOING BUSINESS RANKINGS: 2014 VS. 2018



Source: World Bank, *Doing Business 2018: Reforming to Create Jobs*, 10/31/2017, p. 142; World Bank, *Doing Business 2014: Understanding Regulations for Small and Medium Enterprises*, 10/29/2013, p. 173; State, *Afghanistan-United States Compact-Economic Benchmarks*, current as of 12/23/2017, pp. 1–2.

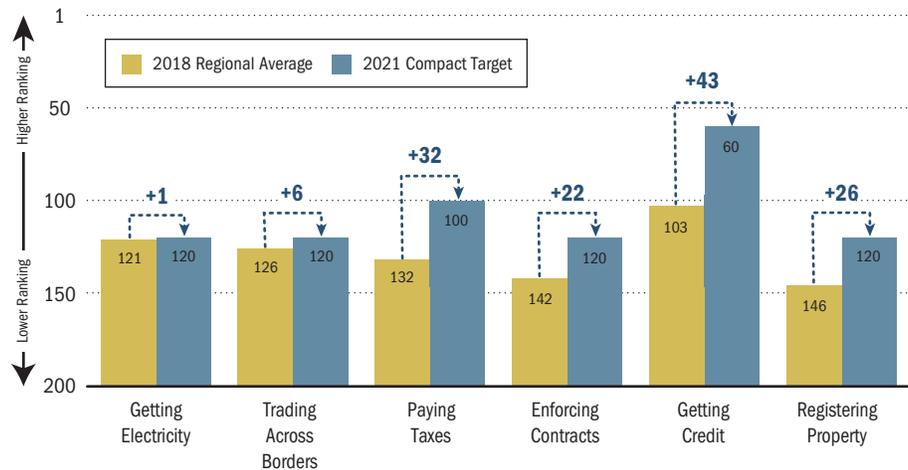
- **Paying Taxes:** rank 100
- **Enforcing Contracts:** rank 120
- **Getting Credit:** rank 60
- **Registering Property:** rank 120

SIGAR analysis of Afghanistan’s standing in these indicators over the last five years shows that the country is generally trending in the opposite direction from Compact targets (see Figure 3.49). From 2014–2018, Afghanistan’s ranking fell in four of the six indicators. Declines in its ranking for Getting Electricity (59 spots, from 104th in 2014 to 163rd in 2018) and for Paying Taxes (78 spots, from 98th in 2014 to 176th in 2018) were especially large.⁷¹¹

Although Afghanistan improved its position for Trading Across Borders (by 9 spots, from 184 in 2014 to 175 in 2018) and Getting Credit (by 25 spots, from 130 in 2014 to 105 in 2018), more recent trends show either stagnation or modest decreases along these indicators. From 2015 to 2018, Afghanistan fell from 89th to 105th for Getting Credit. For Trading Across Borders, Afghanistan has shown little improvement over the last few years, improving by just one spot, from 174th in 2016 to 175th in 2018. All of Afghanistan’s Doing Business Compact targets also exceed 2018 South Asia regional averages, as shown in Figure 3.50 on the next page.⁷¹²

FIGURE 3.50

KABUL COMPACT *DOING BUSINESS* INDICATORS: 2018 SOUTH ASIA REGIONAL AVERAGES VS. AFGHANISTAN'S 2021 COMPACT TARGETS



Source: World Bank, *Doing Business 2018: South Asia*, 10/31/2017, pp. 19, 25, 31, 39, 45, 55; State, *Afghanistan-United States Compact—Economic Benchmarks*, current as of 12/23/2017, pp. 1–2.

Afghanistan Trade and Revenue Project: Mixed Results

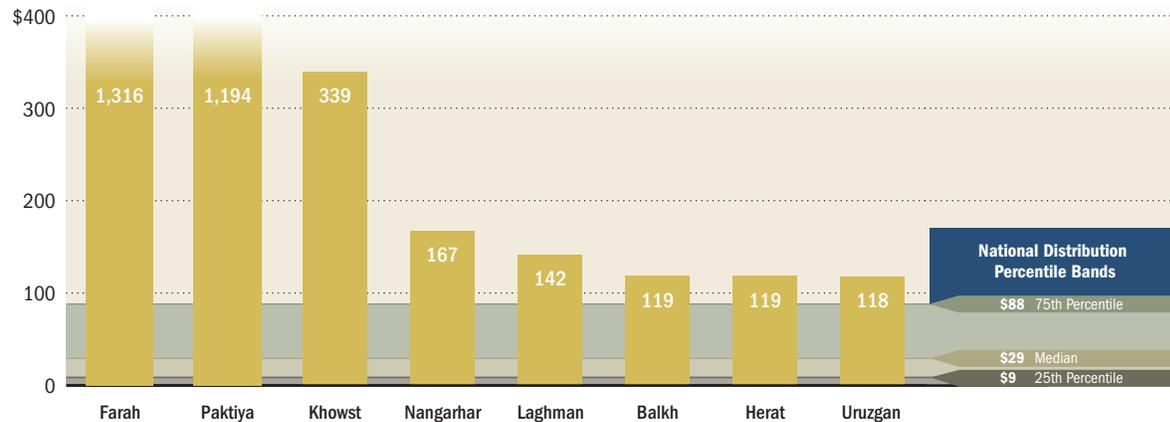
USAID’s four-year, \$77.8 million Afghanistan Trade and Revenue (ATAR) project, which submitted its final project report this quarter, aimed to help Afghanistan realize its potential as a regional and global trading partner. ATAR was designed to promote trade-policy liberalization, enhance Afghanistan’s access to regional markets, and improve its customs administration.⁷¹³ As of December 31, 2017, USAID had obligated \$77.8 million and disbursed \$73.9 million for ATAR-related activities.⁷¹⁴

ATAR’s final report highlighted several key accomplishments, including contributions to Afghanistan’s accession to the World Trade Organization (WTO) in July 2016. Prior to accession, and with ATAR support, Afghanistan adopted 25 legal acts that brought Afghanistan’s legal framework in compliance with the preconditions for WTO membership. ATAR also helped Afghan traders negotiate business deals worth millions of dollars at various international trade events, including \$240 million of confirmed and potential deals at the recent India-Afghanistan Trade Show.⁷¹⁵

However, not all objectives were met. USAID, in consultation with its ATAR implementing partner, Chemonics, established the goal of collecting 75% of all custom duties electronically by the end of this planned \$77.8 million, four-year project (November 2013–November 2017). However, a report released by SIGAR’s Office of Special Projects in August 2017 found that by

FIGURE 3.51

REPORTED CUSTOMS BRIBES: TOP PROVINCES AND NATIONAL DISTRIBUTION



Note: Excludes provinces for which there were fewer than five responses; excludes responses for which respondents provided a value of 0 AFN; presents responses from "random walk" interviews only. SIGAR used the exchange rate 68.3856/1 USD to convert from AFN. This corresponds to the exchange rate used in the Asia Foundation's analysis.

Source: SIGAR analysis of data from The Asia Foundation, *Afghanistan 2017: A Survey of the Afghan People*, 11/2017.

the end of December 2016, less than 1% (0.59%) of all custom duty collections were being collected electronically.⁷¹⁶

According to the Afghan Customs Department, one benefit of an electronic payment system is that it reduces opportunities for corruption by decreasing physical interaction between customs officials and traders.⁷¹⁷ Customs offices are one of only four institutions where reported bribes average more than \$100, according to the Asia Foundation's recently released public-opinion survey of Afghanistan.⁷¹⁸ Figure 3.51 shows the eight provinces where customs bribes are the highest (out of a total of 25 included in a SIGAR analysis of the Asia Foundation's raw survey data). Average reported bribes for each province are presented within columns. The national distribution of reported bribes is displayed with percentile bands on the right side of the graphic.

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



Chief Executive Abdullah Abdullah speaks at the launch of USAID's latest Textbook Printing and Distribution Project. (USAID photo)

requirements, with the rest receiving in-service training. While the sector is improving, the quality of education and administration remains weak.⁷¹⁹ Moreover, the ongoing conflict continues to limit access to education.⁷²⁰ The United Nations Assistance Mission in Afghanistan (UNAMA) reported a total of 51 conflict-related incidents against either education facilities or education workers through the first nine months of 2017.⁷²¹

Girls' education, in particular, faces obstacles. Human Rights Watch (HRW) said 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. HRW observed that educational disparities between girls and boys is reflected in adolescent literacy rates: 66% of adolescent boys are literate, compared to 37% of adolescent girls.⁷²²

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.

SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects released its fourth report in a series that discusses findings from site visits at schools across Afghanistan that were either built or rehabilitated by USAID. Focusing on 17 schools in Faryab Province, SIGAR found that all schools were open and in generally usable condition. However, SIGAR observed that there may be problems with student and teacher absenteeism at one school in Maymana district, and that several schools have structural deficiencies that could affect the delivery of education. For more, see Section 2, pp. 42–43 of this report.

Ministry of Education Data: Enrollment Rises, But 20% of Students Habitually Absent

According to the **Education Management Information System (EMIS)** for FY 1396 (December 22, 2016–December 21, 2017), Afghanistan reportedly had 16,049 general-education (government-run, grades 1–12) schools, which represented a 2.2% increase over FY 1395 figures. The total number of schools included 959 schools that were either inactive or closed, a 6.1% increase from the previous year. Approximately 8.95 million students were enrolled in general education schools in FY 1396, which represented a 6.3% increase over last year's figure of about 8.4 million.⁷²³ The number of enrolled students includes both present and absent students.⁷²⁴

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.⁷²⁵ According to a recent report from the Joint Anti-Corruption Monitoring and Evaluation Committee (MEC; see next section for further information), this sub-population represents about 20% of total enrolled students, implying that only about 7.2 million students are actually attending school.⁷²⁶

Corruption in the Ministry of Education: Vulnerability High, According to MEC Report

In October 2017, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) released a corruption vulnerability assessment of Afghanistan's Ministry of Education (MOE). The MEC's primary finding was that many teachers were appointed based on "nepotism and bribery" rather than on merit, and that this practice was widespread. The MEC assessed that this was the most serious corruption challenge facing the MOE, rather than procurement or "ghost teachers."⁷²⁷

To remedy this issue, the MEC recommended that school communities select teachers, rather than Provincial Education Departments. The MEC

TABLE 3.18

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2017 (\$)
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	\$91,927,769	\$58,501,991
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	77,402,457	77,402,457
Textbook Printing and Distribution II	9/15/2017	12/31/2019	75,000,000	0
Afghans Read Program (ARP)	4/4/2016	4/3/2021	69,547,810	14,567,091
Support to the American University of Afghanistan (AUAF)	8/1/2013	11/29/2019	64,400,000	45,061,094
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	21,908,001
Let Girls' Learn Initiative and Girls' Education Challenge Programme (GEC)	6/29/2016	6/28/2021	25,000,000	5,000,000
Capacity Building Activity at the Ministry of Education	2/6/2017	2/5/2021	23,212,618	3,008,258
Afghanistan's Global Partnership for Education	10/11/2012	6/30/2018	10,019,464	4,547,341
Assessment of Learning Outcomes and Social Effects in Community-Based Edu.	1/1/2014	12/31/2018	6,288,391	4,970,763
Financial and Business Management Activity with AUAF	7/5/2017	1/4/2019	4,384,058	447,450
PROMOTE Scholarships PAPA	3/4/2015	3/3/2020	1,247,522	1,247,522
Total			\$493,266,009	\$236,661,967

Source: USAID, response to SIGAR data call, 1/17/2018.

also recommended that the government reduce the size and scope of the MOE, which is the largest public employer in Afghanistan and, as such, uniquely susceptible to corruption, according to the report.⁷²⁸

USAID Programs Focus on Increasing Access, Improving Literacy, and Enhancing Employability

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.⁷²⁹ USAID had disbursed approximately \$959 million for education programs in Afghanistan, as of December 31, 2017.⁷³⁰ USAID's active education programs have a total estimated cost of \$493 million and can be found in Table 3.18.

USAID Announces \$75 Million for Printing and Distribution of Textbooks

On November 7, 2017, USAID announced that it will provide \$75 million to Afghanistan's Ministry of Education to cover the costs of printing and

distributing 135 million textbooks and teacher guides for all public schools in Afghanistan serving students in first through 12th grade. USAID said this latest effort was a follow-on to its \$26.9 million Textbook I Printing and Distribution Project, which ran from 2011 to 2017.⁷³¹

USAID added that procuring and distributing the textbooks would help ensure increased access to, and improve the quality of, basic education in Afghanistan.⁷³² However, a USAID report issued in February 2017 that examined lessons learned on the agency's programming in the education sector said "textbooks production and distribution has been another area of recurrent problems in the education sector." The report noted that the Ministry of Education (MOE) has in the past inadequately planned for textbook needs, which resulted in "emergency procurements." The report also said the MOE lacks a reliable distribution plan, which produced inefficiencies in textbook delivery, including delays and shortages.⁷³³ To mitigate recurrence of such issues, USAID said two agency representatives on the Ministry of Education's textbook-oversight committee will directly review procurements and provide oversight for selection of printing contractors.⁷³⁴

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.⁷³⁵

Insecurity also impacts health-delivery services. Between July 1, 2017, and September 30, 2017, UNAMA reported 18 conflict-related incidents against either health facilities or health workers. This was lower than the 33 incidents verified by UNAMA over the same period in 2016.⁷³⁶ Armed groups sometimes threaten health clinics with closure to secure treatment for their fighters. Last quarter, SIGAR reported that the Taliban had closed the majority of health clinics in Uruzgan Province (see page 214 of SIGAR's October 2017 quarterly report for more details).⁷³⁷ According to UNAMA, as of November 23, 2017, just five of those clinics had reopened—a number that differs substantially from the MOPH's figure of 18, relayed to SIGAR in October.⁷³⁸

USAID Health Programming: Objective is to Sustain and Bolster Gains

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.⁷³⁹

TABLE 3.19

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2017 (\$)
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	05/11/2016	05/10/2021	\$75,503,848	\$4,703,935
Helping Mothers and Children Thrive (HEMAYAT)	01/07/2015	01/06/2020	60,000,000	36,321,409
Health Sector Resiliency (HSR)	09/28/2015	09/27/2020	37,936,471	10,884,875
Disease Early Warning System Plus (DEWS Plus)	01/01/2015	12/30/2020	32,728,000	24,388,615
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	07/21/2015	07/07/2020	15,002,610	9,400,000
Challenge Tuberculosis	01/01/2015	09/29/2019	15,000,000	7,546,790
Sustaining Health Outcomes through the Private Sector (SHOPS Plus)	01/01/2016	09/30/2017	6,000,000	5,561,289
Global Health Supply Chain Quality Assessment	01/02/2015	01/01/2020	1,500,000	1,500,000
Global Health Supply Chain-Procurement and Supply Management-HIV/AIDS Task Order #1	04/15/2015	09/29/2021	176,568	176,568
Total			\$243,847,497	\$100,483,481

Source: USAID, response to SIGAR data call, 1/17/2018.

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.⁷⁴⁰

USAID also believes that assisting the Afghan government with health-care delivery will increase the population's support for the government, clarifying that "Healthy people and healthy communities are the bedrock of a peaceful and stable nation." USAID said that, among other refinements to its health-sector strategy following the announcement of the new South Asia strategy, it will focus on improving health outcomes in urban centers and expanding its private-sector engagement.⁷⁴¹

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.⁷⁴² U.S. on- and off-budget assistance to Afghanistan's health sector totaled nearly \$1.2 billion as of December 31, 2017.⁷⁴³ USAID's active health programs have a total estimated cost of \$244 million, and are listed in Table 3.19.

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.

SIGAR Special Project Exposes Possible Oversight Weaknesses in USAID's Multilateral Programming

This quarter, SIGAR's Office of Special Projects released the seventh in a series of reports examining health facilities supported by USAID in provinces throughout Afghanistan. The latest report focused on 20 facilities in Khowst Province. The facilities reviewed by SIGAR are supported by USAID through the World Bank-administered System Enhancement for Health Action in Transition (SEHAT) program, which is scheduled to run through June 2018.

