ECONOMIC AND SOCIAL CONTENTS

ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES AND EVENTS

The United States is working with other donors to develop a post-peace-settlement economic plan for Afghanistan, Acting Assistant Secretary of State for South and Central Asian Affairs Alice Wells said in a June 2019 hearing on U.S. interests in South Asia before the House Foreign Affairs Subcommittee on Asia, the Pacific, and Nonproliferation.[410] That draft plan emerged from the November 2018 donor conference on Afghanistan in Geneva, Switzerland. A joint communiqué released at the conclusion of the conference stressed the importance of developing and implementing a specific action plan of economic initiatives to advance the return of Afghan financial capital to the country, increase Afghan and foreign investment, create jobs, and enhance regional economic integration following a potential peace agreement.[411] The plan had not been finalized when this report went to press.[412] According to an analysis published in March 2019 by the United States Institute for Peace, "An abrupt stoppage or sudden steep decline in aid would … result in macroeconomic instability, fiscal and state collapse, and an end to prospects for peace."[413]

The Afghan government's domestic revenues continued to increase at a healthy pace this quarter, as they have since 2014, according to the International Monetary Fund (IMF).[414] SIGAR analysis showed that Afghanistan's sustainable domestic revenues grew by 9.5%, year-on-year, over the first five months of Fiscal Year (FY) 1398 (December 22, 2018–May 21, 2019), compared to the first five months of FY 1397 (December 22, 2017–May 21, 2018).[415] Expenditures, meanwhile, increased by 23.2% year-on-year, over the first five months of FY 1398.[416] While this is a large increase, expenditure growth has slowed as the fiscal year has progressed.[417] The Afghan government and the IMF agree that the main fiscal risks in 2019 relate to possible revenue shortfalls due to political tensions and the presidential elections scheduled for September 28, 2019.[418] Donors cover more than 70% of all public expenditures and Afghanistan is likely to remain heavily dependent on that support for the foreseeable future.[419]

In a macroeconomic appraisal of Afghanistan released this quarter, the IMF said that Afghanistan's economy grew by 2.7% in 2018 (in real terms), with stronger than expected industrial sector performance (driven by construction and increased domestic production of steel and

Sustainable Domestic Revenues: According to Afghanistan Ministry of Finance (MOF) officials, these are revenues like customs, taxes, and nontax fees. Multilateral institutions such as the World Bank and the IMF use reports of these revenues to judge the Afghan government's fiscal performance.

One-Off Domestic Revenues: These are nonrecurring 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 with the government.

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

cement) outweighing a drag on agriculture due to a prolonged drought.[420] A November 2018 IMF report had projected 2.3% growth in 2018.[421] Higher than previously expected growth notwithstanding, the IMF noted Afghanistan's short-term economic outlook was subject to significant downside risks, including continued violence and political instability.[422] In sharp contrast to the IMF, the World Bank estimated that Afghanistan's economy grew by just 1.8% in 2018.[423] While World Bank and IMF GDP-growth figures often differ slightly, they are typically more or less equivalent.[424] Although the reasons for the difference in 2018 were unclear, the Bank said the combination of the severe drought and heightened uncertainty (surrounding the level and duration of international security assistance and ongoing peace negotiations with the Taliban, among other factors) weighed down output in 2018.[425]

U.S. SUPPORT FOR ECONOMIC AND SOCIAL DEVELOPMENT: THEORY, OBJECTIVES, AND FUNDING

The United States continues to emphasize the importance of economic development in its policy planning for Afghanistan. The U.S. government's current Integrated Country Strategy (ICS) for Afghanistan states that U.S. efforts in Afghanistan—including the fundamental objective of preventing further attacks by terrorists on the U.S. homeland—cannot be sustained without a growing licit Afghan economy.[426] One goal of the U.S. mission in Afghanistan, therefore, is to create economic prosperity in Afghanistan by advancing private-sector-led export growth and job creation, and by bolstering social gains in health, education, and women's empowerment.[427]

This goal, as well as helping make the Afghan government more stable and accountable, links the ICS to USAID's Country Development Cooperation Strategy (CDCS) for Afghanistan.[428] The CDCS, which postulates that accelerating economic growth will help expand the Afghan government's revenue base, contribute to stability, and create the conditions necessary for peace, defines how the agency plans to approach its development efforts in Afghanistan through 2023.[429]

The three Development Objectives of the CDCS are:

- accelerate private-sector-driven, export-led economic growth
- advance social gains in health, education, and gender equality
- increase the Afghan government's accountability to its citizens

