

3 RECONSTRUCTION UPDATE



Afghanistan-Specific Recommendations

1. Conduct a fact-finding mission to determine the current status of security sector assistance programs led by DOD and civilian agencies under Chief of Mission authority.
2. Realign U.S. SSA personnel and programs to match ANDSF requirements.
3. Deploy law enforcement professionals to conduct police development missions.
4. Create lead agencies for the Afghan National Army and Afghan National Police.
5. Create a rear element of the Combined Security Transition Command – Afghanistan in the Washington D.C. area.
6. Create a transition plan for Afghan combat enabler support.
7. Establish an ANDSF assessment, monitoring and evaluation (AM&E) cell outside of the training command structure.

SIGAR Special Inspector General for
Afghanistan Reconstruction



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SIGAR Lessons Learned Program Project Lead James Cunningham, at lectern, and Inspector General John Sopko brief a Marine Corps University audience on SIGAR's lessons-learned report on building up Afghanistan's security forces. (SIGAR photo)

RECONSTRUCTION UPDATE

Following an increase in offensive operations by the Afghan National Defense and Security Forces (ANDSF) towards the end of 2017, there was a decrease in security incidents across Afghanistan in the first quarter of 2018. However, the contest for control of population, districts, and land area remained in a stalemate, the overall level of civilian casualties was unchanged, and the number of high-casualty events in urban areas increased. The winter months saw an unusual surge of violence in Kabul, reflecting the insurgency's shift to launching successive attacks on civilians in the capital in response to increased ANDSF pressure in the provinces. The worst of these attacks occurred on January 27, when the Taliban detonated a massive car bomb near the Ministry of Interior headquarters in Kabul that killed at least 103 people and injured 235.

As a result of the insecurity in Kabul, General John W. Nicholson Jr., commander of United States Forces-Afghanistan (USFOR-A) and NATO's Resolute Support (RS) mission, said security in the capital is his primary focus. Simultaneously, the U.S. military increased its effort in Afghanistan. The United States Central Command committed to moving assets from the fight in Iraq and Syria to Afghanistan and designated Afghanistan as its area of "main effort." There are signs that this shift is already taking place: the total of 1,186 munitions dropped in the first quarter of 2018 is the highest number recorded for this period since reporting began in 2013, and is over two and a half times the amount dropped in the first quarter of 2017. Some of these recent air strikes killed high-profile enemy combatants, including two Islamic State-Khorasan leaders who had been facilitating the infiltration of foreign fighters into northern Afghanistan.

On February 28, at the second meeting of the Kabul Process for Peace and Security Cooperation in Afghanistan, President Ashraf Ghani offered to negotiate with the Taliban without preconditions if they would halt their ties with terrorism and respect the Afghanistan constitution. President Ghani also raised the idea of the Taliban becoming a political party and of making constitutional amendments through the prescribed legal process. U.S. Ambassador to Afghanistan John Bass described the Afghan government's offer as "courageous," while a former United Nations Secretary-General's Special Representative for Afghanistan said the deal

RECONSTRUCTION UPDATE

was more comprehensive than any previously presented. According to the State Department, the Taliban has not yet responded.

On April 1, the Independent Elections Commission (IEC) announced that parliamentary and district council elections would take place on October 20. This officially pushed back the election date of July 7, which the IEC announced in June 2017. Afghan presidential elections are now slated for 2019.

This quarter, the U.S. Agency for International Development (USAID) moved nearly \$400 million of previously on-budget power sector funds off-budget. USAID concluded that because Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), lacked sufficient capacity and could not provide adequate oversight of construction projects, it was unable to manage the on-budget monies. As a result, USAID will continue to fund on-budget only those power projects for which implementation has already started. Because new construction will be delayed, USAID said some Afghanistan Infrastructure Fund money obligated for its Power Transmission Expansion and Connectivity power-infrastructure projects would cancel in 2019 and 2020 and would return to the U.S. Treasury. Consequently, USAID plans to reprogram approximately \$100 million from the Economic Support Fund that was previously reserved for other power sector activities.

In response to concerns regarding DABS's capacity to manage donor monies, SIGAR signed a memorandum of understanding with DABS officials this quarter allowing SIGAR to conduct a review of the utility's expenditure and management of donor funds. The scope of the review extends to all



Despite billions of dollars spent on counternarcotics programs, the output of Afghanistan's opium-poppy fields continues to rise. (UNAMA photo by Zalmay)

operations, programs, and projects for which DABS has used donor assistance, and is expected to commence in the summer of 2018.

Despite multi-billion-dollar international efforts to reduce narcotics production in Afghanistan, the total area of Afghan land under opium-poppy cultivation increased by 63% during the 2017 growing season from the previous year, and raw opium production increased by an estimated 88%. The early-warning system for famine for Afghanistan noted that low seasonal precipitation might hamper rain-fed and irrigated crop production in 2018. In the past, severe nationwide drought has coincided with significant decreases in opium-poppy cultivation. This was the case for the 1999–2001 drought and again for the 2008 drought. But in addition to a lack of rainfall, the Taliban enforced a poppy ban during the first drought (2001) and the Nangarhar provincial government enforced a poppy-ban during the second drought (2008). Further, UNODC showed that drought can increase wheat prices, making poppy cultivation less appealing. In spite of these factors weighing against increased cultivation for 2018, droughts amidst general insecurity cause greater stress for farmers and may encourage further acceptance of poppy-cultivation once rainfall finally returns.

USAID informed SIGAR it will not plan, design, or implement any new programs to address opium-poppy cultivation.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$126.3 billion, as of March 31, 2018. This includes amounts appropriated to DOD in the Consolidated Appropriations Act, 2018. FY 2018 allocations for State Department and U.S. Agency for International Development foreign assistance accounts were still undergoing the 653(a) congressional-consultation process when this report went to press. The FY 2018 total appropriated will increase when these amounts are known. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$106.5 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$9 billion of this amount remained available for potential disbursement, as of March 31, 2018.

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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 March 31, 2018, the United States had appropriated approximately \$126.26 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

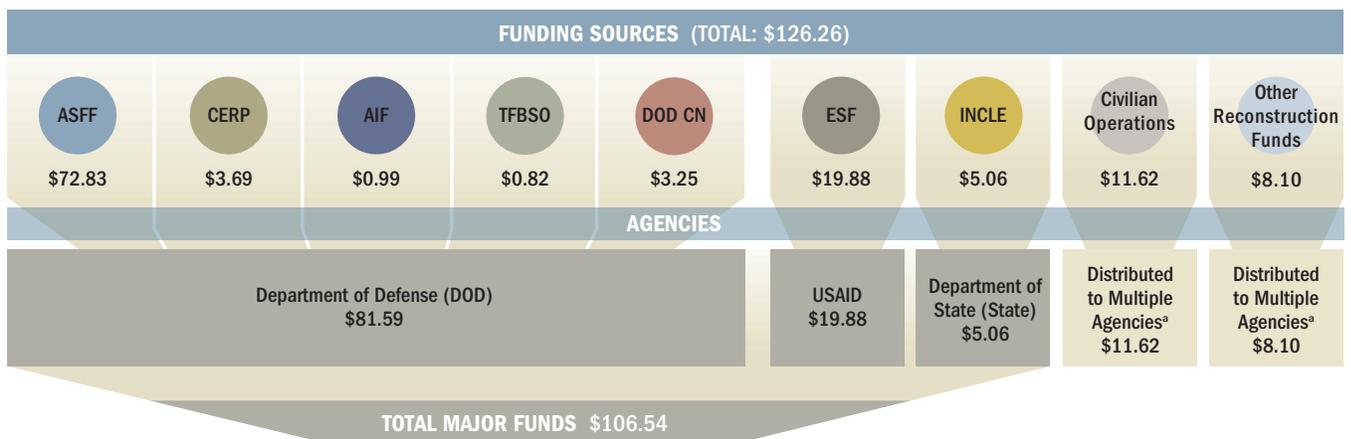
- \$78.22 billion for security (\$4.57 billion for counternarcotics initiatives)
- \$33.00 billion for governance and development (\$4.22 billion for counternarcotics initiatives)
- \$3.42 billion for humanitarian aid
- \$11.62 billion for civilian operations

- 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)

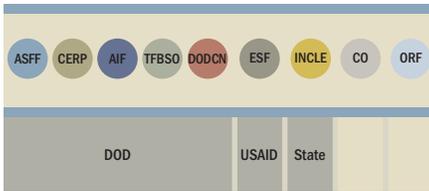


Note: Numbers have been rounded.

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

Source: DOD, response to SIGAR data call, 4/17/2018, 3/30/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/16/2018 and 4/11/2018; 1/10/2018, 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, 4/3/2018; OMB, response to SIGAR data call, 1/31/2018, 4/16/2015, 7/14/2014, 7/19/2013, and 1/4/2013; USAID, response to SIGAR data call, 4/17/2018, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 3/30/2018 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018,” 4/18/2018; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-141, 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS



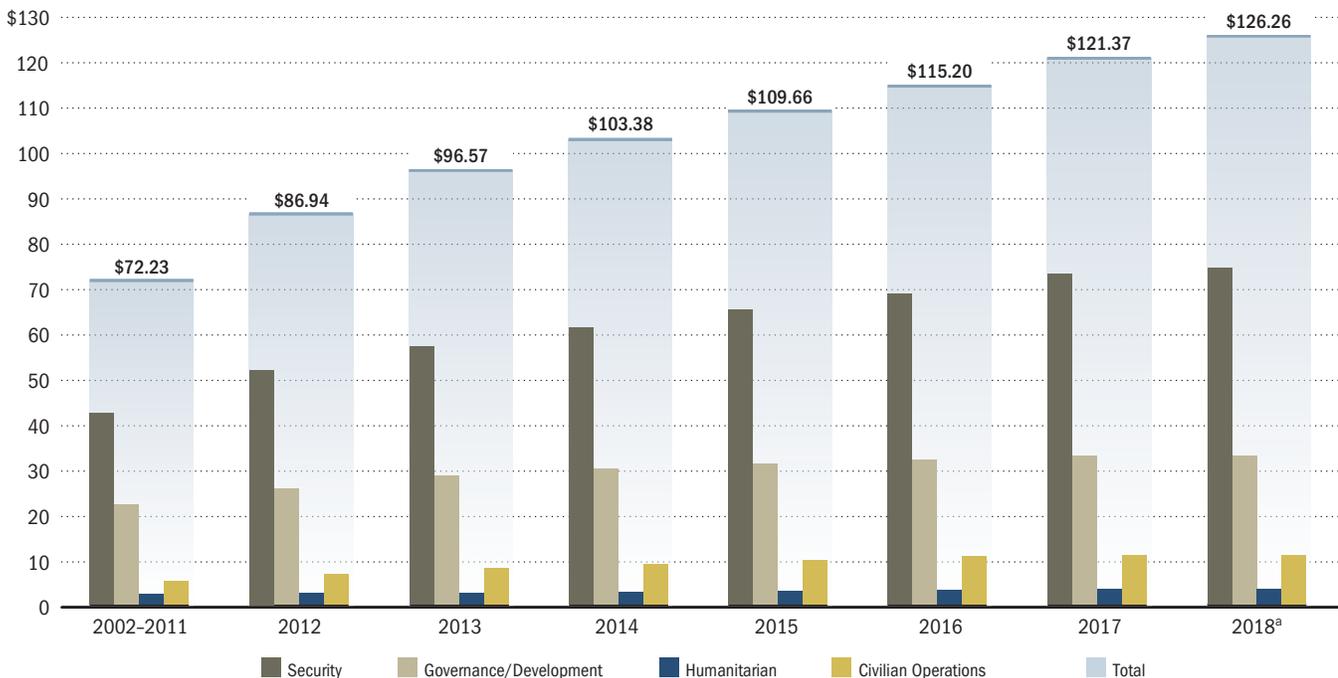
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of March 31, 2018, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$126.26 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 \$8.78 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.57 billion) and governance and development (\$4.22 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

On March 23, President Donald Trump signed the Consolidated Appropriations Act, 2018, funding the U.S. government for the rest of the fiscal year. When this report went to press, final FY 2018 allocations for State and USAID accounts were still being determined. The amount reported as appropriated for FY 2018 will increase from the \$4.89 billion shown in Figure 3.3 when funding levels for these accounts are known.³¹

The amount provided to the seven major U.S. funds represents nearly 84.4% (almost \$106.54 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 90.7% (over \$96.67 billion) has been obligated, and nearly 86.6% (over \$92.29 billion) has been disbursed. An estimated \$5.26 billion of the amount appropriated these funds has expired.

FIGURE 3.2
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY AS OF MARCH 31, 2018 (\$ 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, \$150 million from FY 2016 in Pub. L. No. 115-31, and \$100 million for FY 2017 in Pub. L. No. 115-141. 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 allocation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data call, 4/17/2018, 3/30/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/16/2018 and 4/11/2018; 1/10/2018, 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, 4/3/2018; OMB, response to SIGAR data call, 1/31/2018, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 4/17/2018, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 3/30/2018 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018," 4/18/2018; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-141, 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.³² 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.³³ Since 2002, the United States has provided nearly \$10.75 billion in on-budget assistance. This includes about \$5.70 billion to Afghan government ministries and institutions, and nearly \$5.05 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

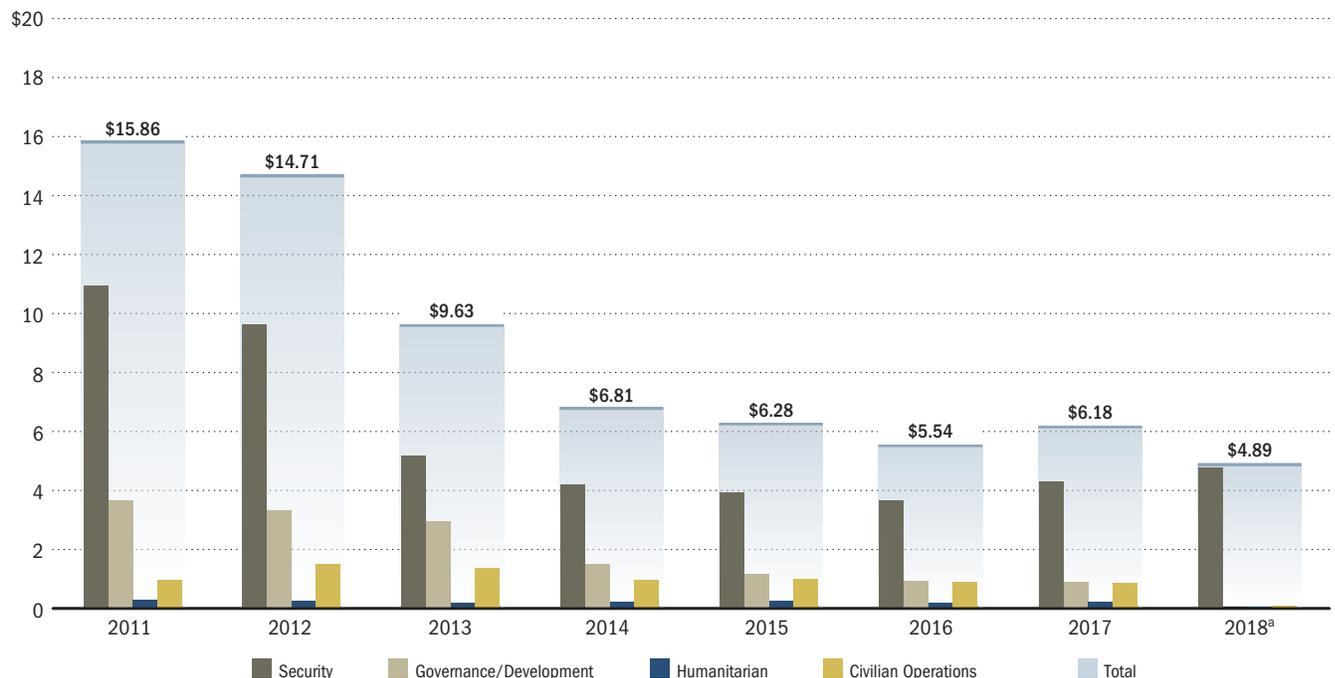
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	661
Multilateral Trust Funds	
LOTFA	\$1,669
ARTF	3,228
AITF	154

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 March 31, 2018, USAID had obligated approximately \$858 million for government-to-government assistance.

Source: USAID, response to SIGAR data call, 4/18/2018; DOD, response to SIGAR data call, 6/25/2015; World Bank, ARTF: Administrator’s Report on Financial Status as of February 19, 2018 (end of 2nd month of FY 1397), p. 4; UNDP response to SIGAR data call, 4/15/2018.

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, \$150 million from FY 2016 in Pub. L. No. 115-31, and \$100 million for FY 2017 in Pub. L. No. 115-141. 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 allocation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data call, 4/17/2018, 3/30/2018, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/16/2018 and 4/11/2018; 1/10/2018, 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, 4/3/2018; OMB, response to SIGAR data call, 1/31/2018, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 4/17/2018, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 3/30/2018 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018,” 4/18/2018; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-141, 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 \$126.26 billion for Afghanistan relief and reconstruction. Of this amount, \$106.54 billion (84.4%) 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 2002–2018 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$72.83	\$66.48	\$65.57	\$4.72
Commander's Emergency Response Program (CERP)	3.69	2.28	2.28	0.01
Afghanistan Infrastructure Fund (AIF)	0.99	0.77	0.73	0.05
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.65	0.00
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	3.25	3.15	3.15	0.11
Economic Support Fund (ESF)	19.88	18.46	15.79	3.32
International Narcotics Control & Law Enforcement (INCLE)	5.06	4.78	4.13	0.79
Total Major Funds	\$106.54	\$96.67	\$92.29	\$8.99
Other Reconstruction Funds	8.10			
Civilian Operations	11.62			
Total	\$126.26			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$5.3 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, 4/19/2018.

As of March 31, 2018, approximately \$8.99 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.

On February 12, President Trump released his FY 2019 budget request. The request, if approved, would provide an additional \$5.20 billion for the ASFF, an increase of \$532.73 million over the FY 2018 appropriation, while the FY 2019 CERP request of \$5 million remained the same as in the last three fiscal years.³⁴

STATUS OF FUNDS

Congress appropriated more than \$15.15 billion to the seven major reconstruction funds for FYs 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 \$2.37 billion remained for possible disbursement, as of March 31, 2018, 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	\$11,241.46	\$10,853.62	\$387.83
CERP	45.00	11.11	11.10	0.01
AIF	144.00	130.81	93.53	37.28
TFBSO	122.24	106.52	86.00	0.00
DOD CN	377.72	377.72	377.72	0.00
ESF	2,372.17	2,225.51	732.97	1,492.54
INCLE	685.00	681.16	228.07	453.09
Total Major Funds	\$15,150.06	\$14,774.28	\$12,383.02	\$2,370.75

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$396 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, 4/19/2018.

Congress appropriated more than \$5.11 billion to five of the seven major reconstruction funds for FY 2017. Of that amount, nearly \$1.30 billion remained for possible disbursement, as of March 31, 2018, 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	\$4,162.72	\$3,946.56	\$3,666.61	\$496.11
CERP	5.00	4.92	3.96	0.96
DOD CN	135.61	135.61	135.61	0.00
ESF	650.00	0.00	0.00	650.00
INCLE	160.00	14.81	11.52	148.48
Total Major Funds	\$5,113.32	\$4,101.90	\$3,817.69	\$1,295.55

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, 4/19/2018.

FIGURE 3.5

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

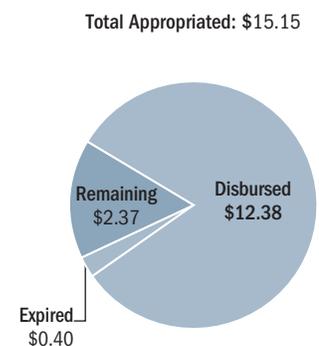
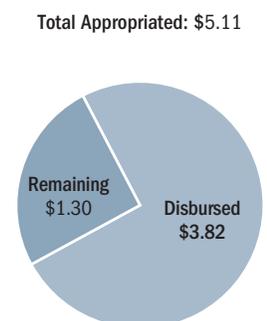
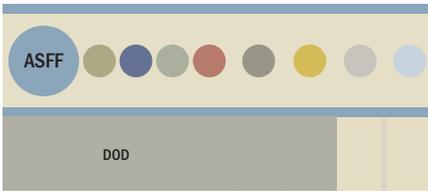


FIGURE 3.6

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.³⁵ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.³⁶ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.³⁷

The Consolidated Appropriations Act, 2018, appropriated nearly \$4.67 billion for the ASFF for FY 2018 and rescinded \$100 million of FY 2017 funds, bringing cumulative funding to more than \$72.83 billion since 2005, as shown in Figure 3.7.³⁸ Of this amount, more than \$66.48 billion had been obligated, of which nearly \$65.57 billion had been disbursed.³⁹ The President's budget request for FY 2019 asks for nearly \$5.20 billion for the ASFF for FY 2019.⁴⁰

DOD reported that cumulative obligations increased by more than \$1.00 billion over the quarter, and cumulative disbursements increased by more than \$971.13 billion.⁴¹ 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)

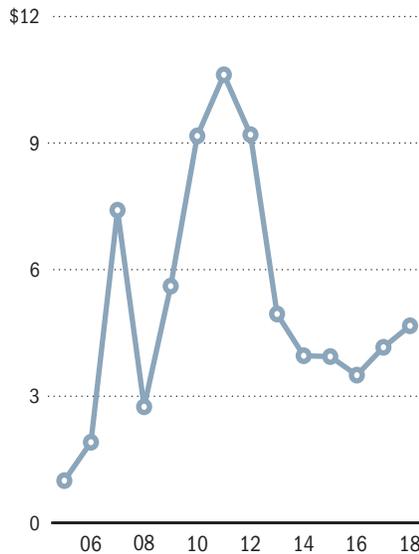
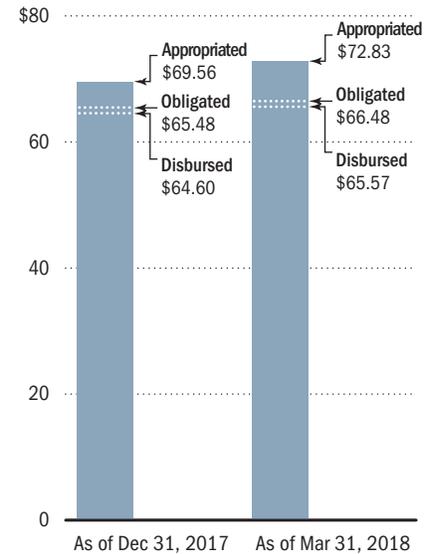


FIGURE 3.8

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. 115-141 rescinded \$100 million from FY 2017. Pub. L. No. 115-31 rescinded \$150 million from FY 2016. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014. Pub. L. No. 114-113 rescinded \$400 million from FY 2015.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018," 4/18/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; Pub. L. Nos. 115-141, 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 **subactivity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.⁴² The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any nonstandard equipment requirement in excess of \$100 million.⁴³

As of March 31, 2018, DOD had disbursed nearly \$65.60 billion for ANDSF initiatives. Of this amount, nearly \$44.42 billion was disbursed for the ANA, and more than \$20.79 billion was disbursed for the ANP; the remaining \$388.74 million was directed to related activities such as detainee operations. The combined total—\$65.60 billion—is about \$29.99 million higher than the cumulative total reported as 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.⁴⁴

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$20.92 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$8.81 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁴⁵

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

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

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

FIGURE 3.9

ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005–MAR 31, 2018 (\$ BILLIONS)

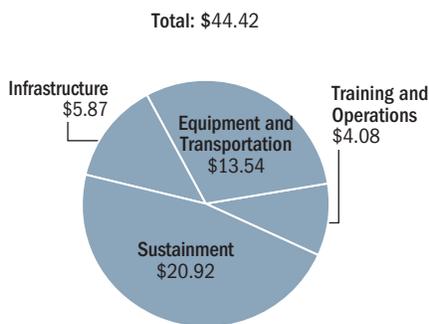
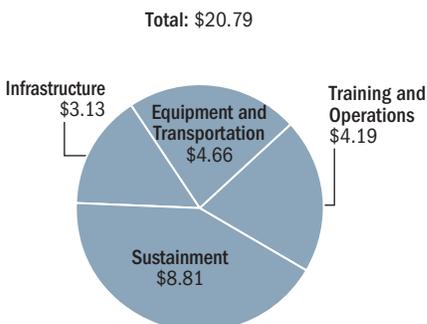


FIGURE 3.10

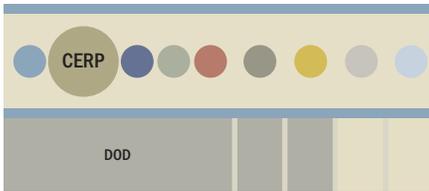
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–MAR 31, 2018 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018,” 4/18/2018.

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.⁴⁶ CERP-funded projects may not exceed \$2 million each.⁴⁷

The Consolidated Appropriations Act, 2018, appropriated \$5 million for CERP for FY 2018, which is the third consecutive year at that amount. Figure 3.11 displays the amounts appropriated for CERP by fiscal year. As of March 31, 2018, total cumulative funding for CERP amounted to more than \$3.69 billion. Of this amount, more than \$2.28 billion had been obligated, of which nearly \$2.28 billion had been disbursed.⁴⁸

Over the quarter, DOD obligated nearly \$1.13 million and disbursed nearly \$1.05 million from CERP.⁴⁹ Figure 3.12 provides a cumulative comparison of amounts made available, obligated, and disbursed for CERP.

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

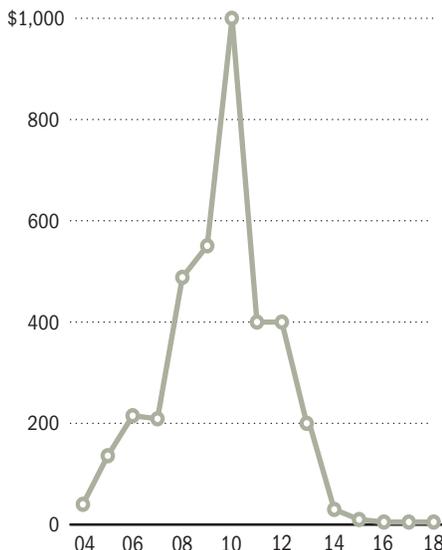
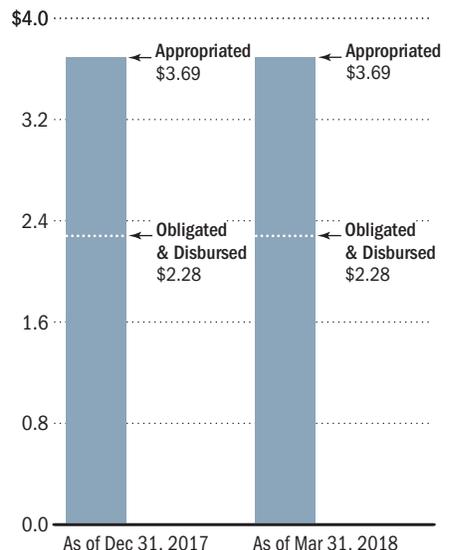


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

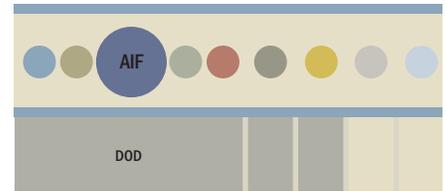
Source: DOD, response to SIGAR data call, 4/17/2018 and 1/17/2018; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 115-141, 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, and 112-10.

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.⁵⁰ 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.⁵¹ On September 22, 2017, 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.⁵²

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.⁵³ Figure 3.13 shows AIF appropriations by fiscal year. As of March 31, 2018, more than \$773.71 million of total AIF funding had been obligated, and nearly \$727.15 million had been disbursed, as shown in Figure 3.14.⁵⁴



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)

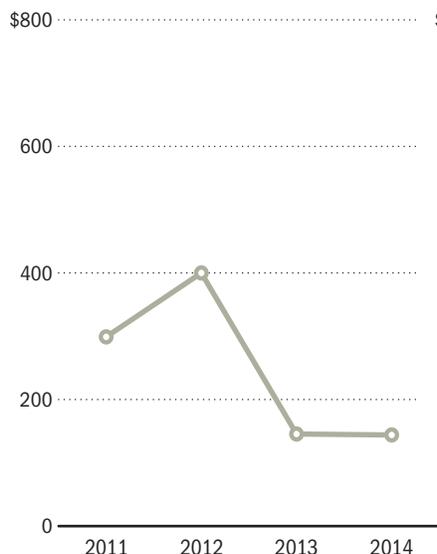
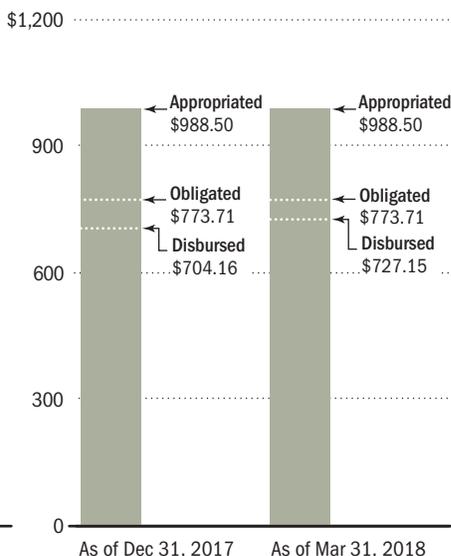


FIGURE 3.14

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. No new appropriations for the AIF have been made since FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2018," 4/18/2018; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2017," 1/19/2018; 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.⁵⁵

Because TFBSO authorities have expired, SIGAR no longer requests updated funding data from DOD. TFBSO figures used in this report are through the end of FY 2017—the last update SIGAR received from DOD.⁵⁶

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.⁵⁷ 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)

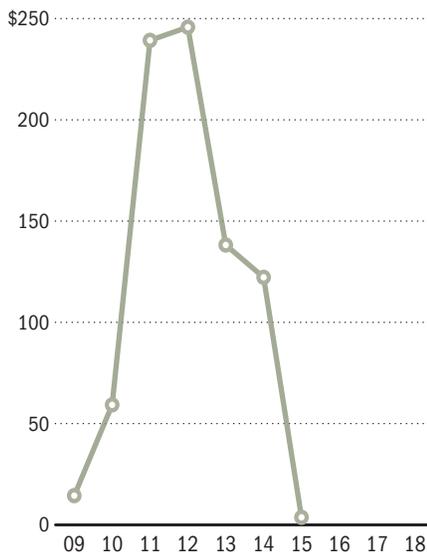
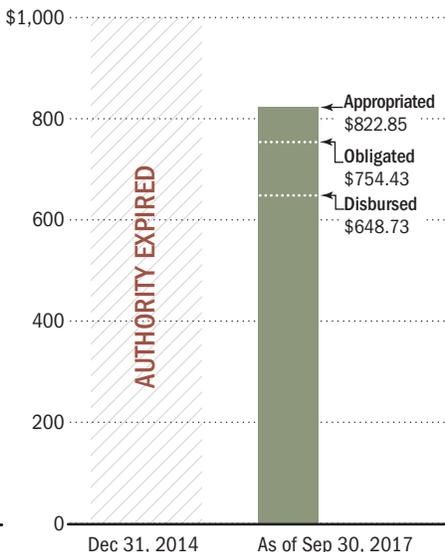


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)



Note: Numbers have been rounded. TFBSO authorities expired on December 31, 2014. 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.

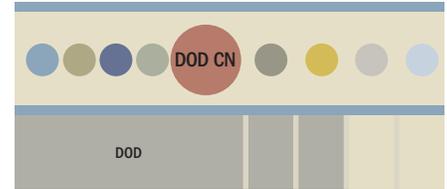
Source: DOD, response to SIGAR data call, 10/12/2017, 7/17/2017, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

The DOD Drug Interdiction and Counter-drug Activities (DOD CN) fund supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁵⁸

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.⁵⁹

DOD reported that DOD CN received nearly \$121.93 million for Afghanistan for FY 2018, bringing cumulative funding for DOD CN to more than \$3.25 billion since FY 2004. Of this amount, nearly \$3.15 billion had been transferred to the military services and defense agencies for DOD CN projects, as of March 31, 2018.⁶⁰ Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

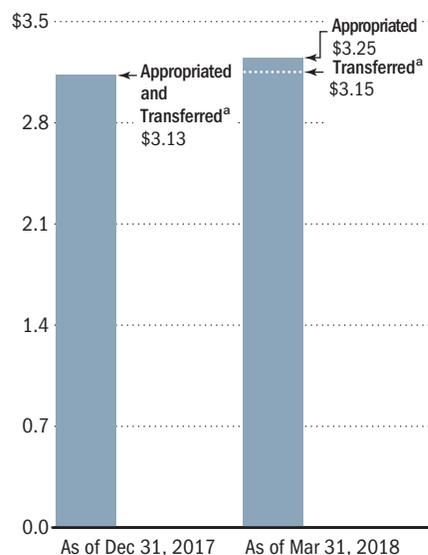
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

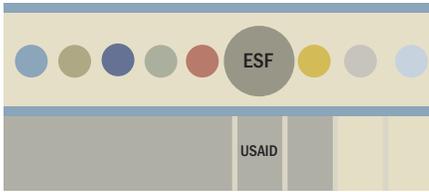


Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

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

Source: DOD, response to SIGAR data calls, 3/30/2018 and 10/18/2017; 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.⁶¹

As this report went to press, final FY 2018 ESF allocations for Afghanistan had not been determined. 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 \$15.79 billion had been disbursed.⁶² Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported a \$93.59 million decrease in cumulative obligations over the quarter, while cumulative disbursements increased by more than \$102.32 million over the amount reported last quarter.⁶³ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)

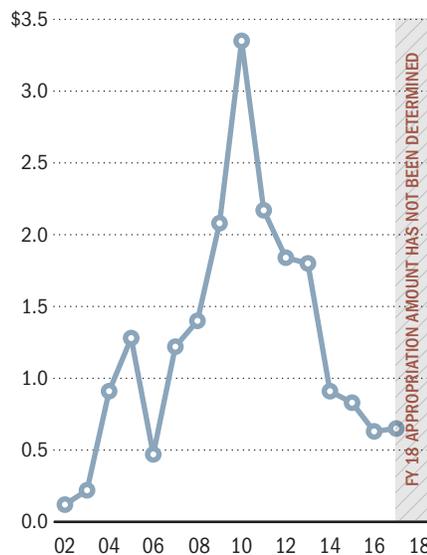
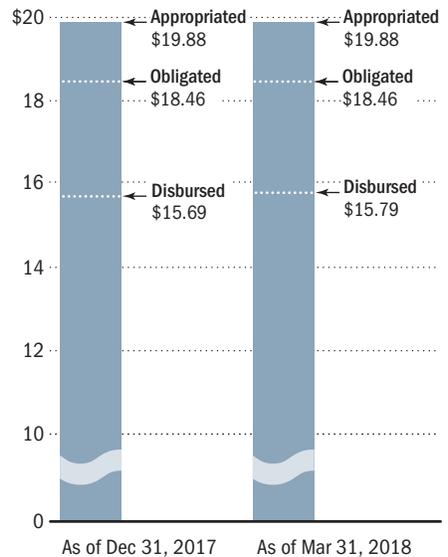


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to the ESF: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014. FY 2016 ESF for Afghanistan was reduced by \$179 million and put toward the U.S. commitment to the Green Climate Fund.

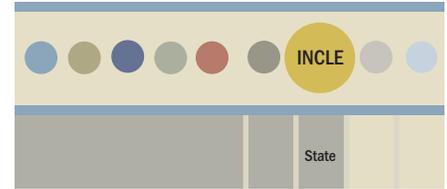
Source: USAID, response to SIGAR data calls, 4/17/2018 and 1/18/2018; State, response to SIGAR data calls, 10/11/2017, 5/4/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account which funds projects and programs for advancing rule of law and combating narcotics production and trafficking. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.⁶⁴

As this report went to press, final FY 2018 INCLE allocations for Afghanistan had not been determined. State reported that INCLE was appropriated \$160 million for FY 2017 and received an additional \$3.54 million under FY 2018 continuing resolutions. As of March 31, 2018, total cumulative funding was more than \$5.06 billion. Of this amount, nearly \$4.78 billion had been obligated, of which nearly \$4.13 billion had been disbursed.⁶⁵ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of March 31, 2018, increased by nearly \$2.41 million and cumulative disbursements increased by more than \$31.13 million from the amounts reported last quarter.⁶⁶ 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)

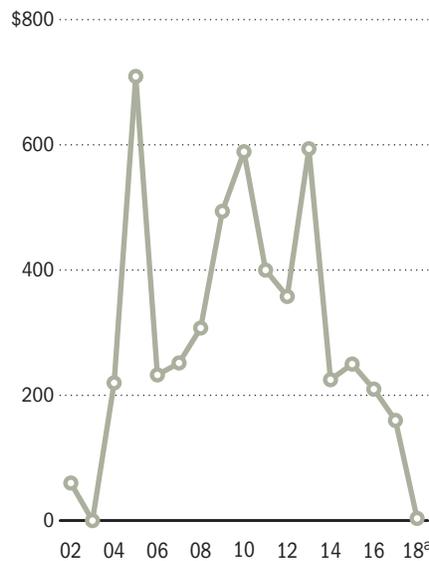
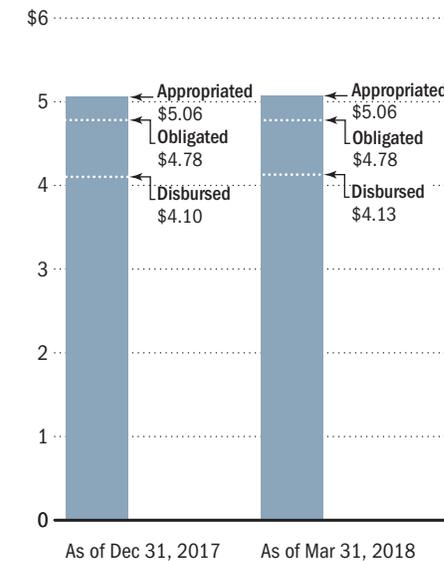


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

^a FY 2018 figure reflects amount made available for obligation under continuing resolutions. The FY 2018 allocation for Afghanistan had not been determined.

Source: State, response to SIGAR data call, 4/5/2018, 1/17/2018, and 10/10/2017.