SIGAR found substantial inaccuracies in the geospatial coordinates USAID previously provided for many of these 20 health facilities, including 15 facilities that were at least 10 kilometers away from coordinates USAID provided. SIGAR also found that not all facilities had access to reliable electricity.⁷⁴⁴

SIGAR maintains that, given USAID's intention to contribute approximately \$228 million to the World Bank's SEHAT program, USAID should take steps to ensure that its funds are used as intended. In the case of SEHAT, that means, in part, using accurate GPS data to help ensure that the correct populations are receiving intended health care services.⁷⁴⁵

Initiative for Hygiene, Sanitation, and Nutrition: First Annual Report Submitted

With a total estimated cost of \$75.5 million, USAID's Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) aims to improve nutrition of women of reproductive age and children under the age of five. Over its five-year programmatic life, the project expects to reduce the incidence of anemia among women of reproductive age by a minimum of 10% (a four-percentage-point reduction from the current rate of 40%) and decrease the incidence of **stunting** among children by at least 5% (an approximately two-percentage-point reduction from the current rate of 41%). IHSAN expects to achieve these outcomes by bolstering capacity to institutionalize nutrition programs, improving nutritional and hygiene behavior in communities and households, and increasing the availability of sanitation, hygiene, and nutritional products and services.⁷⁴⁶

IHSAN programming commenced in May 2016.⁷⁴⁷ In its first annual report, USAID's implementing partner said it had met with government and donor stakeholders to produce workplans for FY 2017 and FY 2018, and had developed and delivered nutrition counselor training to master trainers from 18 provinces.⁷⁴⁸ Implementers also assisted the Ministry of Public Health during its development of Afghanistan's National Nutrition Strategy. IHSAN expects to help finalize the strategy in FY 2018.⁷⁴⁹

Stunting: refers to the physical characteristic of being at least two standard deviations below the median height for one's age in a reference population. Children whose mothers have poor nutrition during pregnancy, whose parents engage in poor infant feeding practices, and who experience repeated infections can become stunted. Afghanistan has one of the highest rates of stunting in the world.

Source: UNICEF, "Definitions: Nutrition," n.d., accessed 12/28/2017, https://www.unicef.org/infobycountry/stats_popup2.html; UNICEF, National Nutrition Survey Afghanistan (2013) Survey Report, 8/2014, p. 9; Maternal and Child Nutrition, Stop stunting: situation and way forward to improve maternal, child and adolescent nutrition in Afghanistan, 4/2016, p. 237.

Polio

As of December 28, Afghanistan reported 12 new polio cases in 2017, the most recent one in Kandahar Province.⁷⁵⁰ There were 13 polio cases in 2016.⁷⁵¹ 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).⁷⁵² Large-scale population movements between Afghanistan and Pakistan increase the risk of cross-border transmission—UNAMA said the new transmissions in Afghanistan in 2017 were the result of cross-border movements—and a fatwa issued by the Pakistani Taliban targeting polio workers complicates vaccination outreach.⁷⁵³

This quarter, UNAMA reported that the national polio vaccination campaign reached over 9 million children in September and more than 5.5 million in November.⁷⁵⁴ As of August 31, 2017, USAID had obligated more than \$25.7 million and disbursed about \$17.7 million for polio eradication in Afghanistan since FY 2003.⁷⁵⁵

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COUNTERNARCOTICS

KEY ISSUES AND EVENTS

Afghanistan's total area under opium cultivation and opium production reached an all-time high in 2017, according to the United Nations Office on Drugs and Crime's (UNODC) annual country opium survey. According to the November 2017 report, cultivation increased by 63% from the previous year to 328,000 hectares and production increased 87% to 9,000 tons.⁷⁵⁶ (One hectare is roughly 2.5 acres. The total area under opium cultivation approaches the area of Rhode Island.)⁷⁵⁷ Cultivation expanded to new regions and intensified in areas previously under cultivation. Total eradication increased 111% to 750 hectares in 2017, but remained low, especially when compared to total opium cultivation levels.⁷⁵⁸

Despite a U.S. investment of \$8.7 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 in the country.⁷⁵⁹

The UNODC report said political instability and insecurity may have contributed to the expanded cultivation. Other factors might have included a cheaper harvest workforce in Helmand and improved agricultural techniques, such as solar panels to power irrigation.⁷⁶⁰

Under new authorities given by the Trump Administration to the U.S. military in its fight against insurgent and terrorist organizations, United States Forces-Afghanistan (USFOR-A), supporting the Afghan air force, targeted drug labs for the first time this quarter using B-52 bombers and other aircraft, including the F-22 Raptor fighter/ground-attack jet.⁷⁶¹

From November through December 13, 2017, 25 drug labs have been destroyed. According to the U.S. Department of Defense (DOD), that equates to nearly \$80 million of drug money eliminated and \$16 million of direct revenue being denied to the Taliban.⁷⁶²

The State Department's Bureau of South and Central Asian Affairs (SCA) failed to provide a response to SIGAR's request for an update on the counternarcotics strategy for Afghanistan. SIGAR has previously reported on the slow progress the U.S. government has made toward revising its counternarcotics strategy. The approval of a new U.S. counternarcotics strategy for Afghanistan has been on hold since 2015.⁷⁶³

A November 2017 SIGAR Special Projects report found over \$9 million worth of DOD-purchased equipment to assist in the interdiction of illicit narcotics, precursor chemicals, and other illicit goods sat unused at several border locations.

Source: SIGAR 18-14-SP, *DOD Procured Non-Intrusive Inspection Equipment: \$9.48 Million Worth of Equipment Sits Unused at Borders in Afghanistan*, 11/2017, pp. 1–5.

This quarter, the lower house of the Afghan parliament summoned Minister of Counter Narcotics Salamat Azimi and other Afghan government officials because of what they considered inadequate development budget spending: only 47% of the Ministry of Counter Narcotics (MCN)'s development budget from fiscal year (FY) 1395 (December 22, 2015–December 20, 2016) had been spent. Minister Azimi reported that the MCN had a \$23.3 million development budget for solar year 1395 (March 20, 2016–March 20, 2017), but donors later reduced that amount by \$7.3 million. She stated that 70% of the MCN budget had been spent. Eleven projects or 9.5% of its development budget could not be implemented due to insecurity.

Due to a lack of quorum, no decision was made on Minister Azimi's fate. In the past, the lower house has dismissed ministers who failed to spend enough of their development budget. The percentage has varied in recent years, but Speaker Abdul Rauf Ibrahimy stated officials who spent less than 60% of their development budget would continue to be summoned.⁷⁶⁴

This reporting period, the Afghan government completed one of the seven counternarcotics benchmarks in the Afghanistan Compact, a non-binding, Afghan-led initiative designed to demonstrate the government's commitment to reforms. The Counter Narcotics High Commission led by the president, chief executive, or vice president is to meet quarterly. The meeting due by the end of November was held. The other benchmarks related to eradication, anti-money laundering, and counternarcotics community engagement are due January 2018. The interdiction benchmark consists of three indicators: two were completed in October and one regarding rewards for interdiction operations is outstanding.⁷⁶⁵

Between October 1 and December 18, 2017, Afghan law-enforcement personnel conducted 17 interdiction operations, four of which were combined U.S.-Afghan operations. Seizures included over 6,400 kilograms (kg) of opium, 145 kg of heroin, 85 kg of hashish, and 14 kg of **precursor chemicals**.⁷⁶⁶ A kilogram is about 2.2 pounds.

In addition to exporting opiates, Afghanistan suffers from widespread illegal drug use. A U.S.-funded 2015 survey estimated approximately 11% of the population would test positive for drugs. Drug use among men, women and children is among the highest documented worldwide.⁷⁶⁷ 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.⁷⁶⁸ After numerous drug addicts died in the capital, the Ministries of Public Health and Counter Narcotics launched a campaign in December 2017 gathering drug addicts in Kabul and offering them treatment.⁷⁶⁹

On December 11, the foreign ministers of Russia, China, and India met in New Delhi at the 15th trilateral meeting to discuss the campaign against terrorism, drug trafficking, and the International North-South Transport

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.