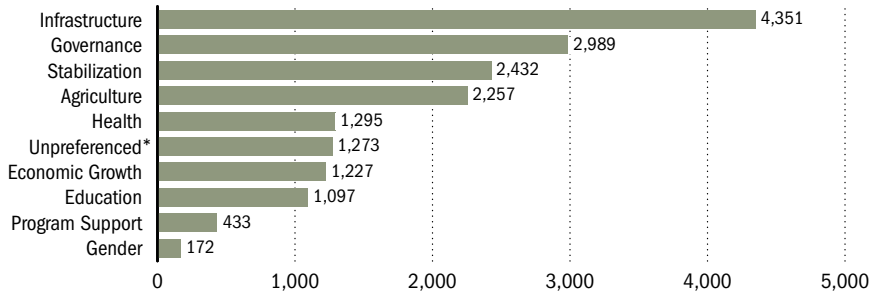
Development Objectives: (DOs) correspond to specific development challenges that a mission aims to address. A Country Development Cooperation Strategy cannot have more than four DOs. DOs are typically the most ambitious results to which a USAID Mission in a particular country (e.g., the USAID/Afghanistan Mission), in conjunction with its development partners, can contribute.

Source: USAID, *ADS Chapter 201: Program Cycle Operational Policy*, 5/24/2018, p. 29.

Without a peace agreement, it may be difficult for the U.S. government to make as much progress as desired toward these goals. While the emphasis and intensity of specific policies and programs have changed over the past 17 years, USAID's core belief and theory of change—that a growing economy contributes to stability and security—has remained constant.[430] But experts do not agree on whether economic growth creates stability or vice

FIGURE 3.40

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JULY 9, 2019
($ MILLIONS)



Note: USAID Mission-managed funds. Numbers are rounded. USAID gender programs managed by the agency's Office of Gender are presented as a separate category. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and programs that build health and education facilities. OFM activities (e.g. audits and pre-award assessments) included under Program Support funds. *Unpreferenced funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR analysis of USAID, response to SIGAR data call, 7/11/2019; SIGAR analysis of World Bank, ARTF, *Administrator's Report on Financial Status* as of April 20, 2019, 7/3/2019.

versa.[431] And SIGAR research suggests that security may be a prerequisite to development.[432]

As of March 31, 2019, the U.S. government has provided approximately $34.5 billion to support governance and economic and social development in Afghanistan since 2002. Most of these funds—nearly $20.5 billion—were appropriated to USAID's Economic Support Fund (ESF). Of this amount, $19.2 billion has been obligated and $16.8 billion has been disbursed.[433] Figure 3.40 shows USAID assistance by sector.

ECONOMIC PROFILE

Donor plans articulated in the ICS and CDCS must grapple with the reality that Afghanistan remains poor, conflict-affected, and aid-dependent, despite sustained efforts by the United States and others to lift the country's economic prospects. Estimates of Afghanistan's real economic growth rate in 2018 ranged from 1.8% (World Bank) to 2.7% (IMF).[434] Both the IMF and the Bank estimated 2017 growth at 2.7%.[435] The current environment of relatively low growth contrasts sharply with the donor-driven, near double-digit rate Afghanistan experienced over the first decade of reconstruction.[436] It also contrasts with a very high overall growth rate (7%) in South Asia, which the Bank described as "the world's fastest growing region."[437]

With the precarious security situation, heightened political uncertainty (due in part to the presidential elections slated for September 2019), and a widespread drought weighing down output in 2018, the IMF said the current growth rate remained too low to make headway in reducing poverty in the country.[438] A broad national survey conducted by Afghanistan's statistical

Opium and Other Illicit Goods Complicate Assessments of Afghanistan's Economic Performance

Including the opium economy, GDP growth in Afghanistan can be higher or lower than that reported by the IMF and the World Bank. Reflecting the significant (approximately 90%) growth of opium production in 2017, Afghanistan's statistical authority reported that GDP growth including the opium economy in that year was 7.2%. Although final figures have not yet been published, opium will likely contribute far less to GDP growth in 2018, as high levels of supply and a widespread drought resulted in a significant decline in the income earned by opium-poppy farmers.

Including additional illicit drugs produced in Afghanistan and the service industries supporting the drugs economy would add even more value to GDP. A May 2019 paper from the Afghanistan Research and Evaluation Unit, a think tank, pointed out that marijuana was a significant summer crop in some Afghan provinces. Methamphetamine is also produced in Afghanistan.

Source: NSIA, *Afghanistan Statistical Yearbook 2017–2018*, 8/2018, p. 110; SIGAR, *Quarterly Report to the United States Congress*, 1/30/2019, pp. 150, 152; UNODC, *Afghanistan Opium Survey 2018: Cultivation and Production*, 11/2018, pp. 5, 8; Afghanistan Research and Evaluation Unit, *The Sun Cannot be Hidden by Two fingers: Illicit Drugs and the Discussions on a Political Settlement in Afghanistan*, 5/2019, p. 3.

authority in 2016 and 2017 found that 55% of Afghans were living below the poverty line (defined as the national norm for covering the costs of basic needs, which was around $1 per day), up from 34% in 2013–2014.[439] The results implied that close to 16 million Afghans were living in poverty.[440]