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

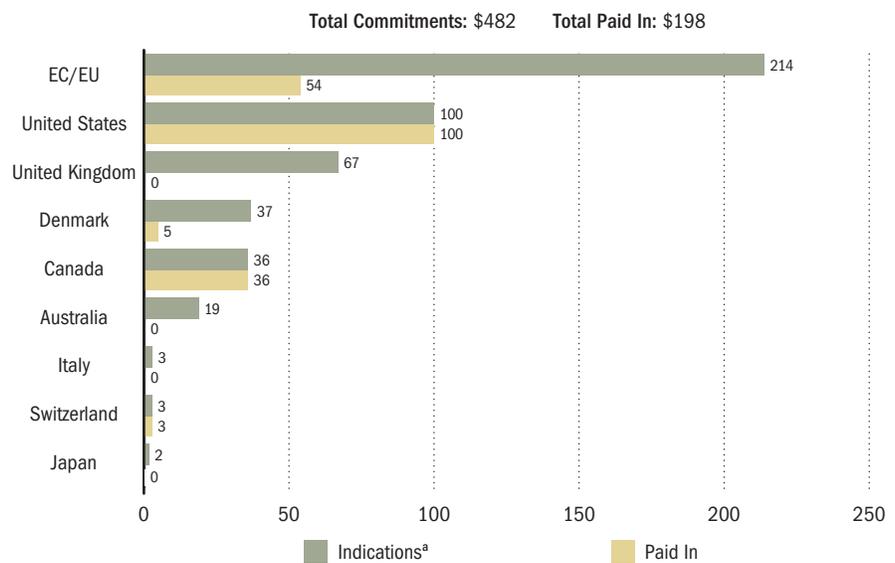
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. Most of the international funding provided is administered through trust funds. Contributions provided through trust 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).⁶⁷

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to February 19, 2018, the World Bank reported that 34 donors had indicated contributions of nearly \$10.84 billion, of which more than \$10.55 billion had been paid in.⁶⁸ According to the World Bank, donors had indicated contributions of \$481.87 million to the ARTF for Afghan fiscal year 1397, which runs from December 22, 2017, to December 21, 2018. Figure 3.23 shows the nine largest donors to the ARTF for FY 1397. Contributions are recorded as indicated when written notification is received from the ARTF partners indicating intent to contribute a specified amount.⁶⁹

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1397 BY DONOR AS OF FEBRUARY 19, 2018 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1397 = 12/22/2017–12/21/2018.

^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 February 19, 2018 (end of 2nd month of FY1397)," p. 1.

STATUS OF FUNDS

As of February 19, 2018, the United States had indicated and paid in contributions of nearly \$3.23 billion since 2002.⁷⁰ The U.S. and the UK donations make up 48% of total ARTF 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.⁷¹ As of February 19, 2018, according to the World Bank, more than \$4.76 billion of ARTF funds had been disbursed to the Afghan government through the RC Window for costs such as salaries of civil servants.⁷² The Afghan government’s domestic revenues continue to be insufficient to support its recurring costs.⁷³

The Investment Window supports the costs of development programs. As of February 19, 2018, according to the World Bank, more than \$4.93 billion had been committed for projects funded through the Investment Window, of which more than \$4.16 billion had been disbursed. The World Bank reported 30 active projects with a combined commitment value of more than \$3.59 billion, of which nearly \$2.83 billion had been disbursed.⁷⁴

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).⁷⁵ Since 2002, donors have pledged nearly \$5.64 billion to the LOTFA, of which more than \$5.29 billion had been paid in, as of April 15, 2018. The United States has committed and paid in nearly \$1.67 billion since the fund’s inception.⁷⁶ 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. At the end of 2017, LOTFA donors had not yet reached consensus on a payroll transition to the Afghan government. As a result, UNDP and MOI agreed to extend the project through December 31, 2018.⁷⁷

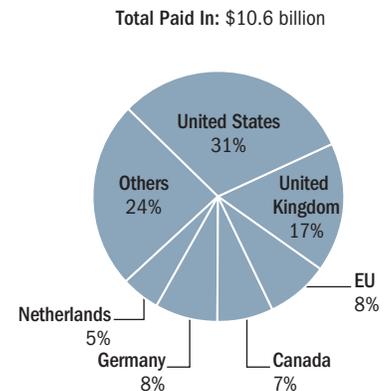
UNDP also administers the MOI and Police Development (MPD) project, which focuses on institutional development of the MOI and professionalization of the ANP and is planned to run through December 31, 2020. The SPM and MPD projects were established in 2015, and were initially planned to run through December 31, 2016.⁷⁸

Through December 31, 2017, the SPM project had a budget of \$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 (CPD) staff remunerations. The MPD project’s budget through 2020 was set at \$110.78 million.⁷⁹

From July 1, 2015, through December 31, 2017, UNDP had expended nearly \$1.10 billion on the SPM project. Of this amount, nearly \$1.09 billion was transferred to the MOF to pay for ANP and CPD staff. In addition, nearly \$36.29 million was expended on the MPD project.⁸⁰

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–FEBRUARY 19, 2018

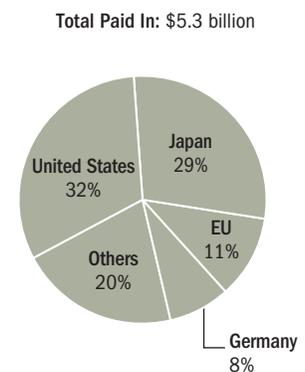


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of February 19, 2018 (end of 2nd month of FY1397),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF APRIL 15, 2018



Note: Numbers have been rounded. EU = European Union. “Others” includes 27 donors.

Source: UNDP, response to SIGAR data call, 4/15/2018.

SECURITY CONTENTS

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SECURITY

KEY ISSUES AND EVENTS

President Ashraf Ghani announced in February that the Afghan government is willing to hold peace talks with the Taliban without preconditions if the Taliban would stop committing acts of terror and accept the Afghan constitution.⁸¹ Following this development, U.S. Defense Secretary James Mattis made a surprise visit to Kabul in mid-March and said “We do look toward a victory in Afghanistan. . . . Not a military victory—the victory will be a political reconciliation.” Secretary Mattis explained that the goal of the United States is to strengthen the Afghan security forces enough to convince the insurgents that they cannot win on the battlefield, driving them to choose reconciliation.⁸² As of the publication of this report, the Taliban had not responded to President Ghani’s move toward reconciliation.⁸³

Ghani’s offer came during a period characterized by fewer security incidents across the country, but also stalemated control of population, districts, and land area. Meanwhile, the overall level of civilian casualties remained unchanged, but the number of high-casualty events in urban areas increased. An unusually intense period of violence in Kabul over the winter months reflected a shift in the insurgents’ tactics to launching successive attacks on civilians in the capital due to increased pressure from the Afghan National Defense and Security Forces (ANDSF) in the provinces.⁸⁴

One such attack occurred on January 27 when the Taliban detonated a massive car bomb near the Ministry of Interior headquarters in Kabul that killed at least 103 people and injured 235 others.⁸⁵ The attack was similar to a car-bomb attack in May 2017 that killed over 150 people, the deadliest since the beginning of the Afghan war in 2001.⁸⁶ Earlier in January, several Taliban insurgents dressed as Afghan soldiers attacked Westerners at the Intercontinental Hotel for 12 hours, killing 22 people and taking several guests hostage before the militants were killed by Afghan security personnel.⁸⁷

Similarly, Islamic State-Khorasan (IS-K), the Islamic State affiliate in Afghanistan, conducted a spate of deadly attacks in Kabul this quarter after the ANDSF continued to confront them in their strongholds in northern and eastern Afghanistan. IS-K claimed responsibility for an attack in January on the Kabul Military Academy that killed 11 Afghan National Army (ANA) personnel. As a result of the attack, two ANA generals were dismissed and



Defense Secretary James Mattis (left), meets with Afghan President Ashraf Ghani during a visit to Kabul on March 13, 2018. (DOD photo by Army Sergeant Amber Smith)

“In looking at South Asia and Afghanistan, we assess the overall security picture will modestly deteriorate in the coming year and Kabul will continue to bear the brunt of the Taliban-led insurgency. Afghan National Security Forces face unsteady performance, but with Coalition support, probably will maintain control of most major population centers.”

—*Dan Coats,*
Director of National Intelligence

Source: Testimony before the Senate Armed Services Committee, “Worldwide Threats,” 3/6/2018.

charged with negligence; in addition, President Ghani ordered the mandatory retirement of 164 generals in February as a further effort to reform the ANDSF and to improve security.⁸⁸ IS-K also continued their sectarian campaign targeting Afghanistan’s minority Shi’a community. On April 22, an IS-K suicide bomber attacked a voter-registration center in Dashte Barchi, an area of Kabul where many Shi’a Afghans live.⁸⁹ This followed another IS-K suicide attack on crowds gathered in Kabul to celebrate the Persian New Year in late March; that attack killed 31 people.⁹⁰

While IS-K has escalated its operations on Kabul, they suffered significant losses over the last three months. On April 5, U.S. Special Operations Forces and the Afghan Special Security Forces (ASSF) conducted a joint operation that killed IS-K’s commander in northern Afghanistan, Qari Hikmatullah. He had been the main facilitator moving IS-K fighters into the area from Central Asian states. Earlier, on March 16, an American air strike killed two IS-K platoon commanders, Omair and Abu Samaya, while they met in Sar-e Pul, and on January 28, Afghan forces captured their predecessor, Khitab Aka, in Jowzjan.⁹¹

Responding to the increasing insecurity in Kabul, General John Nicholson, commander of United States Forces-Afghanistan (USFOR-A) and NATO’s Resolute Support (RS) mission, said security in Kabul is his primary focus.⁹² Meanwhile, the United States increased its military effort in Afghanistan. This quarter, more U.S. warplanes shifted from Iraq and Syria to Afghanistan and the first U.S. Army Security Force Assistance Brigade, designed to increase the NATO capacity to train and advise the Afghan forces, arrived in the country. Major General James Hecker, leading



A U.S. Air Force F-16C performs aerial patrol over an Afghan district in support of Operation Freedom’s Sentinel on March 11, 2018. (U.S. Air Force photo by Tech. Sergeant Gregory Brook).

the U.S. and NATO air commands in Afghanistan, said in February that recent successes in Iraq and Syria have resulted in U.S. Central Command designating Afghanistan as its area of “main effort.” According to Major General Hecker, the main benefit of this designation is that Coalition forces in Afghanistan will receive more support from U.S. intelligence agencies, which could improve the ability of U.S. and Afghan air forces to strike Taliban elements.⁹³

Accordingly, early 2018 has already seen an uptick in the number of U.S. air strikes conducted in Afghanistan. According to the U.S. Air Force’s Central Command Combined Air Operations Center, the United States dropped 378 munitions in January, 469 in February, and 339 in March 2018 during 215 missions. The total of 1,186 munitions dropped in the first quarter of 2018 is the highest number recorded for this period since reporting began in 2013, and is over two and a half times the amount dropped in the first quarter of 2017.⁹⁴

SIGAR’s Quarterly Report Team Meets with RS, USFOR-A, and CSTC-A Officials in Afghanistan

SIGAR sent a team from its Research and Analysis Directorate to Afghanistan in early March to meet with key RS, USFOR-A, and Combined Security Transition Command-Afghanistan (CSTC-A) officials, including General Nicholson, to discuss SIGAR’s persistent concerns surrounding the increased classification of ANDSF data for the prior two quarters (October 2017 and January 2018). The team also sought to better understand the process those entities use in responding to SIGAR’s data call for the quarterly report, and to reduce any undue burden on them.

With regard to the classification of data USFOR-A provides to SIGAR, according to USFOR-A, much of this data was classified or restricted from public release at the request of the Afghan government. USFOR-A said that the issue began with a request from President Ghani to General Nicholson in October to classify ANDSF casualty data. Then in December 2017, Afghanistan’s National Security Advisor (NSA) Hanif Atmar communicated to USFOR-A that the Afghan government considered classified all data that fell under seven broad topical areas: command-and-control information, personnel staffing, training, casualty data, operational readiness, equipping, and resourcing and sustainability. Because Afghanistan is a sovereign nation, USFOR-A officials said they had to respect the Afghan request and classify the data accordingly.⁹⁵

However, General Nicholson began a process in January 2018 to attempt to negotiate with the Afghan government for the public release of some of this data. USFOR-A undertook a review of 29 topical areas in the data typically provided to SIGAR that could be impacted by NSA Atmar’s December 2017 letter so that it could show the Afghans how the data would be treated under U.S. and RS classification guidelines. USFOR-A determined from its

review that 11 of these areas would be classified or restricted under the RS and U.S. classification guides. USFOR-A suggested that data concerning the remaining topical areas should be released publicly, as it would under U.S. and RS classification guidelines. SIGAR was informed that General Nicholson made these recommendations to NSA Atmar in a March 5, 2018, letter. USFOR-A told SIGAR that they also plan to meet with NSA Atmar soon to discuss the letter and the broader issue.⁹⁶ SIGAR had not been informed of a response by NSA Atmar as this report went to press.

As detailed in the following section, SIGAR's engagement with USFOR-A and USFOR-A's classification review of the data resulted in less information being classified or restricted this quarter than in the preceding two quarters. Data that remains classified or restricted from public release is either treated as such in accordance with U.S. or RS classification guidelines or at the request of the Afghan government.⁹⁷

ANDSF Data Classified or Not Publicly Releasable

This quarter, USFOR-A declassified or allowed the public release of several types of data related to the reconstruction of the Afghan security forces. While USFOR-A's action was helpful, it still entailed less detailed responses than SIGAR received previously in some areas. The data declassified or cleared for public release include:

- Authorized (goal) strength for the ANDSF, total and by force element
- Top-line (total for each force element, not lower level breakdown) assigned (actual) strength of the ANDSF, ANA, and Afghan National Police (ANP)
- Complete district, population, and land-area control data
- Quarterly trend in attrition for the ANA and ANP

USFOR-A continued to classify or newly classified the following data:

- ANDSF casualties, by force element and total
- Corps- and zone-level ANA and ANP, Afghan Air Force (AAF), SMW, and ANDSF medical personnel assigned (actual) strength (ALP and ANDSF female personnel were exempted and are reported)
- Exact ANA and ANP attrition figures
- Detailed performance assessments for the ANA, ANP, Ministry of Defense (MOD), and Ministry of Interior (MOI)
- Information about the operational readiness of ANA and ANP equipment
- Information about USFOR-A's new air campaign under the South Asia Strategy, including the number of counternarcotics-related strikes conducted by USFOR-A since the beginning of the campaign, the number of drug labs destroyed, the effectiveness of those air strikes, the number of targets associated with Taliban financing, and the financial assessment of revenue denied to the insurgency as a result of the air strikes
- Detailed information about the new ANA Territorial Force (ANATF)

USFOR-A determined the following data was unclassified but not publicly releasable:

- ALP attrition and casualties
- Detailed information about ANDSF progress on security benchmarks for the Afghanistan Compact
- Reporting on anticorruption efforts from the Ministry of Interior (MOI)
- Information about the Special Mission Wing (SMW), including the number and type of airframes in the SMW inventory, the number of pilots and aircrew, the percent-breakdown of counternarcotics and counterterrorism missions flown, and the operational readiness (and associated benchmarks) of SMW airframes

For a full list of the questions for which USFOR-A provided classified or unclassified but not publicly releasable responses, see Appendix E of this report.

United Nations Security Reporting

Record High Security Incidents in 2017

The Secretary-General of the United Nations (UN) reported in late February that the security situation in Afghanistan remained highly unstable as conflict between the government and insurgents continued throughout the country and high-profile attacks in urban centers increased. The UN reported 23,744 **security incidents** during 2017, the most ever recorded, but only a negligible increase from 2016. Armed clashes continued to cause the most security incidents (63% of incidents), roughly on par with 2016, followed by improvised explosive devices (IEDs) and air strikes. The UN said that the 950 air strikes recorded in 2017 represented a nearly 68% increase compared with the same period in 2016, though the U.S. Air Force's figure (4,361 strikes during 1,248 missions) is significantly higher.⁹⁸ Notably, suicide attacks increased by 50%, and targeted killings and abductions increased by 6% compared with 2016. The eastern and southern regions of Afghanistan continued to experience the highest number of security incidents in 2017, comprising 55% of the total.⁹⁹ USFOR-A commented that the uptick in security incidents in 2017 was partially the result of increased military and police activity compared to 2016.¹⁰⁰

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

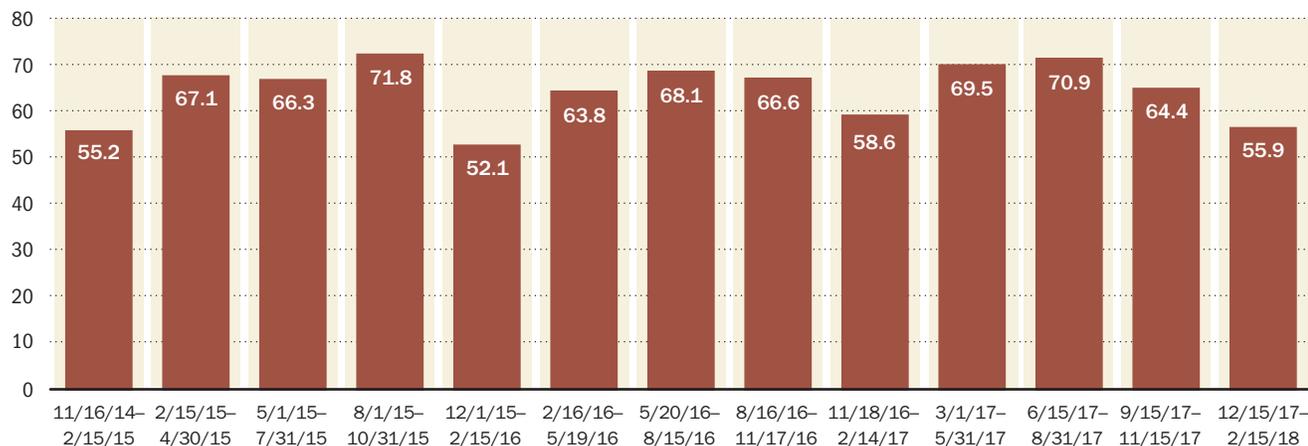
Source: SIGAR, analysis of the *Report of the Secretary-General, The situation in Afghanistan and its implications for international peace and security*, 12/9/2014.

Decrease in Security Incidents in Early 2018

From December 15, 2017, to February 15, 2018, the UN recorded 3,521 security incidents, a 6% decrease compared to the same period last year. As reflected in Figure 3.26 on the next page, this is an average of 55.9 incidents per day, a nearly three incident-per-day decrease compared to the same period last year (58.6), but nearly four incidents per day higher than the same period two years ago (52.1). This quarter's figure remains considerably lower than the daily average of 64.1 incidents over the last three years.¹⁰¹

FIGURE 3.26

AVERAGE DAILY SECURITY INCIDENTS BY UN REPORTING PERIOD, SINCE 2014



Note: The gaps in some reporting dates are due to lack of UN reporting during those periods.

Source: UN, *The situation in Afghanistan and its implications for international peace and security*, reports of the Secretary-General, 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; 2/27/2018, p. 5; SIGAR, analysis of UN-provided data, 4/2018.

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

Source: UNAMA, *Protection of Civilians in Armed Conflict, Annual Report*, 2/2018, p. 1.

The UN noted the spike in high-casualty attacks in urban areas over the reporting period, in particular two high-profile **complex attacks** and a large vehicle bombing in Kabul. For more information on high-profile attacks, see pages 77–78. Despite the uptick in violence in the cities, the winter season saw a decline in the number of direct Taliban attacks throughout the country, with the Taliban failing to seize any provincial capitals or district centers during the reporting period. Afghan and international officials attributed this to the intensified air-strike campaign by Coalition and Afghan forces and more night raids by Afghan special forces.¹⁰²

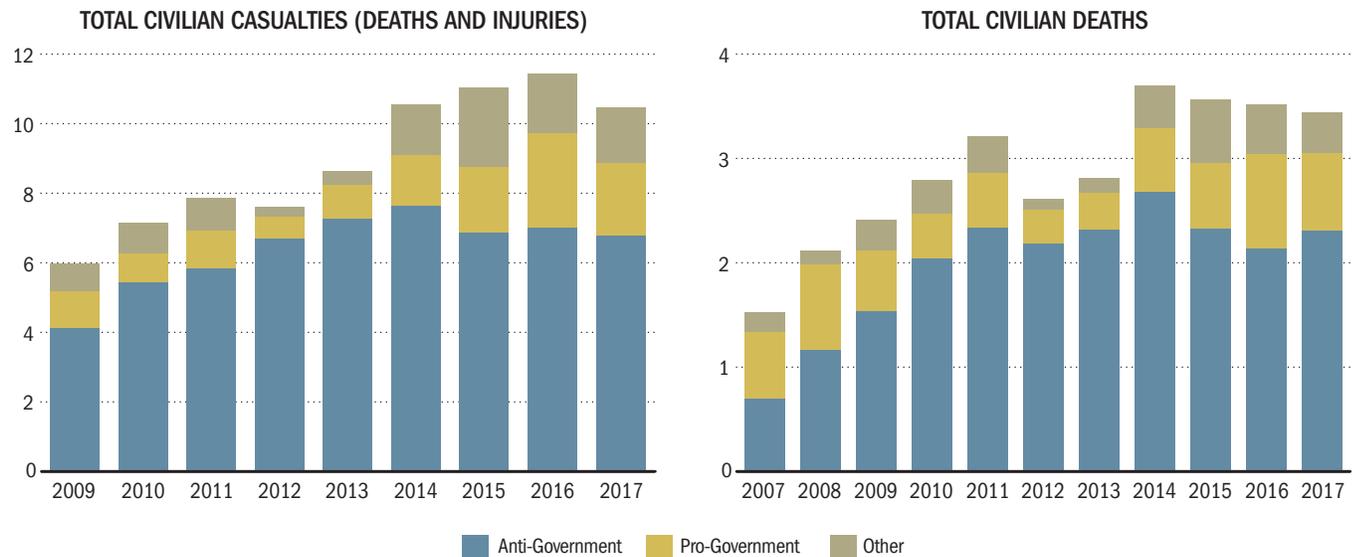
Still, the insurgency continued to place pressure on Afghan forces, with coordinated attacks against ANDSF checkpoints in Helmand, Kandahar, Nimroz, Kunduz, Ghazni, and Farah Provinces. These attacks did not result in significant territorial gains for the insurgency, but inflicted casualties on the ANDSF and allowed insurgents to capture their weaponry and logistical supplies. As was the case throughout 2017, the Taliban continued to control some of Afghanistan’s more remote territories.¹⁰³

Civilian Casualties in 2017

The United Nations Assistance Mission in Afghanistan (UNAMA) documented 10,453 civilian casualties from January 1, 2017, through December 31, 2017, an overall decrease of 9% compared to 2016 and the first year-on-year decrease since 2012. The casualties included 3,438 deaths

FIGURE 3.27

TOTAL CIVILIAN CASUALTIES AND DEATHS BY RESPONSIBLE PARTY (THOUSANDS)



Note: "Other" encompasses all casualties for which pro- and anti-government elements were not solely responsible, such as casualties resulting from crossfire or unexploded ordnance. The "Total Civilian Deaths" figure on the right appears on page 5 of UNAMA's report.

Source: UNAMA, *Protection of Civilians in Armed Conflict: Annual Report 2017*, 3/6/2018, i, pp. 1, 4, 5, 27, 43, 45.

(a 2% decrease since 2016) and 7,015 injuries (an 11% decrease).¹⁰⁴ Men were the majority of civilian casualties (58%), followed by children (30%), and women (12%).¹⁰⁵ UNAMA attributed most of the 9% decrease in civilian casualties to less harm caused by ground fighting between pro- and anti-government forces—particularly less mortar use—although ground engagements still caused the majority of civilian casualties (33%). Civilian casualties from suicide and complex attacks continued to rise, causing 22% of all civilian casualties in 2017. UNAMA also recorded 38 sectarian attacks in 2017, a three-fold increase compared to 2016. Most of these were executed by IS-K against Shi'a Muslims.¹⁰⁶

UNAMA attributed the majority of civilian casualties in 2017 (65%) to anti-government groups which included civilian casualties caused by the Taliban (42%), IS-K (10%), and unspecified anti-government groups (13%). An additional 20% of casualties were attributed to pro-government groups, which included civilian casualties caused by the ANDSF (16%), international military forces (2%), and unspecified pro-government groups (1%).¹⁰⁷ As seen in Figure 3.27. UNAMA attributed 6,768 civilian casualties (2,303 deaths) to anti-government forces and 2,108 civilian casualties (745 deaths) to pro-government forces.¹⁰⁸

FIGURE 3.28

AERIAL OPERATIONS CIVILIAN CASUALTIES



Note: A similar graphic appears on page 45 of UNAMA's report.

Source: UNAMA, *Protection of Civilians in Armed Conflict: Annual Report 2017*, 3/6/2018, p. 45.

UNAMA Collection Methodology

According to UNAMA, data on civilian casualties are collected through “direct site visits, physical examination of items and evidence gathered at the scene of incidents, visits to hospital and medical facilities, still and video images,” reports by UN entities, and primary, secondary, and third-party accounts. Information is obtained directly from primary accounts where possible. Civilians whose noncombatant status is under “significant doubt,” based on international humanitarian law, are not included in the figures. Ground engagement casualties which cannot be definitively attributed to either side, such as those incurred during crossfire, are jointly attributed to both parties. UNAMA includes an “other” category to distinguish between these jointly-attributed casualties and those caused by other events, such as unexploded ordnance or cross-border shelling by Pakistani forces. UNAMA's methodology has remained largely unchanged since 2008.

Civilians living in Kabul, Helmand, Nangarhar, Kandahar, Faryab, Uruzgan, Herat, Paktiya, and Kunduz Provinces suffered the heaviest casualties in 2017. Of these nine provinces, six had an increase in civilian casualties compared to 2016, including Kabul (4% increase), Helmand (10%), Nangarhar (1%), Faryab (7%), Herat (37%), and Paktiya (154%). Kabul Province saw the majority of civilian casualties in 2017 with 1,831 casualties (479 deaths), nearly double the 991 civilian casualties in Helmand (386 deaths), the second deadliest province for civilians. Of the remaining provinces with the heaviest civilian casualties, three had a decrease in civilian casualties compared to 2016, including Kandahar (18% decrease), Uruzgan (26%), and Kunduz (41%). Of the remaining 25 Afghan provinces, the majority (18 provinces) saw a decrease in civilian casualties in 2017 compared to 2016.¹⁰⁹

As seen in Figure 3.28, UNAMA's records indicate that air operations in 2017 caused 631 civilian casualties including 295 deaths. These were all attributed to pro-government forces and were 30% of the total casualties attributed to pro-government forces. This was a 7% increase in civilian casualties caused by air operations over 2016 and the highest number of civilian casualties from air strikes in a single year since UNAMA began documenting them in 2009.¹¹⁰ In contrast, RS provided a much lower figure for civilian casualties caused by Coalition air strikes. According to RS there were only 51 such casualties in 2017, with 11 more occurring between January 1 and March 2, 2018.¹¹¹

Source: UNAMA, *Protection of Civilians in Armed Conflict*, 3/6/2018, i-ii; 1/2010, p. 35; 2/11/2009, pp. 4-5; and 8/2015, p. 4.

Civilian Casualties in Early 2018

UNAMA also reported a very slight increase in civilian casualties recorded from January 1 through March 31, 2018, compared to the same period in 2017. UNAMA remarked that civilian casualties remain at the high levels recorded during the first quarter of the last two years: there were 2,258 casualties (763 deaths and 1,495 injuries) in the first quarter of this year, 2,255 over the same period in 2017, and 2,268 in 2016. In a change from previous years, suicide IEDs and complex attacks were the leading cause of civilian casualties thus far in 2018 (33% of casualties), followed by ground engagements (30%) and non-suicide IEDs (12%).¹¹²

During the first quarter of 2018, UNAMA “note[d] with concern” that the number of civilian casualties caused by anti-government elements had increased significantly. Anti-government elements caused 67% of civilian casualties, a 6% increase from the same period last year. Of these, 50% were attributed to Taliban, 11% to IS-K, 4% to unidentified anti-government elements (including self-proclaimed IS-K), and 2% to fighting between anti-government groups. Anti-government attacks which deliberately targeted civilians accounted for 39% of all civilian casualties, more than double last year’s recorded amount.¹¹³

Pro-government forces caused 18% of all civilian casualties in the first three months of 2018, a 13% reduction when compared to the same period in 2017. Of these, 11% were attributed to the ANDSF, 2% to international military forces, 4% to undetermined pro-government forces, and 1% to pro-government armed groups. Also notable was that civilian casualties from ground engagements decreased by 15%, and child casualties (583, including 155 deaths and 428 injuries) decreased by 23% compared to last year.¹¹⁴

U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of March 31, 2018, the U.S. Congress had appropriated more than \$78.2 billion to support the ANDSF. This accounts for 62% of all U.S. reconstruction funding for Afghanistan since FY 2002.¹¹⁵ Most of this funding—\$72.8 billion—was appropriated for the Afghan Security Forces Fund (ASFF).¹¹⁶

In 2005, Congress established the 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 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 of the

RS Collection Methodology

According to DOD, the RS Civilian Casualty Management Team relies primarily upon operational reporting from RS’s Train, Advise, and Assist Commands (TAACs), other Coalition force headquarters, and ANDSF reports from the Afghan Presidential Information Command Centre to collect civilian-casualty data.

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2017, p. 27.

DOD Inspector General Audit

A recently conducted audit by DOD’s Office of the Inspector General (DOD OIG) determined that CSTC-A officials have not effectively managed and overseen the U.S. funds directly provided to the MOD and MOI, particularly in procuring and maintaining items such as fuel, ammunition, vehicles, and other commodities. According to DOD OIG, these systemic challenges occurred because CSTC-A officials did not consistently establish realistic and achievable conditions for the ministries within commitment letters, nor did they enforce noncompliance penalties outlined in the commitment letters due to potential impacts on the ANDSF’s operational readiness. CSTC-A officials stated that they could not oversee all commitment letter requirements because of inadequate staffing and security concerns. As a result, DOD OIG found that CSTC-A officials could not ensure that \$3.1 billion in direct U.S. funding was used for intended purposes. For more information, see Section Four in this report.

funds are transferred to Afghanistan's central bank to pay ANA salaries and ALP personnel costs that CSTC-A contracts. The Ministry of Finance then funds the MOD and MOI based on submitted funding requests.¹¹⁷ However, unlike the ANA, the ANP's personnel costs are paid through the United Nations Development Programme's multi-donor Law and Order Trust Fund for Afghanistan (LOTFA), for which the United States also provides funding.¹¹⁸

POPULATION, DISTRICT, AND LAND-AREA CONTROL

This quarter, the Afghan government made some modest improvements to its control of districts, population, and land area. As of January 31, 2018, roughly 65% of the population (21.2 million of an estimated 32.5 million total) lived in areas under Afghan government control or influence, up one percentage point since last quarter. The insurgency continued to control or influence areas where 12% of the population lived (3.9 million people), unchanged from last quarter, while the population living in contested areas (7.4 million people) decreased to roughly 23%, about a one percentage-point decline since last quarter.¹¹⁹

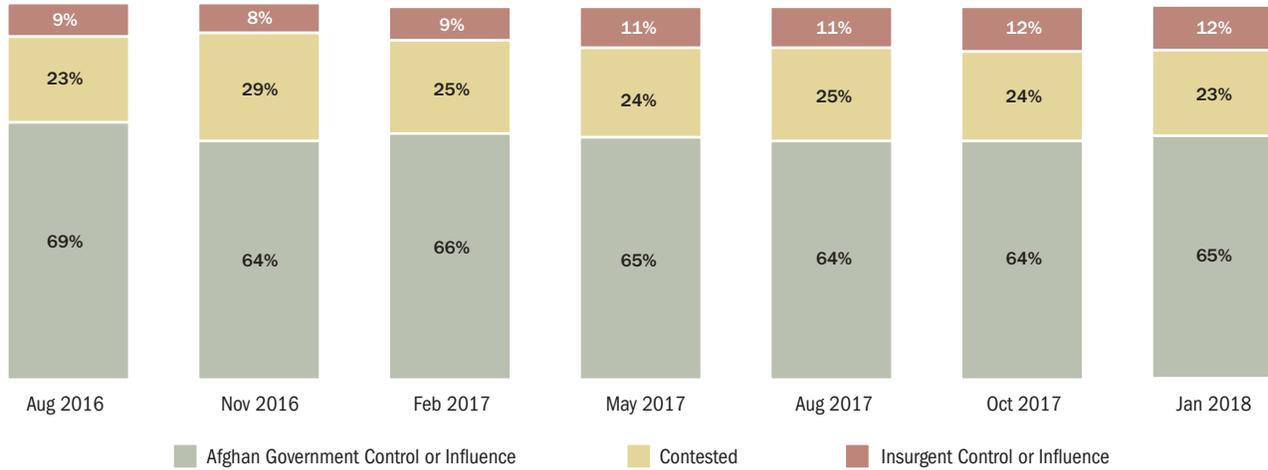
This quarter's population-control figures show a slight deterioration from the same period last year, when the Afghan government controlled or influenced 65.6% of the population and the insurgency only 9.2%.¹²⁰ The goal of the Afghan government is to control or influence territory in which 80% of the population (26 million people) live within the next year and a half. Since SIGAR began receiving population-control data in August 2016, Afghan government control has decreased by roughly four percentage points, and the overall trend for the insurgency is rising control over the population (from 9% in August 2016 to 12% in January 2018).¹²¹ A historical record of population control is shown in Figure 3.29.

Using Afghanistan's 407 districts as the unit of assessment, as of January 31, 2018, 229 districts were under Afghan government control (73 districts) or influence (156)—an increase of two districts under government influence since last quarter. This brings Afghan government control or influence to 56.3% of Afghanistan's total districts. There were 59 districts under insurgent control (13) or influence (46), an increase of one district under insurgent influence since last quarter. Therefore, 14.5% of the country's total districts are now under insurgent control or influence, only a slight increase from last quarter, but a more than three percentage-point increase from the same period in 2016. The remaining 119 districts (29.2%) are contested—controlled by neither the Afghan government nor the insurgency.¹²²

As shown in Figure 3.30, the Afghan government's control of districts is at its second lowest level, and the insurgency's at its highest level, since SIGAR began receiving district control data in November 2015.¹²³

FIGURE 3.29

HISTORICAL POPULATION CONTROL IN AFGHANISTAN

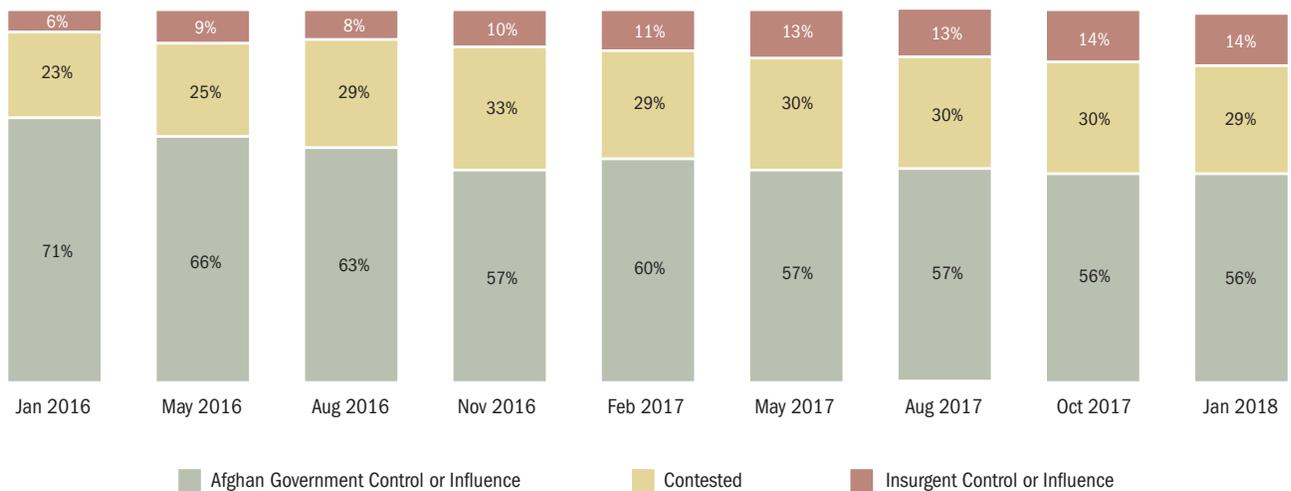


Note: Component numbers may not add to 100 because of rounding.

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, 10/15/2017, and 3/22/2018; USFOR-A, response to SIGAR vetting, 1/16/2018.

FIGURE 3.30

HISTORICAL DISTRICT CONTROL IN AFGHANISTAN



Note: Components may not add to 100 because of rounding.

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, 10/15/2017, and 3/22/2018; USFOR-A, response to SIGAR vetting, 1/16/2018.

Control Metrics

There are multiple, different units of measure for expressing a district-level assessment of control that can be and are often used to assist in operational assessment and decision-making during the conduct of a wide variety of military operations. At least three major metrics can be used in judging government-versus-insurgency control in Afghanistan. They measure different factors, need not be parallel indicators, and may have different implications for progress assessments and decision-making. In no special order, these metrics are:

District Control: Whether a government has effective control of a district bears on its ability to assert its sovereignty within direct sight of the people, deliver public services like health and education, provide policing, and—hopefully—operate the instruments of governance in ways that improve public perceptions of its legitimacy and effectiveness.

Population Control: From a hearts-and-minds point of view and for the ability to monitor and suppress insurgent activity, controlling one district with a large population might be more important than controlling three with only a few, scattered villages. On the other hand, a government might have statistically verified control of every district within its borders; but if, say, 33% of the population were disaffected or actively supportive of insurgents, that government could still face a critical threat to its viability—especially

if the nonsupportive citizens are in compact groups that facilitate communication, recruitment, and planning of anti-government operations.

Area Control: Sheer control of land area, regardless of governance structures or resident population, can be an important metric, especially if hostile elements assert control over areas containing important agricultural land (including revenue-producing poppy fields), transportation corridors and bottlenecks, electric transmission, watersheds, or mineral reserves. Area control also facilitates movement and staging of forces, government or hostile, for active operations.

All three metrics are important to ascertain and assess, individually and in concert. That they are not synonymous or parallel can be easily seen, for example, in SIGAR's quarterly report of April 30, 2017. The security section of that report presented data from USFOR-A showing RS's assessment of district-level control at the time, insurgents controlled 2.7% of Afghanistan's districts, but 9.2% of the population, and 16.2% of the land area. Which indicator is most significant is not *prima facie* evident, and their comparative significance might vary with changing concerns and objectives as time passes. In any case, drawing broad conclusions from any or all of these macro-level indicators is best done with the caveat that they may contain granular but important variations in underlying detail.