Corridor (INSTC) connecting India, Iran, Afghanistan, and Central Asia with Europe.⁷⁷⁰

UNODC also organized a regional alternative-livelihood conference on Afghanistan in November 2017 in Ashgabat, Turkmenistan. Representatives from Iran, Pakistan, and other nations and international organizations convened to discuss measures to promote alternative development and reduce opium poppy cultivation.⁷⁷¹

DRUG LAB BOMBING CAMPAIGN

In November 2017, General John W. Nicholson, Jr. announced that new authorities granted under the Trump Administration's new South Asia strategy allowed U.S. Forces-Afghanistan (USFOR-A) to attack insurgents' financial networks. (Previously, U.S. forces were restricted to defending Afghan forces.) In November, air strikes focused on drug labs in Helmand and were led by Afghan Security Forces using A-29s, with support from U.S. Air Force B-52s, F/A-18s, and other aircraft, including the F-22 Raptor. According to General Nicholson, 13 drug-trafficking organizations exist in Afghanistan and seven operate in Helmand.

One danger of a sustained air campaign is civilian casualties, which could erode support for the Afghan government and potentially increase support for the insurgency. The United Nations reported over 8,000 civilian casualties between January 1 and September 30, 2017. October and November were two of the deadliest months for civilians. Press reports stated several civilians were killed during the November bombings. The operations used the F-22, one of the "most advanced fighter aircraft" because of its ability to deliver munitions precisely, including 250-pound bombs to minimize collateral damage.

At a December briefing, Brigadier General Lance Bunch announced that the future operations directorate, recently created to synchronize campaigns between Resolute Support and Operation Freedom's Sentinel, had developed a sustained air interdiction campaign to target Taliban command centers, illicit revenue-generating ventures, and logistics networks. Brigadier General Bunch announced that 25 narcotics labs had been destroyed since the beginning of the campaign in November, which he said was the equivalent of nearly \$80 million eliminated from the drug-trafficking organizations while denying over \$16 million in direct revenue to the Taliban.

At the same December briefing, Brigadier General Bunch stated the operations also used high-mobility artillery-rocket systems (HIMARS),

air-refueling assets, intelligence-surveillance-reconnaissance assets, and other supporting assets. According to the latest DOD financial-management report, an F-22 costs between \$35,294 and \$36,799 per hour to operate; a B-52 between \$32,569 and \$34,341 per hour; and an F/A-18 between \$9,798 and \$16,173 per hour, depending on the model. By contrast, the labs being destroyed are cheap and easy to replace. Afghans told Reuters it would take three or four days to replace a lab in Afghanistan. According to UNODC, the morphine/heroin labs need only simple equipment such as a stove, iron barrel, and locally made pressing machines. According to DOD, the value of seizures and destroyed equipment is based on DEA baselines.

The value of destroyed labs is assessed according to their size. DOD says the majority of a drug lab's value resides in the number of barrels it cooks and drug trafficking organizations can expect approximately \$205,000 in future revenue per barrel. The value of other destroyed infrastructure and material (structures, opium presses) is added to the total. From the information provided by DOD, it is unclear whether future revenue per barrel is calculated using price data on the export of opium and heroin, or using higher values in consumer markets outside Afghanistan. Law enforcement sources suggest that the Taliban only profit from the drug trade until the product is sold to drug trafficking organizations outside Afghanistan.

DOD cites DEA estimates that the Taliban receive a 20% cut from drug trafficking organizations. DOD determines the value that any struck target would provide to the drug trafficking organization and attributes 20% of that value to the Taliban. DOD's determination is thus based on potential, future revenue. SIGAR has no information on how DOD determines the quantity of the barrels at a particular location and whether the containers are full or empty. The potential revenue may never be realized within Afghanistan as the revenue will likely be realized outside the country. It is therefore unclear whether the DOD figure is an accurate estimate of how much revenue is eliminated by air strikes on drug labs.

Source: The White House, "Remarks by President Trump on the Strategy in Afghanistan and South Asia," 8/21/2017; Resolute Support, "Transcript of DOD Press Briefing with General John Nicholson, commander, U.S. Forces Afghanistan," 11/21/2017; OUSD, *FY 2018 Department of Defense Fixed Wing and Helicopter Reimbursement Rates*, 10/3/2017; United Nations, *The situation in Afghanistan and its implications for international peace and security*, report of the Secretary-General, 12/15/2017, p. 7; UNODC, *Monitoring of Drug Flow in Afghanistan*, 10/2007, p. 4; *Washington Post*, Sayed Salahuddin, "Reports suggest dozens of civilians killed in U.S. strikes in Afghanistan," 11/05/2017; VOA News, Ayaz Gul, "US. Afghan Airstrikes Destroy 9 Taliban Drug Labs in Afghanistan," 11/22/2017; Reuters, Mohammad Stanekzai and Girish Gupta, "U.S. strikes on Taliban opium labs won't work, say Afghan farmers," 11/23/2018; Former DEA official, correspondence with SIGAR, 1/2/2018; and USFOR-A, response to SIGAR data call, 1/15/2018.

SIGAR AUDIT

An ongoing SIGAR Lessons Learned report is examining U.S. counternarcotics efforts from 2002 through 2017. This comprehensive review will incorporate satellite-imagery data analysis and provide recommendations to policymakers to improve future strategies and programs.

U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS

As of December 31, 2017, the United States has provided \$8.7 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).⁷⁷²

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).⁷⁷³

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.⁷⁷⁴

No Revised U.S. Counternarcotics Strategy

Approval of a new U.S. counternarcotics strategy for Afghanistan has been on hold since 2015.⁷⁷⁵ This quarter, the Bureau of South and Central Asian Affairs (SCA) failed to provide a response to SIGAR's request for an update on the status of the revised U.S. counternarcotics strategy. SCA deals with U.S. foreign policy and U.S. relations with Afghanistan and other Asian countries.⁷⁷⁶ State's Bureau of International Narcotics and Law Enforcement Affairs (INL) notified SIGAR in 2017 that the Special Representative for Afghanistan and Pakistan, which has been assimilated into SCA, was the entity to communicate with about the new strategy.⁷⁷⁷ INL told SIGAR this quarter that its programs continue to support Afghanistan's National Drug Action Plan (NDAP) and focus on eradication, interdiction, drug demand reduction, community information, and alternative development programs. INL also stated that the Administration's new South Asia strategy did not differ from INL priorities.⁷⁷⁸

Opium Cultivation and Production Levels Reach New Heights

The United Nations Office on Drugs and Crime's (UNODC) released its annual country opium survey in November 2017. Cultivation increased 63% from 201,000 hectares in 2016 to 328,000 hectares, while production increased 87% from 4,800 to 9,000 tons.⁷⁷⁹ (One hectare is roughly 2.5 acres. The total area under opium cultivation approaches the size of Rhode Island.)⁷⁸⁰ All major poppy-growing provinces exhibited strong increases in cultivation. In Helmand, cultivation increased 79%, accounting for nearly half of the total national increase. Levels in Balkh increased by 10,000

hectares, or nearly five times more than in 2016. Kandahar levels increased 37% or by 7,500 hectares, Nimroz 116% or by 6,200 hectares, and Uruzgan levels rose 39% or by 6,000 hectares.⁷⁸¹

Cultivation expanded to new regions and the number of poppy-free provinces decreased from 13 to 10, as Ghazni, Samangan, and Nuristan Provinces lost their poppy-free status.⁷⁸²

The increase in opium production stems primarily from the increase in area under opium-poppy cultivation. Opium yields also increased. The average yield in 2017 was 27.3 kilograms per hectare, 15% higher than in 2016. According to UNODC, yields increased in southern, northeastern, and eastern regions of the country, but decreased in central and northern regions by 5% and 6%, respectively.⁷⁸³

UNODC says that multiple drivers, some complex and geographically diverse, influence farmers' decisions to grow opium. Political instability, security, and lack of government control play a major role. Scarce employment opportunities, lack of quality education, and limited access to markets and financial services increase the appeal of opium-poppy cultivation for farmers. The large increase in 2017 could have been fueled by a combination of events which may have exacerbated some of these elements.⁷⁸⁴

According to UNODC, additional factors played a role in Helmand Province. Cheaper labor became available at harvest time and, combined with the increased yields, could have prompted many farmers to take up or expand opium cultivation. Advances in agriculture, including solar panels for powering irrigation pumps, fertilizers, and pesticides, may have made opium-poppy cultivation more profitable even under unfavorable natural conditions. Solar panels require a sizable initial investment but have lower running costs than diesel-powered pumps and can be used to transform desert areas into productive arable land.⁷⁸⁵

The U.S. government's estimates for opium production and cultivation in 2017 are not yet available.⁷⁸⁶

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:

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.