Overall, the IMF said Afghanistan's GDP was projected to rise slightly to 3% in 2019 due to the agricultural sector's recovery from widespread drought.[441] This is well below the estimated 8% the Afghan economy would have to grow by annually to absorb several hundred thousand Afghans entering the labor market every year, according to a 2018 World Bank analysis.[442] And, adding that there were "significant downside risks to the baseline growth scenario," the IMF also said political and security challenges could limit the predicted recovery.[443] Specifically, the IMF cautioned that in the last presidential election year (2014)—which was characterized by high levels of political uncertainty, stalled reforms, and the withdrawal of international troops—Afghanistan experienced a sharp drop in both growth and domestic revenues.[444]

Nevertheless, the IMF said that a durable peace could raise growth prospects fundamentally by boosting private-sector confidence and supporting higher levels of investment.[445] Whether such a peace is possible is not yet clear.

Fiscal Situation: Revenue Gains Continue

Afghanistan remains heavily dependent on foreign aid. SIGAR analysis of IMF data shows that the IMF does not expect the Afghan government to cover more than 50% of its expenditures from domestic revenues until 2023.[446] Including both on-budget and off-budget grants, donors covered more than 70% of total public expenditures in 2018.[447] Although Afghanistan's revenue performance has been strong in recent years, the country will remain heavily reliant on donor financing for the foreseeable future.[448]

Even so, revenue increases have been strong since 2014, according to the IMF, which noted that despite weak economic and security conditions, revenues were close to 13.5% of GDP in 2018, nearly five percentage points higher than in 2014.[449]

That trend continued this quarter. SIGAR analysis showed that Afghanistan's sustainable domestic revenues grew by 9.5%, year-on-year, over the first five months of FY 1398 (December 22, 2018–May 21, 2019), compared to the first five months of FY 1397 (December 22, 2017–May 21, 2018).[450] Although aggregate domestic revenues increased by a seemingly impressive 23.2%, these gains were driven primarily by a substantial transfer (approximately AFN 9.0 billion, or $116.8 million) from Afghanistan's central bank in month 5 (April 22, 2019–May 22, 2019) that accounted for 59.1% of the revenue increase.[451]

While gains in income taxes, which increased by 38.0%, accounted for 26.4% of the aggregate, year-on-year revenue increase through the first five months of FY 1398, revenues classified as "Other Revenue" (also referred to as "Miscellaneous" revenue) accounted for 28.8%.[452] According to MOF

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.

TABLE 3.29

EXPENDITURES, FIRST FIVE MONTHS, AFGHAN FISCAL YEARS 1397 AND 1398 COMPARED (IN AFGHANIS)

Category	FY 1397	FY 1398	% Change
Wages and Salaries[a]	64,829,739,998	72,016,126,577	11.1%
Goods and Services[b]	16,074,475,633	21,769,674,189	35.4
Subsidies, Grants, and Social Benefits[c]	9,927,821,034	9,807,102,262	(1.2)
Acquisition of Assets[d]	12,038,321,143	23,159,838,800	92.4
Interest and Repayment of Loans[e]	504,271,550	560,304,205	11.1
Total	**103,374,629,358**	**127,313,046,033**	**23.2%**

Note:
[a] Compensation of government employees.
[b] Includes: (1) payments to private firms in return for goods and/or services, and (2) payments to other government units or agencies in return for services performed.
[c] Includes: (1) expenditures made to entities in return for development assistance and promotional aid, or reimbursement for losses caused by equalization of commodity tariffs, price controls, and other similar purposes that are not repayable; (2) grants to other government units for which unequal value is provided in return; and (3) social assistance benefits not covered by social security.
[d] Expenditures related to the purchase, improvement, or construction of assets.
[e] Interest, principal payments, and fees related to government debt.

Source: SIGAR analysis of USAID-provided AFMIS data exported 7/10/2019; SIGAR analysis of USAID-provided AFMIS data exported 1/12/2019; Government of Afghanistan, MOF, *Chart of Account Guide Fiscal Year: 1397, Version 1,* "Object Exp Long Des," 1/7/2018.

officials, the "Miscellaneous" category is sometimes used as a catch-all designation for uncategorized revenues prior to the MOF's reconciliation.[453] As SIGAR has reported before, evaluating the drivers of revenue increases is more difficult when a large proportion of overall revenues remain unreconciled.[454] SIGAR analysis shows that 8.6% of total revenues through the first five months of FY 1398 were categorized as "Other Revenue," the majority (74.3%) of which will be reclassified at a later date.[455]

Expenditures increased by 23.2% year-on-year, over the first five months of the year.[456] While this may appear to be a significant increase, expenditure growth has moderated significantly as the fiscal year has progressed.[457] Table 3.29 shows year-on-year expenditure increases through the first five months of FY 1398. The Afghan government and the IMF agree that the main fiscal risks in 2019 relate to possible revenue shortfalls due to political tensions and the presidential elections scheduled for September 28, 2019.[458]

Afghanistan's Licit Trade Deficit Remains Large Despite Initiatives to Promote Exports by Air