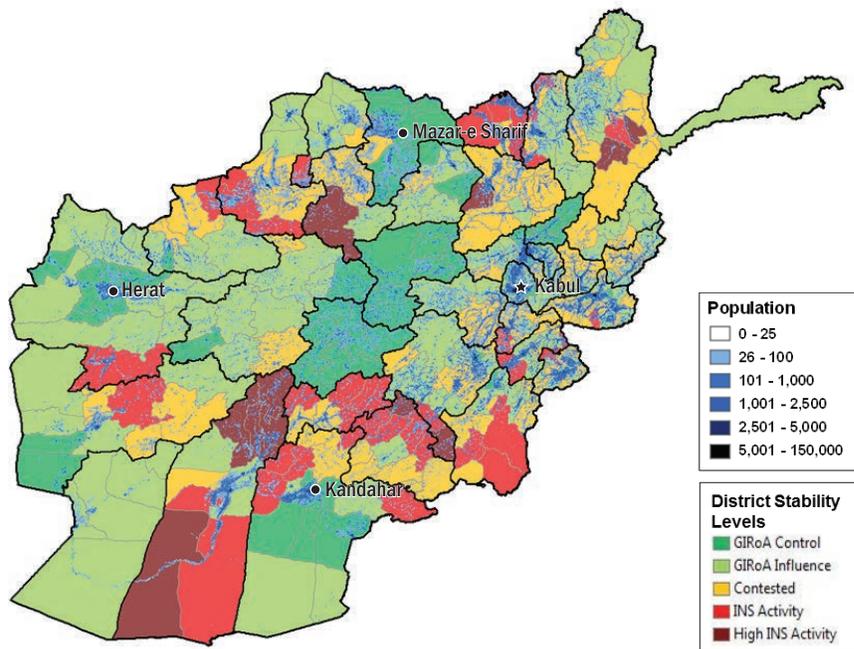
Source: Analysis by SIGAR Research and Analysis Directorate staff and by SIGAR Special Advisor Lieutenant General John F. Goodman, USMC (Ret.), 4/2018.

USFOR-A identified the provinces with the largest percentage of insurgent-controlled or -influenced districts as Uruzgan Province, with four of its six districts under insurgent control or influence, Kunduz Province (five of seven districts), and Helmand Province (nine of 14 districts), all unchanged since last quarter. USFOR-A noted again that the provincial centers of all of Afghanistan's provinces are under Afghan government control or influence.¹²⁴ USFOR-A reported that the Afghan government controlled or influenced 382,000 square kilometers of Afghanistan's total land area of 644,000 square kilometers (59.4%). The insurgency controlled or influenced 130,000 square kilometers (20.2%) of the total land area. The remaining 131,000 square kilometers is land contested by the government and insurgents.¹²⁵

As seen in Figure 3.31, USFOR-A provided a map showing Afghan government and insurgent control or influence by district. Unlike in previous quarters, they have changed the language for insurgent control or influence to “insurgent activity” and “high insurgent activity.” USFOR-A noted that this change was not due to adopting new methodology for district-control assessments, but that it was done in an effort to make the map unclassified and publicly releasable. However, the original terms were used in the numerical district-control data provided to SIGAR this quarter.¹²⁶

FIGURE 3.31

CONTROL OF AFGHANISTAN'S 407 DISTRICTS AS OF JANUARY 31, 2018



Note: GIROA = Government of the Islamic Republic of Afghanistan. INS = Insurgent. The population data depicted here reflects how the Afghan population is dispersed throughout the country. However, the entire population of a given area is not necessarily under the district stability level indicated. A district is assigned its district-stability level based on the overall trend of land-area/population control of each district as a whole. The map-key categories shown here do not correspond exactly to the categories used in USFOR-A's March 2018 data responses.

Source: USFOR-A, response to SIGAR vetting, 4/12/2018.

For more information on how RS assesses government and insurgent control, please see SIGAR's April 2016 *Quarterly Report to the United States Congress*.¹²⁷

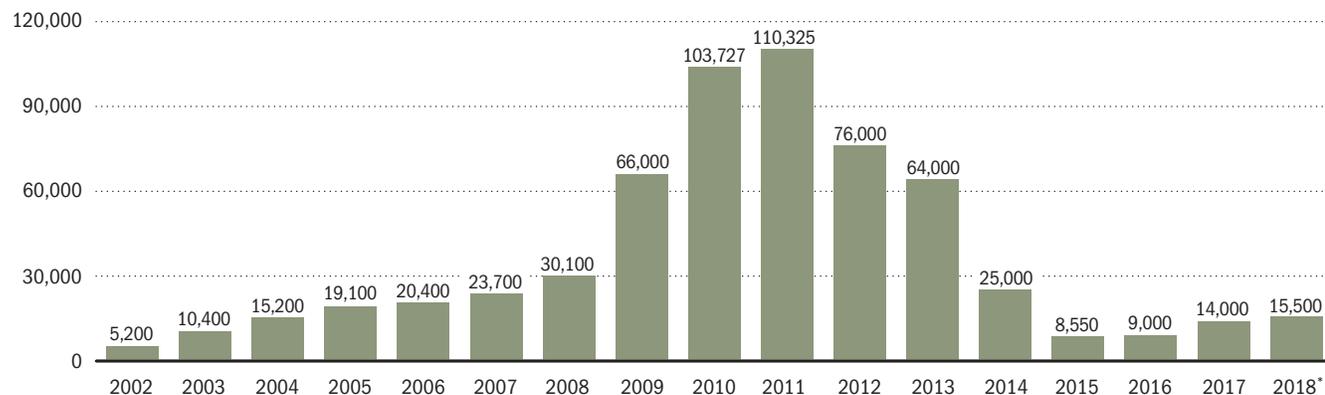
U.S. FORCES IN AFGHANISTAN

According to USFOR-A, as of March 1, 2018, there were approximately 14,000 U.S. military personnel serving in Afghanistan as part of Operation Freedom's Sentinel (OFS), the same number reported last quarter.¹²⁸ Approximately 7,800 of these personnel are assigned to the NATO RS mission to train, advise, and assist Afghan security forces (an increase of 400 personnel since last quarter). The increase is due to the deployment of some of the U.S. Army Security Force Assistance Brigade (SFAB) forces to Afghanistan.¹²⁹ The remaining U.S. military personnel support the OFS mission through air operations, training the Afghan special forces, and conducting counterterror operations.¹³⁰ These

SECURITY

FIGURE 3.32

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



Note: * Projected for 2018 based on public statements of NATO Secretary General Jens Stoltenberg. According to USFOR-A, the publicly releasable U.S. troop level remains 14,000, as of March 1, 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, 11/27/2017, and 3/1/2018; Reuters, “Despite NATO Pledge to Increase Afghan Support, Troop Shortfall Remains: U.S.,” 11/9/2017.

figures do not account for the planned increase of roughly 1,500 U.S. personnel for the RS mission in 2018 described by NATO Secretary General Jens Stoltenberg in November 2017. For a historical record of U.S. force levels in Afghanistan, see Figure 3.32 on the next page.¹³¹

The RS mission currently includes roughly 7,500 military personnel from NATO allies and non-NATO partner nations. This is also an increase of approximately 400 military personnel since last quarter, bringing the total RS personnel to roughly 15,300.¹³²

The first SFAB arrived in Afghanistan in March 2018. The SFABs are U.S. Army brigades designed for training and advising host-nation armed forces.¹³³ USFOR-A reported that the SFAB will advise ANA, ANP, and ASSF units from the corps or zone level and below; the mission will dictate the level at which the advisors operate.¹³⁴ American advisors from the SFAB will tactically report to NATO authorities at the Train Advise Assist Commands (TAAC) throughout Afghanistan. U.S. advisors will accompany *kandaks* (battalions) on operations as necessary.¹³⁵

USFOR-A reported that combat enablers, or specialized military assets, will support advisors in the field. These enablers support mission-command functions, movement and maneuver support, lethal and nonlethal fire support, supply and logistics sustainment, force protection, and intelligence capabilities.¹³⁶ USFOR-A noted that since advisors from the SFAB have only



The 1st Security Force Assistance Brigade conducted a ceremony on March 15 marking the beginning of its mission to train, advise, and assist the ANDSF at Task Force Southwest in Helmand Province. (DOD photo by Maj. Matthew Fontaine)

recently arrived in country, it is too early to provide feedback on advisory assistance below the corps level.¹³⁷

USFOR-A reported that in 2017, 11 U.S. military personnel were killed and 102 were wounded in Afghanistan. This is a slight increase from the number killed in 2015 (10) and 2016 (9), but a significant increase in the number of wounded from both 2015 (75) and 2016 (70). According to USFOR-A and the Defense Casualty Analysis System, from January 1 through March 30, 2018, one U.S. military member was killed and 19 were wounded. In total, as of April 15, 2018, 31 U.S. military personnel have been killed in action and 268 have been wounded since the start of OFS on January 1, 2015. Since the beginning of the war, 2,269 DOD personnel have been killed (including service members and civilians) and 20,318 have been wounded in Afghanistan.¹³⁸

ANDSF Strength

The ANDSF strength numbers reported in this report on the date of publication were later revised. On May 10, 2018, USFOR-A informed SIGAR that it had initially provided SIGAR with inaccurate ANDSF strength figures. The revised figures, according to USFOR-A, for the authorized strength, or the force level authorized in the *tashkil*, was 352,000, including the ANA and the ANP, as of January 31, 2018. The revised actual assigned strength of the ANDSF as of January 31 was 313,728. For further information about the ANDSF strength figures, please see the supplement to SIGAR's April 2018

Tashkil: which means “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.

Quarterly Report to the United States Congress at <https://www.sigar.mil/quarterlyreports/>.¹³⁹

ANDSF Casualties

USFOR-A classified ANDSF casualty data this quarter at the request of the Afghan government.¹⁴⁰ SIGAR's questions 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.

Afghanistan Compact

The Afghanistan Compact is an Afghan-led initiative designed to demonstrate the Afghan government's commitment to reforms.¹⁴¹ The Compact process consists of four American- and Afghan-chaired working groups covering governance, economic, peace and reconciliation, and security issues. For more information about the Compact, see pages 122–123.

Most of the security commitments in the Compact apply to either the entire ANDSF, or the MOD and MOI, or their main components (ANA and ANP).¹⁴² Together they lay out a comprehensive plan to reform and upgrade the capabilities of the ANDSF over the next few years. Last quarter, USFOR-A clarified that within the scope of other strategies for achieving progress in Afghanistan, the Compact and Roadmap both align under the U.S. administration's 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.¹⁴³

In January 2018, the Joint Security Compact Committee (JSCC), which tracks the Afghan government's progress toward meeting its goals in the security compact, met to review the milestones that were due in December 2017. CSTC-A reported that over the last year, the MOD and MOI met 194 of 198 milestones. At the January 2018 meeting, JSCC determined that the MOD milestone due in September 2017, inputting ANA personnel into the Afghan Personnel Payment System (APPS) based on the tashkil, had been met. MOI also made progress, but fell short of the agreed standard of registering 95% of ANP personnel in APPS as authorized in the tashkil.¹⁴⁴ For more information about APPS, see pages 98–99.

CSTC-A also reported that all 12 milestones due in December 2017 had been met for MOD and MOI. One of the areas making significant progress was in MOD and MOI's abilities to produce one-year recruitment plans. Other satisfactory progress had been made in: implementing the Inherent Law, which requires retirement at an earlier age, (retiring colonels under Minister of MOD authority), mitigating insider attacks (by vetting and removing personnel about whom there is derogatory information), enhancing Green Zone security (constructing a vehicle screening yard in the Kabul Green Zone), practicing counter Corruption (listing

findings, corruption cases, and trained evaluators), and increasing personnel accountability (transitioning ANDSF personnel to APPS to eliminate unaccounted-for personnel).¹⁴⁵

JSCC also reviewed the MOI's Compact milestones to ensure they aligned with the MOI Strategic Plan (MISP), which was officially launched at the International Police Coordination Board on February 18, 2018.¹⁴⁶ According to a briefing provided to USFOR-A by MOI, the MISP requires developing a single, four-year Strategic Plan that is delivered through multiple annual plans; takes into account the urgent need to reform and develop the ministry; outlines concurrent efforts to reform and develop the ANP at every level; prioritizes, focuses, and sequences critical activity; and engages stakeholder support (NATO, UNDP, the European Union, and the wider international community). The briefing also clarified that the MOI's five strategic goals and the MOI portions of the ANDSF Roadmap and Afghanistan Compact are included in the MISP.¹⁴⁷

The JSCC meets approximately once a month to review the progress of prior months' milestones. SIGAR will continue to report on the Afghanistan Compact milestones in its quarterly reports.

Insider Attacks

Since responsibility for security began transitioning to the Afghan government 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.¹⁴⁸ According to USFOR-A, there were 68 reported insider attacks in 2017: 62 green-on-green and six "green-on-blue" attacks, when ANDSF personnel turned on Coalition personnel. This total also includes an additional 10 green-on-green attacks (no additional green-on-blue attacks) over last quarter from October 31 through December 31, 2017.¹⁴⁹ Insider attacks in 2017 were higher than the 59 recorded in 2016—56 green-on-green and three green-on-blue.¹⁵⁰

From January 1 through February 10, 2018, there have been eight additional green-on-green and no additional green-on-blue attacks.¹⁵¹

USFOR-A reported that from January 1 to December 31, 2017, insider attacks killed 127 ANDSF personnel and wounded 112. During this same time period, three U.S. military personnel were killed and 11 were wounded in green-on-blue attacks.¹⁵² As reported last quarter, RS, MOD, and MOI have taken steps to further protect against insider attacks.¹⁵³ Afghanistan Compact milestones related to combatting insider threats can be found in the previous section.

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

This quarter, RS began a reorganization that will change the names of its offices and their administrative structure. The RS mission had previously

been organized under eight Essential Functions (EF) intended to develop its Afghan counterparts. Since the reorganization is not yet complete, SIGAR will report on the new RS structure next quarter.¹⁵⁴ Highlights for each EF reported to SIGAR this quarter include:

- **EF-1 (Multi-Year Budgeting and Execution):** This quarter, EF-1 worked to finalize the joint MOD-CSTC-A Afghan FY 1397 Procurement Plan for ASFF-funded MOD requirements. Additionally, they worked to formulate delegated (Afghan-led) and emergency procurement authorities, allowing decentralized and expedited procurement of emergent needs for MOD at the ANA corps level.¹⁵⁵
- **EF-2 (Transparency, Accountability, and Oversight):** EF-2 reported that in December 2017, the Afghan government passed an asset-declaration law that requires all general officers and senior civilian officials to submit asset declarations within one month of the beginning of the fiscal year (December 2017). EF-2 also said nearly all MOD and MOI inspector general (IG) positions have been filled: 95% for MOD IG and 99% for MOI IG.¹⁵⁶
- **EF-3 (Civilian Governance of Afghan Security Institutions):** This quarter, MOD implemented its new Policy to Prevent and Combat Corruption, which was developed with the assistance of EF-3's Rule of Law advisors. Advisors also worked with MOD to finalize a Policy on International Humanitarian Law (IHL) and Human Rights, which would strengthen gross violations of human rights (GVHR) reporting and investigation processes and require MOD to train ANDSF personnel in humanitarian-law issues. The IHL policy was expected to be approved and signed in March but as of press time, it was still being considered by the minister. MOD also placed into service the database for tracking incidents of GVHR, gender-based violence, and violations of the UN's Policy for the Protection of Children in Armed Conflict. EF-3 reported no new GVHR cases by MOD or MOI this quarter. However, RS reported two potential MOD GVHR cases identified by TAAC/Task Force-level advisors: one possible extra-judicial killing of an insurgent, and one allegation of *bacha bazi*, or child abuse, committed by an ANA kandak commander. No existing GVHR cases were closed by MOD or MOI, but two MOD and two MOI cases were closed by DOD's Office of the Undersecretary of Defense for Policy this quarter.¹⁵⁷
- **EF-4 (Force Generation):** EF-4 provided an unclassified response this quarter, reporting that as of January 1, 2018, MOD had approved the retirement of 162 general officers and 494 colonels from the ANDSF, as part of the government's effort to rejuvenate the force's command ranks. The Afghan National Police Academy (ANPA) graduated 354 police officers from the class of 1396 (2017) this past quarter. An additional 60 students from the ANPA Criminal Investigation Division graduated from joint MOD/MOI courses, the first such courses of their kind. The ANPA class of 1397 (2018), including 65 female students,

began on March 23. Work has begun to develop an Afghan Unified Training and Education Doctrine Command (UTED-C), which is intended to achieve initial operating capability in December 2018, to improve the capabilities and professionalization of the ANA.¹⁵⁸

- **EF-5 (Sustainment):** This quarter, the revised Organizational Clothing and Individual Equipment (OCIE) strategy was implemented. OCIE was developed to use economies of scale in support of transitioning to a “pull”-based supply chain. CSTC-A also revised its equipment-lifecycle analysis models for basic ANDSF Humvees, calculating a 12-year lifespan rather than the previous 10 years, a change which altered procurement schedules to save about \$2 million in acquisition costs. In February, MOD signed a directive to expedite the process of estimating costs of damage, whereby destroyed, captured, or otherwise lost ANDSF vehicles are written off by corps bookkeepers. The new process will allow corps to remove lost vehicles from their inventories within 60 days, instead of the previous process that took up to two years, resulting in more accurate inventories. The first of two MOD contracts to expand the Afghan National Fiber Optics Ring was awarded, which will allow for the expansion of the MOD’s core telecommunications network, including programs such as CoreIMS, AFMIS, and AHRIMS.¹⁵⁹
- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** According to EF-6, the ANDSF executed Phase III and Phase IV of Operation Khalid, the annual operational plan, following Phase II completion last quarter. The successor to Khalid, Operation Nasrat, began on March 21, 2018. CSTC-A reported that the ANDSF once again prevented enemy forces from capturing any provincial centers and improved the use of the AAF and the ANA Special Operations Corps (ANASOC) in support of conventional forces. The transfer of ANCOP to MOD was also completed on March 21, 2018.¹⁶⁰
- **EF-7 (Intelligence):** This quarter, EF-7 was renamed “Intelligence TAA,” with TAA referring to training, advising, and assisting. It will retain the same mission and functions. The Intelligence TAA reported that MOD continues to emphasize and improve its Intelligence, Surveillance and Reconnaissance (ISR) integration and intelligence sharing. The MOD Defense Security Service has begun sharing biometric data and enrollment records with MOI in order to prevent insider threats and unauthorized access to sensitive information or facilities. TAA advisors reported good results in the first of three training phases for the Network Targeting Exploitation Center (NTEC), a center created to target terrorist and criminal networks.¹⁶¹
- **EF-8 (Strategic Communications):** This quarter the MOD initiated a civil-outreach initiative as part of a program to train senior ANA corps personnel in community engagement, information coordination, press conferences, media interviews, and morale strategy. EF-8 reported

upcoming challenges as the MOD's restructuring will divide strategic communications and public affairs: public affairs will integrate with the Religious and Cultural Affairs directorate, while strategic communications will fall under the Assistant Minister of Defense for Strategy and Policy. CSTC-A reports that MOI deputies and spokesmen have become more active in engaging with the media. The Minister of Interior has launched a weekly call-in radio show to communicate directly with the Afghan people, which has thus far been positively received.¹⁶²

- **Gender Office:** This quarter, a female colonel from the MOI Training General Command attended the RS Afghan Senior Leaders' CAPSTONE course at the U.S. National Defense University in Washington, DC. The colonel is the first female to attend this selective course, which is offered by RS to enhance strategic leadership skills. MOI missed its March 21, 2018, deadline to deliver a finalized Sexual Harassment and Assault Prevention Policy; however, RS Gender Affairs personnel reported that they expect the policy to be completed and announced at the Women in Security Advisory Committee meeting in late April 2018. MOD was also expected to complete and sign a similar policy in April.¹⁶³

AFGHAN SECURITY MINISTRIES AND THE ANDSF

ANDSF Force Element Performance

USFOR-A provided only cursory ANDSF performance assessments in an unclassified format this quarter. SIGAR is unable to determine the basis for these unclassified assessments with the data provided. Additionally, USFOR-A reported that they would be unable to provide ANA corps- and ANP zone-level assessments (and below that level) in an unclassified format.¹⁶⁴ Those assessments will be reported in the classified annex to this report.

This quarter, USFOR-A reported that ANDSF leadership improved their operational planning capability in preparing their 2018–2019 annual operational plan. This included taking a doctrinal approach to planning that accounted for political, threat, and environmental variables. They noted that the General Staff still requires improved integration of the various staff directorates into a centralized planning process. The ANDSF still conduct the majority of their planning with assistance from NATO advisors, which generally takes the form of joint planning sessions between RS and MOD to ensure a unified plan. These NATO advisors independently assess ANDSF progress toward achieving the objectives set out in their annual operational plan at the TAAC and Task Force (TF) level, where they observe operational effects and determine successes in planning and execution.¹⁶⁵

Additionally the ANDSF corps achieved two other accomplishments this quarter: securing the high-profile Kabul Process conference that took place

in the capital in late February, and setting the conditions for a peaceful initiation ceremony for the TAPI pipeline project in central Afghanistan.¹⁶⁶

More detailed performance assessments of ANDSF combat elements are available in the classified annex to this report.

Ministry Performance Assessments

USFOR-A provided only cursory MOD and MOI performance assessments in an unclassified format this quarter. USFOR-A noted that limited performance assessments were available this quarter as there were no significant changes for the MOD and MOI between the winter and spring assessment periods.¹⁶⁷ SIGAR is unable to determine the basis for these unclassified assessments with the data provided. More detailed performance assessments will be reported in the classified annex to this report.

There were no updates to the MOD performance assessment provided to SIGAR last quarter. To see the latest MOD assessment, see page 95 of SIGAR's January 2018 *Quarterly Report to the United States Congress*.

According to CSTC-A, this quarter there have been some positive signs for the continued reform of the MOI. The new Minister of Interior, Wais Ahmad Barnak, as well as five out of eight new zone chiefs of police, provided the MOI with more effective leadership. CSTC-A said Minister Barnak began his position with a reform agenda, which he continues to pursue with zeal, and has been outspoken on his commitment to reform, candid in acknowledgement of police flaws and weaknesses, and determined to build trust and confidence in the ANP.¹⁶⁸

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 of U.S. funds. The United States pays the ANA and ANP personnel costs that constitute a large portion of the ANDSF's expenses.¹⁶⁹

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.¹⁷⁰ The AHRIMS (and in future, APPS) data is also used to provide background information on ANDSF in determining promotions and assignments.¹⁷¹ APPS reached initial operational capability in July 2017.¹⁷²

CSTC-A is overseeing the transition from AHRIMS to APPS to ensure interoperability. The process of verifying AHRIMS data includes a personnel



Afghan Defense Minister Tariq Bahrami meets with General Riccardo Marchiò, commander of Resolute Support's out-of-theater operational command, on March 6, 2018. (NATO photo)

asset inventory (PAI), a process that physically accounts for ANA and ANP personnel and issues them 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.¹⁷³ Once implemented, the biometric cards will also be used to access all human-resources information for security force members, including identity, pay, APPS data, promotions, assignments, killed/wounded/absent-without-leave information, and other documents.¹⁷⁴

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.¹⁷⁵

This quarter, USFOR-A reported on MOD and MOI efforts to complete their initial PAI cycle (PAIs will run continuously after the first cycle is complete).¹⁷⁶ MOD is in the final six-month PAI sweep of all ANA corps. MOI is still anticipating that the ANP’s PAI effort will 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. Nonetheless, USFOR-A reported that the MOD’s initial PAI is nearly finished, with 90% of ANA slotted (same as last quarter) and 95% of the ANA PAI complete (up two percentage points since last quarter). The ANA is expected to be fully operational in APPS by May 30, 2018. MOI’s initial PAI is at 70% slotted (same as last quarter). USFOR-A clarified this quarter that the MOI’s current PAI cycle is now 80% complete (up from 77% last quarter). Its completion is currently expected around late September 2018.¹⁷⁷

“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.¹⁷⁸

The U.S. government continues to disburse funds only to those ANDSF personnel it is confident are properly accounted for. USFOR-A reported approximately \$62.4 million in cost avoidance in 2017 by not paying unaccounted-for and suspected ghost personnel in the MOD (\$49.8 million) and the MOI (\$12.6 million). In January 2018, the amount saved was roughly \$2.1 million.¹⁷⁹ SIGAR cannot verify these cost-avoidance figures because it

has not been provided with data on the estimated number of ghost soldiers in the Afghan security forces.

USFOR-A has said the attention to “ghost soldiers” is largely unfounded because there are no indications of ghost-soldier challenges within the six ANA corps as the PAI process progresses. Once the APPS is fully operational, USFOR-A believes the issue of ANA ghost soldiers will be resolved.¹⁸⁰ 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.¹⁸¹ USFOR-A reiterated this quarter they maintain their focus on validating personnel numbers, not estimating suspected ghost soldiers, as validating soldiers through the PAI decreases the possibility for reporting inaccurate personnel numbers.¹⁸²

Afghan Local Police

ALP members, known as “guardians,” are usually local citizens selected by village elders or local leaders to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.¹⁸³ While the ANP’s personnel costs are paid via the multidonor LOTFA trust fund, 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.¹⁸⁴ Although the ALP is overseen by the MOI, it is not counted toward the ANDSF’s authorized end strength.¹⁸⁵

As of February 8, 2017, the NATO Special Operations Component Command-Afghanistan (NSOCC-A) reported that according to the ALP Staff Directorate, the ALP has roughly 29,006 guardians on hand, 24,915 of whom are trained, 4,091 untrained, and 58 in training. These figures indicate an increase of 95 ALP personnel overall, a 57-person increase in trained personnel, and an increase of 38 untrained personnel from last quarter.¹⁸⁶ 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.¹⁸⁷

According to NSOCC-A, decreasing the number of untrained personnel has become a greater challenge since the Afghan Training General Command decertified Provincial Training Centers and eliminated the use of Mobile Training Teams. The result was that untrained personnel were required to travel to the Regional Training Centers. Many provincial police chiefs remain reluctant to release their personnel for training due to the security situation. NSOCC-A said they have been advising MOI to better coordinate with provincial chiefs of police to develop phased transportation plans to resolve the issue. Additionally, NSOCC-A noted that when APPS comes on-line over the next several months, untrained personnel will not be paid, which will encourage all involved to ensure training is completed.¹⁸⁸

This quarter, NSOCC-A reported continuing efforts to enroll ALP personnel in APPS, to transition ALP salary payments to an electronic funds-transfer (EFT) process, and to inventory materiel. The APPS transition for the ALP is currently under way, with CSTC-A deciding to phase APPS to the ALP by police zone, rather than implementing it across the force all at once, to avoid possible system errors.¹⁸⁹ According to USFOR-A, as of March 1, 2018, roughly 68% of ALP personnel have been slotted into APPS; Zone 101 is 100% slotted.¹⁹⁰

NSOCC-A noted that the MOI has initiated a two-phase process to increase the biometric enrollment of MOI personnel, which will impact the ALP's APPS slotting. Phase I began by sending 10 biometric teams, consisting of ANP and MOI civilians, to enroll up to 100 personnel per day in Zones 101, 202, and 303 (as of March 10, 2018). Phase II began shortly thereafter to enroll remaining personnel in the rest of the police zones. As with the ANA, the ALP's full operational capability in APPS is expected in May 2018.¹⁹¹

As with the ANA and ANP, CSTC-A will fund salaries only for ALP guardians who are actively slotted in AHRIMS. NSOCC-A reported a decrease in the FY 2018 estimate of U.S. funding for the ALP from roughly \$96.6 million to \$90 million (assuming an ALP force authorization of 30,000 personnel).¹⁹² Additionally, CSTC-A reported that between December 21, 2017, and February 24, 2018, CSTC-A spent \$3.8 million on salaries and stipends for ALP.¹⁹³ NSOCC-A says that CSTC-A reviews validated personnel numbers every three months and provides funding based on validated AHRIMS personnel numbers.¹⁹⁴ Like last quarter, about 86% of the ALP have been enrolled in EFT or Mobile Money to receive their salaries electronically.¹⁹⁵

NSOCC-A reported several efforts are under way to assess ALP reform, including the above-mentioned personnel reforms, as well as equipment reforms, addressing powerbrokers' sway over the ALP, and conducting district assessments. NSOCC-A noted that monthly equipment inventories have been submitted by district with a 100% completion rate since October, the same as last quarter. The ALP's two Coalition advisors who specifically assist the force in implementing logistics reforms now have access to CoreIMS, the electronic equipment and logistics management system, and are working to provide access to the ALP Staff Directorate. NSOCC-A notes this is an important step in allowing greater oversight of the logistics system as a whole.¹⁹⁶

Last quarter, the ALP's Coalition advisors submitted a report on the influence of powerbrokers in the ALP. NSOCC-A reported on November 28, 2017, that there were 195 ALP guardians under powerbroker influence, a roughly 50% reduction since August 2017. The main powerbrokers influencing ALP personnel continue to be parliamentarians, provincial councils, provincial governors, and district and provincial chiefs of police. While there are no new assessments this quarter for the number of ALP personnel under powerbroker influence (assessments are done semiannually), the monthly updates



ANA soldiers undergo special-forces training near Kabul on April 10, 2018. (U.S. Army photo by Sergeant 1st Class Felix Figueroa)

to the November report show actions have been taken in 97 cases to eliminate the use of ALP by powerbrokers.¹⁹⁷

NSOCC-A confirmed this quarter that ALP district assessments will resume in April, as CSTC-A received the approved district-assessment travel plan and waiver from the ALP Staff Directorate. These will be the first district-level assessments to take place since October 2017.¹⁹⁸

AFGHAN NATIONAL ARMY

As of March 31, 2018, the United States had obligated \$45 billion and disbursed \$44.4 billion of ASFF funds to build, train, equip, and sustain the ANA.¹⁹⁹

ANA Strength

The ANA strength numbers reported in this report on the date of publication were later revised. On May 10, 2018, USFOR-A informed SIGAR that it had initially provided SIGAR with inaccurate ANDSF strength figures. The revised figures, according to USFOR-A, for the authorized strength, or the force level authorized in the tashkil, was 352,000, including the ANA and the ANP, as of January 31, 2018. The revised actual assigned strength of the ANA as of January 31 was 184,572. For further information about the ANDSF strength figures, please see the supplement to SIGAR's April 2018 *Quarterly Report to the United States Congress* at <https://www.sigar.mil/quarterlyreports/>.²⁰⁰

ANA Attrition

USFOR-A provided limited attrition information this quarter in an unclassified format. A detailed analysis of attrition by ANA force element will be provided in the classified annex to this report. SIGAR's questions about ANA attrition can be found in Appendix E.

According to USFOR-A, as of February 26, 2018, ANA monthly attrition rates averaged roughly 2% over the preceding three-month period. USFOR-A also noted that attrition rates have “remained consistent” at about 2% over the last year.²⁰¹ This compares favorably to the same period last year, when average attrition for the ANA from November 2016 to January 2017 was 2.6%.²⁰²

ANA Sustainment

As of March 31, 2018, the United States had obligated \$21.4 billion and disbursed \$20.9 billion of ASFF for ANA sustainment.²⁰³

CSTC-A reported the total amount expended for all payroll and non-payroll sustainment requirements thus far for Afghan FY 1397 (beginning December 21, 2017) was \$48.9 million through February 24, 2018, all of which was expended on ANA salaries (\$31.4 million) and incentive pay (\$17.5 million). While no funds have yet been spent on non-payroll sustainment requirements, these usually include equipment and supplies such as vehicle fuel, clothing, and energy-operating equipment. According to CSTC-A, non-payroll expenditures typically occur later in the fiscal year.²⁰⁴

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives for this fiscal year is estimated at \$651.6 million, but noted that the U.S. contribution to ANA personnel sustainment over the next few years is contingent on congressional appropriations.²⁰⁵ Last quarter, CSTC-A estimated that ANA sustainment expenditures over the next three years (2018–2020), will average \$667 million annually.²⁰⁶ DOD also said forecasted salary and incentives figures are for planning purposes only and are not definitive indicators of future DOD support, which will depend on Afghan progress toward reconciliation, reducing corruption, security conditions, and other factors.²⁰⁷

ANA Equipment and Transportation

As of March 31, 2018, the United States had obligated and disbursed \$13.5 billion of ASFF for ANA equipment and transportation.²⁰⁸

This quarter CSTC-A reported on the major items of equipment purchased for and provided to the ANA over the last quarter. As seen in Table 3.5, as of February 28, 2018, these included: UH-60 (Black Hawk) helicopters, several different types of utility and armored vehicles, and two types of weapons. The equipment provided this past quarter is valued at \$169.4 million. The greatest expenditure was for procuring 443 Humvees (\$105 million), followed by 40 medium-tactical recovery vehicles (\$14 million).²⁰⁹

TABLE 3.5

MAJOR EQUIPMENT ITEMS PROVIDED TO THE ANA FROM DECEMBER 2017 TO MARCH 2018				
Equipment Type	Equipment Description	Units Issued in Quarter	Unit Cost	Total Cost*
Aircraft	UH-60 Helicopter	4	\$3,400,000	\$13,600,000
Vehicle	Medium Tactical Vehicle, Wrecker	40	350,000	14,000,000
Vehicle	30-Ton Crane	14	315,000	4,400,000
Vehicle	M1152 HMMWV (Humvee)	2	294,000	588,000
Vehicle	Water Tanker 1200 Gallon	39	247,000	9,600,000
Vehicle	M1151 HMMWV (Humvee)	443	237,000	105,000,000
Vehicle	Fuel Tanker 1200 Gallon	60	225,000	13,500,000
Vehicle	Medium Tactical Vehicle, International	28	85,000	2,400,000
Vehicle	M1082 Trailer (Cargo trailer)	116	34,000	4,000,000
Weapon	M240 Machine Gun	200	8,000	1,600,000
Weapon	M4A1 Carbine	834	911	760,000
Total				\$169,448,000

Note: *Figures were rounded by CSTC-A.

Source: CSTC-A, response to SIGAR data call, 3/22/2018.

ANA Equipment Operational Readiness

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

ANA Infrastructure

The United States had obligated and disbursed \$5.9 billion of ASFF for ANA infrastructure projects as of March 31, 2018.²¹⁰ As of February 20, 2018, CSTC-A reported that facilities-sustainment costs for FY 2018, covering all ANA facility and generator requirements, will be roughly \$61 million—an \$11 million increase from last quarter's amount.²¹¹

According to CSTC-A, as of February 20, 2018, the United States completed 446 ANA infrastructure projects in Afghanistan valued at \$5.4 billion, an increase of 10 projects completed since last quarter, with another 35 ongoing projects valued at \$182.5 million.²¹²

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, the second phase of the Marshal Fahim National Defense University (MFNDU), a multi-year, \$73.5 million project, set for completion in December 2017, is pending due to the replacement of 38 fire doors.²¹³

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.

Four ANA infrastructure contracts with a total value of \$10.5 million were awarded this quarter. The largest of these include: full-operating-capacity infrastructure (utilities, barracks, dining facility, and other essentials) for Camp Commando in Kabul (\$7.7 million) as well as for a **Women's Participation Program** (WPP) dormitory at Hamid Karzai International Airport for the Air Force Academy (\$1.1 million) and a parking and vehicle-maintenance facility at Kabul National Military Hospital (\$1.1 million).²¹⁴

There are 34 ANA projects planned valued at \$346.7 million, which include six AAF projects at \$74.1 million, seven ANA projects at \$35.6 million, 10 ANASOC projects at \$62.9 million, one Kabul National Military Hospital project at \$54 million, two MFNDU projects at 12.7 million, five Parwan Detention Facility projects at \$97.5 million, and three WPP projects at \$4.4 million.²¹⁵ The AAF projects have the highest projected costs and are aviation enhancement projects at Kandahar (\$27 million) and Mazar-e Sharif Airfields (\$32 million). This is followed by a project to expand the facilities for the ANASOC at Camp Pratt in Mazar-e Sharif (\$25.5 million).²¹⁶

ANA and MOD Training and Operations

As of March 31, 2018, the United States had obligated and disbursed \$4.1 billion of ASFF for ANA, AAF, and MOD training and operations.²¹⁷ According to CSTC-A, ASFF is 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.²¹⁸

As of March 1, 2018, CSTC-A reported 28 ongoing U.S.-funded training programs for the ANA and AAF (an increase of two since last quarter) valued at \$528.4 million. Most ongoing contracts span 6–12 months and include an \$81.2 million ANA advisors and mentors program, an \$80 million Afghan special forces training program, a \$43.8 million program to provide in-country UH-60 training at Kandahar Airfield, two UH-60 flight simulators for training, and logistics support for the contractors providing the training, and a \$29 million program to train AAF pilots and mission systems operators on the AC-208 at Fort Worth, Texas.²¹⁹

Afghan Air Force

This quarter, CSTC-A provided AAF authorized strength in an unclassified format, but AAF assigned strength remains classified. As of January 31, 2018, the AAF authorized strength was 9,300 personnel, including 300 AAF civilians.²²⁰

DOD OIG Audit

DOD OIG conducted an evaluation of U.S. and Coalition progress in TAAC-Air's mission to develop the AAF into a professional, capable, and sustainable force. DOD OIG's main findings were: U.S. and Coalition forces are producing trained and qualified AAF personnel by identifying and developing priority capabilities. For more information, see Section Four.

As of March 3, 2018, the United States has appropriated approximately \$6.4 billion to support and develop the AAF from FY 2010–FY 2018, with roughly \$1.4 billion appropriated in FY 2018. A large portion (\$683 million) is earmarked for AAF sustainment costs. According to DOD’s FY 2018 budget-justification document, the \$1.4 billion includes \$709.8 million for the second year of the ANDSF Aviation Modernization (AAM) plan to continue the transition from Russian-manufactured helicopters to U.S.-manufactured UH-60 Black Hawk helicopters.²²¹

Also as of March 3, nearly \$3.8 billion has been obligated for the AAF from FYs 2010–2018, with roughly \$31 million of those funds obligated in FY 2018. The majority of the funding obligated since FY 2010 continues to be for sustainment items, which account for 43.4% of obligated funds, followed by equipment and aircraft at 37.9%.²²²

The AAF’s current inventory of aircraft includes:²²³

- 4 Mi-35 helicopters (four unavailable)
- 47 Mi-17 helicopters (24 unavailable)
- 25 MD-530 helicopters (five unavailable)
- 24 C-208 utility airplanes (one unavailable)
- 4 C-130 transport airplanes (two unavailable)
- 20 A-29 light attack airplanes (two unavailable)
- 8 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 were procured for the Afghans from other sources) 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.²²⁴

MOD’s AAF Recruitment Policy

This quarter, SIGAR asked for information about the AAF’s recruitment policy and received a signed order from August 2017 by Minister of Defense Tariq Shah Bahrami implementing a new policy. The policy stipulates that the AAF will recruit independently from the ANA and include in their ranks recruits from Afghanistan’s ethnic minorities and women (the stated goal is for 10% of the force to be women). The policy also outlines extensive eligibility criteria for new AAF recruits. The document outlines that male and female recruits must:

- Be at least 18 years old, with officers being a maximum of 24, NCOs 28, and soldiers 35 years old
- Hold only Afghan citizenship and have documents proving Afghan citizenship
- Be born to Afghan parents
- Not have spouses with foreign citizenship
- Not hold membership in political parties
- Not have convictions from political or criminal crimes
- Submit to a criminal background and associated organizations check by the Afghan intelligence service
- Have adequate mental and physical fitness
- Have no addiction to narcotics or chronic or contagious disease(s)
- Pass the physical and medical tests
- Have average scores of 80% or better for grades 10–12
- Be literate and able to write
- Speak English and pass the English-language test
- Secure two personal references from village elders or district governors (or ministry officials for existing government employees)
- Officers and NCOs must be grade-12 or higher graduates, hold graduation certificates, and pass the entry test

Source: USFOR-A, response to SIGAR data call, 3/22/2018.