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Trucks filled with a combined weight of approximately 3 tons of confiscated drugs get unloaded during a periodic drug burn at Bost Airfield, Afghanistan, Nov. 2, 2017. The Afghan National Police burned four years' worth of evidence from court cases in Helmand Province. This periodic burn included opium, heroin, hashish, various chemicals, alcohol and morphine. (U.S. Marine Corps photo by Sgt. Justin T. Updegraff)

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.⁷⁸⁷

“Revenue from drug trafficking, taxation/extortion, illicit mining/agriculture, and foreign financial support continues to sustain the insurgency and Afghan criminal networks,” according to DOD.⁷⁸⁸ The CNPA, comprising regular narcotics police and specialized units, leads counternarcotics efforts among Afghan security forces.⁷⁸⁹ Afghan Uniform Police and Afghan Border Police also participate in counternarcotic activities.⁷⁹⁰ In addition, the General Command of Police Special Units (GCPSU) conducts high-risk operations against terrorism, narcotics and organized crime.⁷⁹¹ 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.⁷⁹² The NIU maintains forward-based personnel in Kandahar, Kunduz, and Herat Provinces.⁷⁹³ The Technical Investigative Unit (TIU), a group within the SIU, operates the Judicial Wire Intercept Program (JWIP).⁷⁹⁴

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.⁷⁹⁵ 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



The Afghan National Police set fire to approximately three tons of confiscated drugs during a controlled drug burn at Bost Airfield, Afghanistan, Nov. 2, 2017. The ANP burned four years' worth of evidence from court cases in Helmand Province. This periodic burn included opium, heroin, hashish, various chemicals, alcohol, and morphine. (U.S. Marine Corps photo by Sgt. Justin T. Updegraff)

officers, from the police officer to the unit commander; the amount of the supplement is based on the individual's rank.⁷⁹⁶ DOD provided \$675,000 for equipment to the NIU for 2017 and \$1 million for equipment to be delivered in 2019.⁷⁹⁷

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.⁷⁹⁸ No eradication operations occurred between October 1 and December 18, 2017, as the opium harvest was completed last quarter. DOD lacked sufficiently reliable information to report on CNPA activities, allocation of their resources, or the results of their interdiction operations. However, DOD said historically, the use of CNPA personnel for non-CN missions has occurred frequently and CNPA staff posted to provincial-level police headquarters likely participated in non-CN missions this quarter.⁷⁹⁹

During the first quarter of FY 2018, 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 October and December 18, 2017, Afghan operations resulted in the following seizures and destruction of multiple drug labs: over 6,400 kg of opium, 145 kg of heroin, 85 kg of hashish, and 14 kg of precursor chemicals.⁸⁰⁰ DEA reported that 13 labs were destroyed, two high-value targets apprehended, and over \$950,000 in U.S. currency seized during the same period. In November, a Taliban financier evaded capture but the NIU seized \$30,000 in Pakistani rupees and destroyed approximately \$9.7 million of narcotics.⁸⁰¹ The UN reports that Afghan law enforcement

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TABLE 3.20

INTERDICTION RESULTS, FISCAL YEARS 2009–2018											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*	Total**
Number of Operations	282	263	624	669	518	333	270	190	156	17	3,458
Detainees	190	484	862	535	386	442	394	301	152	23	3,818
Hashish seized (kg)	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,327	85	1,123,237
Heroin seized (kg)	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,975	145	37,724
Morphine seized (kg)	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	106,369	0	172,872
Opium seized (kg)	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	24,263	6,408	461,849
Precursor chemicals seized (kg)	93,031	20,397	22,150	130,846	36,250	53,184	234,981	42,314	89,878	14	827,754

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 10/1/2017–12/18/2017.

** Includes FY 2008 results: 136 operations; 49 detainees; 241,353 kg of hash; 277 kg of heroin; 409 kg of morphine; 15,361 kg of opium; 4,709 kg of precursor chemicals.

Source: DOD, response to SIGAR data call, 7/29/2015, 7/20/2017, and 12/26/2017.

authorities seized 225 K-tablets (synthetic drugs), 76 vehicles, 20 weapons, and over a hundred mobile phones, and dismantled one heroin-processing laboratory between August 27 and October 31, 2017.⁸⁰²

Afghan law-enforcement personnel in the specialized units conducted 17 operations from October 1 to December 18, 2017, four of which were combined U.S.-Afghan operations.⁸⁰³ According to DOD, the poor security situation in Afghanistan makes conducting interdiction activities a challenge. Interdictions declined from 34 in the previous quarter to 17 despite mentorship from U.S. Special Forces units and greater access to Resolute Support (RS) enablers.⁸⁰⁴ The difficult security situation in much of the country may have contributed to the decline since security forces focus overwhelmingly on combating the insurgency. Moreover, insecurity prevents most of the counternarcotics forces from conducting operations in key drug terrain where large volumes of narcotics would be vulnerable to seizure.⁸⁰⁵

As shown in Table 3.20, from 2008 through December 18, 2017, nearly 3,460 interdiction operations have resulted in the seizure of 461,849 kg of opium. However, these seizures over a nearly 10-year period, would account for less than 0.05% of the total opium produced in Afghanistan in 2017 alone. According to the 2017 Opium Survey by the UN Office on Drugs and Crime (UNODC), Afghanistan’s potential opium production in 2017 was approximately 9,000 metric tons (or 9 million kg).⁸⁰⁶

The United States is supporting Afghan CN missions through train, advise, and assist activities. DOD supports training and equipping the specialized CNPA units who investigate high-value targets and conduct drug-interdiction operations. Although this quarter’s interdictions results decreased, DOD said that overall the specialized units within the CNPA have demonstrated a significant improvement in interdiction-operations

tempo and effectiveness since they have been mentored by DEA and a U.S. Army Special Forces unit, starting in 2016.⁸⁰⁷

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.⁸⁰⁸ The SMW is the only Afghan National Defense and Security Forces (ANDSF) organization with night-vision, rotary-wing air assault, and fixed-wing intelligence, surveillance, and reconnaissance capabilities.⁸⁰⁹ According to DOD, the SMW will expand to include additional helicopter crews, consolidate the PC-12 aircraft into a new fixed-wing *kandak* (battalion), and create an aviation-support *kandak*.⁸¹⁰ The SMW is essential to expanding the ability of the CN/CT units to engage high-value targets. The SMW is used by the Afghan Special Security Forces to conduct helicopter assault raids throughout the country.⁸¹¹

More information on the SMW is available on pages 109–111 of this report.

Eradication Results

Governor-Led Eradication

Under the Governor-Led Eradication (GLE) program, INL reimburses provincial governors \$250 for every UNODC-verified hectare of eradicated poppy.⁸¹² This quarter, GLE resulted in 750 hectares eradicated in Nangarhar, Kandahar, Badakhshan, Balkh, Kunar, Kapisa, Laghman, Ghor, Herat, Badghis, Nimroz, Takhar, and Kabul Provinces.⁸¹³ The UN reported no eradication was carried out in the northern region for the past three years except for Sar-e Pul in 2015 and Balkh in 2017 (25 hectares). No eradication took place in the southern region in 2017 except for Kandahar where 48 hectares were eradicated.⁸¹⁴ Discussions are under way about eradication preparations for 2018.⁸¹⁵

INL has obligated and disbursed \$6.9 million to date since the program's inception.⁸¹⁶ As Figure 3.52 on the next page illustrates, eradication efforts have minimal impact on curbing opium cultivation. The increase in cultivation reported this year is an indication of the limited Afghan government control, particularly in rural areas.