For years, Afghanistan has maintained a large licit merchandise trade deficit. According to the IMF, the deficit is equivalent to more than 30% of GDP.[459] Although export growth has been strong in recent years (11.6% in 2018 and 27.6% in 2017), boosted by Afghan government export promotion initiatives, exports by air have been heavily subsidized. Still, the IMF expected the trade deficit to be equivalent to more than 30% of GDP through 2020.[460]

While one objective of USAID's current development strategy for Afghanistan is to accelerate export-led economic growth, the IMF said that, excluding donor grants, Afghanistan's current account deficit (the net balance of Afghanistan's goods and services trade with other countries, transfer

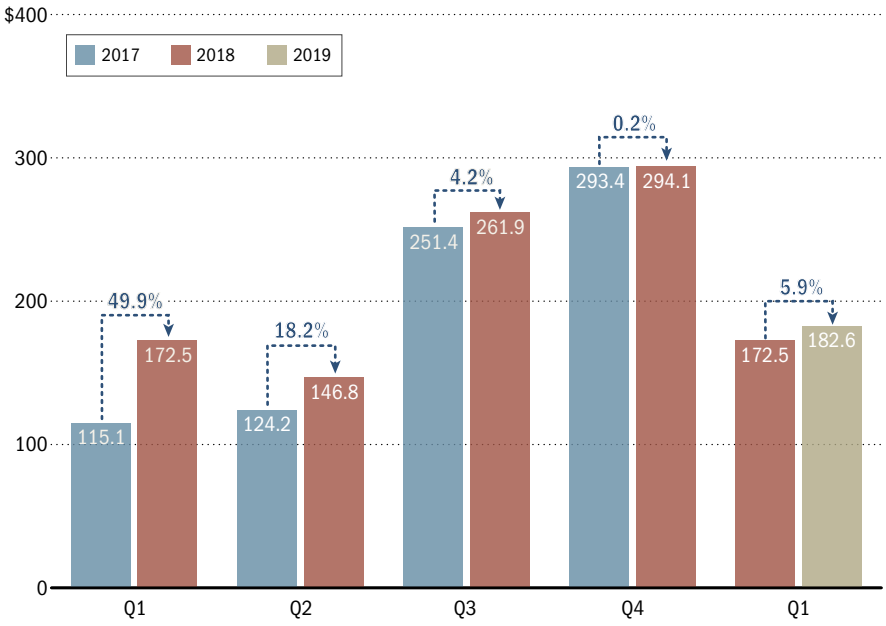
SIGAR SPECIAL PROJECT

This quarter, SIGAR released a follow-up review to its May 2015 audit on U.S. assistance to Afghanistan's civil aviation sector. Among other objectives, U.S. assistance to the sector is intended to benefit Afghan exporters and to increase exports by air.

SIGAR found that U.S. assistance helped the Afghanistan Civil Aviation Authority (ACAA) make progress towards rectifying institutional and training shortcomings identified in SIGAR's May 2015 audit and aided the ACAA's development of professional staff. However, SIGAR found that while the ACAA made important strides in being able to independently carry out civil aviation operations, it has not achieved several key objectives, and remains dependent on donor assistance.

FIGURE 3.41

AFGHANISTAN'S EXPORT PERFORMANCE, 2017–2019 ($ MILLIONS)



Source: SIGAR analysis of NSIA quarterly and annual export data, 2017–2018, accessed 6/21/2019, 3/23/2019, 12/20/2018, and 9/25/2018.

payments, and earnings on cross-border investments) "remained very large in 2018 despite . . . strong export growth partly reflecting the establishment of subsidized 'air corridors.'"[461] SIGAR analysis of trade data published by Afghanistan's statistical authority showed that year-on-year merchandise export growth reached 5.9% in the first quarter, even as the volume of exports fell, compared to the preceding quarter.[462] While import growth also appeared to slow substantially, Afghanistan's licit trade deficit in the first quarter of 2019 was approximately $1.6 billion and imports were nearly 10 times the value of exports.[463] Figure 3.41 shows quarter-to-quarter export growth.

USAID said that, according to the Afghanistan Chamber of Commerce, Afghan government subsidies covered 83% of shipment costs for flights to New Delhi, India; 80% of shipment costs for flights to Mumbai, India; and 70% of shipping costs for flights to Europe.[464] The World Trade Organization (of which Afghanistan is a member) prohibits export subsidies, subject to limited exceptions, because they provide an unfair competitive advantage to recipients and therefore distort market dynamics. However, exceptions are made for specified developing countries.[465] While USAID claimed net gains to Afghan income as a result of the subsidies were 24% of the exported value of covered products, SIGAR has not independently verified this figure.[466]