An AAF A-29 drops a GBU-58 laser-guided bomb on a Taliban compound in Farah Province on March 22. It was the AAF's first use of a laser-guided bomb in combat. (Screengrab of RS video by John Roberts)

As of March 6, 2018, seven of the 24 unavailable Mi-17s are in overhaul, four are in heavy repair, and three are awaiting extraction and assessment. Additionally, one airframe reported last quarter was removed from the total fleet because it was unrecoverable, but two Mi-17s were transferred from Fort Rucker, Alabama, in January and February 2018. Four MD-530 aircraft suffered battle damage and are undergoing repair. Additionally, one unavailable MD-530 and one unavailable C-208 are damaged due to hard landings.

In addition to the one unavailable C-208, USFOR-A noted that the six C-208s belonging to the Shindand Air Wing in western Afghanistan are overdue for periodic maintenance. Grounding them was an AAF headquarters decision; USFOR-A had suggested that they do so. Two unavailable C-130s are going through routine depot-level maintenance.²²⁵

Of the 20 A-29 aircraft, 12 are currently in Afghanistan and one is currently unusable due to wing structural issues. An additional seven are at Moody Air Force Base, Georgia, supporting AAF pilot training, weapons operational testing, and cockpit upgrades. Another six have been procured as part of the AAM. One 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.²²⁶

This quarter, SIGAR asked for additional information about the progress of training pilots and crew members on the AAF's new UH-60 aircraft. USFOR-A reported that UH-60 crew member training is progressing and expected to meet fighting-season goals. Currently, UH-60 aircraft and mission-qualification training, as well as special-mission operator courses, are ongoing at Kandahar Airfield.²²⁷

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 number of purchased, but not yet fielded, airframes for the AAF's aircraft, which will include: 45 UH-60s, 30 MD-530s, six A-29s, and 10 AC-208s. USFOR-A noted that in prior quarters, both purchased and intent-to-purchase numbers had been provided.²²⁸

In view of the increased purchases of aircraft under the AAM, this quarter SIGAR asked for additional information on the AAF expansion. USFOR-A reported that there are currently two classes of cadets being trained at the Afghan Air Academy. The first class should graduate in November 2018 (194 students) and the second class in February 2019 (114 students). Among recent Air Academy graduates, 16 are awaiting fixed-wing aircraft pilot training and 83 are awaiting helicopter pilot training. Six of the helicopter trainees will be trained on the UH-60. USFOR-A reported that from November 2017 to January 2018, attrition among the 177 pilot candidates was four candidates.²²⁹

AAF recruiting processes have changed over the past six months, according to USFOR-A. Prior to December 2017, AAF recruits were direct transfers from the ANA or were assigned by MOD. AAF recruiting goals were tracked

Task Availability versus Operational Readiness

According to USFOR-A, task availability is a metric separate from but related to “mission capability” or “operational readiness.” AAF aircraft that are “available for tasking” are on hand (in Afghanistan) and able to be flown for combat or training purposes. Other metrics, like “mission capable rate” and “operational readiness,” are prone to being conflated. AAF maintenance contracts were written with different metrics (often by the same name but with different methods of calculation). TAAC-Air is working to rectify that problem, so that all maintenance contracts supporting the AAF use the same metric for measuring contract performance. However, outside

observers were conflating availability metrics with contract performance and drawing inaccurate conclusions about both contract performance and AAF combat capability. The “available for tasking” metric conveys the combat capacity for the AAF’s fleet and is most commonly expressed as a simple ratio reflecting a snapshot in time: aircraft available for tasking versus total aircraft. The task availability metric has a minimum granularity of one day, meaning that it cannot capture the possibility that an aircraft was in several states within a 24-hour period (e.g., it flies a mission in the morning but lands with a maintenance problem). However, USFOR-A notes that those transitions average out.

Source: USFOR-A, response to SIGAR vetting, 4/12/2018.

only by filling officer commissions, while enlisted recruitment remained untracked. However, as of January 2018, the AAF is tracking both autonomously from the ANA. Last quarter, the AAF met its officer goal of 120 and this quarter they currently have 130 of the desired 170 enlisted personnel.²³⁰

AAF Task Availability

This quarter, USFOR-A reported that the operational readiness of airframes is better described as “task availability” rates. The task availability rate is defined as the number of aircraft serviceable and ready to be tasked, for combat or training, compared to the number of aircraft in the operational fleet (excluding those in depot). For example, if a 12-aircraft fleet has five serviceable aircraft, two aircraft in the maintenance depot, and five in other status, this calculation yields a 50% task availability for that aircraft type. Task availability is a capabilities-based measurement for senior leadership mission planning, rather than a measurement of how contractors are performing in maintaining AAF aircraft.²³¹

AAF task availability over the reporting period remained approximately the same as last quarter’s operational readiness assessment. Two of five airframes (C-208 and A-29) fell short of mission-readiness goals and two of five airframes significantly exceeding their recommended flight hours (C-130 and Mi-17).²³²

This quarter, USFOR-A reported that the AAF flew 8,115 sorties (a sortie is defined as one takeoff and one landing) from November 1, 2017, through January 31, 2018. This is an average of 2,705 per month, with the most sorties (3,254) flown in January 2018.²³³

As in previous quarters, the Mi-17 flew the greatest number of sorties (4,765) followed by the C-208 (1,479).²³⁴ The Mi-17 continued to fly the most hours of any airframe, an average of 829 hours per month this reporting period, followed by the MD-530 at an average of 676 hours. This was a decrease compared to the Mi-17’s 858-hour average and the MD-530’s 814-hour average reported last quarter.²³⁵

In aggregate, AAF airframes flew roughly 400 hours per month (2,430) fewer this quarter than last quarter (2,845 hours per month).²³⁶ USFOR-A said its flight-hours data include all hours flown by the airframes, whether they are for operations, maintenance, training, or navigation.²³⁷

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*.²³⁸ According to USFOR-A, this quarter:²³⁹

- **C-130:** 12 total pilots, including eight aircraft commanders and four copilots. Of the aircraft commanders, there are four instructor pilots, two of them evaluator pilots; 19 total aircrew, including eight flight engineers and 11 loadmasters.
- **C-208:** 44 total pilots, including 17 aircraft commanders, 26 copilots, and one pilot not yet qualified. Of the 17 aircraft commanders, nine are instructor pilots and two are evaluator pilots; there are also two loadmasters and two pilots qualified as loadmasters.
- **A-29:** 18 total pilots, including 15 flight leads, five of whom are instructor pilots and three are wingmen.
- **MD-530:** 60 total pilots, including 20 aircraft commanders, 29 copilots, 10 instructor pilots, and one pilot not yet qualified.
- **Mi-17:** 76 total pilots, including 41 aircraft commanders and 35 copilots. Of the 41 aircraft commanders, 13 are instructor pilots; for aircrew there are 10 instructor flight engineers, 21 mission flight engineers, and 79 gunners.
- **Mi-35:** 13 pilots (CSTC-A does not track pilot qualifications).
- **UH-60:** 22 pilots, all in training, including 16 special-mission operators (SMO), who are enlisted crew members (two per crew, along with two pilots). The SMOs perform several tasks, including gunner and loadmaster.²⁴⁰

Special Mission Wing

This quarter, USFOR-A designated certain information about the Special Mission Wing (SMW) unclassified but not publicly releasable including: the number and type of airframes in the SMW inventory, the number of pilots and aircrew, the percent-breakdown of counternarcotics and counterterrorism missions flown, and the operational readiness (and associated benchmarks) of SMW airframes. SIGAR will report on this information in the classified annex to this report.

The SMW is the aviation branch of the MOD's Afghan Special Security Forces (ASSF) that provides aviation support to Afghanistan's counternarcotics, counterterrorism, and special operations forces. 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.²⁴¹

This quarter, NSOCC-A provided narrative updates on the SMW, as of November 30, 2017. NSOCC-A stated that the SMW continues to provide fixed- and rotary-wing aviation support to intelligence-driven counterterrorism and counternarcotics operations. CN missions focus on denying the enemy funding streams derived from production and trafficking of narcotics.²⁴²

Demand for SMW support remains high across the ANASOC, the AAF, and the ANA. The Afghan Joint Special Operations Component Command (JSOCC) continues to improve its efforts to prioritize and assign missions, allowing for the maximum utilization of the SMW. As expected, SMW has experienced a reduction in missions due to poor weather in the winter months, but NSOCC-A expects missions to increase as the weather improves and the 2018 fighting season begins.²⁴³

USFOR-A said the future success of the SMW depends critically on expanding the authorized number of personnel to incorporate additional flight crews and command structure. This is necessary to support an expanded ANASOC during the 2019 fighting season while also fielding the first 10 of a planned 40 UH-60 Black Hawk helicopters. Qualifying recruits for their duties takes time, so authorization must proceed the requirement by a year. Manning authorizations are also necessary in order to move the SMW away from contractor-provided maintenance.²⁴⁴

According to NSOCC-A, the SMW is ready to employ special ground-unit insertion and exfiltration techniques during the 2018 fighting season to counter high-profile attacks in Kabul.²⁴⁵

Afghan National Army Territorial Force

This quarter, USFOR-A provided SIGAR with basic information about the Afghan National Army Territorial Force (ANATF), a new force element created as a local force like the ALP that will be part of the MOD rather than the MOI, and will be under the command of regular ANA kandaks and brigades.²⁴⁶ Detailed information about the ANATF was classified and will be reported in the classified annex to this report.

According to USFOR-A, ANATF personnel will be recruited by the ANA Recruiting Command's (ANREC) regional National Afghan Volunteer Centers (NAVC). Because of the local nature of the ANATF, the NAVCs will recruit in coordination with local leaders, and will conduct recruitment in line with the required force level for a given district. Unlike the ANA, recruits will be from the area they are assigned to serve. The NAVCs will also be instructed to recruit 35% more than the planned personnel strength

for each ANATF company in order to account for attrition occurring during the screening and training processes.²⁴⁷

The ANREC will arrange transportation for all ANATF recruits to be in-processed and screened in Kabul, which will include a medical screening, biometric enrollment, a commission board, creation of a bank account for salary payment, provision of an ID card, and AHRIMS and APPS enrollment. Recruits will undergo the same nine-week basic training course at the Kabul Military Training Center as all new ANA recruits.

ANATF leadership will complete a three-week leadership training course at MFNDU prior to ANATF recruits' completion of their basic training. ANATF leaders will come from the ANA officers and NCO ranks, and will *not* be from the area where they are assigned to serve.

Once each company is created, it will receive six weeks of collective training at the nearest Regional Military Training Center. The process for equipping and sustaining the new ANATF will be the same as the regular ANA brigades and kandaks; the latter will be responsible for providing command and control, sustainment, and support to the ANATF companies that fall under it.²⁴⁸

As of late March, USFOR-A noted that the exact locations of the ANATF and the timeline for its creation is evolving due to the dynamic nature of the security environment in Afghanistan, as well as changes occurring at the ministerial level. Planning considerations will take into account hostile threats, local dynamics, national politics, and the overall progress of Afghanistan's security institutions. Likewise, the projected costs to stand up and maintain the ANATF have yet to be determined. As of March 2018, USFOR-A said that a company of the ANATF is expected to save 45% annually in operations costs compared to a company of the regular ANA. Expanding the ANATF up to the kandak level is estimated to save approximately 61% in operating costs compare to a regular ANA kandak.²⁴⁹



General Ahaj Gul Mohammad Chakhansori (left), deputy commander of the ANP's 505th Zone, speaks with General Benjamin Watson, commander of Task Force Southwest, at Bost Airfield in Helmand Province on March 13, 2018. (USMC photo by Staff Sergeant Melissa Karnath)

AFGHAN NATIONAL POLICE

As of March 31, 2018, the United States had obligated \$21.1 billion and disbursed \$20.8 billion of ASFF funds to build, train, equip, and sustain the ANP.²⁵⁰

ANP Strength

The ANP strength numbers reported in this report on the date of publication were later revised. On May 10, 2018, USFOR-A informed SIGAR that it had initially provided SIGAR with inaccurate ANDSF strength figures. The revised figures, according to USFOR-A, for the authorized strength, or the force level authorized in the tashkil, was 352,000, including the ANA and the ANP, as of January 31, 2018. The revised actual assigned strength of the ANP as of January 31 was 129,156. For further information about the

ANDSF strength figures, please see the supplement to SIGAR's April 2018 *Quarterly Report to the United States Congress* at <https://www.sigar.mil/quarterlyreports/>.²⁵¹

ANP Attrition

USFOR-A provided limited ANP attrition information this quarter in an unclassified format. A detailed analysis of attrition by ANP force element will be provided in the classified annex to this report. SIGAR's questions about ANP attrition can be found in Appendix E.

As of February 26, 2018, CSTC-A noted that ANP monthly attrition has been approximately 2% over the past three months. Additionally, they noted that ANP attrition has remained consistently below 3% over the last 12 months.²⁵²

ANP Sustainment

As of March 31, 2018, the United States had obligated \$9 billion and disbursed \$8.8 billion of ASFF for ANP sustainment.²⁵³ According to CSTC-A, the total estimated annual ANP salary and incentive costs for FY 2018 will be \$140.1 million. Of this total, the U.S. contribution will be \$46.5 million.²⁵⁴

As with the ANA, CSTC-A reported that there have yet to be any non-payroll-related sustainment expenditures for the ANP for this fiscal year, as the Afghan government normally pays for non-payroll-related items later in the fiscal year.²⁵⁵

ANP Equipment and Transportation

As of March 31, 2018, the United States had obligated and disbursed \$4.7 billion of ASFF for ANP equipment and transportation.²⁵⁶

As seen in Table 3.6 on the next page, CSTC-A reported the major items of equipment provided to the ANP from December 1, 2017, through February 28, 2018. During that period, the ANP received several major items of equipment valued at a total of \$211.3 million. Of this amount, the procurement of 726 Humvees made up the bulk of the expense, at \$193 million. The costliest weapons purchase was for 550 machine guns, valued at a total of \$4.4 million.²⁵⁷

Equipment Operational Readiness

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

ANP Infrastructure

As of March 31, 2018, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.²⁵⁸ CSTC-A reported that

SECURITY

TABLE 3.6

MAJOR EQUIPMENT ITEMS PROVIDED TO THE ANP FROM DECEMBER 2017 TO MARCH 2018				
Equipment Type	Equipment Description	Units Issued in Quarter	Unit Cost	Total Cost*
Vehicle	Medium Tactical Vehicle, Wrecker	4	\$350,000	\$1,400,000
Vehicle	30-Ton Crane	2	315,000	625,000
Vehicle	M1152 HMMWV (Humvee)	367	294,000	108,000,000
Vehicle	Water Tanker 1200 Gallon	7	247,000	1,700,000
Vehicle	M1151 HMMWV (Humvee)	359	237,000	85,000,000
Vehicle	Fuel Tanker 1200 Gallon	4	247,000	988,000
Vehicle	Medium Tactical Vehicle, International	87	85,000	7,400,000
Weapon	M240 Machine Gun	550	8,000	4,400,000
Weapon	M4A1 Carbine	1,143	958	1,100,000
Weapon	M9 Pistol	1,030	698	719,000
Total				\$211,332,000

Note: * Figures were rounded by CSTC-A.

Source: CSTC-A, response to SIGAR data call, 3/22/2018.

SIGAR INSPECTION

This quarter, SIGAR completed an inspection of the construction of the Ministry of Interior Headquarters that was overseen by the U.S. Army Corps of Engineers (USACE). The inspection found twelve deficiencies in the work, one of which was the installation of uncertified fire doors instead of certified fire-rated doors as required by contract. SIGAR found that “false” fire-certification labels had been applied to the doors after they were installed. Other deficiencies included contractors’ unauthorized substitution of inferior materials, and design and construction deficiencies. Some of these deficiencies pose safety risks, and all raise concerns about USACE oversight of the project. For more information, see Section Two.

the estimated total sustainment costs for ANP infrastructure in FY 2018 will amount to \$63.2 million.²⁵⁹

According to CSTC-A, as of February 28, 2018, the United States had completed a total of 754 ANP infrastructure projects in Afghanistan valued at \$2.9 billion. CSTC-A noted that total ANP infrastructure values were based on approved funding, but that a review of actual project awards reduced the total costs from the \$3.6 billion reported last quarter.²⁶⁰

This quarter, CSTC-A reported 24 ongoing projects valued at roughly \$75 million. CSTC-A also reported that three renovation projects to existing infrastructure in Logar, Kabul, and Parwan Provinces were completed at a total cost of about \$739,000. During the reporting period, one project was awarded for renovations to existing infrastructure in Balkh Province for approximately \$260,000.²⁶¹

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 now expected to be completed in May 2018 rather than January 2018 as reported last quarter. 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) 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).²⁶²

Last quarter, CSTC-A reported that five WPP infrastructure projects were in the planning phase at a cost of roughly \$108.4 million. This quarter,

CSTC-A reported that the largest of these projects, the ANP Women's Police Town at an estimated cost of \$100 million, is no longer going to be funded by ASFF and will instead be funded by the NATO ANA Trust Fund.²⁶³

ANP Training and Operations

As of March 31, 2018, the United States had obligated \$4.3 billion and disbursed \$4.2 billion of ASFF for ANP and MOI training and operations.²⁶⁴ CSTC-A stated that \$94.6 million, an additional \$53.3 million over FY 2017, was needed to cover an increase in MOI mentors and trainers, and a life-support line for food, lodging, and utilities used by contractors.²⁶⁵

CSTC-A primarily 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. CSTC-A also uses ASFF funding to recruit and hire Afghans who train, advise, and assist the ANP in a wide array of ANDSF logistics and administrative skills.²⁶⁶

This quarter, SIGAR requested additional information on the ANP training programs to include the program cost, name of contractor, and the scope of work for each contract, and the number of ANP trained by each contract. According to CSTC-A, there are seven ongoing or recently completed training programs at a total cost of about \$138.1 million. DynCorp International holds the longest and largest contract (\$74.7 million) to provide advisors for the ANP. Additionally, Raytheon holds four contracts (\$32.2 million total) and OT Training Solutions holds one contract (\$3.2 million). The remaining contract valued at about \$28 million was recently initiated, so contractual details were not available.²⁶⁷

SIGAR asked for the number of ANP trained in each contractor-provided training program. CSTC-A responded that this information was not available.²⁶⁸

Last quarter, USFOR-A characterized the RS 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.²⁶⁹ This quarter, SIGAR requested additional information about the extent of TAA to the AUP. CSTC-A responded by explaining that the RS Police Institutional Advisory Team (PIAT) advises extensively at the institutional level of training and education. This means that the 16-person PIAT advises over 30 officers and civilians, from major general to high-ranking civilians, at the Ministry of Interior, the Training General Command, the Afghan National Police Academy, and the Afghan National Staff College. PIAT trains and advises on a number of issues from policy to human resources and gender



General Command of Police Special Units' first female police conduct fast-rope training with the Special Mission Wing near Kabul on April 9 2018. (NSOCC-A photo by LaShawn Sykes)

integration. CSTC-A noted that there are currently no plans to increase the TAA institutional level of training and education for AUP.²⁷⁰ CSTC-A further noted that the Afghans train their own police at the 10 ANP regional training centers, at the Afghan National Police Academy, and at the Afghan National Staff College.²⁷¹

WOMEN IN THE ANDSF

According to the RS Gender Advisor Office, as of March 3, 2018, there were 4,335 women serving in the ANDSF, a decrease of 297 personnel since last quarter. Of the total female personnel in the ANDSF, 3,040 were in the ANP, 1,295 were in the ANA, 72 were in the ASSF, and 98 were in the AAF. Of the women in the ANP, ANA, ASSF, and AAF, there were 1,504 officers, 1,551 noncommissioned officers, 1,305 enlisted personnel, and 145 cadets.

The number of women in each force element fell, with the largest decrease in the ANA, which lost 110 personnel since December 2017.²⁷² The ANP also lost 180 policewomen since September 2017, which is primarily attributed to the transfer of the Afghan Border Police (ABP) from MOI to MOD control.²⁷³ Under MOD's current proposals, the number of female-only positions in the ANA is set to increase by 1,600 annually for the next four years. However, CSTC-A reports this quarter that the Minister of Defense recognized the need to increase that number, and a working group has been created to amend the tashkil accordingly.²⁷⁴ The target for ANP women's recruitment has not been finalized since last quarter.²⁷⁵

RS Gender Affairs also reported that women in the ANA are eligible to participate in all basic and advanced training courses associated with their military occupational specialization. According to CSTC-A, nearly every course taught within the ANA is gender integrated, but maximum participation of females is hampered by the dearth of positions designated for women within the respective career fields for which training is provided. This is being addressed through a working group that is optimizing the tashkil.²⁷⁶ Female ANP police officers currently attend NCO training abroad at the Sivas Police Training Academy in Sivas, Turkey. The most recent training cohort of 187 women graduated in March 2018.²⁷⁷

ANDSF MEDICAL AND HEALTH CARE

This quarter, CSTC-A reported the total cost of ANDSF medical equipment procured and fielded through funds provided directly to the Afghan government was \$910,000 as of March 5, 2018, with a projected total cost of \$36.1 million for indirectly funded medical expenditures in FY 2018.²⁷⁸

CSTC-A currently has three advisors providing training and advising at the Afghan Armed Forces Academy of Medical Sciences (AAFAMS). Additionally, the medical advising program allows ANDSF health

professionals to undergo training in foreign countries, mostly sponsored by Coalition nations.²⁷⁹

CSTC-A reported this quarter that new policies and upgraded training programs have improved point-of-injury care and reduced killed-in-action rates amongst ANDSF and civilian combat casualties. All recruits at Kabul Military Training Center are now issued tourniquets and first aid kits and trained in their use. Casualties from combat and terrorism in the greater Kabul area have been further reduced by the implementation of a mandated national emergency operations center to coordinate emergency medical resources.²⁸⁰

From December to early March, CSTC-A reported that the ANA received 850,000 vaccine doses: 140,000 for measles, mumps and rubella, 300,000 for hepatitis B, 270,000 for tetanus, 70,000 for meningococcus, and 70,000 for typhoid.²⁸¹ The ANP received 426,000 vaccine doses: 110,000 for influenza, 105,000 for typhoid, 30,000 for meningococcus, 1,000 for rabies, 90,000 for hepatitis B, and 90,000 for polio.²⁸² CTSC-A's EF-5 logistics team, working with ANA Medical Command, also determined that a high percentage of the ABF do not meet minimum vaccination requirements, leading them to develop a vaccination plan in conjunction with ANA corps and ABF surgeons.²⁸³ RS advisors likewise developed a plan to distribute vaccines to ANP units in all 34 provinces.²⁸⁴

On February 13, the AAF made an aerial delivery of critical medical supplies to the 205th Corps Regional Hospital, an operation which required extensive coordination among various ANDSF commands. TAAC-Air is coordinating with the other TAACs across Afghanistan to educate and encourage ANA corps commanders to request supplies through AAF airdrops.²⁸⁵

The Afghan National Police Hospital (ANPH) renovation project was completed this quarter, following delays last quarter, with the ANPH successfully relocating smoothly to the newly-renovated five-story building. This will relieve overcrowding in the old facility.²⁸⁶

Lastly, a roughly \$2 million contract to maintain and repair 769 pieces of biomedical equipment is currently awaiting approval by President Ghani. CSTC-A describes this contract as “critical” to the MOI’s ability to maintain its medical equipment.²⁸⁷ However, a further four packages for medical equipment and supply procurement have been approved, totaling \$4 million for the ANA and \$2.3 million for the ANP.²⁸⁸

SIGAR SPECIAL PROJECT

SIGAR issued a review this quarter examining the ANA’s process for testing the blood of new recruits for blood type and blood-borne diseases such as hepatitis B and C, venereal diseases, and HIV. According to CSTC-A’s Command Surgeon and the Afghan Recruiting Command advisor, due to a lack of supplies for testing blood, the Afghan Medical Command stopped testing blood of new Afghan recruits, and the recruits were directed to have a local civilian physician perform the blood testing. This resulted in the ANA becoming reliant on test results from local civilian doctors with no assurance that lab work was actually conducted or that the results were accurate. For more information, see Section Two of this report.

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) such as live shells and bombs.²⁸⁹ 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 \$1.6 million of its FY 2017 funds so far. The U.S. government's budgetary process has significantly delayed obligation of assistance funds for FY 2017 and FY 2018. Additional funding will be captured in subsequent SIGAR reports.²⁹⁰

State directly funds six Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearing areas contaminated by ERW and support clearing conventional weapons used by insurgents to construct roadside bombs and other IEDs. As of December 31, 2017, State-funded implementing partners have cleared more than 240.8 million square meters of land (approximately 93 square miles) and removed or destroyed approximately eight million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.7).²⁹¹

The estimated total area of contaminated land continues to fluctuate: clearance activities reduce the extent of hazardous areas, but ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 547 square kilometers (211.2 square miles) of contaminated minefields and battlefields. Following this quarter, the total known contaminated area was 575 square kilometers (222 square miles) in 3,838 hazard areas. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.²⁹²

According to the UN, deaths caused by ERW, mines, and pressure-plate IEDs remain high. The Afghan government must track, mark, and remove explosive remnants of war pursuant to the Protocol on Explosive Remnants of War to the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects (Protocol V).²⁹³ Casualties from mines, ERW, and victim-activated explosive devices averaged 170 per month in 2017, an increase from 2016's monthly average of 162 casualties. The vast majority of casualties (96.4%) are due to ERW and victim-activated explosive devices.²⁹⁴

USAID, in partnership with the UN Mine Action Service (UNMAS), provides services for victims and survivors of mines and ERW, as well as for civilians affected by conflict and persons with disabilities, most recently through the Afghan Civilian Assistance Program (ACAP) III. This project aimed to mitigate the short-term and long-term impact of conflict on civilians. ACAP III concluded on February 14, 2018; final project and evaluation reports have not been completed.²⁹⁵

ACAP was a nationwide program with a budget of \$19.6 million (revised in 2017 from \$30.2 million). ACAP III worked to enhance the government's capacity to better deliver services to the families of martyrs (the Afghan government's term for casualties from attacks and explosive devices)

and disabled persons in Afghanistan. USAID is in the process of awarding Conflict Mitigation Assistance for Civilians (COMAC) to take over ACAP III's activities. COMAC, currently under procurement, is a five-year program with an estimated cost of \$39 million.²⁹⁶

Afghanistan is a signatory of the UN Ottawa Treaty on antipersonnel mines, which requires it to be mine-free by 2023. However, according to the UNMAS, Afghan government compliance is lagging, with funding dropping to 35% of 2011 levels. To help meet its international commitments, Afghanistan requested \$75 million for clearance activities this year.²⁹⁷

TABLE 3.7

CONVENTIONAL-WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2018						
Fiscal Year	Minefields Cleared (m²)	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared^a	Estimated Contaminated Area Remaining (m²)^b
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
2018 ^c	4,069,441	1,335	8,404	31,873	(No data)	575,000,000
TOTAL	240,821,060	71,649	1,928,312	5,977,428	83,620,528	575,000,000

Note: AT/AP = antitank/antipersonnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.

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

^a PM/WRA no longer includes "fragments cleared" as a metric reporting category.

^b 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.

^c First fiscal quarter (10/1/2017–12/31/2017) results only.

Source: PM/WRA, response to SIGAR data call, 3/24/2018.

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KEY ISSUES AND EVENTS

On February 28, 2018, at the second meeting of the Kabul Process for Peace and Security Cooperation in Afghanistan, President Ashraf Ghani offered to negotiate with the Taliban without preconditions if they would halt their ties with terrorism, and respect the Afghanistan constitution. President Ghani also raised the idea of the Taliban becoming a political party and of making constitutional amendments through the prescribed legal process.²⁹⁸ U.S. Ambassador to Afghanistan John Bass described the Afghan government's offer as "courageous," while a former United Nations Secretary-General's Special Representative for Afghanistan said the deal was more comprehensive than any previously presented.²⁹⁹ According to the State Department, the Taliban has yet to respond.³⁰⁰

This quarter, there appeared to be a resolution to the political dispute between the Afghan central government and a powerful regional powerbroker when Balkh Province Governor Atta Mohammad Noor agreed to step down following a prolonged row. The latest dispute followed the December 18, 2017, decision by President Ashraf Ghani to remove Noor, who is a senior leader of the Jamiat-e Islami political party, serving as the party's chief executive. Until March 22, Noor refused to step down as



Participants gathered for the second meeting of the Kabul Process in February 2018. (Afghan Presidential Palace photo)

province governor, a position he had held since 2004. According to the United Nations (UN) Secretary-General, the conflict between Noor and President Ghani “undermined national unity and distracted attention from the national reform agenda.”³⁰¹ Noor was not the only governor to defy the central government by refusing to step down. For two days in February, the governor of Samangan Province also refused to leave the governorship until offered a position on the High Peace Council.³⁰²

The UN Secretary-General said the Ghani-Noor impasse “revealed competing conceptions of the origins of the [Afghan] Government’s legitimacy.” The Jamiat-e Islami party claimed that President Ghani’s decision to remove Noor violated the September 2014 political agreement which forms the basis of the National Unity Government. According to the UN Secretary-General, President Ghani and his supporters believe that Afghanistan’s constitution gives him the authority to appoint and remove governors. However, Jamiat-e Islami leaders argued that the National Unity Government agreement of 2014 superseded the executive provisions of the Afghan constitution.³⁰³

In February, Transparency International released its Corruption Perceptions Index (CPI) for 2017, showing Afghanistan received a score of 15 on a scale of zero (highly corrupt) to 100 (very clean), the same score as in 2016. The CPI draws from a number of sources that capture the assessment of experts and business executives on a number of corrupt behaviors in the public sector. Five data sources—including the 2017 World Bank Country Policy and Institutional Assessment and the 2017–2018 World Justice Project Rule of Law Index Expert Survey—were used to generate the CPI composite score for Afghanistan.³⁰⁴

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of March 31, 2018, the United States had provided more than \$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).

AFGHANISTAN COMPACT

In August 2017, the U.S. and Afghan governments announced the launch of the “Afghanistan Compact.” The Afghanistan Compact is an Afghan-led initiative designed to demonstrate the government’s commitment to reforms.³⁰⁵

The Afghanistan Compact process consists of a Joint Steering Committee, composed of senior U.S. and Afghan leaders, with State as the U.S. lead for the governance, economic-development, and peace-and-reconciliation working groups, and U.S. Forces-Afghanistan (USFOR-A) as the U.S. lead for the security working group. 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.³⁰⁶

The Afghan government does not appear to face any direct monetary consequences if it fails to meet the Afghanistan Compact reform commitments. State said there are no foreign-assistance funds tied to the Afghanistan Compact, meaning the Compact imposes no obligations on the United States and ties no conditionality to any of the benchmarks.³⁰⁷ Similarly, CSTC-A reported that it does not provide financial incentives or funding tied to the security-related Afghanistan Compact reforms.³⁰⁸

According to State, the Compact is a useful tool only if the Afghan government is committed to making the reforms it has voluntarily undertaken. U.S. Embassy Kabul has found that the Afghan government is better motivated to make serious and difficult reforms when engagement comes not just from the U.S. Embassy, but also from senior U.S. government decision-makers in Washington. State said it welcomes messages from Washington to senior Afghan leaders that reinforce the Compact’s importance.³⁰⁹

The Afghan government is not obliged to provide documentary evidence at working group meetings to prove its progress in meeting the benchmarks.³¹⁰ Instead, State reports that progress is measured in face-to-face meetings by the U.S. and Afghan working group co-chairs and the various Afghan ministries responsible for fulfilling that month’s benchmarks.³¹¹

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.³¹² While State did not cite any specific examples, they report that the Compact is tied to an implicit warning that the failure to achieve reform targets could sour the U.S. government’s view of the Afghan government’s commitment to reform. According to State, this has been enough, thus far, to drive significant change.³¹³

ELECTORAL REFORM

On April 1, the Independent Elections Commission (IEC) announced that parliamentary and district council elections would take place on October 20. This officially pushed back the election date of July 7, which the IEC announced in June 2017. Afghan presidential elections are slated for 2019.³¹⁴

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 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 these elections were not held.³¹⁵

On April 22, a suicide bomber attacked a crowd of people gathered at an identity-card distribution and voter-registration center in Kabul. The Islamic State-Khorasan (IS-K) claimed credit for the attack that killed at least 57 people. According to the UN, since voter registration began on 14 April, there have been a number of violent incidents targeting centers around the country where citizens are required to sign up for the upcoming election.

Source: UNAMA, “UN condemns suicide attack at election-related facility in Kabul,” 4/22/2018; *New York Times*, “‘So Many Bodies’: Bomber Kills Dozens Signing Up to Vote in Kabul,” 4/22/2018.



Election officials listen to the audience during the third meeting of the National Election Forum. (USAID photo)

The IEC has committed to assigning voters to specific polling centers when they register. 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.³¹⁶

State reported that the IEC successfully coordinated the sourcing and acquisition of paper-based voter registration materials. As of March, these materials were in Kabul and ready for distribution to polling stations in advance of the registration process.³¹⁷ 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.³¹⁸

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 Programme (UNDP). This project was originally meant to support the planned 2015 parliamentary elections, which are currently scheduled for October 2018.³¹⁹

This quarter, State observed that a number of election-related Afghanistan Compact benchmarks were behind schedule as of March 13. These included:³²⁰

- deciding on constituency reform that might adjust electoral constituencies based on the number of parliamentary seats in the province
- ensuring that the IEC and the Electoral Complaint Commission (ECC) were fully staffed
- deciding on whether to hold district council elections alongside parliamentary elections (on April 1, the IEC announced that parliamentary and district council elections will be held together on October 20, 2018)

Also this quarter, State reported that the IEC held National Elections Forum (NEF) meetings in Kabul as well as in some of Afghanistan's other provinces. These meetings are a means to share information on election progress with the Afghan public and to convene opposition political leaders to hear their concerns.³²¹ At the February 2018 NEF, the ECC shared that it had received 373 formal complaints regarding the list of polling centers. The largest category of these complaints (49%) related to the number of polling centers or their distance from populated areas. The Afghanistan Central Civil Registration Authority (ACCRA) also provided an update on its work to issue identity cards necessary to register to vote. According to ACCRA, they are issuing 20,000 to 30,000 identify cards per day. ACCRA reported that insecurity prevents them from operating in 32 out of approximately 400 districts, making it necessary for the people of those districts to travel to the provincial capital instead.³²²

Afghan security forces expect to support the delivery of voter registration and election materials and, later, provide security to polling staff and observers. According to MOI, over 53,000 police will be deployed to secure IEC offices, polling centers, and observers, and to provide logistical support. MOI estimates that approximately 14,000 female searchers—two per polling center—will be needed to secure the elections (including male escorts). The Afghan government has made \$3.3 million available to pay for female searchers.³²³

In March, the deputy minister of interior for security was quoted in Afghan media saying that 1,100 of 7,355 polling stations faced high levels of threat. Another 948 polling stations were reportedly located in areas not under government control. Earlier in March, the IEC was reported saying that 1,707 polling stations across 32 districts were under threat.³²⁴

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.³²⁵ However, according to the UN Secretary-General, there was little progress on peace talks between the Afghan government and the Taliban this quarter. State also reported that there have been no new developments in the Taliban's position on reconciliation.³²⁶

The conflict in Afghanistan was the focus of two international peace conferences this quarter: the second meeting of the Kabul Process for Peace and Security Cooperation in Afghanistan on February 28, and the Tashkent Conference on Afghanistan on March 27.³²⁷

The February conference was the second meeting of the Kabul Process. At the first Kabul Process meeting in June 2017, participants called on all armed groups to start peace talks with the Afghan government and cease violence immediately. In February, the participating countries and organizations declared that the 2018 Kabul Process must lead to the renunciation of violence and breaking of all ties to international terrorism, as well as respect for the equal rights of all Afghans, including women, under the Afghan constitution.³²⁸ According to State, the Afghan government provided the Taliban a clear peace offer in Kabul without preconditions. This offer included a review of the constitution, ceasefires, and the recognition of the Taliban as a political party.³²⁹

According to State, the Tashkent Conference reinforced the message of the second Kabul Process conference and made clear that the international community will not allow the Taliban to achieve a military victory.³³⁰

While the Taliban continue to publicly claim that they support a peaceful solution to the Afghan war, they have yet to agree to peace talks with the Afghan government. On February 14, the Taliban published a letter to the American people demanding an end to the U.S. "occupation," and urging

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The U.S. Embassy in Kabul hosted Afghan youth debaters for a debate on women's participation in the High Peace Council. (U.S. Embassy Kabul photo)

the United States to stop fighting and negotiate with the Taliban directly. According to State, the Taliban have yet to respond to President Ghani's peace offer from the February 28 Kabul Process conference.³³¹

In April, Pakistan's prime minister met with President Ghani in Kabul to discuss their countries' bilateral relations. The two leaders called on the Taliban to join peace talks with the Afghan government without delay, committed to deny antistate elements the use of their respective territories, promised to undertake effective actions against security threats to either country, and agreed to stop publicly blaming the other on contentious issues.³³²

In September 2016, the Afghan government finalized a peace agreement with Gulbuddin Hekmatyar's Hezb-e Islami Gulbuddin (HIG) insurgent group.³³³ When the peace deal with HIG was announced, some expressed hope that reconciling with Hekmatyar could facilitate a broader peace.³³⁴ 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 an important precedent that will influence other armed groups.³³⁵

This quarter, State observed that the Afghan government met certain peace and reconciliation-related Afghanistan Compact benchmarks, having:³³⁶

- identified two strategic communications narratives for peace including that the Afghan government is ready to engage in talks without preconditions and that the Taliban can establish an office in Kabul
- chosen 74 women to serve on advisory groups to ensure that women's voices are heard in the peace process (most provinces were represented by two women whereas Kabul had 10 female representatives)
- held the second round of the Kabul Process

The Afghan government is developing a reintegration strategy for peace-building programs at the local and community level. According to State, the strategy is currently awaiting approval from President Ghani, his national security advisor, and the director of the National Directorate for Security.³³⁷

U.S. Assistance to the High Peace Council

In September 2017, State provided \$3.9 million to the UNDP to support reconciliation (including the activities of the High Peace Council (HPC)). While this support was originally to last through 2017, the initial pilot was extended to March 2018. State and other donors are currently awaiting the final draft of a follow-on UNDP project.³³⁸

In a draft UNDP project briefing note provided to State, the new project is expected to cost \$30 million and last three years. UNDP wrote that the new project would be informed by lessons from the previous Afghanistan Peace and Reintegration Programme (APRP), which UNDP described as overly ambitious, assumption-laden and structurally unsustainable, lacking accountability, and producing no satisfactory results. UNDP refers to its new project as “more modest and practical” with three outputs: (1) supporting the HPC (with particular emphasis on building the capacities of the HPC’s Provincial Peace Committees (PPC)); (2) strengthening peacebuilding actors and networks to mediate conflict; and (3) supporting collaborative research, knowledge-sharing, and communications for peacebuilding.³³⁹ According to State, the draft UNDP project briefing note was well received by donors.³⁴⁰

This quarter, UNDP support helped the HPC build consensus for peace throughout the country and develop Afghanistan’s institutional capacity to facilitate reconciliation. According to State, the HPC, its 34 PPCs, and a supporting technical secretariat were able to significantly reform and streamline staffing structures and hold ambitious outreach activities to assess social attitudes toward reconciliation, document challenges, mobilize support for reconciliation, and develop the capacity to facilitate the reconciliation process.³⁴¹

For example, on February 20 and 21, the HPC held a consultative peace conference in Kabul with more than 800 tribal and Jihadi (those who previously fought against the Soviet Union) representatives from across the country. The conference participants called on the Taliban to engage in peace talks with the Afghan government, saying the Afghan government had set no preconditions for such talks. The attendees said they believed that the war in Afghanistan is “waged for the benefit and interest of the regional intelligence circles.” The participants declared that they support the elected Afghan government and labeled the peace efforts the “real Jihad.”³⁴² According to State, events such as this enabled President Ghani to say that the Afghan government’s roadmap presented at the February Kabul Process Conference represented a national consensus for peace.³⁴³

This quarter, the United Nations Assistance Mission in Afghanistan (UNAMA) provided donors an informal assessment of the PPCs' performance since reforms were announced in September 2017. These reforms reduced the overall number of PPC members throughout the country, replaced a proportion of the PPCs' fully paid representatives with ex-officio members, and increased the number of women representatives.³⁴⁴

UNAMA found that the effectiveness of the reformed PPCs is still highly variable. The capacity of PPC members does not appear to have improved measurably under the new membership structure, and in some provinces, the overall quality of the PPC membership appeared to have been reduced as a result of the reforms. In most remote areas, PPC members lack the ability or willingness to travel to insecure districts to conduct outreach. (UNAMA did report that some PPCs used "reverse-outreach" modalities of inviting interlocutors from insecure districts to the provincial capitals to discuss peace and reconciliation.) According to UNAMA, insecure or Taliban-influenced districts have the greatest need for PPC outreach. While PPCs reported some achievements in outreach, reconciliation, conflict resolution, and violence reduction, UNAMA concluded that these successes were generally isolated and lacking in strategic direction.³⁴⁵

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.