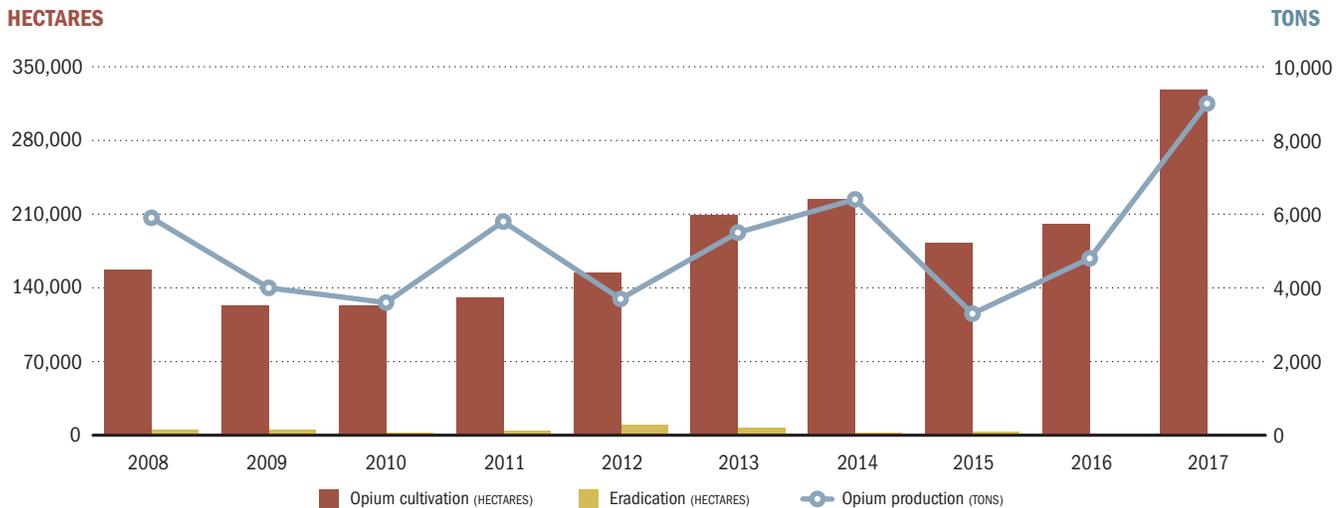
Good Performers Initiative

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. According to INL, the program was deemed "ineffectual at curbing opium cultivation" in those provinces receiving awards. MCN's inability to adequately manage the program was also a factor in INL phasing out the program. No new GPI projects were approved

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FIGURE 3.52

AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



Source: UNDOC, *World Drug Report 2016*, 5/2016, Annex, vii, ix, xii; UNODC, *Afghanistan Opium Survey 2017: Cultivation and Production*, 11/2017, pp. 5–6, 64–70, 71.

SIGAR SPECIAL PROJECT

In January 2018, SIGAR's Office of Special Projects issued a report on GPI infrastructure projects in Faryab Province. SIGAR inspected six projects completed at a cost of \$2.42 million and found that five of the six projects were located less than two kilometers from INL's reported geospatial coordinates. The sixth project was more than 50 kilometers away from its reported location. SIGAR found that the projects were completed and in usable condition. However, two facilities had roof leaks which could lead to other structural issues. The health clinic 50 kilometers away from the INL-provided coordinates calls into question whether the clinic is serving its intended population.

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.⁸¹⁷

As of November 30, 2017, INL reported that 286 projects valued at \$126.3 million have been contracted. Of those, 262 projects have been completed and 24 are still in progress.⁸¹⁸ INL will continue to fund ongoing projects until their completion.⁸¹⁹ 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 (see the Alternate Development section on page 203). BADILL is expected to follow through on INL's commitments to those provinces most affected by the GPI cancellation.⁸²⁰

Ministry of Counter Narcotics Capacity-Building

Since 2008, INL has obligated \$35.8 million and spent \$27.7 million to build capacity at the Ministry of Counter Narcotics (MCN).⁸²¹ 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.⁸²²

INL has another capacity-building program under the **Colombo Plan** whereby Asian University for Women (AUW) fellows from Kabul are assigned to the MCN.⁸²³ Last quarter, the Colombo Plan selected the 10 AUW fellows and recruited the first MCN advisor who will assist in revising the National Drug Action Plan.⁸²⁴

The MCN was the worst-performing Afghan government institution, according to a report released by the UN's Independent Administrative 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 (March 21, 2017–March 20, 2018).⁸²⁵ INL has not yet received the second formal review of Afghanistan's National Drug Action Plan. The MCN is mandated to publish annual reports on its implementation.⁸²⁶

ALTERNATIVE DEVELOPMENT

USAID's alternative-development (AD) programs support U.S. counter-narcotics 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.⁸²⁷ According to USAID, both agencies also attend AD program meetings with UNODC, the UN Development Programme (UNDP), the MCN, and the Ministry of Agriculture, Irrigation, and Livestock.⁸²⁸

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.⁸²⁹

USAID funded an examination of its strategic goals for Afghanistan's "Plan for Transition (2015–2018)" to help inform their first Afghanistan Country Development Cooperation Strategy. USAID examined strategy results, successes and challenges, and the factors that helped or hindered progress in various sectors, as well as coordination with the Afghan government and other stakeholders. The review revealed that "critical assumptions proved to be somewhat valid, or not valid at all." The assumption that the security environment around project areas would allow for activity implementation and monitoring was "not true to somewhat true." Projects in rural areas, particularly in the south were most affected by the security environment.⁸³⁰

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: 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.



Woman poultry producer in Daman District, Kandahar Province. (USAID photo)

Other untrue assumptions were that neighboring countries would harmonize trade and transit policies with Afghanistan; that donors and private investors would make large-scale investments in transit infrastructure and logistics; and that the U.S. government and donors would fulfill security and civilian assistance commitments. Political turmoil in several Central Asian countries has hampered the harmonization of policies. A multi-donor trust fund and the Asian Development Bank have supported some infrastructure projects but large-scale investments by donors and private investors have not materialized.⁸³¹

USAID also found that the need for institutional capacity building at every level of governance continues to undermine development, although significant progress has been made. Progress in the livestock sector has been problematic because of poor genetic stock and difficulty establishing new veterinary field units. Interventions involving job creation in the agricultural sector have been constrained. Agricultural jobs are difficult to create due to improved technologies and management practices that increase productivity but decrease employment. Alternative development activities are negatively affected because of weak political will for eradication when required, and poor relationships to employment and income gains through value chains.⁸³²

On January 16, USAID launched a three-year program called Promoting Value Chains-West in partnership with the Food and Agriculture Organization of the United Nations. The program will support agribusiness and livestock development in the provinces of Badghis, Farah, Herat, and Nimroz. Project beneficiaries will include small and medium enterprises, input suppliers, private service providers, traders, millers and processors, and producer groups. The program will ultimately benefit nearly 40,000 small farm owners from 5,700 enterprise households.⁸³³

Kandahar Food Zone

The Kandahar Food Zone (KFZ) is a five-year, \$45.4 million, USAID-funded project implemented by International Relief and Development (IRD). KFZ addresses the drivers of poppy cultivation in Kandahar Province by rehabilitating irrigation infrastructure, expanding alternative-livelihood opportunities, supporting small businesses, and building the capacity of the MCN to develop effective alternative-development policies. USAID awarded a two-year extension in 2016 to continue work in the three target districts of Zheray, Panjwayi, and Maywand. Development activities include rehabilitating irrigation infrastructure and existing orchards and vineyards, creating new orchards and vineyards, promoting the cultivation of off-season horticulture, marketing high-value crops, and developing agribusiness.⁸³⁴