IN RESPONSE TO SIGAR CONCERNS, USAID CHANGES MERCHANDISE EXPORT FIGURES ON ITS PUBLIC WEBSITE

One of USAID's objectives under its current strategy is to accelerate export-led economic growth.[467] Concerned that USAID might be overstating the extent to which Afghanistan's exports have increased in recent years, SIGAR asked USAID why its public website reported that Afghanistan's merchandise exports in 2018 were $1 billion, when Afghanistan's statistical authority valued exports of goods in 2018 at a notably lower $875.2 million.[468] USAID replied that Afghanistan's export data was "disparate and conflicting," but conceded that start and endpoint figures for showing Afghan export growth on USAID's website were not fully comparable.[469] In response to both a discussion with SIGAR and to a draft version of this report, USAID removed the merchandise-export figures from its public website and publicly available economic-growth fact sheet, and replaced them with the Afghanistan statistical authority's rounded official figure of $875 million.[470]

SIGAR also asked USAID why it reported that the total value of Afghanistan's airborne exports in 2018 was more than $500 million when the Afghanistan Customs Department (ACD) reported their value in 2018 was only $152.2 million.[471] USAID said it had revalued Afghanistan's air exports by triangulating data from several different sources.[472] USAID added that it had not revalued Afghanistan's ground exports.[473] SIGAR pointed out that by revaluing only Afghanistan's airborne exports, USAID may have made it appear that exports by air were having a much larger impact on total exports than may be the case.[474] After communicating with SIGAR on this issue, USAID removed its estimate of Afghanistan's airborne exports from its public website and economic-growth fact sheet.[475] USAID added it was currently defining performance indicators related to its updated strategy, including airborne export figures (implying that it had previously published a figure without first deciding how to measure it).[476]

The remainder of this highlight discusses the details and implications of the export figures originally reported by USAID.

Differences Between USAID's Overall Export Figure and Official Data

Much of the trade between Afghanistan and its neighbors is carried out informally, rendering it difficult to track merchandise exports, USAID related in a discussion with SIGAR this quarter.[477] But to best measure the effectiveness of USAID's export-led growth strategy, it is critical that year-over-year comparisons of Afghanistan's exports utilize baseline and endpoint figures derived from similar sources employing similar methodologies. If baseline and endpoint figures are not comparable, there is a risk that successes are exaggerated and failures are concealed.

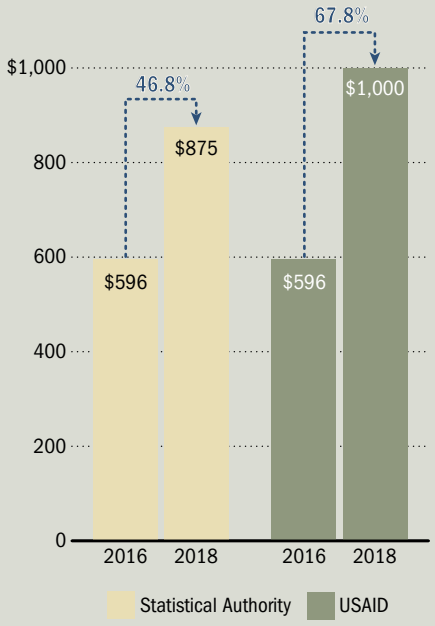
SIGAR has Previously Identified USAID Data Discrepancies

In a January 2017 audit on U.S. assistance to Afghanistan's health sector, SIGAR reported that USAID did not disclose data quality limitations related to numerous claimed achievements made in life expectancy, child and infant mortality, and maternal mortality. For example, USAID's public documents cited a decrease from 1,600 to 327 maternal deaths per 100,000 live births between 2002 and 2010. However, upon reviewing USAID's data, SIGAR found that the 2002 information was based on a survey conducted in only four of Afghanistan's then-360 districts. USAID's internal documentation acknowledged the limitations. USAID funded a new health survey in 2015. The agency draws its more recent health data from this survey.

Source: SIGAR, *Afghanistan's Health Care Sector: USAID's Use of Unreliable Data Presents Challenges in Assessing Program Performance and the Extent of Progress*, 1/2017, i; Government of Afghanistan, NSIA, *Afghanistan Demographic and Health Survey 2015*, 1/2017, ii; USAID, *Country Development Cooperation Strategy*, 3/31/2019, p. 36.

FIGURE 3.42

MERCHANDISE EXPORT GROWTH FROM 2016–2018: USAID VS. AFGHAN STATISTICAL AUTHORITY FIGURES



Note: The 2016 export value is for the solar year, while the 2018 export value is for the fiscal year. Although solar and fiscal-year totals are not strictly comparable, the chart illustrates the difference in percentage increase when different endpoint values are used.

Source: USAID, "Economic Growth: Afghanistan," updated 5/30/2019, https://www.usaid.gov/afghanistan/economic-growth, accessed 6/20/2019; Quarterly and annual NSIA trade data, accessed 9/25/2018, 12/20/2018, and 3/23/2019; SIGAR analysis.