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.³⁴⁶ 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 2020.³⁴⁷

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.³⁴⁸ While USAID does not feel that it is necessarily committed to the 50% on-budget target, they say that they provide on-budget assistance to honor the U.S. government's international commitments coming out of the 2012 Tokyo and 2016 Brussels Conferences on Afghanistan. Almost all of USAID's on-budget assistance is provided through public international organizations with the majority going through the World Bank.³⁴⁹

As shown in Table 3.8, 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) from 2012

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TABLE 3.8

USAID ON-BUDGET PROGRAMS					
Project/Trust Fund Title	Afghan Government On-Budget Partner	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
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	\$159,069,897
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	3/6/2023	153,670,184	153,670,184

Note: *USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards is currently \$3,127,677,528.

Source: USAID, response to SIGAR data call, 4/18/2018.

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 (2002–2011). USAID has disbursed \$153 million to the Afghanistan Infrastructure Trust Fund (AITF).³⁵⁰

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.³⁵¹ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance (MOF) for each program.³⁵²

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.³⁵³ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.³⁵⁴ 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.³⁵⁵

As of February, the United States remains the largest donor to the ARTF (30.6% of actual, as distinct from pledged, contributions) with the next-largest donor being the United Kingdom (17% of actual contributions).³⁵⁶ The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. As of February, the ARTF recurrent-cost window has cumulatively provided the Afghan government \$2.6 billion for wages, \$600 million for operations and maintenance costs,

SIGAR AUDIT

This quarter, SIGAR issued its audit of the ARTF. The objectives of this follow-on audit were to (1) assess the extent to which the World Bank, working with the Afghan government, has improved efforts to monitor and account for ARTF funding since 2011; (2) assess the extent to which the World Bank measured and reported to donors on the performance and outcomes of ARTF development projects; and (3) identify the challenges, if any, donors face in holding the Afghan government accountable for ARTF implementation.

SIGAR found that continued limitations and lack of transparency into the World Bank's and the Afghan government's monitoring and accounting of ARTF funding puts billions of dollars at risk. SIGAR found that the World Bank limits donors' access to information on how it monitors and accounts for ARTF funding, and does not follow its own policy to provide donors and the public with access to certain ARTF records. Also, SIGAR found that the World Bank and donors face challenges holding the Afghan government accountable for ARTF implementation. Specifically, the World Bank and donors lack the ability to adjust the scope of ongoing projects, have no mechanism to withhold or recover ARTF funding, and do not use or enforce conditionality on ARTF funds. World Bank officials told SIGAR that the ARTF does not use conditionality or other mechanisms that would restrict disbursement of ARTF funding in general because this would go against the ARTF's priority to pursue all opportunities for spending available funding on the Afghan government.

\$865 million in incentive program funds, and \$703 million for ad hoc payments since 2002.³⁵⁷

New Development Partnership

In December 2017, USAID authorized the disbursement of \$100 million as the fourth and fifth tranches from the \$800 million USAID-administered New Development Partnership (NDP). The NDP uses already budgeted or requested funding and is delivered via the ARTF.³⁵⁸ The NDP contains its own independent conditions negotiated between the U.S. and Afghan governments.³⁵⁹ In August 2015, the U.S. and Afghan governments signed a memorandum of understanding (MOU) governing the NDP that proposed 40 development results that the Afghan government will be expected to achieve. The Afghan government receives \$20 million through U.S. funds provided via the ARTF's recurrent-cost window for achieving each development result.³⁶⁰

According to USAID, the Afghan government achieved four full NDP results and two partial results from 2016 and 2017. These results included: (1) the MOF's revenue department implemented a risk-based audit selection process, (2) civil service reform implemented by hiring at least 500 World Bank-supported civil service positions (the original NDP target of 800 civil service recruits was decreased to 500 after the same target was revised downward in the Self-Reliance for Mutual Accountability Framework), (3) financial authority has been delegated to the provinces as evidenced by the provincial budget policy being piloted by at least one Afghan budget unit in all provinces, (4) implementation of the Citizen's Charter, an Afghan government effort to set a threshold of core services to be provided to all communities, has commenced as evidenced by the cabinet approving the program and determining funding, (5) land governance has been strengthened by transferring land adjudications to the Independent Land Authority and land certification programs being launched in Kabul, and (6) women have been economically empowered through the cabinet approval of a National Economic Empowerment Plan for Women (WEE) national priority program (according to USAID, the funding for this program is still to be determined).³⁶¹

Civilian On-Budget Programming in Insecure Areas

In December 2017, the World Bank finalized an external review of the ARTF. The ARTF is the largest single source of on-budget development financing in Afghanistan. From 2002 to October 2017, the ARTF has mobilized \$10.5 billion from 34 donors, 17 of which remain active. The five largest ARTF donors—the U.S., UK, Canada, Germany, and the EU—have contributed 70% of the ARTF's funds.³⁶²

One of the issues discussed in the external review concerned ARTF programming in conflict-affected areas. According to the review, the ARTF was

established at a point in time when the Taliban was assumed to have been eliminated as a military and a political force. Today, however, the conflict is seen to be increasing in intensity and geographical coverage. The boundaries between areas under Afghan government control are fluid and changing. According to the review, ARTF-supported public services are often still provided in areas that are not under total Afghan government control.³⁶³

The review left unanswered the question whether service delivery in areas outside of government control mitigates the conflict or instead cements and institutionalizes it by providing armed opposition legitimacy and resources that otherwise would not be available. The reviewers did not find evidence of systematic conflict-sensitive programming in the ARTF portfolio of projects. According to the reviewers, conflict sensitivity for development means “understanding the two-way interaction between [the development] intervention and context and seeking to minimize negative impacts (Do No Harm) and maximize positive impacts on conflict dynamics.”³⁶⁴

The reviewers found that donors were divided over the value of service delivery in areas outside of Afghan government control. For some donors, the Afghan government’s efforts at delivering basic services in areas it does not control is commendable, while for others it raises questions of whether ARTF support legitimizes control by non-state actors. The review cited one donor interviewee who said that his country’s legislature has explicitly banned that funding from going to contested areas, limiting that donor’s degree of flexibility regarding ARTF funding. The review noted that this disagreement poses a dilemma for the ARTF as a consensus vehicle. In recognition of the changing situation on the ground in Afghanistan, one proposal mentioned in the review was preferencing funding for specific geographic areas, something explicitly demanded by at least one donor.³⁶⁵

This quarter and last quarter, SIGAR asked USAID how it plans to respond to language in Public Law 115-31 which prohibits the use of Economic Support Funds for any activity that “legitimizes the Taliban or other extremist organizations in areas not under the control of the Government of Afghanistan.” USAID responded that it currently uses a combination of sources to identify areas under Afghan government or insurgent control, including: (1) open-source data, such as maps produced by the Institute for the Study of War; (2) monthly maps produced by USAID third-party monitors showing the level of third-party monitoring access by district; (3) information from USAID program managers on implementation challenges; and (4) for on-budget assistance delivered through the ARTF, the World Bank’s third-party monitoring of project outputs. Last quarter, USAID reported that it planned to analyze perceptions of Afghan government legitimacy (along with perceptions of Taliban and other extremist organizations’ legitimacy) in areas of major USAID programming as part of its new Afghanistan country strategy. However, this quarter, USAID said they no longer intend to conduct this trends analysis due to costs of

primary data collection, the sufficiency of existing sources and approaches, and availability of secondary sources of data.³⁶⁶

On-Budget Assistance to the ANDSF

More than 60% of total U.S. on-budget assistance goes toward Afghan security forces' requirements.³⁶⁷ 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).³⁶⁸ LOTFA is administered by the UN Development Programme (UNDP) and primarily funds Afghan National Police salaries and incentives.³⁶⁹ Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.³⁷⁰

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 annual commitment letters used to enforce agreements with the Afghan government.³⁷¹

For Afghan fiscal year (FY) 1397 (December 2017–December 2018), DOD plans to provide the Afghan government the equivalent of \$802.4 million to support the MOD and \$160.9 million to support the MOI.³⁷²

Approximately 81% of the planned CSTC-A contribution for the MOD budget covers wages and salaries, while 15.6% is for goods and services (including tactical communications and repairs for MOD facilities) and 3.2% for asset acquisitions (including a number of construction projects).³⁷³

Approximately 37.6% of the planned CSTC-A contribution for the MOI budget covers wages and salaries (including the Afghan Local Police and bonuses for female police), while 56.3% is for goods and services (including repair and maintenance of power generators and fuel) and 6% for asset acquisitions (including telecommunications equipment).³⁷⁴

UNDP plans to provide the Afghan government the equivalent of \$431.8 million to support the MOI salaries, hazard pay, and incentives for 137,347 Afghan police and 7,456 central prison department staff in FY 1397. Approximately 48% of Afghan police are eligible for high-threat hazard pay, 14% are eligible for medium threat hazard pay, and 35% are eligible for low-threat hazard pay.³⁷⁵

This quarter, CSTC-A said it is changing the single-year commitment letters into commitment letters that will cover two Afghan fiscal years (1397/1398). CSTC-A believes this will provide greater stability and strengthen joint assurances between CSTC-A and the Afghan government. Although the 1397 commitment letters have not yet been signed, CSTC-A reported that the conditions and penalties outlined in the 1396

letters remain in effect. Therefore, CSTC-A sees no consequences from the 1397/1398 commitment letters being unsigned.³⁷⁶

For FY 1397, as of February 24, CSTC-A provided the Afghan government the equivalent of \$193.6 million to support the MOD.³⁷⁷ Additionally, as of February 24, CSTC-A provided the equivalent of \$37.2 million to support the MOI. Of these funds, none were delivered via the UNDP-managed LOTFA, while \$37.1 million was provided directly to the Afghan government.³⁷⁸

This quarter, CSTC-A reported that the director of the MOD acquisition agency is now a civilian. The new director has implemented a tracking system for ASFF-funded MOD procurements so CSTC-A leadership can track progress and ensure that meeting requirements is not delayed. The minister of defense and CSTC-A leadership receive updates on MOD procurements every two weeks. The director has installed monitoring systems at the MOD acquisition agency as well as cameras in all bid opening and evaluation rooms. CSTC-A believes that these efforts are increasing their visibility into MOD procurement procedures.³⁷⁹

CSTC-A reports that the Afghan government's National Procurement Authority (NPA) recently introduced reforms that should increase vendor performance. For example, the NPA recently developed a vendor-rating system that assigns a risk value for the vendor's ability to deliver quality goods in an acceptable timeframe. CSTC-A observed that the NPA has used this vendor-rating system to objectively eliminate contractors that have routinely been awarded Afghan government contracts but have routinely underperformed.³⁸⁰

In the past Afghan fiscal year, CSTC-A transitioned MOD and MOI information, communications, and technology requirements from being managed off-budget by CSTC-A to being procured on-budget (by the Afghan government itself). The Afghan government is now responsible for managing software licenses and life-cycle replacements for desktop and laptop computers. According to CSTC-A, this transition was possible because of Afghan improvements to their on-budget requirements development process.³⁸¹

Also in the past year, CSTC-A transitioned MOD ground and aviation fuel procurements from Afghan government management to a DOD contract. According to CSTC-A, fuel procurements were transitioned because the MOD failed to properly manage and administer contracts, leading to multiple suspensions of deliveries by contracted vendors. Additionally, CSTC-A reported that some procurements for prescription medicine, medical equipment, and supplies were moved to Defense Logistics Agency contracts.³⁸²

SIGAR EVALUATION REPORT

This quarter, SIGAR issued an evaluation report on DOD's efforts to procure, distribute, and account for fuel in Afghanistan. SIGAR found that fuel theft has become a lucrative business in Afghanistan. At least \$154.4 million in fuel was stolen from either the U.S. military or the Afghan National Defense and Security Forces (ANDSF), and may have benefitted the Taliban and other insurgent and terrorist organizations. SIGAR found that several weaknesses remain, including an inability to train ANDSF personnel below the corps level, no plan to address ANDSF fuel site infrastructure and accountability weaknesses, and an inability to remotely monitor and confirm ANDSF fuel deliveries or fuel storage tank levels. For more, see pp. 29–31 in Section 2 of this report.

NATIONAL GOVERNANCE

Capacity-Building Programs

As shown in Table 3.9, 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.³⁸³

TABLE 3.9

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$59,008,316
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	23,964,939
Rasana (Media)	N/A	3/29/2017	3/28/2020	9,000,000	2,005,800

Source: USAID, response to SIGAR data call, 4/18/2018.

National Assembly

This quarter, the lower house of parliament elected its leadership for the 16th legislative session of parliament. The chairman retained his position and the selection of the deputy secretary was uncontested. Meanwhile, the positions of second deputy speaker and second deputy secretary were contested in four and five rounds of votes, respectively.³⁸⁴

This quarter, USAID's Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body ended.³⁸⁵

ALBA recently assisted the lower house of parliament's women's affairs commission to hold a conference on women's participation in local governance. The conference brought together 124 participants, including 80 females. The conference aimed to seek the participants' recommendations on increasing the proportion of women in local governance.³⁸⁶

Among the solutions discussed, participants recommended that the Independent Administrative Reform and Civil Service Commission consider female recruitment for civil service hiring.³⁸⁷ One goal contained in the Self-Reliance through Mutual Accountability Framework (SMAF) is to increase the percentage of female civil servants by 2% in 2017 and an additional 2% in 2018. According to the MOF, as of January 2018, it is unclear how many women were recruited following a presidential decree that froze civil service hiring for five months.³⁸⁸

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.³⁸⁹

This quarter, the ACEP supported the Afghanistan Institute for Civil Society (AICS) to issue a policy brief on coordination among CSOs in Afghanistan. According to AICS, one challenge for CSO coordination is the lack of a definition for "civil society." Additionally, AICS observed competition and low levels of trust among CSOs as a result of limited funding. As the Afghan government has successfully lobbied donors for an increased share of foreign assistance being channeled on-budget, CSOs have seen a decrease in funds, AICS said. Insecurity also impacts on coordination as 72% of AICS informants reported access challenges. CSO coordination bodies have reportedly been unable to establish a presence in insecure areas.³⁹⁰

Also this quarter, the ACEP election unit began drafting materials which will include training-of-trainer's modules and booklets, an upgraded civic education handbook, flash notes for civic and voter education, messages for district dialogues and brochures, posters, and other public outreach materials.³⁹¹



A USAID-supported journalist conducts an interview on women in security. (USAID photo)

GOVERNANCE

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.³⁹²

This quarter, USAID reported that Rasana implemented activities in 21 provinces, supported Afghan media in producing 12 investigative stories, and assisted female journalists’ issuing 221 news stories on topics related to women. The women-focused news stories covered topics such as: family conflicts and the impact on children, improvement in women’s access to health centers, lack of access to health centers for female drug addicts, sexual harassment in government offices, the role of female police officers in society, women’s rights activists condemning tribal courts, women software coders developing an application to fight opium production in Herat Province, the role of women in politics, and a workshop to support disabled women.³⁹³

SUBNATIONAL GOVERNANCE

This quarter, State observed that the Afghan government was behind schedule in meeting an Afghanistan Compact benchmark of submitting a subnational governance policy for approval by the cabinet. According to the latest update, President Ghani received a revised subnational-governance policy draft in March after he requested further revisions.³⁹⁴ The Afghan government previously committed to implement a subnational governance policy in the September 2015 Self-Reliance through Mutual Accountability Framework (SMAF).³⁹⁵

Provincial and Municipal Programs

USAID has two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.10 summarizes total program costs and disbursements to date.

TABLE 3.10

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2019	\$62,000,000	\$44,074,442
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	48,000,000	25,110,092

Source: USAID, response to SIGAR data call, 4/18/2018.

Initiative to Strengthen Local Administrations

The \$48 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.³⁹⁶

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. 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.³⁹⁷

This quarter, ISLA finalized a study on the percentage of provincial development plan (PDP)-proposed projects being reflected in the 1397 national budget plan. ISLA compared the list of proposed PDP projects for each province against the project list approved for that province in national budget. According to ISLA, 233 PDP projects from the 16 ISLA-supported provinces were reflected in the national budget. This represents either 11% or 13% of the total number of PDP-proposed projects (the numbers differ as there are two potential sources for the final PDPs). According to ISLA, ISLA-supported provinces saw a 2% increase in the number of PDP-proposed projects being reflected in the national budget than the previous year.³⁹⁸

In order to determine the impact of ISLA support on PDP-proposed projects being reflected in the national budget, ISLA performed similar analysis on non-ISLA-supported provinces. (Non-ISLA-supported provinces did, however, receive training and applied the same guidelines. However, these provinces did not have embedded ISLA advisors and did not receive ISLA assistance to enhance input quality for the PDPs.) Compared to ISLA-supported provinces, non-ISLA-supported provinces had approximately 5% fewer projects reflected in the national budget than ISLA-supported provinces.³⁹⁹

Overall, there was a significant decrease in the number of province-proposed projects compared to last year (6,582 province-proposed projects with a total estimated cost of \$7.9 billion in 1396 for all 34 provinces, compared to 3,724 projects with a total estimated cost of around \$2.67 billion in 1397). According to the Ministry of Economy, this decrease could be viewed as an improvement since previous province proposals were long wish lists of projects without proper planning.⁴⁰⁰

SIGAR Briefed Key Stakeholders on Anticorruption Audit Findings

As this report went to press, IG Sopko and Deputy IG Aloise were in Kabul briefing President Ghani, Chief Executive Abdullah, U.S. Ambassador to Afghanistan John Bass, and USFOR-A Commander General John Nicholson on the results of SIGAR's assessment of the Afghan government's national anticorruption strategy and the action plans for five Afghan ministries. SIGAR's audit is being carried out in accordance with the May 3, 2017 Joint Explanatory Statement to the Consolidated Appropriations Act for 2017. The objectives of this audit are to determine the extent to which the Afghan government: (1) met the anticorruption commitments it agreed to under the Self-Reliance through Mutual Accountability Framework (SMAF); (2) created an anticorruption strategy that meets international standards; (3) is implementing its anticorruption commitments as outlined in its anticorruption strategy; (4) has experienced challenges implementing anticorruption reforms; and (5) receives U.S. government assistance in developing and implementing its anticorruption efforts.

In addition, while in Kabul, IG Sopko spoke at the European Union (EU)-hosted fourth annual anticorruption conference entitled "Corruption in Recess, Peace in Progress" on April 24, 2018.

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. SHAHAR partners with municipalities to, among other things, deliver capacity-building for outreach and citizen consultation, improved revenue forecasting and generation, and budget formulation and execution.⁴⁰¹

SHAHAR's geographic coverage has significantly decreased, from 20 province municipalities in the first two years of the program to five municipalities in its current fourth year (Kabul, Kandahar, Herat, Mazar-e Sharif, and Jalalabad). According to SHAHAR, the decrease in coverage is meant to support the Afghan government in establishing and maintaining long-term stability in key cities.⁴⁰²

In January, SHAHAR reported the revenue of three partner municipalities, observing a decrease in revenue by 21% compared to the same period in the previous year. Mazar-e Sharif saw the largest decrease (-41%) followed by Jalalabad (-21%). Kandahar, however, saw a small increase in revenue (5%).⁴⁰³

RULE OF LAW AND ANTICORRUPTION

This quarter, State observed that the Afghan government held a quarterly meeting of the High Council for Rule of Law and Anti-Corruption and publicly published the minutes in October and December 2017. This was a benchmark in the Afghanistan Compact.⁴⁰⁴

In March, Transparency International (TI) issued what it labeled a "shadow report" on Afghan government progress toward three Sustainable Development Goal (SDG) targets related to corruption. (According to TI, a civil society shadow report is generated parallel to government reporting in order to include data and information that governments are often reluctant to capture.) The three targets concerned illicit financial flows, bribery and corruption, and access to information. According to TI, Afghanistan has made strong progress on anti-money laundering and the proceeds of crime. However, few money-laundering cases have been investigated and prosecuted. TI reported that the Afghan government does not collect or share information on beneficial ownership, despite laws requiring this. TI also believes that Afghanistan's anticorruption framework is not compliant with the UN Convention against Corruption. Civil society is not meaningfully included in developing and implementing governance and anticorruption legislation and policies, TI said. Finally, TI believes that access to Afghan government information is generally accomplished through personal connections rather than through the procedures outlined in Afghanistan's access to information law.⁴⁰⁵

Rule of Law and Anticorruption Programs

The United States has assisted the formal and informal justice sectors through several mechanisms. These include State's Justice Sector Support Program (JSSP) and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.11.

USAID has a cooperation arrangement with the UK's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁴⁰⁶

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 \$13 million for the first year. The previous JSSP contract, which began in 2010, cost \$280 million.⁴⁰⁷ JSSP provides technical assistance to the Afghan justice-sector institutions through (1) building the capacity of justice institutions to be professional, transparent, and accountable; (2) assisting the development of statutes that are clearly drafted, constitutional, and the product of effective, consultative drafting processes; and (3) supporting the case-management system (CMS) so that Afghan justice institutions work in a harmonized and interlinked manner and resolve cases in a transparent and legally sufficient manner.⁴⁰⁸

In February, State's \$48 million Justice Training Transition Program (JTTP) ended. On the same day JTTP ended, State and the former JTTP implementing partner signed an agreement for the new Continuing Professional Development Support (CPDS) program. According to State, CPDS will respond to an urgent need by the Afghan government to train

TABLE 3.11

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	\$68,163,468	\$11,733,262
Afghanistan's Measure for Accountability and Transparency (AMANAT)	8/23/2017	8/22/2022	31,986,588	185,411
Corrections System Support Program (OASIS CSSP)*	6/1/2017	5/31/2018	14,087,926	6,950,628
Justice Sector Support Program OASIS Contract	8/28/2017	8/28/2022	12,903,112	4,675,409
Continuing Professional Development Support (CPDS)	2/6/2018	4/6/2020	7,938,401	7,938,401
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: *Disbursements as of 2/25/2018.

Source: State, INL, response to SIGAR data call, 2/25/2018 and 4/12/2018; USAID, response to SIGAR data call, 4/18/2018.



Participants listen during a USAID-supported criminal law workshop in Nangarhar Province. (USAID photo)

legal professionals on the newly revised penal code and build the organizational capacity of the of the nascent professional training departments (PTDs) of Afghan legal institutions.⁴⁰⁹

According to the CPDS project proposal developed by the JTTP implementing partner, JTTP helped four Afghan criminal-justice institutions to progressively take responsibility for their own professional development. This was accomplished through sustainable capacity-building efforts for each institution's PTD. The JTTP implementer highlighted how by the end of JTTP, 99% of continuing legal education was delivered by the PTDs themselves. The introduction of the new penal code—published in May 2017 and effective on February 14, 2018—is likely to pose a significant stress on the PTDs, the JTTP (now CPDS) implementer wrote.⁴¹⁰

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.⁴¹¹ This quarter, ADALAT finalized an assessment of the existing process for managing case information in Afghanistan. According to the assessment, effective case-flow management includes steps to provide information about the status and progress of cases to judges and, at the same time, supply data for reports, evaluation, planning, and accountability processes for all levels of the court organization.⁴¹²

ADALAT identified two existing systems for managing civil and criminal case information at the Supreme Court: the Case Management System (CMS) and the Afghanistan Court Administration System (ACAS). (The 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 assessment concluded that CMS provides little to no contribution to case or case-flow management. Rather, ADALAT argues, CMS contains too much information to be useful for judges. CMS contains information about a case from its very inception to long after it leaves the courts (through corrections). Meanwhile, the paper-based ACAS reportedly does not presently serve as a useful tool for active case or case-flow management as it is cumbersome. The assessment concluded that there is presently no meaningful case-flow- and case-management system in place. Instead, cases are managed at the court level without the aid of readily accessible real-time case status information, and case events are not contemporaneously available in a form that could assist and enable judges to actively manage their cases. ADALAT recommended digitizing ACAS information and using that data to supplement CMS records.⁴¹³

State responded that it disagreed with ADALAT's conclusions regarding CMS's value to case or case-flow management. According to State, CMS is valuable for judges because CMS contains essential data points covering

the full history of the defendant's case. Without CMS, State says, the Afghanistan justice institutions would have no reliable method for tracking cases, identifying where an individual was being held while in custody, or creating reports for personnel and budget management. The majority of issues State has identified with CMS are concentrated on user, not system, issues. State conducts regular trainings and monitoring of data to ensure that data entry is complete, accurate, and timely. Also, State reported that it is currently conducting its own assessment of CMS.⁴¹⁴

In August 2017, USAID awarded the Afghanistan's Measure for Accountability and Transparency (AMANAT) contract to support the Afghan government's efforts to reduce and prevent corruption in government public services. However, in September 2017 a bid protest was registered with the Government Accountability Office (GAO), resulting in a stop-work order. That protest was denied by the GAO in December 2017 and work resumed. This quarter, AMANAT began initial operational startup. Also, AMANAT began planning for a political-economy analysis to identify what activities are feasible, where there is political will in the Afghan government, and where there may be major obstacles to implementation of reforms.⁴¹⁵

Afghan Correctional System

As of December 31, 2017, the General Directorate of Prisons and Detention Centers (GDPDC) incarcerated 29,582 males and 922 females, while the MOJ's Juvenile Rehabilitation Directorate (JRD) incarcerated 721 male and 83 female juveniles as of December 10, 2017. 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.⁴¹⁶

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 185% of capacity, as defined by the International Committee of the Red Cross's (ICRC) minimum standard of 3.4 square meters per inmate. The total female provincial-prison population was at 119% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 59% of ICRC-recommended capacity.⁴¹⁷

According to State, the major corrections-related accomplishment this quarter was the completion of the first implementation phase of the CMS in 30 juvenile-rehabilitation centers. State's Corrections System Support Program (CSSP) created lesson plans, input retroactive and current case data, and provided training. After six months of training, CSSP formally transferred operation of CMS to the JRD. The transition of CMS operation to the Afghan government is a key deliverable of the CSSP program and highlights the increased capabilities of Afghan corrections sector personnel, State said.⁴¹⁸

Anticorruption

According to DOJ, many corruption cases in Afghanistan are not prosecuted or adjudicated in a standardized, transparent, or timely manner because of political connections to senior Afghan government leaders.⁴¹⁹

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 2017.⁴²⁰ On September 28, the High Council on Rule of Law and Anti-Corruption approved the National Strategy for Combatting Corruption.⁴²¹

This quarter DOJ reported that the Afghan government issued a more “final” version of the anticorruption strategy in December 2017. DOJ concluded that, as of December 31, 2017, the Afghan government has failed to implement several items promised in the strategy. For example, DOJ reported that there has been no follow-up on old corruption cases from 2013 and no effort to extradite and prosecute convicted criminals living abroad through international agreements. DOJ attributed these failures to a lack of Afghan government political will rather than capacity.⁴²²

Also this quarter, DOJ highlighted the lack of Afghan government progress in pursuing the Kabul Bank corruption case. Labeling this “one of the most notorious fraud cases in Afghan history,” DOJ reported that the AGO has failed to pursue prosecutions of 16 targets, investigate 227 additional suspects, and seize assets as ordered by the Afghan Supreme Court in December 2014. DOJ acknowledged that there was one additional Kabul Bank-related conviction in August 2017. However, the lead charge in that case was corruption regarding airport contracts, with Kabul Bank fraud a less prominent additional charge.⁴²³

Additionally, DOJ said that the Afghan government failed to meet its Afghanistan Compact commitment to initiate charges by October 1, 2017. The revised Afghanistan Compact targets obligated the Afghan government to provide the U.S. Embassy with the list of all accused who entered into a repayment agreement with the Afghan government in lieu of prosecution, and to bring charges against all of those delinquent in repayments. According to DOJ, as of December 31, 2017, none of these obligations have been met. Instead, the Afghan Attorney General reportedly said he has no intention of pursuing these charges.⁴²⁴

This quarter, State observed that the Afghan government continued to fail to prosecute a high-profile corruption case against former minister of telecommunications and information technology Abdul Razaq Wahidi as promised in the Afghanistan Compact.⁴²⁵ DOJ reported that the Wahidi case is unusual in that the investigation concluded in February 2017, but has no set trial date despite strong evidence. The Wahidi case appears to indicate a lack of will by the Afghan government to hold powerful individuals accountable, according to DOJ.⁴²⁶

Anti-Corruption Justice Center

In May 2016, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁴²⁷ The ACJC brings together MCTF investigators, AGO prosecutors, and judges to combat serious corruption.⁴²⁸ 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 afghani (approximately \$73,000).⁴²⁹ 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. As of March, State said this benchmark is reported as completed, but they are still awaiting evidence of the publication of the rules.⁴³⁰

Since October 2016, the ACJC has considered 416 potential cases, of which 327 involve civilians and 89 involve military personnel. Of these, 73 have been referred to the ACJC's primary court or primary prosecution office. More than a third of the potential cases (169) were rejected because they did not meet the ACJC's jurisdiction requirements.⁴³¹

The ACJC's primary court has concluded 29 trials, convicting 116 offenders. The ACJC's court of appeals has subsequently held 26 trials, convicting 86 offenders, while the Supreme Court has convicted 63 offenders in 21 trials.⁴³² According to CSTC-A, ACJC sentences dispensed by the primary court are almost routinely reduced at the appellate court. Afghan appellate courts essentially function as a second trial, with the ability to impose a new sentence which supersedes the primary court's sentence.⁴³³

CSTC-A considers the recent ACJC case against Major General Paikan, of the ANCOP, as particularly noteworthy. Paikan was one of ten defendants tried in December 2017 for involvement in a case of misuse of authority and Afghan government property and involvement in a murder. Paikan failed to show for the trial, but was found guilty in absentia and sentenced to 8 years and 6 months. The ACJC issued an arrest warrant; however, CSTC-A reports that no Afghan law enforcement agency has acted on that warrant. Paikan and the other eight defendants who were found guilty appealed the primary court's conviction. In January 2018, the appellate court upheld the conviction for the eight defendants who appeared in court. However, the appellate court refused to consider Paikan's appeal since the primary court's sentence has not been implemented and Paikan has not been arrested.⁴³⁴

The UN Secretary-General observed that the failure of Afghan authorities to enforce arrest warrants has meant that the number of accused persons being tried by the ACJC in absentia has increased.⁴³⁵

This quarter, State observed that the Afghan government failed to meet on time the Afghanistan Compact benchmark to provide armored cars (or armored vehicle shuttle service) and body guard detail to protect ACJC officials and their families. Since the deadline passed, however, State believes that senior ACJC staff now have bodyguards.⁴³⁶

Afghanistan Security Forces

According to CSTC-A, continuing corruption within the Afghan security forces poses a risk to the mission in Afghanistan. CSTC-A attributes this continuing challenge to Afghan government officials who enable corrupt members of the Afghan security forces by impeding judicial action, even in some of the more serious cases of corruption. The most common corrupt behaviors CSTC-A has identified are associated with fuel, food, "ghost" or non-existent soldiers, the misuse, theft, or illegal sale of Afghan government property, extortion, narcotics, illicit mining, and bribery.⁴³⁷

In response to persistent corruption in the Afghan security forces, Resolute Support reports it is pursuing the following initiatives:⁴³⁸

- Encouraging the retirement of more than 3,000 senior MOD and MOI leaders through implementation of the Afghan government's Inherent Law. The final wave of MOD and MOI retirements are scheduled for January 2019. According to CSTC-A, the retirement of these senior leaders will remove an ineffective and sometimes corrupt older generation from the Afghan security forces.
- Vetting Afghan candidates for senior MOD and MOI positions. The Afghan government will select new MOD and MOI leaders through the High Oversight Board (HOB). Resolute Support will screen Afghan candidates through an intelligence review, confirm candidate personal data, and offer the observations of the candidate from Resolute Support commanders and advisors. A Resolute Support senior advisor will attend the HOB to ensure transparency and fairness in promotions and assignments.
- Implementing the Afghan Personnel Pay System (APPS) and associated Personnel Asset Inventory (PAI). APPS is an automated system to manage Afghan security personnel records, payroll, and force management. Resolute Support is facilitating APPS by physically verifying active MOD and MOI personnel through the PAI. According to CSTC-A, the issue of ghost soldiers and police should be eliminated with the use of APPS.
- Utilizing a Counter-Corruption Coordination Cell to identify, prioritize, and coordinate actions against corrupt Afghan actors and networks.
- Using the Afghanistan Compact to measure Afghan government progress in advancing critical actions and milestones. CSTC-A said that it uses its commitment letters and the Afghanistan Compact to enforce agreements with the Afghan government. (However, when asked to describe the relationship between the commitment letters and the security-related benchmarks in the Afghanistan Compact, CSTC-A acknowledged that the conditions contained in the commitment letters do not match the security-related milestones contained in the Afghanistan Compact. Additionally, when asked to describe the financial incentives and consequences for meeting or not meeting the

security-related benchmarks contained in the Afghanistan Compact, CSTC-A said that funding is not tied to the security-related benchmarks in the Afghanistan Compact.)

- Applying ASFF monies conditionally to induce Afghan government implementation of the law lowering the mandatory retirement age and procurement reform. According to CSTC-A, the Afghan government's National Procurement Authority and National Procurement Commission have increased the oversight and scrutiny of MOD and MOI procurements.
- Conducting financial audits to ensure transparency and accountability of ASFF funds. The Ministry of Finance has provided CSTC-A the ability to audit its accounting and financial processes CSTC-A said.