Rehabilitation work took place on the Nakhonay, Khandaq, and Salawaat canals in Panjwayi District between October and December 2017.⁸³⁵ According to the implementer, the lack of government capacity

to manage the Arghandab River basin as well as its inadequate irrigation budgets and maintenance make it difficult to implement equitable water distribution. Water users are supposed to register with the Directorate of Arghandab River Sub-Basin Authority (DARSA), which manages the release of water from the Dahla Dam. Farmers pay annual fees to **mirabs**, who are responsible for water allocation and minor canal repairs.⁸³⁶ The program identified 54 mirabs in the targeted districts from the Arghandab River and in 2015, developed a canal-maintenance plan in collaboration with DARSA. In December 2017, the implementer conducted field visits to the rehabilitated canals. The KFZ engineers found that works are progressing as planned and USAID said no problems have been identified in the reports.⁸³⁷ In July 2017, DARSA met for the first time with mirabs from Do Aab, located at the end of the irrigation network in Panjwayi. Do Aab has about 1,225 farmers in 40 villages, cultivating approximately 1,400 hectares of land. The primary market for crops is Kandahar City. Access to water improved during the year because of rehabilitations in Do Aab. In 2016, water was only available for 40 days to Do Aab farmers.⁸³⁸ Since the Do Aab rehabilitation was completed in February 2017, USAID told SIGAR it was too early to quantify water-access improvements for 2017. The winter 2017–2018 season will be the first opportunity to gauge the impact of the canal rehabilitation; the information will be reported in the third quarter of FY 2018.⁸³⁹

In 2016, Kandahar provincial workers dug tube wells and installed pumps on 300 farms in two districts. The tube wells provided irrigation as of the 2016–2017 winter season; farmers grew wheat in the winter and fruit and vegetables in the summer. The stakeholders asked KFZ to provide training to those farmers during January 2018.⁸⁴⁰

KFZ built 47 greenhouses during the second year of the program. Insurgents destroyed two of the greenhouses, and their continued presence precludes providing technical assistance to farmers.⁸⁴¹

The Ministry of Counter Narcotics (MCN) requested KFZ review its alternative-livelihood policies, identify the drivers of poppy cultivation, and upgrade its monitoring and evaluation system. The alternative-livelihood policy review began in June and was still ongoing by December 2017.⁸⁴²

Security in the province continued to deteriorate in FY 2017. The implementer relocated its Kandahar office to a secure facility to facilitate oversight by international staff.⁸⁴³

Although USAID’s implementing partner reported KFZ progress against many indicators, they also said the program’s overall impact on curbing opium cultivation is mixed. Results initially seemed promising: poppy cultivation decreased 49% during the second year of the project after the rehabilitation of 12 canals. But the following year, opium cultivation rose 3% in the targeted districts.⁸⁴⁴ USAID informed SIGAR that KFZ’s 2017 fourth-quarter report was not approved because of issues concerning some

Mirabs: persons elected by water users and landowners who are responsible for allocating water from canals to farm fields and for routine and emergency canal maintenance and repairs. Farmers pay them annual fees for surface irrigation water. They organize labor provided by farmers and landowners to clean canals, collect extraordinary fees for minor canal repairs, and supervise the repairs.

Source: USAID, *Kandahar Food Zone Program (KFZ) Year 5 Work Plan, August 31, 2014 to August 31, 2018*, 9/21/2017, pp. 10–11.



Master trainer teaches local women to make various dairy products from cow’s milk. (USAID photo)

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.

information presented. The report was sent back to KFZ and USAID is awaiting revision.⁸⁴⁵

Regional Agricultural Development Program

USAID's Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. RADP projects are under way in the southern, eastern, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to improve the productivity of 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.⁸⁴⁶

RADP-East (RADP-E) is USAID's five-year, \$28.1 million program designed to expand sustainable agriculture-led economic growth in Ghazni, Kapisa, Laghman, Logar, Nangarhar, Parwan, Wardak, and Kabul Provinces. RADP-E will run through July 2021. RADP-E works with the private sector to identify constraints to business and value-chain performance, and implement market-based solutions. RADP-E is intended to increase the sales of agricultural goods and services by \$60 million by the final year of the program. Activities support the apricot, tomato, poultry, and dairy value chains.

The program has allotted \$2.5 million for a market development fund and \$1.7 million for training. The fund uses grants to build capacity across the public and private sectors, as well as civil society.⁸⁴⁷ Some of the program's goals for FY 2018 are to benefit 8,400 households, create 1,500 full-time jobs, have 15% of beneficiaries be female, and connect 250 small and medium-size enterprises to large firms.⁸⁴⁸

During September and October 2017, RADP-E provided technical training to farmers; food and safety training to dairy suppliers, processors and wholesalers, and tomato-processing training to processors. The program provided several grants in July and August to support access to finance in all targeted value chains.⁸⁴⁹ Despite several requests to USAID, SIGAR received no progress reports on RADP-E more recent than August 2017, though USAID's contracts mandate at least monthly reporting from implementers. As of December 31, 2017, approximately \$5.5 million has been disbursed.⁸⁵⁰

RADP-North (RADP-N) is USAID's five-year, \$78.4 million program that is scheduled to end in May 2019. RADP-N invests in increased sustainability and profitability of wheat, high-value crops, and livestock value chains in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces.⁸⁵¹ The program has encountered some problems. For instance, during FY 2017, activity was compromised by a late start. The Ministry of Agriculture, Irrigation and Livestock (MAIL) locked up seed supply by issuing verbal and written instructions that seed companies not sell to the private sector, but rather hold their inventory for eventual

government purchase. MAIL also tendered for large purchases at inflated prices. As a result, the main period for seed sales was missed in many locations and beneficiaries were unable to buy seed suitable for their needs.⁸⁵²

During FY 2017, thanks to its business-development efforts, the program completed the sale of nearly 12.6 tons of wheat to farmers through district and village outlets, and marketing stops.⁸⁵³ Mobile seed-marketing activities and village and district outlet transactions doubled in quantity from the previous year and resulted in nearly 31.5 tons sold to 841 farmers with a value of over AFN 940,000 (\$16,272).⁸⁵⁴

The program also facilitated 39 contracts for 769 tons of wheat and flour valued at \$180,360 in sales and milling of grain.⁸⁵⁵ During FY 2017, RADP-N converted 25 hectares of traditional vineyard into trellised vineyards in the five provinces and trained nearly 6,400 farmers, including 640 female farmers on improved agricultural vineyard techniques.⁸⁵⁶ RADP-N selected five of the six target provinces as the most rational for further support on the grape value chain.⁸⁵⁷ The program cosponsored 16 agribusinesses to attend trade shows in India, Turkey, the United Arab Emirates, and in Afghanistan. Sales from these shows totaled over \$6.5 million, as of October 31, 2017.⁸⁵⁸

Also during FY 2017, RADP-N renovated 100 butcher shops in all target provinces under the livestock value chain and distributed toolkits. Butchers were also trained on meat processing, slaughtering methods, hygiene, and animal diseases. The improved butcher shops have generated over \$2.5 million in sales according to USAID.⁸⁵⁹

USAID reviewed its development programs for Afghanistan's Plan for Transition (see page 157). Its review found that the gender work conducted under RADP-N was its "most significant achievement." The program was an early supporter of the first Women's Empowerment Working Group within the Ministry of Agriculture, Irrigation and Livestock in northern provinces. RADP-N also fosters the participation of women farmers in agricultural value chains, employment in agribusiness, and activities on hygiene and nutrition. Training events have benefitted 3,250 women. Support to kitchen gardens provides families with healthier and more balanced diets; the project has explored hydroponic gardens for women unable to work outside their homes.⁸⁶⁰ As of December 31, 2017, USAID has disbursed approximately \$45.7 million for the program.⁸⁶¹

RADP-South (RADP-S) was USAID's \$125 million program that started in 2013 and was scheduled to end in October 2018.⁸⁶² USAID reduced program funding to \$111.4 million in October 2017 and terminated the program in November 2017.⁸⁶³ The purpose of RADP-S was to improve food and economic security for rural Afghans in Kandahar, Helmand, Uruzgan, and Zabul Provinces. The program supported farmers and micro, small, medium, and large agribusinesses to improve production, processing, and commodity sales.⁸⁶⁴

SIGAR AUDIT

An ongoing SIGAR audit of USAID's Regional Agricultural Development Program (RADP) is examining the extent to which USAID and its contractors have successfully designed and implemented the program, and whether RADP has met its goals and objectives.