By presenting Afghanistan's exports in 2018 as $1 billion, USAID was able to claim that from 2016 to 2018, merchandise exports increased by 68% (starting from a baseline of $596 million in 2016). Substituting the Afghanistan statistical authority's official figure—$875.2 million—for $1 billion, the rate of export growth drops to 47% (starting from the same base) over that two-year period. While a growth rate of 47% over the period is still impressive, it was 21 percentage points (or 45%) lower than the 68% rate USAID claimed when using the higher number for 2018 (Figure 3.42).[478]

SIGAR subject-matter experts who discussed this discrepancy with USAID concluded that USAID was using inconsistent data sources when presenting year-on-year merchandise export growth on its public website. Specifically, USAID compared "direct" data to "mirror" data.[479] Direct data is published by Afghanistan's statistical authority and reflects official Afghan government figures for merchandise exports. In contrast, mirror data reflects official import volumes and values reported by Afghanistan's trading partners.[480] The effect of this comparison is to exaggerate merchandise export growth in 2016–2018, as publicly presented by USAID.[481]

In the course of the discussion, one USAID/Office of Economic Growth (OEG) official conceded that the comparison of direct to mirror data may not represent a proper comparison and suggested that perhaps OEG should standardize the start and endpoint figures on its public website so that they are more comparable.[482] In response to SIGAR's concerns, USAID eventually removed the merchandise export figures from its public website and publicly available economic-growth fact sheet, and replaced them with the Afghanistan statistical authority's rounded official figure of $875 million.[483]

Discrepancies Between USAID's Air Export Figures and Official Data

The USAID website also stated that the total value of Afghanistan's airborne exports in 2018 was more than $500 million.[484] However, when SIGAR asked USAID/OEG to provide disaggregated Afghanistan Customs Department (ACD) data on airborne exports, USAID reported their value in 2018 was only $152.2 million—more than $347.8 million (or approximately 70%) less than its public reporting.[485]

When asked to explain this apparent discrepancy, USAID said it had recalculated dollar-value export figures from the ACD to arrive at its estimate of $500 million for air exports in 2018.[486] Specifically, USAID said it had assessed its own unit-level market value for goods exported by air under the assumption that ACD data underreported the market value of airborne exports.[487] Later, USAID said it had triangulated data from official Afghan sources, the Afghanistan Chamber of Commerce and Industries, and inbound airborne trade data from top Afghan export destinations to arrive

Afghan officials attend a ribbon-cutting ceremony to open a new cold-storage facility at Hamid Karzai International Airport that aims to boost Afghan exports. (USAID photo)

at its estimate for exports by air in 2018. SIGAR repeatedly asked for, but USAID did not provide, the quantitative basis for this estimate.[488]

USAID attributed underreporting of Afghanistan's exports to "corruption at all levels."[489] If true, this implies that corruption produced a more than $347.8 million (or approximately 70%) discrepancy between the ACD's figure for the value of goods exported from Hamid Karzai International Airport ($152.2 million) in 2018 and USAID's ($500 million).[490] That is a substantial effect.

Data Discrepancies Could Hamper Evidence-Based Decision Making

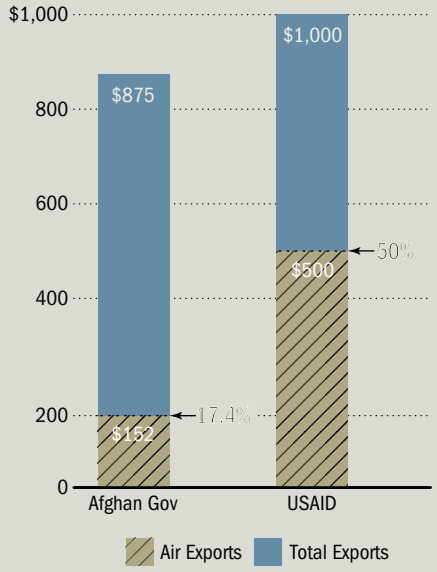
Evidence-based policymaking and strategizing require an accurate (or, in the case of Afghanistan, as accurate as possible) assessment of what "reality" is. As SIGAR pointed out in its discussion with USAID/OEG this quarter, revaluing Afghanistan's airborne exports, but not the country's ground exports, appears to distort that reality. Specifically, SIGAR pointed out that unrevalued raw ACD data on Afghanistan's airborne exports were only approximately 17% of total merchandise exports ($152.2 million divided by $875.2 million). In contrast, going by OEG's previously published figures, airborne exports were 50% of total merchandise exports ($500 million divided by $1 billion).[491] Figure 3.43 shows this difference in export composition.

These two statements say very different things about the composition of Afghanistan's exports—potentially precluding donors, policymakers, and others from making informed decisions about what economic interventions might be most effective. While data may not always be reliable, the potential for error or misinterpretation should be mitigated wherever possible. SIGAR is pleased that USAID made changes to its public website and economic-growth fact sheet in response to SIGAR's concerns.