Major Crimes Task Force

The Major Crimes Task Force (MCTF) is an elite MOI unit chartered to investigate corruption by senior government officials, organized criminal networks, and high-profile kidnappings committed throughout Afghanistan.⁴³⁹ According to CSTC-A, while the MCTF is committed to and has made significant progress in building its technical and administrative capacity, MCTF investigations are being hindered by all portions of the Afghan government. The MCTF targets corruption by senior officials, many of whom receive protection from higher level officials who leverage their positions to suppress investigations, CSTC-A said.⁴⁴⁰

Once the MCTF director determines that a case referral meets the MCTF mandate, an MCTF investigator is assigned. This starts the clock on a 180-day timeline to bring a case to trial. Failure to meet this timeline risks dismissal of the case. According to CSTC-A, this short timeline allows politically connected and corrupt individuals to thwart prosecution simply by slowing down an MCTF investigation.⁴⁴¹

CSTC-A is currently assisting the MCTF to become an independent, self-sustaining organization resistant to influence. CSTC-A's efforts include advocating for legislative and MOI policies to mitigate the systemic problems in the criminal justice system, supporting full implementation of the Case Management System (CMS) and the National Information Management System (NIMS) to provide greater transparency and accountability from referral thru investigation and prosecution to confinement, and recommending an MOI reorganization so that the MCTF report directly to the minister of interior. According to CSTC-A, whereas the previous minister of interior resisted reorganization, the current minister is more supportive. To advance the reorganization goal, CSTC-A is assisting the MOI to develop a Counter Corruption Strategy and action plan that will recommend structural reforms.⁴⁴²

CSTC-A reports that the ACJC and the MCTF are working well together to close and prosecute cases.⁴⁴³

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

President Hamid 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.⁴⁴⁴

This quarter, the MEC published its first follow-up to their July 2017 vulnerability to corruption assessment of the AGO. According to the MEC, the AGO has made significant progress in implementing some MEC recommendations including establishing a professional training directorate, taking steps to counter conflict of interest of prosecutors, reimbursing official travel of prosecutors, using of biometric attendance system, and verifying prosecutor qualifications. However, the MEC did not see sufficient evidence of progress in other recommendations. For example, the AGO told MEC that they had established a committee to handle investigations and prosecution of government ministers. However, the MEC reported that the AGO has not yet provided the terms of reference or composition of this committee to the MEC.⁴⁴⁵

HUMAN RIGHTS

In November 2017, the International Criminal Court (ICC) prosecutor 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, 2003.⁴⁴⁶ The UN warned, however, that the limited number of post-2003 cases which the ICC could investigate and adjudicate may not be enough to satisfy the expectations for justice of many Afghans.⁴⁴⁷

REFUGEES AND INTERNAL DISPLACEMENT

According to the UN's Secretary-General's Special Representative for Afghanistan, the large number of refugees who returned to Afghanistan in 2016 and 2017 has stressed the government's ability to provide services. While the Afghan government promised that returnees would have access to land, housing, and basic services, this has not occurred.⁴⁴⁸

On February 20, Pakistan's federal cabinet decided to extend recognition of 1.4 million Afghan refugees until June 2018. Earlier, the cabinet had extended the refugee's proof of registration (POR) cards for only one month, rather than the expected year.⁴⁴⁹ According to State, this was the shortest-ever extension of the validity period for POR cards.⁴⁵⁰

This quarter, Pakistan, in partnership with the Afghan government and International Organization for Migration (IOM), completed the registration for Afghan citizen cards. These cards allow Afghans to reside in Pakistan but do not confer refugee status. Some 870,000 Afghans registered for cards, which are being issued.⁴⁵¹

As of March 31, the United Nations High Commissioner for Refugees reported that 1,808 refugees have voluntarily returned to Afghanistan in 2018. The majority (1,490) of these refugee returns were from Pakistan.⁴⁵²

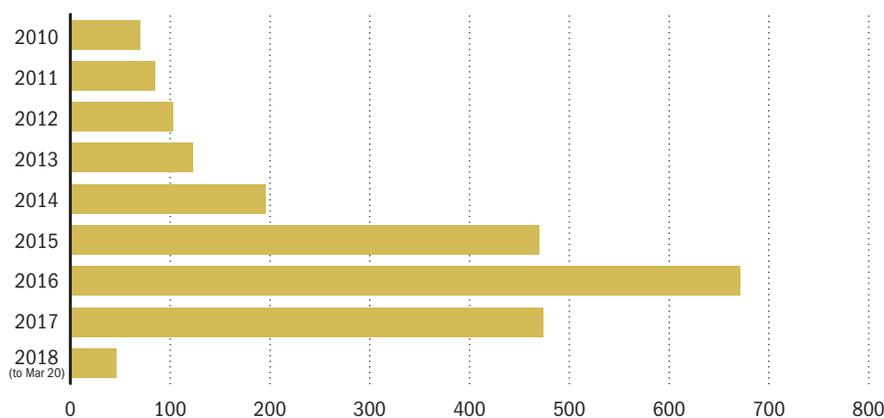
As of March 24, IOM reported that 141,492 undocumented Afghans returned from Iran and 6,011 undocumented Afghans returned from Pakistan. So far, 147,503 undocumented Afghans have returned in 2018.⁴⁵³

As shown in Figure 3.33, 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 March 20, 47,595 people have fled their homes due to conflict in 2018. Last year for the same period, 80,426 persons were recorded as being internally displaced by conflict.⁴⁵⁴

Eurostat, the statistical office of the European Union (EU), reported 43,625 first-time Afghan asylum seekers in the EU in 2017 (a decrease of approximately 76% from 2016). As shown in Figure 3.34, the number of Afghan asylum applications from October to December 2017 was 5% lower than the number for the previous three months.⁴⁵⁵ The Afghanistan Analysts Network said that stronger border controls and tightened asylum laws in

FIGURE 3.33

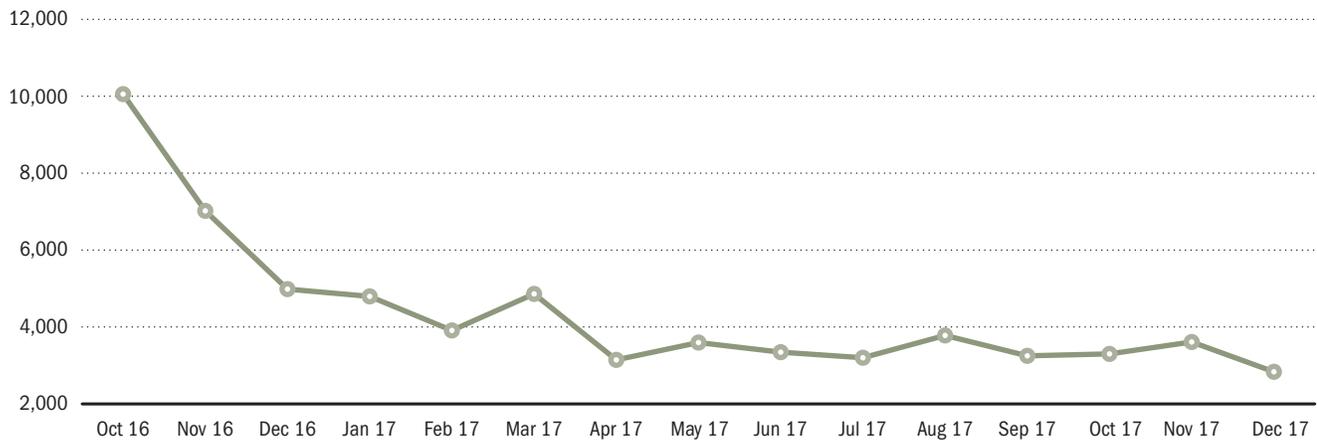
CONFLICT-INDUCED DISPLACEMENTS OF PERSONS (THOUSANDS)



Source: UN OCHA, "Afghanistan: Conflict Induced Displacements in 2017 - Snapshot," 6/18/2017; UN, OCHA, "Afghanistan - Conflict Induced Displacements in 2017," 2/2/2018; UN, OCHA, "Afghanistan - Conflict Induced Displacements in 2018," 3/28/2018.

FIGURE 3.34

FIRST-TIME AFGHAN ASYLUM APPLICANTS TO THE EUROPEAN UNION



Source: EUROSTAT, "First time asylum applicants in the EU-28 by citizenship, Q4 2016–Q4 2017," 3/20/2018.

Europe are the primary cause for the decrease in the number of Afghan asylum seekers.⁴⁵⁶

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.⁴⁵⁷ USAID has committed \$280 million to Promote.⁴⁵⁸ Table 3.12 show the current Promote programs.

As of March 20, USAID reports that the Promote programs have benefited 39,463 women. Of these beneficiaries, 117 have been hired by the Afghan government, 4,929 have been hired for private-sector internships or apprenticeships, and 1,152 have been hired for permanent positions by private-sector employers.⁴⁵⁹ As of January, Promote Women in the Economy (WIE) project reported that 43,422 women have enrolled in WIE job-matching services.⁴⁶⁰

In December 2017 and January 2018, Promote Women in the Economy (WIE) project reported that it held women-in-business trade fairs in Herat, Jalalabad, Kandahar, Mazar-e Sharif, and Kabul. Businesses were eligible to participate in the trade fairs if they were women-owned or employed women as at least 10% of their staff. These events reportedly resulted in 225 signed contracts worth almost \$600,000 in total. WIE reported an additional 320 potential contracts worth \$1 million were also discussed.⁴⁶¹

GOVERNANCE

TABLE 3.12

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Promote: Women in the Economy	7/1/2015	6/30/2019	\$71,571,543	\$28,476,213
Promote: Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	29,559,620
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	19,612,036
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	12,020,436
Promote: Rolling Baseline and End-line Survey	2/21/2017	10/20/2020	7,577,638	2,073,488
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	1,025,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 4/18/2018.

In February, the UN reported the participation of women in all spheres of life, including peace processes, remained low despite Afghan government efforts. The UN said that the Afghan government opened courts trying cases of violence against women in 15 provinces, plus Kabul. Also, the Afghan government has established offices for prosecuting cases of violence against women in all 34 provinces, of which 25 have female prosecutors. Despite this progress, the UN said women's access to justice remained difficult as a result of the distance from and the cost of travel to provincial capitals (where most judicial services are located), the fluid security situation (which makes its risky for women to travel), and the requirement for a male escort (which limits confidentiality). UNAMA recorded 537 cases of alleged violence against women occurring between January and November 2017, including 46 cases of honor killing and 116 other murders.⁴⁶²

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.

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ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES AND EVENTS

This quarter, the U.S. Agency for International Development (USAID) moved nearly \$400 million of previously on-budget power-sector funds off-budget.⁴⁶³ USAID concluded that because Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), lacked sufficient capacity and could not provide adequate oversight of construction projects, it was unable to manage the on-budget monies. As a result, USAID will continue to fund on budget only those power projects for which implementation has already started. Because new construction will be delayed, USAID said some Afghanistan Infrastructure Fund money obligated for its Power Transmission Expansion and Connectivity infrastructure projects would be canceled in 2019 and 2020 and returned to the U.S. Treasury. Consequently, USAID plans to reprogram approximately \$100 million from the Economic Support Fund (ESF) that was previously reserved for other power-sector activities.⁴⁶⁴

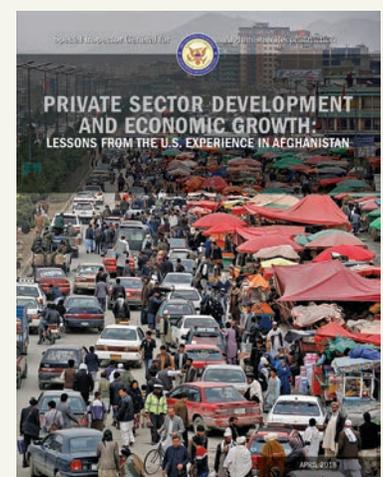
In response to concerns regarding DABS's capacity to manage donor monies, SIGAR signed a memorandum of understanding with DABS officials this quarter allowing SIGAR to conduct a review of the utility's expenditure and expenditure of donor funds. The scope of the review extends to all operations, programs, and projects for which DABS has used donor assistance, and is expected to commence in the summer of 2018.⁴⁶⁵

In March, International Monetary Fund (IMF) officials met with their Afghan counterparts in Baku, Azerbaijan, to discuss Afghanistan's progress under the IMF's Extended Credit Facility (ECF) arrangement.⁴⁶⁶ The ECF is an IMF financing vehicle that provides assistance to countries experiencing extended balance-of-payments problems.⁴⁶⁷ The IMF forecasted that GDP growth for 2018 was likely to be about 2.5%, the same rate as that of 2017. Inflation for 2018 was projected to be 5%. As in the past, the IMF stressed that Afghanistan faced significant challenges, including the tenuous security situation, but praised Afghan officials for their strong macroeconomic management. Officials also noted that Afghanistan's performance under the ECF during the latest review period had been satisfactory.⁴⁶⁸

Also in March, the Famine Early Warning Systems Network (FEWS NET), established in 1985 by USAID, reported that Afghanistan was experiencing substantial rainfall deficits for the current wet season

SIGAR LESSONS LEARNED REPORT

This quarter, SIGAR released a lessons-learned report on U.S. efforts to develop Afghanistan's private sector and grow its economy. SIGAR found that expectations for sustainable economic growth in Afghanistan's insecure and uncertain environment were unrealistic, and that successful private-sector development efforts must be nested within the development of good governance. For more, see pp. 41-42 of this report.



(October 2017–May 2018). Although localized precipitation in February and early March helped ease the seasonal deficit, FEWS NET said that low snowpack and precipitation levels were likely to have adverse effects on both irrigated and rain-fed crops, particularly wheat, in water-deficit areas during the spring planting season.⁴⁶⁹ USAID added that “dire consequences” for other cereal crops were likely, increasing Afghanistan’s harvest deficit.⁴⁷⁰ Wheat is one of Afghanistan’s most important crops, and a 2008 drought contributed to a significant spike in wheat prices as well as internal displacement.⁴⁷¹

SIGAR analysis shows that the Afghan government’s domestic revenues grew by 11.5% over the first two months of FY 1397 (December 22, 2017, to February 19, 2018), compared to the same period in FY 1396. This continues the trend of strong revenue growth reported by SIGAR last quarter.⁴⁷² Expenditures, meanwhile, grew by 3.2% year-on-year.⁴⁷³

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

As of March 31, 2018, 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 USAID’s Economic Support Fund (ESF). Of this amount, \$18.5 billion has been obligated and \$15.8 billion has been disbursed.⁴⁷⁴

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.⁴⁷⁵

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.⁴⁷⁶

ECONOMIC PROFILE

Obstacles to Afghanistan’s economic development abound. Those challenges include severe poverty, limited human capital, the continuing conflict, an infrastructure deficit, and heavy reliance on foreign donor

support.⁴⁷⁷ Adverse population dynamics also obstruct development: the World Bank said that in recent years Afghanistan has not been able to generate enough jobs for the 400,000 Afghans entering the labor market every year. This reflects the country's youth bulge, which has resulted in a "bottom-heavy" population distribution.⁴⁷⁸

Near-term growth is expected to be modest: the IMF projected 2.5% GDP growth for 2018, the same rate of growth Afghanistan saw in 2017.⁴⁷⁹ The IMF's projection for 2018 growth represented a downward revision from its previous prediction of 3%. Although the difference was only half a percentage point, the downward revision represented a nearly 17% drop from the institution's prior projection for the rate of growth.⁴⁸⁰ The World Bank, as of last quarter, projected 2.6% and 3.2%, respectively.⁴⁸¹ Growth expectations were contingent on continued substantial donor support, implementation of reforms, improvements in confidence, and no additional deterioration in security.⁴⁸²

As of mid-2017, the worsening security situation appeared to be preventing consumer and business confidence from fully recovering from the effects of the 2014 security transition, according to the World Bank. Economic activity was sluggish in the first half of 2017. Whereas about 1,700 new firms were registered in the first half of 2016 (excluding those in the trade sector), 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 announcement of the new U.S. strategy, according to the World Bank, based on anecdotal evidence.⁴⁸³

Year-on-year consumer price inflation had leveled off, as of late 2017. The World Bank reported that an annualized 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. Because Afghanistan imports both fuel and cereals, its domestic prices tend to ebb and flow with global commodities markets.⁴⁸⁴ The IMF expected inflation to be 5% in 2018.⁴⁸⁵

Fiscal Outlook: Tenuous But Improving

Afghanistan's fiscal outlook remains unchanged from last quarter. The Afghan government's fiscal performance has generally been good, according to the IMF, which recently commended Afghan authorities for sound macroeconomic management. 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 Afghan government, according to the Afghanistan Analysts Network. Overall, the IMF said that revenue collection remained strong.⁴⁸⁶

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, equivalent to 16% of official 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.

Afghan authorities believe that recent efficiency gains in revenue collection are unlikely to continue, as prolonged emphasis on collection could negatively affect business activity.⁴⁸⁷ 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 IMF said the security situation, in particular, represents a substantial challenge. A study published by the Fund concluded that ongoing violence appeared to have reduced the Afghan government's 2016 revenues by about 50%, relative to what might have been collected in peacetime.⁴⁸⁸

Final FY 1397 Budget Projects \$200 Million Deficit, but More Transparent and Realistic than in Prior Years

As SIGAR reported last quarter, Afghanistan's lower house of parliament—the Wolesi Jirga—rejected the government's draft budget for the ninth consecutive year due to concerns about imbalance among provinces and cuts to the development budget. The budget was later passed just before last quarter's report went to press. SIGAR provided details about the draft budget document in January, but was unable to present a more extensive discussion on the final budget document, as it had not yet been released.⁴⁸⁹

This quarter, the Afghanistan Analysts Network (AAN) reported that negotiations with members of parliament (MPs) had resulted in a final budget deficit of approximately \$200 million. AAN noted that although the draft budget was designed to address chronically low development budget-execution rates, MPs insisted on adding unfunded projects. These inclusions, AAN said, accounted for the majority of planned spending increases in the final document. Paraphrasing the comments of an Afghan official, AAN said that one reason why MPs were adamant about including development projects from previous years was that, once approved in the budget, “people can start selling contracts and sub-contracts.” In other words, as AAN put it, corrupt officials who had already “auctioned off rights” (i.e., taken bribes) had been facing pressure to have projects from prior years reinstated—and evidently succeeded in having many of those projects included in the budget.⁴⁹⁰

However, AAN said some improvements were made. The FY 1397 budget was significantly more transparent than those of years past, presenting, for example, historical spending among provinces. The new budget also reflects a more realistic accounting of anticipated expenditures that reflects the prior year's actual spending levels. AAN noted that the budget reduced the number of ministries which could make use of a “special operations budget,” for which ministries need not account for expenditures, from 10 to three.⁴⁹¹

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.

Government Revenues and Expenditures: Revenue Gains Continue

SIGAR analysis shows that the Afghan government's **sustainable domestic revenues** grew by 11.5% over the first two months of FY 1397 (December 22,

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

2017, to February 19, 2018), compared to the same period in FY 1396. There were no **one-off domestic revenues** recorded for the first two months of either fiscal year that could skew the analysis, or complicate its interpretation. This continues the trend of strong revenue growth reported by SIGAR in January 2018.⁴⁹² Expenditures grew by 3.2% for the first two months of FY 1397, year-on-year.⁴⁹³

USAID-provided AFMIS data was exported earlier than usual this quarter, resulting in limited analysis spanning only two months, year-on-year, rather than the full first quarter of FY 1397, which ended on March 20, 2018. Because 68% of revenues were categorized as “Miscellaneous” through FY 1397 Month 2, a line-item analysis of year-on-year revenue gains was not possible this quarter.⁴⁹⁴ However, SIGAR presents expenditures data in Table 3.13 on the next page.

Trade

Afghanistan’s trade deficit exceeds 30% of its GDP. The country’s exports are concentrated in agriculture, and do not contribute substantially to economic growth, according to the IMF. Afghanistan’s low trade flows mean that its share of global trade is negligible. The value of the country’s official exports has remained below 10% of its GDP every year since 2012. The IMF said imports are dominated by spending related to foreign aid.⁴⁹⁵

Afghanistan’s infrastructure and institutional deficits, as well as persistent conflict, have erected obstacles to trade expansion. The IMF said Afghanistan’s landlocked geography introduces other challenges: both import and export costs, as well as delays, are higher for landlocked countries than for those with coastlines. For Afghanistan, high energy costs and low levels of access to electricity, land, and finance also pose major challenges.⁴⁹⁶

Export and Import Data

SIGAR analysis of data from the Afghanistan Customs Department (ACD) shows that exports grew by 25% over the first 11 months of FY 1396, year-on-year. Data from Afghanistan’s Central Statistics Organization, which makes import and export figures available in quarterly tranches, paints a similar picture of rising exports, showing 39% growth through the first nine months of Solar Year 1396 (March 21, 2017–December 21, 2017), year-on-year. USAID told SIGAR that there are usually discrepancies between ACD and CSO trade data figures. While SIGAR analysis of ACD data shows that imports grew at a lower rate of 14.5%, Afghanistan’s trade deficit, which amounted to more than 30% of its GDP in 2016 and is financed by donor contributions, rose by about \$680 million through Month 11, year-on-year.⁴⁹⁷

Afghanistan showed especially strong growth in agricultural exports, including edible fruits and nuts. Those products alone accounted for about 49% of all exports in FY 1396, through Month 11. Other top exports through the first 11 months of FY 1396 included vegetables, spices, and carpets.

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.

ECONOMIC AND SOCIAL DEVELOPMENT

Afghanistan's top import was fuel, which accounted for about 13% of all imports through the first 11 months of FY 1396.⁴⁹⁸

TABLE 3.13

EXPENDITURES, FIRST 2 MONTHS, FISCAL YEARS 1396 AND 1397 COMPARED (IN AFGHANIS)				
	Category	1396 (Through Month 2)	1397 (Through Month 2)	Percent Change
Personnel	Salaries in Cash	\$11,648,307,040	\$12,611,750,976	8.3%
	Salaries in Kind	1,477,496,431	802,276,428	(45.7)
	Salaries and Wages Advance	(69,511,000)	65,410,000	194.1 ^a
	Social Benefits in Cash	147,321,723	163,499,805	11.0
	Social Benefits in Kind	0	0	N/A
Supplier Expenditures	Travel	165,778,198	70,737,527	(57.3)
	Food	18,693,761	2,536,333	(86.4)
	Contracted Services	127,517,488	272,180,635	113.4
	Repairs and Maintenance	73,354,807	93,110,239	26.9
	Utilities	81,769,507	97,806,528	19.6
	Fuel	412,709,748	523,024,181	26.7
	Tools and Materials	21,078,309	8,409,408	(60.1)
	Other	17,074,426	55,792,676	226.8
	Advances and Return of Expenditure	19,856,530	22,053,578	11.1
Subsidies, Grants, and Social Benefits	Subsidies	0	0	N/A
	Grants to Foreign Governments	17,350,000	0	(100.0)
	Current Grants - General Government Units	0	0	0
	Social Security Benefits in Cash	462,902,506	513,855,624	11.0
	Social Assistance Benefits in Cash	0	0	N/A
	Subsidies, Grants, and Social Benefits Advance	0	0	N/A
Capital Expenditures	Buildings and Structures	3,441,409	0	(100.0)
	Machinery and Equipment ^b	17,031,065	29,402,900	72.6
	Valuables	0	0	N/A
	Land	0	0	N/A
	Capital Advance Payments>Returns	0	20,000	N/A
Interest and Principal^c		235,019,892	23,225,644	(90.1)
Total		\$14,877,191,840	\$15,355,092,482	3.2%

Note: Negative values in parentheses.

^a SIGAR observed a net credit (that is, a negative figure) in "Salaries and Wages in Advance" in the first two months of FY 1396.

^b Applies to expenditures greater than AFN 50,000, according to the FY 1397 Chart of Accounts.

^c Combines two different object codes to conform with previously published MOF financial statements.

Source: SIGAR analysis of USAID-provided AFMIS data exported 1/8/2018; SIGAR analysis of USAID-provided AFMIS data exported 3/13/2018.

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.⁴⁹⁹

Treasury Assistance to the Ministry of Finance Continues with Focus on Public Financial Management

The U.S. Treasury's Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan's MOF to develop and execute technical-assistance and capacity-building programs aimed at strengthening the government's public financial management. OTA also helps the Government of Afghanistan to provide better oversight of its financial sector. President Ghani requested OTA renew its engagement with the Afghan government in 2014 to assist with budget reforms, among other activities.⁵⁰⁰

OTA's last trip to Afghanistan occurred in November–December 2017.⁵⁰¹ During the trip, OTA provided training and input on the development of a standard cost-calculation database and discussed future work on forward estimates and costing. OTA also provided feedback to the World Bank on six Public Financial Management (PFM) benchmarks tied to disbursements from the Afghanistan Reconstruction Trust Fund.⁵⁰²

OTA noted that challenges included security restrictions and donor coordination given multiple ongoing assistance efforts related to PFM. Due to security considerations, OTA is generally restricted to the U.S. Embassy compound. However, SIGAR noted that OTA appeared to be handling coordination with other donors well, having held meetings with World Bank and USAID officials over the course of its trip. OTA also met with a representative of a USAID implementing partner prior to departure. During those meetings, OTA provided input and guidance, worked with donors to distribute responsibility among distinct lines of effort, and identified several areas of collaboration.⁵⁰³

AML/CFT Update: State Department Continues to List Afghanistan as Major Money-Laundering Jurisdiction

In March 2018, the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) released its legislatively mandated annual report on global money laundering. INL continued to list Afghanistan as a major money-laundering jurisdiction for the year 2017.⁵⁰⁴

Although INL noted some improvements, such as increased coordination between Afghanistan's Financial Intelligence Unit and police and prosecutors at the Counter Narcotics Justice Center (CNJC), many challenges remain. Corruption, INL said, was still a critical obstacle to Anti-Money

Last quarter, SIGAR reported it was having difficulty obtaining responses to SIGAR requests for information from U.S. Treasury officials. SIGAR worked with Treasury to better understand the issue and made several process changes that resulted in timely responses this quarter.

SIGAR INVESTIGATION

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. SIGAR is using the retrieved documents in support of an ongoing investigation related to the Kabul Bank case.

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

Laundering (AML) efforts in the country, and Afghanistan remained the largest global producer and exporter of opium. Porous borders, particularly between Afghanistan and Pakistan, as well as difficulty in implementing and enforcing laws and regulations designed to combat money laundering—INL did describe Afghanistan’s AML law as “comprehensive”—also represented significant obstacles to progress. In addition to the narcotics industry, major sources of illicit revenue included fraud, corruption, and illegal mining.⁵⁰⁵

Kabul Bank Theft: KBR Reports Little Progress During the Quarter

The September 2010 near-collapse of Kabul Bank, which held the savings of nearly one million Afghans, 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.⁵⁰⁶

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.⁵⁰⁷ 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 the “crisis continues to symbolize the pervasive corruption and impunity that have threatened the legitimacy of the Afghan government.”⁵⁰⁸

Again this quarter, little effort was made to seize, freeze, or investigate debtor accounts, or otherwise act on President Ghani’s October 2014 decree. Minor cash recoveries appear to have been made from the architects of fraud: about \$340,000 from Farnood, who still owes \$272 million, and about \$17,500 from Ferozi, who still owes \$187 million. But total reported recoveries this quarter—approximately \$448 million—were nearly same as last quarter. The debtors still owe nearly \$600 million.⁵⁰⁹

For a few years now, SIGAR has reported that efforts to recover money stolen from the Kabul Bank have been stalled.⁵¹⁰ DOJ told SIGAR this quarter, “there is a growing risk that the debts will not be repaid.”⁵¹¹ Calling the Kabul Bank case “one of the most notorious fraud cases in Afghan history” in a report recently submitted to the Department of State, DOJ added that Afghanistan’s attorney general told U.S. Embassy officials that he did not intend to pursue further charges—a direct contradiction of Kabul Compact Benchmarks.⁵¹² Moreover, in a report released this quarter, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee said there had been little progress in the case, which was “once leveraged as a sign of [the Afghan government’s] commitment in the fight against corruption.”⁵¹³

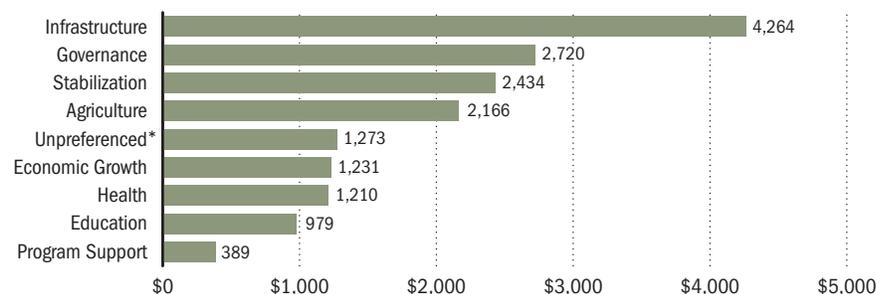
U.S. ECONOMIC AND DEVELOPMENT SUPPORT

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. USAID’s overall goal through 2018 was to promote Afghan-led sustainable development. That goal was to be supported by expanding agriculture-led economic growth, maintaining gains in education, health, and women’s empowerment, and increasing the performance and legitimacy of the Afghan government.⁵¹⁴

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 assessment, see pages 59–60 of SIGAR’s January 2018 *Quarterly Report to the United States Congress*.⁵¹⁵ Figure 3.35 shows USAID assistance by sector.

FIGURE 3.35

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF APRIL 18, 2018 (\$ 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. This quarter, OFM activities are included under Program Support funds.

*Unpreferred funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR analysis of USAID, response to SIGAR data call, 4/18/2018; SIGAR analysis of World Bank, ARTF, Administrator’s Report on Financial Status, as of February 19, 2018.

Natural Resources: Potential Source of Government Revenue Faces Numerous Obstacles

Geological surveys show that Afghanistan has significant mineral resources, including granite, talc, nephrite, chromite, coal, gold, silver, iron, copper, and precious gemstones.⁵¹⁶ USAID said developing Afghanistan’s extractives sector could create jobs, generate government revenue, and result in significant infrastructure investment.⁵¹⁷ Yet, mining has so far contributed little to the country’s licit GDP and has attracted minimal private-sector development.⁵¹⁸ 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, and corruption.⁵¹⁹ According to DOD, these impediments “limit the willingness of international mining companies to commit risk capital [venture capital] to exploration and production in Afghanistan when similar resources are more efficiently extracted from other countries.”⁵²⁰

The Ministry of Mines and Petroleum (MOMP) is without permanent leadership at the highest level: 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.⁵²¹ However, USAID told SIGAR this quarter that MOMP’s lack of permanent leadership would have no effect on its current programming, as the agency is currently only providing technical assistance intended to increase institutional capacity, regardless of whether a minister is in acting or permanent status.⁵²² An evaluation of a previous USAID program, which was designed in part to increase capacity at MOMP, cited the “endless and rapid succession of MOMP ministers” as a significant impediment to implementation.⁵²³

Illegal mining remains another challenge. According to the United States Institute of Peace, the majority of Afghanistan’s active mining sites are neither controlled nor regulated by the Afghan government. This circumstance contributes to the ongoing conflict: illegal extraction is a major source of revenue for the Taliban.⁵²⁴ 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 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.⁵²⁵



An official from the United States Geological Survey (USGS) and Ministry of Mines and Petroleum (MOMP) Acting Minister Nargis Nehan sign an agreement allowing USGS to provide technical assistance to MOMP. (U.S. Department of Commerce photo)

USAID and the United States Geological Survey Begin Technical Assistance Program to Support MOMP

This quarter, USAID told SIGAR it had officially launched an extractives-sector technical-assistance program with Afghanistan’s Ministry of Mines and Petroleum (MOMP). Through a Participating Agency Program Agreement, USAID will provide funding to the United States Geological Survey (USGS) to analyze and organize mineral data from both USGS archives and MOMP files. The objective of the program is to create a comprehensive database of minerals that includes both the magnitude and location of potential concentrations. USAID said the database will assist MOMP in determining whether and where investment might be viable and in managing the sector more broadly.⁵²⁶

Given that DOD's Task Force for Business and Stability Operations had previously sought to "identify and compile existing data, organize it into digital databases and Geographic Information Systems (GIS) [and] integrate [these] databases," SIGAR asked USAID what made this new program distinct. USAID said the data collected by USGS in 2004–2007 had still not been fully analyzed, and that the new interagency agreement with USGS would help MOMP to perform this analysis.⁵²⁷

Agriculture: Crucial Sector Faces Drought Conditions in Early 2018

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.⁵²⁸ 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.⁵²⁹

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.⁵³⁰ 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.⁵³¹

FEWS NET reported in March that Afghanistan was experiencing substantial rainfall deficits for the current wet season (October 2017–May 2018). Although localized precipitation in February and early March helped ease the seasonal deficit, FEWS NET said that low snowpack and precipitation levels were likely to have adverse effects on both irrigated and rain-fed crops, particularly wheat, during the spring planting season.⁵³²

USAID added that rainfall and snowpack deficits were likely to have "dire consequences" for cereal crop production. According to the agency, projections for the 2018 wheat harvest were 3.5 million metric tons (MMT), far lower than 2017's 4.2 MMT production. Based on Afghanistan's current wheat consumption needs, lower levels of wheat production were likely to result in a 2.5 MMT deficit for 2018.⁵³³

USAID added that ripple effects were likely for Afghan pastoralists, who depend on grazing rangelands. Wheat is one of Afghanistan's most important crops, and a 2008 drought contributed to a significant spike in wheat prices as well as internal displacement. According to the United Nations, nomads, casual laborers, landless people, and small farmers were the most affected by the 2008 drought.⁵³⁴

Combined with lower cereal-crop yields, USAID said the current drought would decrease food security in the country.⁵³⁵

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.⁵³⁶

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.⁵³⁷ Pages 191–198 of this quarterly report discuss USAID's agriculture alternative-development programs. USAID's active agriculture programs have a total estimated cost of \$361 million and can be found in Table 3.14.

Agricultural Credit Enhancement II (ACE-II): Some Successes but Delinquency Rates and Loss Provisions Masked by Metric Methodology

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.⁵³⁸ USAID reported that with ACE II help, ADF has cumulatively disbursed approximately \$102.5 million in loans impacting 40,953 beneficiaries, as of March 2018.⁵³⁹

The latest implementer quarterly report available to SIGAR shows that ACE-II participated in the Afghan-Indian "Passage to Prosperity" trade show, leading the spices and saffron section. According to implementers, participation in the trade show resulted in signed sales contracts worth \$1.27 million. Memorandums of understanding worth an additional \$1.23 million were signed.⁵⁴⁰

Despite this success, ACE-II implementers faced several challenges, including the adverse effects of the deteriorating security situation on loan reimbursement and collections for the ADF.⁵⁴¹ SIGAR has been tracking this issue over the last few quarters. Last quarter, SIGAR reported that, over ADF's lifetime, loans worth about \$3.3 million had been written off.⁵⁴² In October 2017, SIGAR reported that despite ACE-II's warnings regarding the effects of the ongoing conflict on the loan portfolio, the ADF appeared

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.14

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	\$87,905,437	\$7,152,256
Regional Agriculture Development Program (RADP North)	5/21/2014	5/20/2019	78,429,714	48,912,745
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/31/2019	61,294,444	53,252,706
Kandahar Food Zone (KFZ)	7/31/2013	8/30/2018	45,402,467	42,845,000
RADP East (Regional Agriculture Development Program - East)	7/21/2016	7/20/2021	28,126,111	6,595,178
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	596,085
ACE II (Agriculture Credit Enhancement II)	6/24/2015	6/23/2018	18,234,849	12,199,335
SERVIR	9/14/2015	9/30/2020	3,100,000	1,097,533
Total			\$360,993,022	\$175,900,839

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pages 196–197 of this report.

Source: USAID, response to SIGAR data call, 4/18/2018.

to be on track to meet its FY 2017 targets for percentage of loan losses (under 5%).⁵⁴³

Examining ACE-II’s indicator for “Percentage of loan losses in the ADF portfolio”—a description of which is provided in the project’s latest quarterly report—SIGAR noted that the percentage of loan losses includes only the value of loans overdue by 1,095 days (i.e. three years) or more. Although *provisions* for losses are made for high-risk loans overdue by fewer than 1,095 days, these loans are not counted as losses (that is, written off) until overdue beyond that point. As a result, the report notes that the “Percentage of loan losses” indicator “significantly under-reports losses when compared to the methodology” used by Afghanistan’s central bank (DAB). In contrast to the ADF’s policy, DAB classifies loans overdue by 360 days or more as “losses.” The quarterly report notes that, under this methodology (i.e., using the 360-day threshold, as opposed to the 1,095-day mark), loan losses, as of September 2017, were “21.5% (not less than 5%).” Total losses and loss provisions for the ADF portfolio were 31.7%, as of September 2017.⁵⁴⁴ USAID said that, as of March 2018, loan losses according to DAB’s methodology represented about 20% of the ADF’s \$21.6 million portfolio, while combined losses and loss provisions were 39%.⁵⁴⁵ SIGAR will continue to report on this issue.



Grantees attend an ACE-II agricultural finance workshop in northern Afghanistan. (USAID photo)

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. In a departure from previous quarters, and moving forward, SIGAR will provide updates on the Kajaki Dam and power availability at the Shorandam and Bagh-e Pol industrial parks in Kandahar only as significant developments occur.

Power Supply: Lack of Access to Electricity Curtails Economic Growth

Lack of access to available, affordable, and reliable electricity represents a fundamental constraint on economic growth, according to USAID.⁵⁴⁶ 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.⁵⁴⁷ Access is generally restricted to those who live along transmission corridors or in urban areas. Overall, the country's power system remains fragmented, small, and underdeveloped. The World Bank has characterized Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), as lacking adequate management and customer service.⁵⁴⁸

Afghanistan relies heavily on electricity imports: as of March 2016, about 77% of its supply was imported, according to DABS.⁵⁴⁹ Annual trade data from Afghanistan's Central Statistics Organization shows that in 2016 about 38% of imported electricity flowed from Uzbekistan—which also sold electricity at the highest average price of 9 cents (U.S.) per kilowatt hour—followed by Tajikistan (29%; 4 cents/kilowatt hour), Iran (18%; 7 cents per kilowatt hour), and Turkmenistan (15%; 2 cents/kilowatt hour).⁵⁵⁰

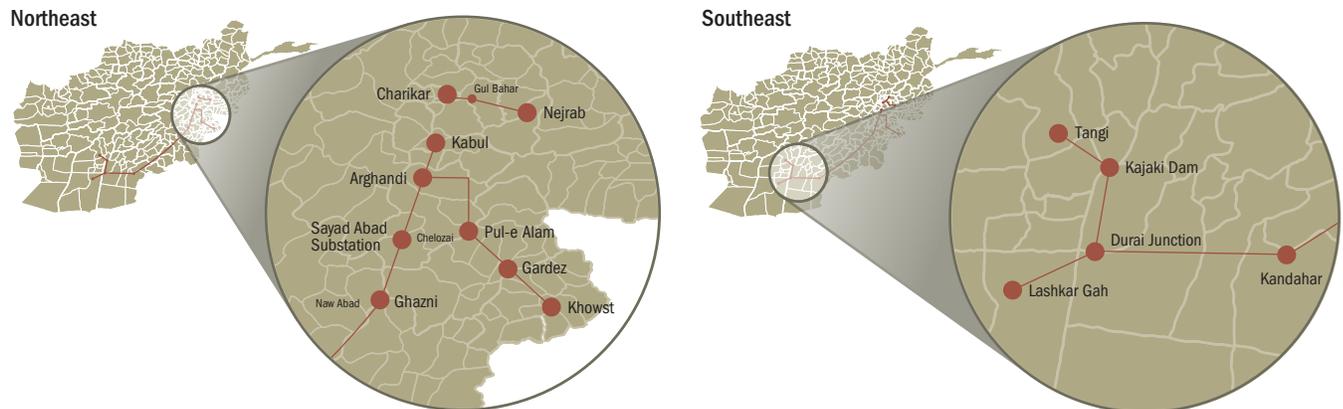
In developments occurring in late March 2018, the Taliban disrupted power supply to five provinces, including Kabul, by damaging a transmission tower in Baghlan Province. Additional provinces reportedly affected by the Taliban attack included Nangarhar, Ghazni, Wardak, and Parwan. USAID said that repair crews restored most of the electricity supply to Kabul within 12 hours of the incident, and that the damaged tower had been repaired within four days.⁵⁵¹ However, the Taliban disrupted Kabul's electricity supply again in mid-April 2018 with another attack on an electricity tower in Baghlan Province, leaving much of Kabul without power for the second time in three weeks.⁵⁵²

U.S. Power-Sector Assistance: Large-Scale Infrastructure Projects Predominate

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.⁵⁵³ USAID has also assisted

FIGURE 3.36

OVERVIEW OF PLANNED NORTHEAST AND SOUTHEAST POWER SYSTEMS



Note: Locations and routes are approximate.

Source: DOD, response to SIGAR data call, 4/3/2014; DOD, response to SIGAR vetting, 1/16/2018 and 4/13/2018.

DABS with increasing electricity supply and revenue generation by improving sustainability, management, and commercial viability.⁵⁵⁴

DOD has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program as of July 2015, and roughly \$527 million, as of February 28, 2018, through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁵⁵⁵

Of that amount, DOD has disbursed about \$386 million to construct or improve Afghanistan's two primary power systems—the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**—which the U.S. government aims to connect. (see Figure 3.36 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 DABS's capacity to sustain energy-infrastructure investments.⁵⁵⁶ USAID's active power-infrastructure projects have a total estimated cost of \$1 billion and are listed in Table 3.15 on the next page.

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.

USAID Moves Nearly \$400 Million of Power Transmission Expansion and Connectivity Funds Off-Budget

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.⁵⁵⁷ PTEC's DABS commercialization and capacity-building components aim to help the utility become financially sustainable by increasing

TABLE 3.15

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursement, as of 4/18/2018
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2020	\$725,000,000	\$159,069,897
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	3/7/2013	3/6/2023	153,670,184	153,670,184
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	35,322,287
Kandahar Solar Project	2/23/2017	8/26/2018	10,000,000	0
Design and Acquisition of SEPS Completion and NEPS-SEPS Connector	3/7/2018	3/7/2019	917,680	0
Total			\$1,014,587,864	\$348,062,368

Source: USAID, response to SIGAR data call, 4/18/2018; USAID, response to SIGAR vetting, 4/18/2018.

revenues using utility-management software in Kabul, Mazar-e Sharif, Kandahar, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.⁵⁵⁸ 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.