USAID recommends its termination because RADP-S had not met its targets of increasing productivity and increasing incomes. The regions targeted by RADP-S will be covered by new contracts from the Afghanistan Value Chains-Crops and Afghanistan Value Chains-Livestock programs. Since the program was not active during the first quarter of FY 2018, USAID did not provide any progress reports this quarter.⁸⁶⁵

According to USAID, the statement of objectives for both value-chain solicitations requires activity to take place “in all economic zones listed: North, South, East, and West.” However, USAID's review of its development programs from 2015 to 2018 concluded that the assumption that the security environment around project areas would allow for implementation and monitoring was “not true to somewhat true.” Projects in rural areas, particularly in the south, were most affected. International staff of large contractors have little ability to move inside and outside major urban centers, while international NGOs and local teams move cautiously, with many areas off-limits. Therefore, the new Afghanistan Value Chains programs may also not meet program productivity and income objectives.⁸⁶⁶

As of December 31, 2017, approximately \$105 million has been disbursed for this program.⁸⁶⁷

Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a USAID-funded \$71.3 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 2019.⁸⁶⁸ In December, USAID increased the program cost from \$61.3 million to \$71.3 million and expanded program activities to Kandahar to focus on harvest quality, improve cold stores, introduce new grape varieties, expand exports to Central Asia, and overcome impediments to exports.⁸⁶⁹

This quarter, CHAMP's implementer signed a contract with an Afghan agribusiness to establish a new trade office in Central Asia. CHAMP will pay all costs the first year, then reduce funding in the following two years.⁸⁷⁰ The trade office in Almaty, Kazakhstan opened in October 2017. CHAMP has trade offices in New Delhi and Dubai.⁸⁷¹ CHAMP conducted training and business-to-business meetings for over 110 commercial fruit producers, farmers, traders and workers from several provinces. CHAMP exported over 12.7 metric tons of dried and non-dried fruits, nuts and vegetables valued at \$17.4 million to the Netherlands, India, Iraq, Pakistan, Russia, and Turkey in October and November. The program participated in the October 18–20 Kabul International Ag-Fair and the November Indian International Trade Fair in New Delhi. CHAMP conducted training to female producers and participants from women-owned firms on food safety, harvest, hygiene, and small business skills. CHAMP also collaborated with

the Agriculture Development Fund to facilitate potential loans to Afghan exporters. CHAMP works to link trader and exporters with financial institutions to solve the problem of limited capital.⁸⁷² As of December 31, 2017, approximately \$51.9 million has been disbursed.⁸⁷³

Boost Alternative Development Intervention Through Licit Livelihoods

UNODC is the implementer of BADILL, an INL-funded program to strengthen and diversify licit livelihoods of small and marginal farmers by supporting horticulture value chains.⁸⁷⁴

INL has obligated \$20 million for BADILL and informed SIGAR in January 2017 that it had transferred all funds to UNODC.⁸⁷⁵ Between July and September 2017, UNODC finished identifying implementing partners for small and large scale projects. Moreover, it completed procurement for three large projects in Helmand, Uruzgan and Nimroz Provinces, and a small project in Takhar Province. These projects will directly benefit 14,000 households, according to UNODC. During this period, coordination meetings with ministerial representatives and field visits with provincial stakeholders took place; public campaigns and counternarcotic messages were broadcast nationwide during the week of National Mobilization against Drugs held in July 2017 and on World Drug Day on June 26, 2017.⁸⁷⁶ The project organized exposure visits and market linkage events in India and Tajikistan. Exposure trips enable farmers and other stakeholders to observe and learn new agricultural techniques and marketing strategies. INL funding was not used for the exposure visits, though some participants came from the BADILL project area. Eight multi-year contracts and agreements were signed to export saffron and almond saplings.⁸⁷⁷

UNODC noted the security situation presents a continuing challenge. The security in Kabul and in the provinces has “deteriorated immensely in the last few months” limiting the mobility and accessibility of project staff. Some meetings with stakeholders had to be postponed and coordination among stakeholders at the central and provincial level is weak.⁸⁷⁸

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.⁸⁷⁹ In FY 2017, INL obligated an additional \$9.3 million for CBARD-West in September and \$22.1 million to UNDP for a new project, CBARD-East.⁸⁸⁰ CBARD-East and CBARD-West

will target additional communities and implement activities such as off-farm employment and access to finance.⁸⁸¹

CBARD-West project activities were slow to implement primarily due to its inception phase which lasted from January to September 2017.⁸⁸² During the inception phase, UNDP conducted workshops with stakeholders that led to project output recommendations and crop selection. Farmers, including women lead farmers, received business-development training for the first time that was focused on value chains and market analysis. In Badghis, the project established 84 greenhouses. The project also completed a review that showed annual turnover from a greenhouse is five to six times greater than that derived from the same area of land under poppy cultivation. CBARD also conducted a value chain study to identify gaps and opportunities of the selected crops and their potential impact on economic livelihood in the community.⁸⁸³

DRUG DEMAND REDUCTION

A 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 women and children is among the highest documented worldwide, and 30.6% of households tested positive for some form of illicit drug.⁸⁸⁴ According to the UN, 0.6% of the global adult population suffer from drug use disorders. Opioids, including heroin, remain the most harmful drug type.⁸⁸⁵ After numerous drug addicts died in the capital, the Ministries of Public Health and Counter Narcotics launched a campaign in December gathering drug addicts in Kabul and offering them treatment.⁸⁸⁶

The United States is helping Afghanistan face this public-health crisis by funding a new rural treatment program to expand substance abuse treatment to the hardest-hit local communities. According to INL, the demand for treatment and prevention services far exceeds the capacity of the centers, most of which have extensive waiting lists for new patients. The United States also supports UNODC's global child-addiction program to develop protocols for treating opioid-addicted children, training treatment staff, and delivering services through NGOs.⁸⁸⁷ The United States also funds an antidrug curriculum in Afghan schools, which has trained over 300 teachers and reached over 30,000 students.⁸⁸⁸ INL will provide \$6.3 million in FY 2016 appropriated funds by March 2018.⁸⁸⁹ INL also started a pilot rural treatment program in June in Jowzjan and Laghman Provinces, however activities have been delayed because of security and weather conditions. INL expects the program to roll out by February 2018.⁸⁹⁰

Since 2015, INL has transitioned responsibility for 28 of the 86 U.S.-funded drug treatment centers in Afghanistan to the Ministry of Public Health (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.⁸⁹¹ INL and the Colombo Plan continue revising the plan in accordance to the accelerated transition schedule.⁸⁹² The remaining treatment centers will 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 2017.⁸⁹³ INL is currently using FY 2015 funds for drug-demand-reduction and will obligate \$8.5 million in FY 2016 funds during the second FY 2018 quarter.⁸⁹⁴

The most frequent patients at the remaining treatment centers are adult males. Of the 86 facilities, 66 are residential and 20 are outpatient centers; 31 are dedicated to female clients. Among the residential treatment centers, 44 also offer home-based services.⁸⁹⁵ 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.⁸⁹⁶ Twelve of the 44 home-based programs provide services to adult females.⁸⁹⁷

INL said progress activity reports on the Colombo Plan were not available this quarter.

INL informed SIGAR this quarter that it no longer pays the salaries of clinical staff, who have all transferred to Afghan government control. INL has obligated approximately \$150.6 million for the Colombo Plan since 2008.⁸⁹⁸

Counter-Narcotics Community Engagement

INL has obligated and spent \$12.7 million to fund its Counter-Narcotics Community Engagement (CNCE) program since the program began in April 2013.⁸⁹⁹ 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.⁹⁰⁰ The public health surveys conducted in 2014 indicate high exposure to anti-drug messaging, particular for messages related to health risks of drug use and addiction.⁹⁰¹

CNCE is in its third phase, which began May 2016 and was scheduled to end in November 2017. INL extended the program at no cost until March 31, 2018, to complete activities that were postponed due to a six-month delay by MCN in issuing the contract to the implementer, Sayara Strategies.⁹⁰² Between July 1 and September 30, 2017, Sayara Strategies worked to fully transition program activities to the MCN. It produced audience analysis reports, and organized community outreach events and new counternarcotics-themed billboards. For the audience analysis reports, Sayara has staff gather information and gauge perceptions on the state of counternarcotics policies and messaging; it assesses the effectiveness of campaigns with audience reports. Over 2,000 residents and community leaders participated in 15 community outreach events.⁹⁰³