FIGURE 3.43

USAID VS. AFGHAN STATISTICAL AUTHORITY AIRBORNE EXPORT AND TOTAL MERCHANDISE EXPORT FIGURES IN 2018

($ MILLIONS)



Source: USAID, "Economic Growth: Afghanistan," updated 5/30/2019, https://www.usaid.gov/afghanistan/economic-growth, accessed 6/20/2019; USAID, response to SIGAR data call, 3/21/2019; Quarterly and annual NSIA trade data, accessed 9/25/2018, 12/20/2018, and 3/23/2019; SIGAR analysis.

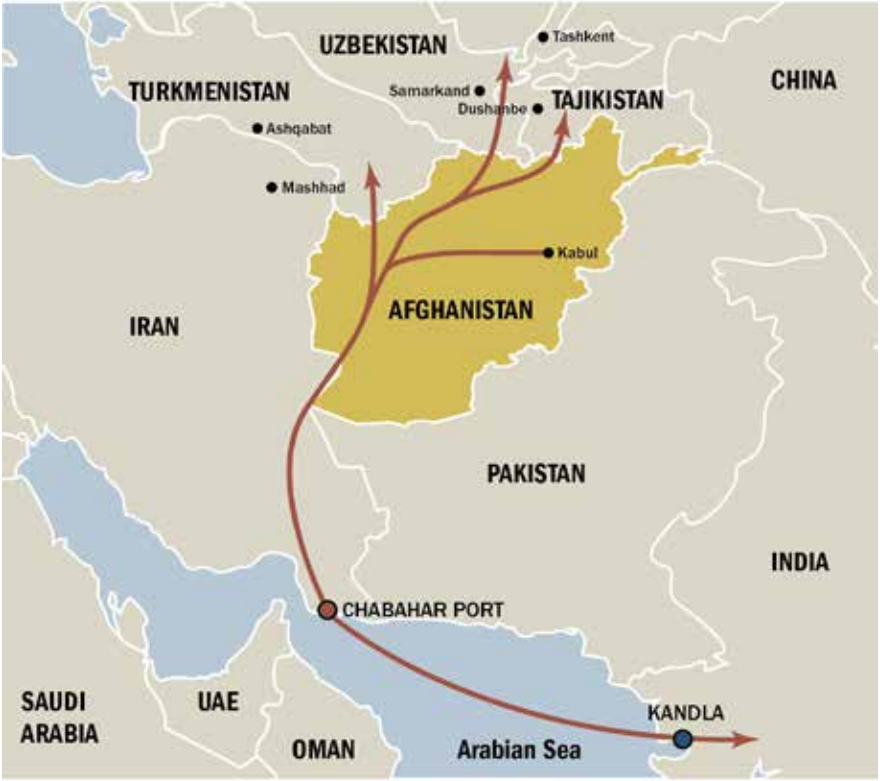
With Waiver Still in Place, Afghanistan Sends Second Round of Export Trade through Chabahar Port

Although the United States reimposed sanctions on Iran, an exception granted under the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA) exempted the development of the Chabahar Port in southeastern Iran, including the construction of an associated railway, from the sanctions.[492] State said the purpose of the exception was to facilitate reconstruction assistance to, and economic development for, Afghanistan.[493] State added that these activities were vital for the ongoing support of Afghanistan's growth and humanitarian relief.[494]

The U.S. announced in April 2019 that it would not issue additional Significant Reduction Exceptions (SREs) to eight importers of Iranian oil, including China, Japan, and India, whose petroleum imports from Iran had been exempted from sanctions for a six-month period beginning in November 2018. The SREs had allowed those countries to continue to

FIGURE 3.44

TRADE ROUTES THROUGH IRAN'S CHABAHAR PORT



Note: Routes and locations are approximate.

Source: *The Hindu*, "India ships wheat to Afghanistan via Chabahar," 7/29/2017.

Trucks cross the Afghanistan-Iran border in Zaranj, Afghanistan. This crossing, 970 kilometers from Chabahar Port, is a busy trade route between Central Asia and the Middle East. (U.S. Marine Corps photo by Sgt. Mallory S. VanderSchans)

purchase oil from Iran on the condition that they reduce those imports over time.[495] However, waivers allowing for the continued development of the Chabahar Port in southeastern Iran, as well as for Afghanistan's continued purchases of Iranian oil, remained in effect this quarter.[496] This is because the waivers granted to Afghanistan were based on a separate exemption for reconstruction assistance and economic development (the aforementioned IFCA exemption). Afghanistan was not trading with Iran under a SRE.[497]

The continuing exemption for the development of the Chabahar Port allowed Afghanistan to send a second shipment of goods to India through the port this quarter: 80 tons of agricultural products, including dried fruit, figs, and shakar para (a dessert popular in western India), according to TOLOnews.[498] Earlier this year, Afghanistan sent its first shipment of goods through the port, consisting of 570 tons of cargo destined for Mumbai.[499] Figure 3.44 shows a map of Chabahar Port and associated trade routes.