PTEC accounts for the majority (about 73%) of USAID's \$1.2 billion portfolio of planned and ongoing power sector projects. The \$870 million program, scheduled to run December 2012–December 2018, was paused by USAID in October 2017 due to alleged improprieties related to the award of a contract for five substations along the NEPS-SEPS Connector transmission line.⁵⁵⁹ SIGAR and USAID OIG were informed about the alleged impropriety by Afghan-based contractors in the award process; a joint investigation is ongoing.⁵⁶⁰ USAID elected to pause the remaining elements of its PTEC power-infrastructure projects to address both these procurement-integrity issues and concerns about DABS's ability to effectively manage and oversee construction projects. USAID said another reason for the pause was to mitigate the risk of a further lag between the completion of NEPS-SEPS Connector substations and completion of the segment's transmission line. Further delay was likely to leave the transmission line unenergized, making theft of its materials easier, for a longer period of time.⁵⁶¹

Of total PTEC funds, \$725 million were originally obligated by USAID for on-budget assistance to DABS. Those monies were earmarked to fund both physical infrastructure for NEPS-SEPS and technical-assistance for the state-owned utility.⁵⁶² In developments this quarter, USAID indicated it had moved a total of about \$400 million of previously on-budget funds off-budget. USAID concluded that because DABS lacked sufficient capacity and could not provide adequate oversight of construction projects, it was unable to manage on-budget monies.⁵⁶³

FINANCIAL SUSTAINABILITY AT DABS REPORTEDLY IN QUESTION, BUT DIFFICULT TO ASSESS

This quarter, USAID said Da Afghanistan Breshna Sherkat (DABS) was a “commercially unviable and poorly functioning utility.”⁵⁶⁴ A DABS presentation dated October 18, 2017, describing the utility’s financial position states, “while ... revenues grew by 68% between 2012–2016, operating expenses grew faster, by 142%.” DABS attributed the claimed increase in operating costs to a combination of factors including depreciation of the afghani against the U.S. dollar, and impairment losses and increased depreciation costs due to an asset revaluation affecting DABS’s Fiscal Year 1394 financial statements.⁵⁶⁵

However, SIGAR notes that this statement from DABS, and the presentation from which it is excerpted, may not be fully representative of DABS’s current financial position. In the statement, DABS appears to be referring to FY 1390–FY 1394.⁵⁶⁶ SIGAR analysis of DABS’s presentation shows that FY 1390–FY 1394 operating costs increased by either 146.3% or 142.7%, depending on which line items are counted. Over that time period, revenues increased by 69.3%.⁵⁶⁷

Although unverified by auditors, figures from FY 1395—encompassing most of the year 2016—presented by DABS in its financial analysis of October 2017 paint a substantially different picture than those of FY 1394. SIGAR analysis of the presentation shows that FY 1390–FY 1395 revenues increased by 135%, while operating costs (net of “Other Income”) increased at a lower rate of 125%.⁵⁶⁸

Although the most recent audited financial statements are dated November 21, 2017, they present DABS’s financial position as of March 19, 2016.⁵⁶⁹ This adds to the complications in accurately assessing DABS’s current financial position and commercial viability. For example, in its energy-sector assessment of February 28, 2018, USAID said, “After several years of generating enough revenue to cover operating costs, DABS again fell into the red in 2017, and the Afghanistan MOF anticipates



Power pylons on the outskirts of Kabul. (Asian Development Bank photo)

several years of additional losses.”⁵⁷⁰ However, according to DABS’ presentation, the utility was actually back in the black by FY 1395.⁵⁷¹ Clouding the issue further, in January 2018, TOLONews reported in an article titled “DABS Overcomes its Financial Problems” that DABS estimated positive net income of AFN 100 million per month.⁵⁷²

Even if net income remains stable in the short run at these reported levels, there are other potential threats to DABS’ mid- and long-run financial sustainability. According to DABS, it will owe, in aggregate, more than \$785 million in interest and principal payments through 2030. The magnitude of the debt, DABS said, would put its cash position at risk.⁵⁷³ However, long-term finance arrangements presented on DABS’s balance sheet of March 19, 2016, represent on-budget donor assistance provided to the utility from the Asian Development Bank. Most of that assistance appears to have come in the form of grants provided to Afghanistan’s Ministry of Finance, which then loaned grant proceeds to DABS in return for a modest interest fee. DABS then deploys the grant proceeds towards power infrastructure projects specified in the ADB grant agreements.⁵⁷⁴

While failing to pay interest on the loans from the MOF would violate the terms of the grant agreements with ADB, which necessitate the lending arrangement, it is not clear that the debt would actually put DABS in financial distress. The debt arrangement is unusual in that the MOF is in the position of both shareholder and lender. Although governed by the terms of ADB's on-budget assistance, any debt DABS owes to the MOF is intra-governmental.⁵⁷⁵ In the event that DABS was unable to service its debt, the central government may have the option of restructuring or writing it off.

USAID emphasized that the greater threat to the utility's financial sustainability is DABS's reliance on imported electricity. Because those imports are purchased in U.S. dollars, they become more expensive as the afghani depreciates.⁵⁷⁶ DABS, too, underscored this challenge.⁵⁷⁷

Illustratively, Afghanistan's reliance on power imports partly drove the hit to DABS's income statement in FY 1394—the only year in which DABS showed a loss in its October presentation, previously addressed caveats to the numbers notwithstanding. In this instance, the loss occurred in a unique year that saw substantial movements in both exchange rates and power-purchase costs. Tracking the movement of average annual exchange rates, the afghani depreciated 11.2% against the U.S. dollar, year-on-year from FY 1393–FY 1394.⁵⁷⁸ The cost of imported electricity increased by 15% over the same time period.⁵⁷⁹

More recently, however, depreciation of the afghani against the U.S. dollar has stabilized, decelerating to

1.5% in FY 1395–FY 1396.⁵⁸⁰ From FY 1395 through the first three quarters of FY 1396, the average price of imported electricity had also stabilized, SIGAR analysis of CSO data shows.⁵⁸¹

If both the AFN/USD exchange rate and the dollar cost of imported electricity remain relatively stable, then the main sensitivity for future import costs may be volume. USAID said that dependence on imports from neighboring countries was likely to increase in the short to medium term, as Afghanistan recently penned an agreement to increase imports from Turkmenistan by 3,000 MW.⁵⁸² DABS's ability to absorb financially the terms of this and other agreements with neighbors depends in part on its ability to generate cash from operations.⁵⁸³ However, it may not be possible to determine whether DABS is able to generate sufficient cash. The DABS audited financial statements released in November 2017—the most recent reliable data—were current as of March 19, 2016. More recent information is difficult to interpret: USAID emphasized that “data on DABS's financial status varies by source.”⁵⁸⁴

Ultimately, this situation presents donors with significant problems: if information on DABS' financial position varies or is simply out of date, it may not be possible to determine how much assistance it needs or whether that assistance is effective. USAID expressed serious concerns about DABS's lack of capacity this quarter.⁵⁸⁵ SIGAR echoes them. Accordingly, SIGAR signed a memorandum of understanding with DABS this quarter that will allow SIGAR to conduct a review of the utility's management and expenditure of donor funds.⁵⁸⁶

As a result, substations to be constructed along the planned NEPS-SEPS Connector, which runs from Ghazni to Kandahar, as well as USAID's contribution to the completion of SEPS—its "SEPS Completion" project—will be completed off-budget.⁵⁸⁷ USAID will continue to fund only those on-budget power projects whose implementation has already started. Those projects include the NEPS-SEPS Connector transmission line.⁵⁸⁸

In addition to moving power-infrastructure projects off-budget, USAID cancelled on-budget funding for three commercialization projects where implementation was no longer feasible with DABS.⁵⁸⁹ USAID explained that those funds, drawn from Economic Support Fund (ESF) monies, will be made available for reprogramming into new power-sector projects, or to replace any Afghanistan Infrastructure Fund (AIF) resources transferred to USAID by DOD that are at risk of cancelling in September 2019 and September 2020 before the NEPS-SEPS Connector and SEPS Completion projects are fully constructed. Emphasizing the risk of fund cancellation, USAID noted that \$8.7 million of \$101 million in previous AIF funding set aside for construction of the first section of the NEPS-SEPS Connector from Kabul to Ghazni had canceled in September 2017 as a result of insufficient disbursements.⁵⁹⁰

ESF funds backfilling any AIF cancellations may be used to complete PTEC infrastructure projects because implementation challenges—among them land-tenure issues and inefficiencies and irregularities with the Afghan procurement process—delayed on-budget contract awards. These delays, and USAID's pause of the projects, will result in a one-year gap between the completion of the NEPS-SEPS Connector transmission line and the construction of substations along the line. USAID said that this will, in turn, delay systems integration and electricity distribution to DABS customers. Moreover, erected but unenergized lines invite theft of their copper content.⁵⁹¹

USAID's decision to move funding off-budget and its energy-sector assessment final report suggest that USAID's confidence in DABS has deteriorated.⁵⁹² USAID emphasized that while channeling assistance on-budget confers certain benefits, including host-government ownership of development projects, it also carries potential pitfalls. The agency noted SIGAR's past warnings regarding on-budget assistance, citing SIGAR's October 2017 audit of FY 2011 AIF projects and SIGAR's 2017 High-Risk List, both of which underscored the inability of Afghan government entities to effectively manage on-budget funds.⁵⁹³

In Table 3.16 on the next page, SIGAR reproduces a key table from USAID's energy-sector assessment. It provides a breakdown of remaining power infrastructure projects, the estimated cost to complete those projects, budgeted amounts for AIF and ESF funds, AIF funds that may have to be returned due to cancellation, and ESF monies set aside to complete PTEC power infrastructure projects. Because the latter two figures are identical, they are presented in a single column.

TABLE 3.16

REMAINING PTEC NEPS-SEPS POWER INFRASTRUCTURE PROJECTS – FUNDING BREAKDOWN AS OF FEBRUARY 28, 2018				
Activity	Estimated Cost to Complete	Budgeted AIF (\$ MILLIONS)	Budgeted ESF (\$ MILLIONS)	AIF Potential Return/ESF Reserve (\$ MILLIONS)^a
NEPS-SEPS Connector Transmission Line (on-budget)	\$125	\$115	\$10	\$15
NEPS-SEPS Connector Substation - Kandahar City (off-budget)	65	65	0	65
NEPS-SEPS Connector Substation - Qalat, Zabul (off-budget)	25	0	25	0
SEPS Completion (off-budget)	65	55	10	30
Total: Planned Construction	\$280	\$235	\$45	\$110
NEPS-SEPS Connector remaining three substations (subject to funds availability) ^b	\$80	\$0	\$0	\$0

Note:
^a ESF budget held in reserve for completion of PTEC construction in case of AIF cancellation.
^b Three remaining NEPS-SEPS Connector substations are not considered in the budget. One or more of the substations could be funded if ESF reserve is not needed to substitute for canceled AIF.

Source: Reproduced from USAID, *Afghanistan Energy Sector Technical Assessment Final Report*, 2/28/2018, p. 8.

SIGAR AUDIT

Due to concerns regarding DABS’s capacity to manage donor funds, SIGAR discussed the need for greater transparency at the utility with President Ghani in February 2018. As a result of that discussion, SIGAR and DABS signed a memorandum of understanding that allows SIGAR to review DABS’s use and management of past and current donor funds. The review is expected to commence in the summer of 2018.

MEC Qualifies its Corruption Vulnerability Assessment of DABS

Last quarter, SIGAR reported that the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) released a corruption-vulnerability assessment of the state-owned DABS electric utility. Among other findings, the MEC concluded that DABS lacked a reliable fixed-assets registry and that “warlords” had been able to steal more than 350,000 square miles of land and nearly 100 buildings from DABS.⁵⁹⁴

The MEC also stated, “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.”⁵⁹⁵ The MEC derived this figure from SIGAR’s July 2014 *Quarterly Report to the United States Congress*. Following the release of the MEC report, SIGAR noted that these figures not only included technical assistance, which would likely not be reflected directly in the value of assets on DABS’ balance sheet, but also represented appropriated, rather than disbursed monies.⁵⁹⁶

Whereas appropriations are monies available for commitments, disbursements are funds that have actually been expended (see page 72 of the Status of Funds section of this report for an overview of funds terminology). A disbursement figure for U.S. government spending on power infrastructure projects, in other words, would have served as a more accurate basis of comparison to DABS’ balance sheet (other nuances aside).

This quarter, the MEC released an addendum to its corruption-vulnerability assessment of DABS that both retracted and qualified its original statement regarding “missing” funds at the utility. In the addendum, the MEC said the original calculation it had performed accounted for neither the distinction between “pledged” and disbursed funds, nor the difference between on- and off-budget funding, each of which has “markedly different implications for financial record-keeping.”⁵⁹⁷

The MEC's qualifications notwithstanding, SIGAR reemphasizes that it has long been concerned about U.S. on-budget assistance to DABS. The U.S. has provided \$222.2 million of bilateral on-budget assistance to DABS as of April 18, 2018.⁵⁹⁸ As discussed earlier in this section, USAID decided this quarter to move nearly \$400 million of funds designated for on-budget disbursement through DABS off-budget.⁵⁹⁹ USAID's energy sector assessment emphasized that DABS demonstrated significant shortcomings in its ability to manage and oversee construction activities, and that it had "serious concerns" about the integrity of the Afghan government's procurement process.⁶⁰⁰

Afghanistan Infrastructure Fund Power Projects: DOD Transfers NEPS II and NEPS III Afghan Government

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.⁶⁰¹

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was appropriated in subsequent fiscal years, but up to \$50 million from both the FY 2017 and FY 2018 Afghanistan Security Forces Fund (ASFF) may be used under limited circumstances to help finish existing projects.⁶⁰² 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.⁶⁰³

As of February 28, 2018, USFOR-A had completed six AIF power projects. Four projects 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. Late last quarter, construction was completed on two additional projects, NEPS II—which consisted of a transmission line from Pul-e Alam to Gardez and a substation—and NEPS III—transmission lines from Charikar to Gul Bahar and from Gul Bahar to Nejrab, as well as one substation. Both of those projects were handed over to the Afghan government in January 2018. Additionally, although the overall project was 92% complete as of February 28, 2018, USFOR-A informed SIGAR that it had handed over the NEPS I transmission line from Arghandi to Pul-e Alam to the Afghan government. USFOR-A currently has a total of four ongoing power projects, while USAID has three, as shown in Table 3.17 on page 172.⁶⁰⁴

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.⁶⁰⁵ Since the 2017 report, Afghanistan substantially

SIGAR INSPECTION

DOD has turned over its NEPS III Afghanistan Infrastructure Fund project, which constructed transmission lines and substations in Parwan and Kapisa Provinces, to the Afghan government. However, a SIGAR inspection released this quarter found that the United States Army Corps of Engineers had mismanaged the project, which is currently not operational due to unresolved land-acquisition and right-of-way issues. For more see pp. 27–29 in Section 2 of this report.

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.17

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS AS OF FEBRUARY 28, 2018 (\$ MILLIONS)							
AIF Project	Description	Notified			Percent Completed	Completion Date	
		Amount	Obligated	Disbursed			
AIF FY 2011	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City.	\$40.5	\$39.1	\$39.1	100%	Complete
	SEPS - Kajaki Dam to Lashkar Gah ^a	Repair, install transmission lines; rebuild, construct power substations.	130.0	57.5	57.5	N/A	N/A
	NEPS - Arghandi to Ghazni	Design, construct transmission lines and substations (first segment of NEPS-SEPS connection). USAID: PTEC project	101.0	101.0	96.5	100	Complete
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation.	93.7	50.3	47.1	92	5/13/2018
AIF FY 2012	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City.	67.0	64.7	64.7	100	Complete
	SEPS - Durai Junction to Maiwand	Design, construct transmission line; rebuild and construct substations.	40.0	28.5	26.9	93	4/30/2018
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line, towers, and power substation.	120.0	68.5	67.4	100	Complete
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines, towers, and power substation.		38.8	37.9	100	Complete
AIF FY 2013	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City.	37.0	34.0	34.0	100	Complete
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines, towers, and power substation.	33.0	24.1	23.6	100	Complete
	SEPS Completion - Phase I	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South.	75.0	63.1	7.8	85	5/31/2018
		Design, construct, transmission lines from Sangin North to Lashkar Gah.			39.7	86	3/31/2019
	NEPS - SEPS Connector, Ghazni to Kandahar ^b	Design, Construct transmission line and substations. Final phase of NEPS-SEPS connector. USAID: PTEC project	179.5	330.0	10.5	13 ^c	12/31/2020 ^d
AIF FY 2014	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	4.0	3.9	3.9	100	Complete
	SEPS Completion - Phase II ^e	Design, construct transmission line, and install equipment and commission substations. USAID: PTEC project	55.0	55.0	0.0	0	TBD
	NEPS - Gardez to Khowst	Design, construct transmission line and substations. DOD's final contribution to NEPS.	130.0	121.3	77.8	69	12/18/2018

Note: For DOD projects, schedule status is as of March 18, 2018, and financial status as of February 28, 2018. For USAID projects, financial status is as of March 20, 2018, schedule status as of April 18, 2018.

^a Terminated due to out-of-scope security costs.

^b The original project scope included five substations. This quarter, USAID said it plans to construct two substations, both off-budget. Completion of the remaining three will be funded only if ESF reserves are not required to substitute for canceled AIF funds. USAID has reserved \$80 million in ESF funds to complete the NEPS-SEPS Connector in the event that AIF funds expire. Obligated figure includes additional, non-AIF USAID funding.

^c TL 13% complete based on processed invoices, not percentage constructed. SIGAR will standardize completion percentage in future quarters. USAID provided no completion percentage figure for substations.

^d USAID told SIGAR that the completion dates for the NEPS-SEPS Connector transmission line and substations would likely be January 1, 2020, and the "end of 2020," respectively.

^e USAID has reserved \$30 million in ESF monies to substitute for AIF funds in the event they cancel.

Source: USFOR-A, JENG, FY 2011–2014 *AIF Program Status Report*, 2/28/2018; USACE, Garrison and Infrastructure Working Group, *AIF Status Sheet*, 2/28/2018; USAID, OI, response to SIGAR data call, 3/20/2018 and 3/24/2017; USAID, *Afghanistan Energy Sector Technical Assessment Final Report*, 2/28/2018, p. 8; USAID, response to SIGAR vetting, 4/7/2018; DOD, response to SIGAR vetting, 4/13/2018; USAID, response to SIGAR vetting, 4/18/2018.

increased the cost of starting a business at incorporation. Entrepreneurs are now required to pay the business license fee for three years, raising the cost from the equivalent of 19.9% to 82.3% of income per capita.⁶⁰⁶ 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.⁶⁰⁷

USAID has cumulatively disbursed over \$1.2 billion for economic-growth programs in Afghanistan.⁶⁰⁸ USAID's active economic-growth programs have a total estimated cost of \$396 million and can be found in Table 3.18.

TABLE 3.18

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
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	75,853,097
Women in the Economy (WIE)	7/1/2015	6/30/2019	71,571,543	28,476,213
Afghanistan Workforce Development Program (AWDP)	4/5/2012	6/30/2018	44,919,458	41,482,402
Multi-Input Area Development-Global Development Alliance	3/23/2013	6/15/2018	22,445,265	21,283,571
Multi-dimensional Legal Economic Reform Assistance (MELRA)	2/7/2018	2/6/2023	19,990,260	0
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	9,714,493
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	3,900,000
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			\$395,628,474	\$289,051,508

Source: USAID, response to SIGAR data call, 4/18/2018.

USAID Office of Economic Growth Portfolio Review Provides Window into Forthcoming Strategy

As reported earlier, USAID is developing its first Country Development Cooperation (CDCS) strategy.⁶⁰⁹ Last quarter, USAID told SIGAR it expects the CDCS to be completed by the summer of 2018.⁶¹⁰

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.”⁶¹¹ 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.”⁶¹²

This quarter, USAID’s Office of Economic Growth (OEG) provided a portfolio review presentation that provided greater insight into what the

CDCS may entail. The portfolio review described Afghanistan’s numerous economic challenges, including per-capita GDP “stalled” at \$596—which actually represented a decline from the \$630 presented for 2012. Additional challenges, among others, included widespread unemployment, currently estimated at 24.6% by the World Bank. Fifty percent of women, the review pointed out, were unemployed, while unofficial estimates of total unemployment (men and women) were between 30% and 40%.⁶¹³

The portfolio review described several steps OEG planned to take in order to support a strategy underpinned by “private sector export-led economic growth.” With the goal of increasing exports from the stated present level of \$0.75 billion to \$2 billion by 2020, OEG appeared to be considering a combined strategy of export facilitation and export promotion. While export facilitation would involve continued support for Afghanistan’s air cargo initiatives and potential Export Processing Zones (EPZs) to both promote exports and attract foreign direct investment, export promotion would involve a combination of international trade events, support for World Trade Organization standards compliance, as well as regional integration with neighboring trading partners. Several upcoming OEG procurements were described in the presentation. Of the seven procurements listed, two involve market research into how to best support Afghan exports, two are designed to help create a better enabling environment, and three entail direct support to exports—for example, through organizing and managing trade shows.⁶¹⁴ SIGAR will track these new programs as they are procured and initiated.

SIGAR SPECIAL PROJECT

This quarter, SIGAR released the results of site visits at 24 schools in Kabul Province that were either built or rehabilitated by USAID. SIGAR found that all 24 schools were open and in generally usable condition. However, SIGAR also found that there may be problems with student and teacher attendance and staffing at several of the schools. Many schools also had structural deficiencies. For more, see pp. 32–33 in Section 2 of this report.

EDUCATION

After decades of intermittent conflict, education in Afghanistan has been highlighted as one of the country’s success stories. Some one million students attended school in 2002, a figure that recently rose to 9.2 million, according to USAID, which relies on data from Afghanistan’s Ministry of Education (MOE).⁶¹⁵ Of that number, about 8.95 million students were enrolled in grades 1–12, according to the MOE.⁶¹⁶ The MOE counts students who have been absent for up to three years as enrolled because, it says, they might return to school.⁶¹⁷ Despite significant improvements, the education sector still faces numerous challenges, including poor data reliability, insecurity, shortages of school buildings and textbooks, rural access issues, and the alleged appointment of teachers on the basis of cronyism and bribery, among others.⁶¹⁸

Progress on Girls’ Education Remains Tenuous

According to the latest Implementation Status and Results Report for the World Bank-administered and partially U.S.-funded Second Education Quality Improvement Program (EQUIP II), progress towards increasing

equitable access to education, particularly for girls, was only “moderately satisfactory.” Overall, the report assessed the project an overall risk rating of “substantial.”⁶¹⁹

Data presented in the World Bank’s assessment show that although total school enrollment for Afghan girls increased by 76% (1.47 million) from a baseline of 1.93 million in January 2008 to 3.4 million in December 2017, boys enrollment increased by a larger number—from 3.39 million in 2008 to 5.5 million in 2017 (an increase of 63%). As a result, although more girls attend school in Afghanistan today, the overall ratio of girls to boys in school increased by only five percentage points (from 0.57 to 1, to 0.62 to 1), relative to 2008 baselines.⁶²⁰ The report’s figures reflect a 13-percentage-point (or about 16%) difference between actual (0.66) and target (0.79) ratios of girls to boys in grades 1–3. That number recently declined over a six-month period from 0.68 in May 2017 to 0.66 in December 2017.⁶²¹

Based on these World Bank-reported figures, while education access for girls has increased overall, gains in *equality* of access appear to have been much more modest, despite the many efforts of EQUIP II and other donor programs. One possible explanation advanced by Human Rights Watch in October 2017 is that deteriorating security has impacted girls’ education disproportionately, as families in violent areas “clamp down first on girls going to school, even while boys continue to attend.”⁶²²

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 both remote and urban 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.⁶²³ The agency will articulate future plans in a Country Development Cooperation Strategy (CDCS) currently under development.⁶²⁴

USAID had disbursed approximately \$979 million for education programs in Afghanistan, as of April 18, 2018.⁶²⁵ USAID’s active education programs have a total estimated cost of \$499 million and can be found in Table 3.19 on the next page.

University Support and Workforce Development Program: Project Ongoing, but Appears Off-Pace on Several Performance Indicators

With a period of performance of January 2014–December 2018, USAID’s \$91.9 million University Support and Workforce Development Program (USWDP) is USAID’s largest ongoing education initiative in Afghanistan. USWDP is a capacity-building program aimed at improving management

SIGAR SPECIAL PROJECT

This quarter, SIGAR released the results of site inspections carried out at six schools in Kunduz Province. SIGAR found that all six schools were open and in generally usable condition. However, SIGAR assessed that there may be problems with student and teacher absenteeism at all six schools, and that several schools appeared to have structural deficiencies.

TABLE 3.19

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/18/2018
Afghanistan University Support and Workforce Development Program	1/1/2014	9/30/2019	\$91,927,769	\$65,686,571
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	16,802,918
Support to the American University of Afghanistan (AUAF)	8/1/2013	11/29/2019	64,400,000	48,933,222
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	24,244,707
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	2/1/2017	1/31/2022	23,212,618	3,954,850
Afghanistan's Global Partnership for Education	10/11/2012	6/30/2019	15,785,770	7,666,204
Assessment of Learning Outcomes and Social Effects in Community-Based Edu.	1/1/2014	12/31/2018	6,288,391	5,191,110
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			\$499,032,315	\$256,577,011

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

SIGAR ALERT LETTERS

This quarter, SIGAR sent separate alert letters informing USAID of severe structural deficiencies in two schools in Baghlan Province funded under cooperative agreements with USAID and rehabilitated by the International Organization for Migration. SIGAR emphasized that school buildings were in danger of collapsing, in one case due to significant blast damage.

within the Ministry of Higher Education (MOHE) and Afghanistan's 11 public universities. With the goal of increasing both the quality of higher education and its relevance to the demands of Afghanistan's labor market, USWDP is assisting the MOHE implement key strategies designed to promote high-quality education and employment opportunities to Afghans.⁶²⁶

In its latest quarterly performance report, which covered October–December 2017, USWDP implementers continued efforts aimed at strengthening the capacity of Afghanistan's Ministry of Higher Education to implement and monitor accreditation standards and quality assurance. Among other activities, USWDP supported several workshops and provided technical input at the weekly board meetings of the MOHE's Quality Assurance and Accreditation Directorate.⁶²⁷

USWDP also provided an update on progress towards achievement of program performance indicators. While USWDP reported that, to date, 72% of graduates from tertiary education programs supported by the U.S. government indicated through a phone survey that they were employed—a figure close to its program target of 75%—just 209 respondents reported that their employment was “new or better.” Although USWDP will end its programming in December 2018, USWDP has achieved only 18.5% of its end goal of 1,129 on this performance indicator.⁶²⁸

Although the number of academic studies produced by students or faculty members supported by the U.S. government rose significantly in the first quarter of FY 2018 from four to 12, USWDP appears unlikely to meet its program target of 35. Moreover, only four universities supported by the U.S. government were “exercising elements of financial autonomy,” short of the program target of 10.⁶²⁹

HEALTH

Despite persistent instability in Afghanistan, the country’s health outcomes have improved dramatically since 2001. Maternal mortality rates have declined from 1,100 deaths per 100,000 live births in 2000 to 396 in 2015, according to United Nations estimates—a decline of 64%. During the same period, the under-5 child mortality rate dropped 34%, from 137 to 91 deaths per 1,000 live births. Newborn mortality rates, meanwhile, fell by 32%.⁶³⁰

However, the World Bank emphasized in February 2018 that much room for improvement remained.⁶³¹ For example, according to UNICEF, Afghanistan’s newborn mortality rate still ranks the second highest among those of 31 low-income countries, and the total number of newborn deaths in 2016—about 46,000—places Afghanistan tenth highest among all countries. Of the other nine countries in the top 10, Afghanistan has the lowest population. The United Republic of Tanzania, whose population is 58% larger than Afghanistan’s, reported approximately the same number of newborn deaths in 2016.⁶³²

Afghanistan lacks substantial capacity to meet these many health challenges independently. Afghanistan’s Independent Administrative Reform and Civil Service Commission (IARCSC) praised the Ministry of Public Health in an assessment released this quarter for formulating sound procedures and policies. But IARCSC noted that in most provinces, international nongovernmental organizations provided the majority of health services. IARCSC added, “The health sector will be paralysed if the donor agencies end their contributions.”⁶³³

To some extent, insecurity also impacts health-delivery services. The United Nations Assistance Mission in Afghanistan recorded seven conflict-related incidents that targeted health-care personnel and facilities from October–December 2017. This figure was 11 incidents fewer than the 18 reported by UNAMA in the previous quarter, a drop of 61%.⁶³⁴

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

SIGAR SPECIAL PROJECT

This quarter, SIGAR published the results of site inspections conducted at three health facilities in Kandahar Province that were constructed or rehabilitated using funds from the Commander’s Emergency Response Program (CERP). SIGAR found that DOD-provided locations for the facilities were accurate and that all three facilities were operational, equipped with supplies, electrified, and had access to running water. For more, see p. 32 in Section 2 of this report.

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

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

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.

activities to strengthen the ministry’s management and control over health-care delivery across Afghanistan.⁶³⁵

USAID believes that the MOPH’s ability to deliver quality health-care 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.⁶³⁶

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 is considering a focus on urban centers and private-sector engagement in order to further improve health outcomes.⁶³⁷

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.⁶³⁸ U.S. on- and off-budget assistance to Afghanistan’s health sector totaled more than \$1.2 billion as of April 18, 2018.⁶³⁹ USAID’s active health programs have a total estimated cost of \$228 million, and are listed in Table 3.20 on page 179.

USAID’s Health Sector Resiliency Program Descoped

USAID’s Health Sector Resiliency (HSR) program aims to reform and strengthen Afghanistan’s health-care system in order to render it more self-reliant. Technical objectives include increased accountability and governance in the health sector, as well as increased government financing for priority health services.⁶⁴⁰ The program was initiated in 2015 and is expected to end in September 2020.⁶⁴¹

Although HSR was previously USAID’s third-largest active health program in Afghanistan with a total estimated cost of nearly \$38 million, the project was descoped this quarter.⁶⁴² USAID said it descoped the program to align it with broader budget reductions to USAID’s assistance efforts in Afghanistan, as well as to the Office of Health and Nutrition specifically. USAID said the descoping would not affect the project’s or the Government of Afghanistan’s key health-sector priorities. Budgeted costs were reduced by about \$10.3 million to \$27.6 million, a 27% drop. The program’s chief of party also changed. According to USAID, this change was made to align the project with the revised expectations and scope.⁶⁴³

TABLE 3.20

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursement, as of 4/18/2018
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$7,325,721
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	39,376,331
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	27,634,654	12,313,238
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	24,388,615
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	13,000,000
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	8,189,395
Global Health Supply Chain Quality Assessment	1/2/2015	1/1/2020	1,500,000	1,500,000
Global Health Supply Chain-Procurement and Supply Management-HIV/AIDS Task Order #1	4/15/2015	9/29/2021	176,568	176,568
Total			\$227,545,680	\$106,269,868

Source: USAID, response to SIGAR data call, 4/18/2018.

Polio

Afghanistan and Pakistan, which share a 1,500-mile border, are the only two countries where polio remains endemic.⁶⁴⁴ Large-scale population movements between Afghanistan and Pakistan increase the risk of cross-border transmission, and a fatwa issued by the Pakistani Taliban targeting polio workers complicates vaccination outreach.⁶⁴⁵ The Taliban have falsely referred to polio-vaccination drops as “poison,” and began targeted killings of polio workers in June 2012—one year after the U.S. military raid that killed Osama bin Laden in Abbottabad, Pakistan.⁶⁴⁶ Pakistani doctor Shakil Afridi led a hepatitis B vaccination campaign that assisted the Central Intelligence Agency in tracking bin Laden down. The campaign’s association with the bin Laden raid has reportedly set back polio-vaccination efforts.⁶⁴⁷

As of March 31, 2018, seven new polio cases were reported in Afghanistan in 2018, the most recent of which were recorded in Kandahar and Kunar Provinces.⁶⁴⁸ According to the United Nations Children’s Fund and the World Health Organization, there were 13 officially reported cases in 2017—unchanged from 2016.⁶⁴⁹ However, UNAMA reported that the total number of cases in Afghanistan in 2017 was 14, as of February 27, 2018. According to UNAMA, five of those cases occurred in Kandahar’s Shah Wali Kot district, which vaccination workers could not access for six months in 2017.⁶⁵⁰ As of August 31, 2017, USAID had obligated about \$28.5 million and disbursed about \$28.4 million for polio-eradication efforts in Afghanistan since 2003.⁶⁵¹

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COUNTERNARCOTICS

KEY ISSUES AND EVENTS

Despite multi-billion-dollar international efforts to reduce narcotics production in Afghanistan, the total area of Afghan land under opium-poppy cultivation increased by 63% during the 2017 growing season from the previous year, and raw opium production increased by an estimated 88%.⁶⁵² The early warning system for famine for Afghanistan noted that low seasonal precipitation might hamper rainfed and irrigated crop production in 2018.⁶⁵³ What direct effect this drought will have on opium-poppy cultivation in 2018 is difficult to determine. In the past, severe nationwide drought has coincided with significant decreases in opium-poppy cultivation. This was the case for the 1999–2001 drought and again for the 2008 drought.⁶⁵⁴ However, there are multiple factors that complicate a straightforward assessment.

During the 1999–2001 drought, the Taliban government successfully enforced a poppy ban in 2001 that eliminated cultivation in most of the country (over 90% of Afghanistan). Likewise, during the 2008 drought the provincial governor of Nangarhar Province, Gul Agha Sherzai, enforced a poppy ban that eliminated poppy cultivation in the province and removed perhaps 19,000 hectares of cultivation compared to 2007.⁶⁵⁵

In 2008, the United Nations Office of Drug Control (UNODC) said the tripling in wheat prices, partially due to the drought, explained the nationwide decline in poppy cultivation. This meant that more farmers cultivated wheat instead of poppy.⁶⁵⁶ Droughts also produce effects that may not be apparent for years. Droughts amidst general insecurity cause greater stress for farmers and droughts may encourage further acceptance of poppy-cultivation once rainfall finally returns, and price differentials return to long-run averages.⁶⁵⁷

Afghanistan remains the world's dominant source of illicit opiates, although not a leading source of heroin available within the United States, according to the March 2018 International Narcotics Control Strategy Report from the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL).

According to the United Nations (UN), opium prices dropped 41% from December 2016 to December 2017 due to the record harvests reported in 2017, while heroin prices declined 7% over the same period. The UN

attributes relatively stable heroin prices to the high number of opiate interdictions throughout 2017 and the high prices of the precursor chemical acetic anhydride, which is used to make heroin, following shipment seizures into the country.⁶⁵⁸ The record opium-production level likely prevented any heroin price fluctuation despite the price increase of precursor chemicals. According to the U.S. Drug Enforcement Administration (DEA), opium from prior harvests can be stored for a long time. Therefore, the overall supply of opium has not decreased to a point where the interdictions would have an effect on opium supply and cause heroin prices to rise.⁶⁵⁹

State INL says the Afghan government has been slow to implement its ambitious 2015 National Drug Action Plan (NDAP) to address the impact of the illicit drug trade, despite professed support from Afghan officials. INL adds that the government will require financial and technical assistance from the international community to achieve the NDAP's objectives.⁶⁶⁰

This quarter, the U.S. Agency for International Development (USAID) informed SIGAR it will not plan, design, or implement any new programs to address opium-poppy cultivation. The agency's aim in the agriculture sector will be restricted to strengthening the capabilities of licit private enterprises that link to domestic and international markets. USAID said they will coordinate closely with INL, who will manage alternative-development programs.⁶⁶¹

Meanwhile, the United States has still not finalized the revised counternarcotics strategy under development since 2014. According to State, the current draft strategy seeks to deny the Taliban drug revenue to pressure them to participate in peace negotiations. The draft strategy also maintains focus on building and improving Afghan counternarcotics (CN) capabilities and capacity. It is still undergoing interagency coordination.⁶⁶²

Between January and March 20, 2018, Afghan law-enforcement personnel conducted 59 interdiction operations. Seizures included 1,399 kilograms (kg) of opium, 251 kg of heroin, 376 kg of hashish, and 449 kg of precursor chemicals.⁶⁶³ A kilogram is about 2.2 pounds.

SIGAR LESSONS LEARNED REPORT

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 March 31, 2018, the United States has provided \$8.78 billion for CN efforts in Afghanistan since 2002. Congress appropriated most CN funds for Afghanistan through the Department of Defense Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3.25 billion), the Afghan Security Forces Fund (ASFF) (\$1.31 billion), the Economic Support Fund (ESF) (\$1.42 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.26 billion).⁶⁶⁴

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).⁶⁶⁵

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 State:

- **Interdiction**—preventing illicit drugs from reaching their destination—is important in stemming the flow of illegal drugs and countering the negative effects of organized criminal groups. INL supports interdiction efforts through training, equipping, and providing technical assistance to partner nation law enforcement agencies. Such efforts increase the capacity to detect, investigate, disrupt, and seize shipments of illicit drugs and the chemicals (known as precursors) needed to process and produce drugs.
- **Eradication**—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.⁶⁶⁶

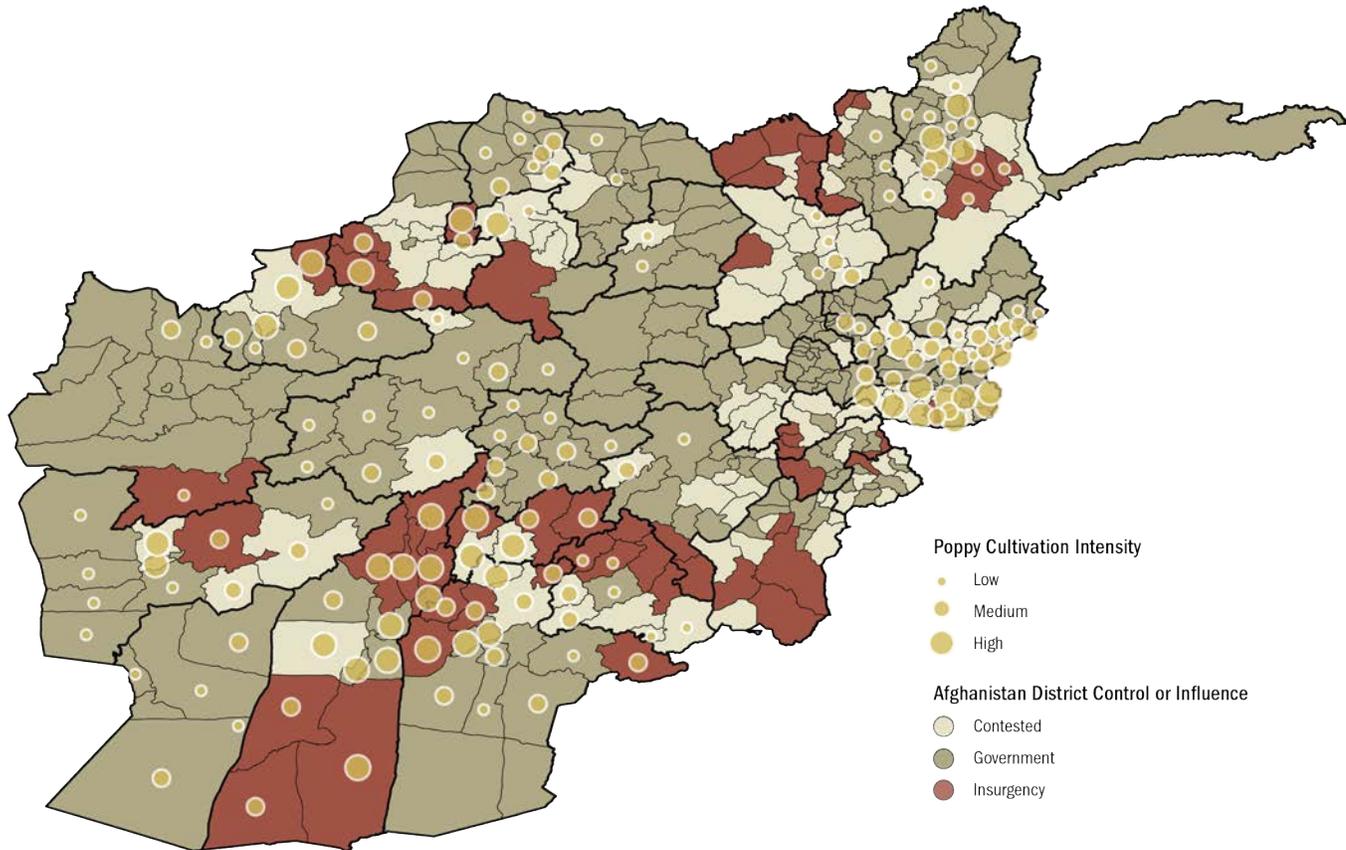
According to DOD, “Revenue from drug trafficking, taxation/extortion, illicit mining/agriculture, and foreign financial support continues to sustain the insurgency and Afghan criminal networks.”⁶⁶⁷ The CNPA, comprising regular narcotics police and specialized units, leads counternarcotics efforts among Afghan security forces.⁶⁶⁸ Afghan Uniform Police and Afghan Border Police also participate in counternarcotic activities.⁶⁶⁹

In addition, the General Command of Police Special Units conducts high-risk operations against terrorism, narcotics and organized crime.⁶⁷⁰ 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.⁶⁷¹ The NIU maintains forward-based personnel in Kandahar, Kunduz, and Herat Provinces.⁶⁷² The Technical Investigative Unit (TIU) is an individual component, comprising 100 translators, that works within the Joint Wire Intercept Platform (JWIP) in support of SIU/NIU investigations. Another SIU component has four officers who are responsible for the administrative management of court orders obtained by SIU investigators to conduct Afghan judicially authorized intercepts.⁶⁷³

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FIGURE 3.37

DISTRICT OPIUM-POPPY CULTIVATION AND AFGHAN GOVERNMENT CONTROL OR INFLUENCE



Note: The district-level administrative boundary file was originally obtained from Princeton University's Empirical Studies of Conflict (ESOC) portal (<https://esoc.princeton.edu/files/administrative-boundaries-398-districts>). ESOC's file was created based off of the district file originally created by the Afghanistan Information Management Services (<http://www.aims.org.af/>) and includes 398 districts. Because Resolute Support (RS) uses a district-level boundary file that contains 407 districts, some districts could not be assessed at the level used by RS. The following districts were assessed by RS but do not appear in UNODC's breakdown and cannot be located or plotted on the map: Marjah in Helmand (results included with Nad-ali), Bad Pash in Laghman, Jaghatu in Ghazni, Delaram in Nimroz, Mirzakah in Paktya, and Chinartu in Uruzgan (do not exist in UNODC listing). UNODC has poppy cultivation results for the following districts which are not listed in RS: Hisa-i-Duwumi in Panjshir Province. As of 2017, UNODC includes Ghormach District in Faryab Province in 2017, but it remains part of Badghis Province in RS's data.

The analysis was conducted with ArcGIS Pro software. Districts with zero hectares of poppy in 2017 were eliminated from the data before analysis. Poppy area (ha) was then normalized by district area (m^2) and placed into three classes based on a geometric interval method. Geometric interval places an approximately equal number of observations into each class, however the width of the classes may not be equal. The "Low," "Medium," and "High," upper limits are respectively 1.2×10^7 , 13.0×10^7 , and 120.0×10^7 .

Source: USFORA, data call response, 3/22/2018; UNODC, *Afghanistan Opium Survey 2017: Cultivation and Production*, 11/2017, pp. 64–70.

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.⁶⁷⁴ Salary supplements are used to attract and retain the most qualified and highly trained officers to the specialized units. Supplements are provided to all NIU officers, from the police officer to the unit commander; the amount of the supplement is based on the individual's rank.⁶⁷⁵

DOD provided \$675,000 for equipment to the NIU for 2017 and \$1 million for equipment to be delivered in 2019.⁶⁷⁶

According to the UN International Narcotics Control Board, drug trafficking and production takes place mainly in areas where government institutions are weak or the government is unable to exercise full control because of the deteriorating security situation, although trafficking is not limited to areas controlled by insurgents. The UN stated that up to 90% of drug production currently falls within Taliban-controlled areas, although it is unclear how “illicit production” is defined.⁶⁷⁷ However, as shown on Figure 3.37, a SIGAR analysis found that strictly in terms of poppy cultivation, there are districts under Afghan government control or influence with significant levels of cultivation. In certain provinces, the districts with the largest area of opium-poppy cultivation for 2017 are under government influence or control: Argo, assessed to be under Afghan government influence, is the highest opium-poppy-cultivating district in Badakhshan (3,658 hectares); Nahr-e Saraj, considered under government control in Helmand (18,464 hectares) and Zharey, considered under government influence in Kandahar (7,605 hectares) are the second-highest producing districts in their respective provinces. The two top-producing districts in Nimroz Province (Khash Rod and Chahar Burjak with 7,256 hectares and 4,167 hectares respectively) are also under government influence.⁶⁷⁸

Further, when the area of poppy cultivation in a given district is divided by the area of the district, the calculated cultivation intensity allows for cross-district comparisons throughout Afghanistan, as shown in Figure 3.37. The map illustrates the intensity of opium-poppy cultivation overlaid on RS’s district control assessment as of January 31, 2018. Among the 47 districts in the high intensity category, 14 are assessed as being under government control or influence (for instance Achin, Arghandab in Kandahar, Balkh, Lashkar Gah, Nahr-e Saraj, Sarkani, Shinwar, and Surkh Rod), 22 are contested districts, and 11 are under insurgent control or influence (for instance Baghran, Ghormach, Kajaki, Musa Qala, and Sangin).

The medium intensity category includes 63 districts with 34 under government control or influence, 16 contested, and 13 under insurgent control or influence. Districts in the low intensity grouping include 43 under government control or influence, 13 contested and six under insurgent control or influence. The final category of poppy-free districts includes 226 districts of which 132 are under government control or influence, 27 under insurgent control or influence, and 67 are contested.⁶⁷⁹

Overall, the relationship between control and poppy cultivation is a mixed picture. RS data shows that the government controls or influences more districts than the insurgents. When combined with UNODC data, government control or influence also translates into control or influence of poppy cultivating districts. This relationship holds true for the absolute area

SIGAR FINANCIAL AUDITS

SIGAR is conducting two financial audits (F-129 and F-130) on Bureau of International Narcotics and Law Enforcement Affairs (INL) programs:

- one on the Pacific Architects and Engineers Incorporated (PAE) contract (SAQMMA15C0032) for costs incurred during the period January 1, 2015, through February 26, 2016, totaling \$23.5 million. Under the contract, PAE provided a framework and defined requirements to assist the Afghan government in implementing goals and objectives of INL’s Corrections System Support Program (CSSP). PAE also supported the National Justice Program to modernize and develop the Afghan corrections system by providing mentoring, training, infrastructure support, and professional assistance to the correctional entities within the Ministries of Justice and Interior, and the General Directorate of Prisons and Detention Centers;
- another on the PAE contract (SAQMMA15C0003) for security services for the National Interdiction Unit, Sensitive Investigative Unit, and the Justice Sector Support Program and CSSP activities for costs incurred during the period December 15, 2014, to September 18, 2017, totaling \$78.78 million.

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of poppy cultivation but is particularly evident when poppy cultivation is compared across districts.

More information on territorial control is available in the Security section beginning on page 86.

Interdiction Results

State INL funds support programs to disrupt illicit drug production, strengthen criminal-justice systems and law-enforcement institutions, and combat transnational organized crime.⁶⁸⁰ 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.⁶⁸¹ NIU and SIU this quarter (through March 20, 2018) seized 3,028 kg of morphine, 251 kg of heroin, as well as 449 kg of chemicals, according to figures reported to DEA by the units. NIU and SIU were responsible for 61 detentions and reported 59 operations for the quarter.⁶⁸²

U.S. support for the train, advise, and assist mission includes a U.S. Special Forces team that mentors specialized CNPA units.⁶⁸³

There are growing concerns about the production, use, and trafficking of synthetic drugs in Afghanistan. Methamphetamine production and seizures have increased and treatment of individuals with related drug-use disorders rose in parts of the country.⁶⁸⁴ The data suggest that the main cause of the rise could be increased methamphetamine use by opiate users, as smuggling and possibly illicit local manufacture had expanded the market for synthetic drugs.⁶⁸⁵ Even though only one methamphetamine laboratory was reported to have been dismantled in 2015, precursors such as ephedrine and pseudoephedrine, which can be used to manufacture methamphetamine, were widely available in the country, imported legally and illegally.⁶⁸⁶

TABLE 3.21

INTERDICTION RESULTS, FISCAL YEARS 2008–2018*											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**	TOTAL
Number of Operations	282	263	624	669	518	333	270	190	156	82	3,523
Detainees	190	484	862	535	386	442	394	301	152	93	3,888
Hashish seized (kg)	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,327	34,781	1,157,933
Heroin seized (kg)	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,975	683	38,262
Morphine seized (kg)	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	106,369	5,301	178,173
Opium seized (kg)	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	24,263	7,901	463,342
Precursor chemicals seized (kg)	93,031	20,397	122,150	130,846	36,250	53,184	234,981	42,314	89,878	2,963	830,703

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.

* The following FY 2008 results are not shown in Table: 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.

** Results for period 10/1/2017–3/20/2018.

Source: DOD(CN), response to SIGAR data call, 7/29/2015, 7/20/2017, and 3/27/2018.

The security situation in Afghanistan remains poor and has hindered interdiction activities.⁶⁸⁷ During the second quarter of FY 2018, most interdiction activities occurred in the capital and the eastern regions. These activities included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. Between January 1 and March 20, 2018, Afghan operations resulted in the following seizures and destruction of multiple drug labs: nearly 1,400 kg of opium, 3,028 kg of morphine, 251 kg of heroin, 376 kg of hashish, and 449 kg of precursor chemicals.⁶⁸⁸ The number of operations increased from 23 to 59—a 156% increase from last quarter. DOD said the increase is probably a result of the continuing mentorship from Special Forces units, as well as support from RS assets, and improved interoperability.⁶⁸⁹ The Special Forces advisory team has facilitated NIU access to key enablers including rotary wing lift and enabled missions in remote areas.⁶⁹⁰ No eradication operations took place this quarter.⁶⁹¹

This quarter, DEA reported that eight labs were destroyed, but no high-value persons were apprehended as of March 18, 2018. Two high-value targets were apprehended during FY 2017.⁶⁹²

As shown in Table 3.21, from fiscal year 2008 through March 20, 2018, over 3,520 interdiction operations have resulted in the seizure of 463,342 kg of opium. However, the sum of these seizures over nearly a decade would account for little more than 5.1% of the opium produced in Afghanistan in 2017 alone. According to the United Nations Office on Drugs and Crime (UNODC) 2017 Opium Survey, Afghanistan's potential opium production in 2017 was approximately 9,000 metric tons (or 9 million kg).⁶⁹³ U.S. government estimates for 2017 were slightly higher, but reveal a similar trend when compared to 2016: 9,140 metric tons for opium production and 329,000 hectares for opium-poppy cultivation, as opposed to 328,000 hectares and 9,000 metric tons reported by UNODC.⁶⁹⁴

The SMW is the only Afghan National Defense and Security Forces (ANDSF) organization with night-vision, rotary-wing air assault, and manning fixed-wing intelligence, surveillance, and reconnaissance capabilities.⁶⁹⁵ The SMW is essential to expanding the ability of the counterterrorism/counternarcotics units to engage high-value targets. The SMW is used by the Afghan Special Security Forces to conduct helicopter assault raids throughout the country.⁶⁹⁶

DOD Classifies Information on Strategic Air Campaign

Last quarter, SIGAR reported on the air campaign against narcotics facilities and financial networks conducted under new authorities provided by the Administration's South Asia strategy. The new authorities enable USFOR-A to target insurgent financial networks and revenue streams, such as narcotics facilities and training centers. U.S. air assets such as B-52s, F-18s, and other aircraft support Afghan Air Force (AAF) pilots using A-29s, MD-530s, and other air assets in the campaign.⁶⁹⁷

At a RS press briefing on February 8, Major General James Hecker stated that AAF air-strike sorties were nearly double those of the U.S. Air Force in Afghanistan. In 2017, the AAF conducted approximately 2,000 air-strike sorties. He noted that the air strikes were disrupting the insurgency, “putting turmoil into their process.”⁶⁹⁸ In April, USFOR-A and ANDSF targeted narcotics-production facilities beyond southern Afghanistan for the first time in this counter-revenue campaign: 11 facilities were destroyed in Farah and Nimroz Provinces. Since November 2017, there have been 75 strikes overall against narcotics-production facilities; the AAF conducted five operations against Taliban narcotics production facilities.⁶⁹⁹

In its January 2018 *Quarterly Report to the United States Congress*, SIGAR questioned USFOR-A’s valuation of destroyed narcotics labs. USFOR-A told SIGAR it determines the value of narcotics destroyed as part of counter-threat-finance efforts by using the chain value in the Afghan opium/heroin trade based on an assessment of the revenue generation potential of a target. According to USFOR-A, this accounts for the total product value when it leaves areas controlled by the Taliban. The estimate that the Taliban receive 20% of total product value is based on the multiple ways the Taliban receive revenue from narcotics, including profits from direct ownership, fees for transportation and protection, licensing fees to drug traffickers, and taxation at harvest. According to USFOR-A, the 20% provides an estimate of the financial impact to the Taliban, but is not a hard number.⁷⁰⁰

USFOR-A classified information on the campaign against insurgents’ financial networks this quarter, such as the financial assessment of revenue denied to the insurgency, the effectiveness of the air campaign, and the total number of facilities and networks targeted (though some of the latter information is available on RS’s website). SIGAR will report on the campaign in the classified annex to this report. More information on the SMW is available on page 110 of this report.

New Penal Code Contains More Counternarcotics Provisions

The Afghan government introduced a new penal code in November 2017.⁷⁰¹ According to INL, the new penal code has considerably more laws specific to counternarcotics and carries higher sentences than the 1976 penal code. INL considers the new code a “wholly more comprehensive and modern law.”⁷⁰²

The new code favors prison terms to fines and now criminalizes behavior by public officials that would jeopardize official investigations.⁷⁰³ It authorizes confiscating assets (including land, structures, and vehicles) used in, or earned through, illicit drug production, and trafficking.⁷⁰⁴ For the first time, smuggling, distribution, and sale of psychotropic drugs, a category that was not previously covered by Afghanistan’s narcotics laws, has been incorporated in the penal code.⁷⁰⁵

Afghanistan's parliament recently passed a new Counter Narcotics Law (CNL), which was signed by President Ghani and came into effect in February 2018. That new CNL contained criminal provisions that would have superseded the new penal code and nullified the new penal code provisions. The Council of Ministers held an extraordinary meeting where they approved the repeal of the criminal provisions of the new CNL. On March 6, the Ministry of Justice published on its website the decree repealing the criminal provisions of the new CNL. The decree is coupled with an amendment to the penal code (Article 916), which will now include the language repealing the criminal CNL provisions, thus maintaining the PC as the criminal law of the land. INL hopes that the enforcement of the new penal code goes will deter landowners from supporting the cultivation of poppy or other illicit crops.⁷⁰⁶

INL hopes that once the new penal code goes into effect, its enforcement will deter landowners from supporting the cultivation of poppy or other illicit crops.⁷⁰⁷

Eradication Results

Governor-Led Eradication

Under the Governor-Led Eradication (GLE) program, INL reimburses provincial governors \$250 for the eradication costs of every UNODC-verified hectare of eradicated poppy.⁷⁰⁸ For 2017, GLE resulted in 750 hectares eradicated in Nangarhar, Kandahar, Badakhshan, Balkh, Kunar, Kapisa, Laghman, Ghor, Herat, Badghis, Nimroz, Takhar, and Kabul Provinces.⁷⁰⁹ Eradication activities will begin next quarter for this growing season.⁷¹⁰ The MCN informed INL that they received no eradication funding in 2018.⁷¹¹ INL has obligated and disbursed \$6.9 million since the program's inception.⁷¹² As Figure 3.38 on the next page illustrates, eradication efforts have had minimal impact on curbing opium-poppy cultivation.⁷¹³

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's phasing it out. No new GPI projects were approved after April 30, 2016.⁷¹⁴

As of February 28, 2018, 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.⁷¹⁵ INL will continue to fund ongoing

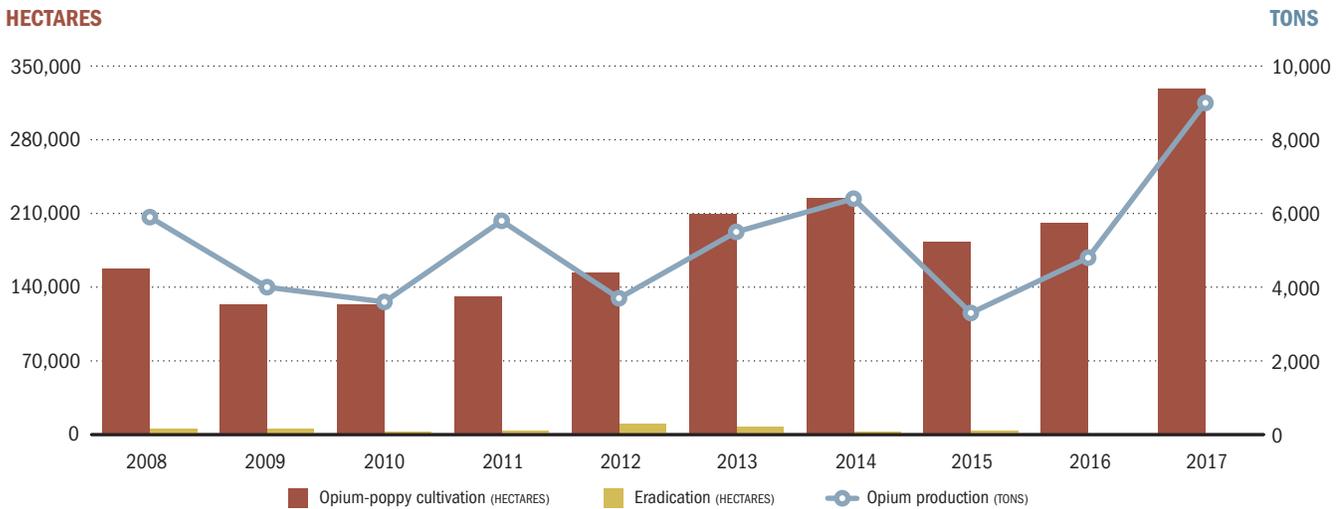
SIGAR SPECIAL PROJECTS

SIGAR's Office of Special Projects issued a report on two GPI infrastructure projects in March 2018. SIGAR found that INLs reported geospatial coordinates for both projects were within half a kilometer from the actual project location. SIGAR also found that both structures were in usable condition, with no apparent structural deficiencies, and that they both had access to power and water. However, SIGAR found that for one project, the facility and grounds already showed serious wear and tear; clear indications of poor workmanship; a lack of maintenance; and that the facility was not being used as intended. More information on this report is available in Section 2.

COUNTERNARCOTICS

FIGURE 3.38

AFGHAN OPIUM-POPPY 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, 64–71.

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*, 3/2018, p. 19.

projects until their completion.⁷¹⁶ INL launched an alternative-development project called Boost Alternative Development Intervention through Licit Livelihoods (BADILL) in August 2016. BADILL is expected to follow through on INL's commitments to those provinces most affected by the GPI cancellation.⁷¹⁷ More information on BADILL is available in the Alternative Development section, beginning on page 196.

Ministry of Counter Narcotics Capacity-Building

Since 2008, INL has obligated \$35.7 million and disbursed \$27.7 million to build capacity at the Ministry of Counter Narcotics (MCN).⁷¹⁸ 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.⁷¹⁹

INL is implementing a skills-based training grant and a financial-remediation plan contract through the Afghanistan Holding Group under MCN Capacity Building.⁷²⁰ INL has another capacity-building program under the **Colombo Plan** whereby Asian University for Women (AUW) fellows from Kabul are assigned to the MCN.⁷²¹ Last year, the Colombo Plan selected the

10 AUW fellows and recruited the first MCN advisor assisting in revising the National Drug Action Plan (NDAP).⁷²² Since 2012, INL has obligated \$1.13 million and disbursed \$1.1 million.⁷²³

The NDAP revision is working its way through the Afghan government clearance process and will be translated into English upon its completion. The MCN, Colombo Plan, and INL continue to recruit advisors for the four focus areas: provincial affairs, procurement, law enforcement, and finance. Two out of the four advisors positions have been filled.⁷²⁴

INL reported last year that it had yet to receive the second formal review of Afghanistan's NDAP. The MCN is mandated to publish annual reports on the implementation of the NDAP.⁷²⁵

ALTERNATIVE DEVELOPMENT

USAID Ends Alternative Development in Afghanistan

This quarter, USAID reported that it will no longer implement or develop new alternative-development (AD) programs in Afghanistan, nor focus on counternarcotic areas. According to USAID, the agency expects its work in the agriculture sector to increase economic opportunities for Afghans. INL will manage alternative programming.⁷²⁶

Opium-poppy cultivation and production reached an unprecedented level in 2017, as reported by the UNODC: production reached 9,000 metric tons and cultivation 328,000 hectares—88% and 63% higher, respectively, than in 2016.⁷²⁷ The early warning system for famine for Afghanistan noted that low seasonal precipitation might hamper rainfed and irrigated crop production in 2018. It is unclear how the below-average precipitation forecasts for the spring season will affect opium-poppy cultivation.⁷²⁸ In the past, severe nationwide drought has been positively correlated with significant decreases in opium-poppy cultivation. This was the case for the 1999–2001 drought and again for the 2008 drought.⁷²⁹ However, the Taliban successfully enforced a poppy ban during the first drought (2001) and the Nangarhar provincial government also enforced a poppy-ban during the second drought (2008).⁷³⁰ Further, UNODC has shown that drought can increase wheat prices, making poppy cultivation less appealing.⁷³¹ Nonetheless, droughts amidst general insecurity cause greater stress for farmers and droughts may encourage further acceptance of poppy-cultivation once rainfall finally returns, and price differentials return to long-run averages.⁷³²

In January 2018, USAID launched a three-year, \$19 million 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 Badghis, Farah, Herat, and Nimroz Provinces. Project beneficiaries will include small and medium enterprises, input suppliers, private service providers, traders, millers and

processors, and producer groups. The program aims to benefit nearly 40,000 small-farm owners from 5,700 enterprise households.⁷³³

According to INL, it has been implementing AD programming in Afghanistan since 2007 through GPI and a series of grants with the non-governmental 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.⁷³⁴

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 aims to address 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.⁷³⁵

In FY 2017, KFZ rehabilitated 11 canals in Zheray and Panjwayi providing improved irrigation water to an estimated 8,890 hectares, benefiting 5,765 households. KFZ also trained 19 **mirabs** on canal maintenance; identified 24 locations in Zheray and Panjwayi where additional control gates were needed to improve water distribution; and conducted focus groups with

Mirabs: persons elected by water users and landowners to be 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 fees for minor canal repairs, and supervise the repairs.

Source: USAID, *Kandahar Food Zone Program (KFZ) Year 5 Work Plan, August 31, 2017, to August 31, 2018, 9/21/2017*, pp. 10–11.



Training **mirabs** on canal maintenance. (USAID Photo)

farmers, community leaders, Afghan government district agricultural offices staff members, and mirabs from Do Aab in Panjwayi and Sangi-Hisar in Zheray about canal maintenance, on-farm water management, and lobbying for larger water allocations. KFZ activities centered on the Do Aab canal included interviewing 62 farmers to design a water management program and completing the registration of a water user group. Also in FY 2017, KFZ rehabilitated 348 hectares of existing vineyards; established 70 hectares of new pomegranate orchards; provided on-farm technical assistance to 715 vineyard farmers and 100 farm women cultivating off-season vegetables; and increased fruit exports by \$3.6 million and national sales by \$190,000.⁷³⁶

For FY 2018—the program’s final year—KFZ intends to rehabilitate another 127 kilometers of 14 canals and organize a water-user group to negotiate a more equitable distribution of water from the Dahla Dam. KFZ is expanding its vineyard project to include additional farmers, plant new pomegranate orchards, level farmland to improve on-farm water management, assist food processors to increase production and sales, and help traders’ access international markets. The program will also expand training for, and distribute fertilizer and materials to, 300 farm women for growing off-season vegetables.⁷³⁷ As of March 31, 2018, USAID has disbursed \$42.8 million for the program.⁷³⁸

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 ongoing in the 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.⁷³⁹

RADP-East

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 aims to increase the sales of agricultural goods and services by \$57 million by the final year of the program. Activities support the apricot, tomato, poultry, and dairy value chains.⁷⁴⁰ RADP-E’s result for FY 2017 was \$79,995, lower than the original target of \$500,000. According to USAID, RADP-E’s first sub-grant was not awarded until July 2017. The value of national sales will be tracked and reported during FY 2018. Most current reported sales are

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.



Business-to-farmer meeting facilitated by Tala Dairy Processing Company, Kabul, November 21, 2017. (USAID Photo)

Paraveterinarian or paravet: a community-based animal health worker who provides initial diagnosis and basic treatment of animals.

Mobile marketing stops: extensions of temporary outlets which carry certified seeds, but are also points where sellers promote the characteristics of new seeds through presentations and marketing materials. Farmers can respond to the presentation by buying seed from the mobile marketing stop vehicle, or by going to the temporary outlet at a later time.

Source: A. Catley, T. Leyland, et al., "Para-veterinary professionals and the development of quality, self-sustaining community-based services," *Revue scientifique et technique* (International Office of Epizootics), 2004, p. 225; USAID, response to SIGAR vetting, 4/10/2018.

business-to-business transactions which took place during the off-season; those sales will be reported in the next fiscal year.⁷⁴¹

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.⁷⁴² 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 women, and connect 250 small and medium-size enterprises to large firms.⁷⁴³

During January 2018, RADP-E expanded activities for 15 market-development grants (MDGs) valued at \$505,304; over half of the grant values (\$259,540) involved cost-sharing by the grantee. The program submitted an additional 11 MDG grant packages to USAID valued at \$238,536. USAID approved all MDG applications by the end of February 2018 in time for the spring growing season.⁷⁴⁴

RADP-E also facilitated market linkages between agribusinesses and farmers. One business-to-farmer activity between Narakh Sheen Ban Agriculture Company and 17 greenhouse owners resulted in 10 contract agreements valued at \$27,110. RADP-E also sponsored five agribusinesses for the Gulfood Exhibition 2018 held in Dubai on February 18–22.⁷⁴⁵

Some key accomplishment during FY 2017 were:⁷⁴⁶

- business-to-business, and business-to-farmer events which resulted in sales agreements totaling approximately \$85,200
 - participation in the 2016 and 2017 Kabul International Agriculture Fair
 - participation in the India Afghanistan Trade and Investment Show held in September 2017 with potential deals of \$15,229,000
 - agriculture value-chain finance training for credit managers and bankers to update and upgrade the capacity of Afghanistan's financial sector
- As of March 31, 2018, USAID has disbursed \$6.6 million for RADP-E.⁷⁴⁷

RADP-North

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 the rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces.⁷⁴⁸ RADP-N issued 18 grants valued at \$617,725 to local partners during the first quarter of FY 2018. RADP-N also connected seed companies, mills, and manufacturers, which resulted in four signed contracts. Seed companies sold 35 metric tons of wheat and earned nearly \$14,000 (AFN 952,062). The program supported nine agribusinesses to attend the 2017 World Food India trade show in November 2017, enabling them to generate \$1.6 million in sales. A thousand beneficiaries including 200 women participated in **paravet** training.⁷⁴⁹

RADP-N plans to increase the number of **mobile marketing stops** from 70 last year to 120 this fiscal year, while maintaining eight district outlets and 16



Laser-land-leveling demonstration field day in Qabchoq Uliya village, Sholgara District, Balkh Province, October 24, 2017. (USAID Photo)

village outlets. According to USAID, temporary outlets have good potential, and sales increase the beneficiary numbers and productivity. Last year's seed sales included temporary outlets for the first time and seed companies were said to be pleased to have direct sales outlets. The program also worked with agricultural equipment suppliers to import better equipment since a significant number of units broke during their first year of use. For example, 75% of backpack sprayers broke during their first year of use and only 44% remained in working condition the second year. The program stressed the need to train new owners in the use, maintenance, and repair of the units.⁷⁵⁰

As of March 31, 2018, USAID has disbursed \$48.9 million for the RADP-N program.⁷⁵¹

RADP-South

RADP-South (RADP-S) was a \$111.4 million program terminated by USAID in November 2017 because it did not meet its productivity and income targets. The regions targeted by RADP-S will be covered by new contracts from the Afghanistan Value Chains-Crops and Afghanistan Value Chains-Livestock programs.⁷⁵² Contract awards are under procurement.⁷⁵³

Commercial Horticulture and Agricultural Marketing Program

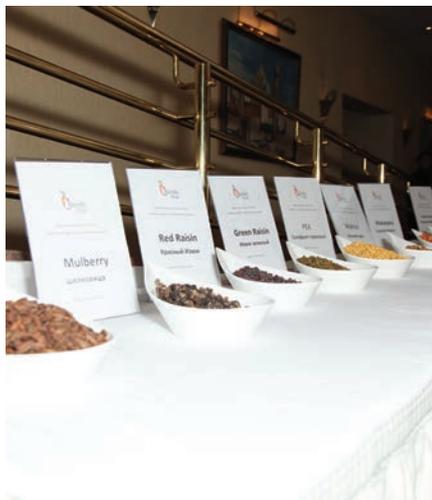
The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a USAID-funded \$71.3 million program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production. The program started in 2010 and is scheduled to end in December 2019.⁷⁵⁴ During December 2017, USAID increased the

SIGAR FINANCIAL AUDIT

SIGAR is conducting a financial audit (F-136) of USAID's Regional Agricultural Development-North Program auditing \$17.8 million in costs incurred by Development Alternatives Inc. during the period January 1, 2016–December 31, 2017.

SIGAR AUDIT

An ongoing SIGAR audit of USAID's Regional Agricultural Development Program 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.



CHAMP Afghan products exhibition at the Almaty Trade Office opening in Kazakhstan. (USAID Photo)

program cost from \$61.3 million to \$71.3 million and expanded program activities to Kandahar to focus on harvest quality, improve cold storage, introduce new grape varieties, expand exports to Central Asia, and overcome impediments to exports.⁷⁵⁵

To date, the program has exported 80,000 tons of produce valued at \$95 million to markets in Pakistan, Canada, the United Arab Emirates (UAE), and Russia; created over 8,200 agribusiness jobs; constructed more than 230 storage facilities; and trained over 110,000 farmers, including 3,850 women. During December 2017, CHAMP supported the participation of Afghan exporters in the India Packaging Show held in Mumbai on December 18–22. The program reported the export of 961 metric tons of nuts, dried fruits, saffron, and sesame seeds to the Netherlands, Australia, India, Iraq, Pakistan, Russia, Saudi Arabia, Turkey, the UAE, the United Kingdom, and the United States. The exports were valued at \$5.6 million.⁷⁵⁶ The CHAMP trade office in Almaty, Kazakhstan, was officially inaugurated in February 2018 to facilitate agricultural exports from Afghanistan. CHAMP also has trade offices in New Delhi and Dubai.⁷⁵⁷

As of March 31, 2018, USAID has disbursed \$53.3 million for the program.⁷⁵⁸

Boost Alternative Development Intervention Through Licit Livelihoods

Boost Alternative Development Intervention through Licit Livelihoods (BADILL) is an INL-funded program implemented by UNODC to strengthen and diversify licit livelihoods of small and marginal farmers by supporting horticulture value chains. BADILL will be implemented in 13 provinces and aims to reach 50,000 households in four years.⁷⁵⁹

INL transferred its entire \$20 million BADILL contribution to UNODC in late 2016.⁷⁶⁰ Between October and December 2017, UNODC completed the procurement for three small-scale projects, selected beneficiaries in all target districts and provinces, and established two groups of poultry and dairy farmers in Takhar Province (each group deals with 400 dairy and poultry farmers). The program has reached the halfway completion goal with targeted communities signing a social contract exhibiting their commitment to disallow the cultivation of narcotics on their land and with the creation of a land-stabilization committee in Nimroz. UNODC supported the participation of 10 small and medium entrepreneurs (SMEs) to participate in the national agriculture exhibition organized by the Ministry of Agriculture, Irrigation and Livestock (MAIL) during October 18–20, 2017. SMEs were also sent to India to visit village-based poultry farms and attend the 12th International Dairy and Agri-Expo held in December.⁷⁶¹

The MAIL, with UNODC technical support, hosted the 5th National Saffron Conference in Kabul, November 6–8. The event was attended by over 200 saffron-cultivating farmers, entrepreneurs, and Agriculture

University professors and scientists from Afghanistan and India. During the conference, areas of mutual cooperation were identified, and linkages established with the research-and-development institutes of India and Iran. The conference determined the next steps for the effective implementation of the saffron value-chain development program over five years.⁷⁶²

UNODC held coordination meetings with ministerial representatives and implementing partners, and conducted field visits with provincial stakeholders. Consultations were held with provincial stakeholders in Helmand and Uruzgan Provinces to accept the stakeholders' comments and suggestions for better implementation and to better coordinate activities with the provincial directorates. The MCN, MAIL, and UNODC teams traveled to the southern region to monitor the progress of ongoing activities in Helmand and Uruzgan.⁷⁶³

UNODC noted the security situation presents a continuing challenge. The security at the sub-national level has "deteriorated immensely in the past few months," limiting the mobility and accessibility of project staff.⁷⁶⁴

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 the United Nations Development Programme (UNDP), its two implementing partners. The program aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities.⁷⁶⁵ 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.⁷⁶⁶

CBARD-West

CBARD-West aims to test alternative livelihoods to opium-poppy cultivation in Farah and Badghis Provinces. In addition to supporting local farmers with field schools, CBARD-West will develop, and strengthen existing public and private agro-business infrastructures in the areas of irrigation, transportation, and agricultural value chain facilities.⁷⁶⁷

During the first quarter of FY 2018, CBARD-West trained 374 people, including 79 women, on business development, project monitoring and implementation, and the concept of value-chain and agribusiness development. The trainings are expected to increase the local beneficiaries' capacity to establish businesses, monitor projects, and work on value chain of high-value crops. Additionally, 279 people and 551 households benefitted from various infrastructures including the construction of 95 greenhouses, 19 irrigation infrastructures and 45 compost exhibitions. The benefits include increase in income, improved accessibility to markets, and improved access and management of water.⁷⁶⁸

CBARD-East

CBARD-East aims to reduce the overall poverty rate in Nangarhar by 2%. During the quarter, the program identified the communities for intervention and selected the high-value crops.⁷⁶⁹ Minister Nasir Ahmed Durani of the Ministry of Agriculture, Irrigation, and Livestock and Nangarhar Governor Gulab Mangal inaugurated the CBARD-E provincial office in Jalalabad on March 13, 2018. At the inauguration the minister and governor also signed several contracts with community-development-councils for the establishment of 195 commercial greenhouses.⁷⁷⁰

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.⁷⁷¹ 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.⁷⁷² According to INL, inadequate border security and weak enforcement capacity hamper control of precursor chemicals used to produce drugs. During 2017, Afghan officials noted an increase in the amount of precursor chemicals trafficked into the country.⁷⁷³

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

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.⁷⁷⁴ The United States also funds an antidrug curriculum in Afghan schools, which has trained over 1,900 teachers and reached over 600,000 students in 900 schools.⁷⁷⁵ INL provided \$6.3 million in FY 2016 appropriated funds during this reporting period and funded \$13.7 million to the Colombo Plan in FY 2017.⁷⁷⁶ INL provides assistance for substance abuse treatment programs in Afghanistan through the Colombo Plan Drug Advisory Programme, which includes residential, outpatient, and outreach programs. INL also supports the Colombo Plan with training and certification of drug addiction counselors.⁷⁷⁷

INL also started a pilot rural treatment program in June 2017 in Jowzjan and Laghman Provinces; however, its activities have been delayed due to security and winter weather conditions. Implementing partners are

Source: UNODC, *Multilingual Dictionary of Precursors and Chemicals*, 2008, viii.

negotiating memoranda of understanding with the Afghan government. INL expects to roll out the program in June 2018.⁷⁷⁸

Since 2015, INL has transitioned responsibility for 42 of 86 U.S.-funded drug treatment centers in Afghanistan to the Ministry of Public Health (MOPH): 14 of the centers transitioned over to the MOPH as of January 2018.⁷⁷⁹ This quarter, INL and the Colombo Plan continued to revise the plan in accordance to the accelerated transition schedule. UNODC neared completion of their quality-assurance report on drug demand reduction which had been anticipated in early 2018.⁷⁸⁰ The remaining treatment centers are scheduled to transition by the end of 2019. INL reduced funding to all facilities (including the 28 MOPH centers) by approximately 20% in 2015, another 15% in 2016, and another 25% in 2017.⁷⁸¹

Most of the 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.⁷⁸² The residential treatment centers comprise 40 centers for adult males, eight for adult females, eight for children, five for adolescent males, and five for adolescent females.⁷⁸³ Twelve of the 44 home-based programs provide services to adult females.⁷⁸⁴

INL has obligated approximately \$150.7 million for the Colombo Plan since 2008.⁷⁸⁵

Counter-Narcotics Community Engagement

INL has obligated \$12.7 million and spent \$11.9 million on its Counter-Narcotics Community Engagement (CNCE) program since its inception in April 2013.⁷⁸⁶ 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 an increasing impact on Afghan attitudes about illicit narcotics.⁷⁸⁷ The public-health surveys conducted in 2014 indicate high exposure to antidrug messaging, particularly for messages related to health risks of drug use and addiction.⁷⁸⁸

Sayara Strategies is completing its final target audience assessment. The program is scheduled to end March 31, 2018.⁷⁸⁹

SIGAR AUDIT

An ongoing SIGAR audit of INL's drug treatment programs in Afghanistan is examining the extent to which INL and its implementers: (1) developed strategies and assessed program achievements; (2) conducted required oversight, and identified and addressed program challenges; and (3) incorporated sustainment into the programs.