Further development of Chabahar would allow a larger proportion of Indian and Afghan trade to bypass Pakistan, with whom both countries have had an often-contentious relationship.[500] In February 2019, Pakistan closed its airspace after India carried out a bombing raid over Pakistan. The raid followed an attack by a Pakistani-based militant group on a convoy in Indian-controlled Kashmir.[501] Pakistan is regularly criticized by Afghan media and government officials not only for political intervention in Afghan affairs and maintaining Taliban safe havens, but also for predatory economic practices, such as product dumping and imposing nontariff barriers to trade.[502]

Afghan refugee children in Iran. (EU photo)

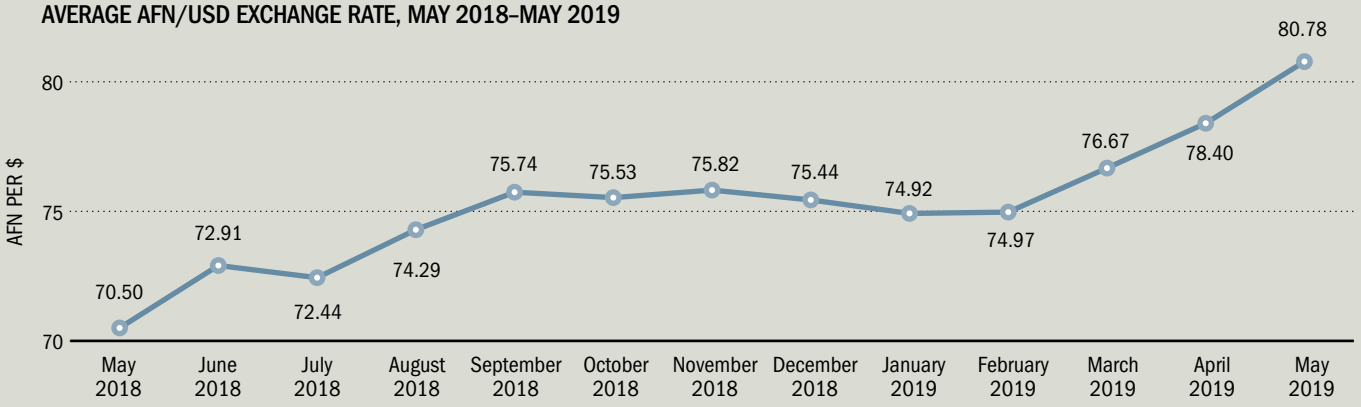
Afghanistan Continues to Feel Secondary Effects of the Iran Sanctions

Although the continuation of the reconstruction exception for Afghanistan allowed for the country's second shipment of goods through the port, Afghanistan continued to experience the effects of U.S. sanctions on Iran this quarter. The IMF said the "continuing fallout" from the sanctions represented one significant downside risk to Afghanistan's economic growth due to ongoing impact of the sanctions on remittances and returns of Afghan migrants living in Iran.[503] With rising inflation and unemployment in Iran, many Afghans living in Iran continue to return to Afghanistan. The sanctions resulted in substantial depreciation of the Iranian rial and lower demand for labor in the Iranian informal sector, where Afghans generally work.[504]

As of June 15, 2019, more than 205,000 Afghans have returned to Afghanistan from Iran since January 1, 2019, according to the UN.[505] State said the total number of Afghan returnees since January 1, 2018, had exceeded 950,000, as of June 23, 2019, resulting in higher economic and social-support costs in the less-stable provinces of western Afghanistan.[506] The UN projected that, due to ongoing economic conditions in Iran, the number of Afghan returnees from Iran would exceed 570,000 in 2019.[507]

The IMF also said that U.S. dollar outflows to Iran (the sanctions have driven demand for U.S. dollars in Iran higher) were partially responsible for substantial recent depreciation of the afghani (AFN) against the U.S. dollar (the afghani depreciated by 14.5% from an average rate of 70.5 AFN/USD in June 2018 to 80.7 AFN/USD on June 19, 2019).[508] However, the IMF noted that because the afghani appreciated against regional currencies, it was "broadly stable."[509]

AVERAGE AFN/USD EXCHANGE RATE, MAY 2018–MAY 2019



Note: Figure shows the average AFN/USD exchange rate for each month during the period May 2018–May 2019. The exchange rates presented are the average of average sell and buy rate
A higher AFN/USD exchange rate means the afghanis is less valuable relative to the U.S. dollar.

Source: Government of Afghanistan, DAB, "Currency Hijri And Meladi Average," http://www.dab.gov.af/Currency-Hijri-Average, accessed 6/21/2019.

AFGHANI DEPRECIATES AGAINST THE U.S. DOLLAR

The afghani continued to depreciate relatively rapidly against the U.S. dollar this quarter, causing concern. For example, in June 2019, Pajhwok Afghan News reported that Afghan residents of western Herat Province claimed the depreciation had increased local prices of essential commodities.[510] Herati money exchanges were also reportedly worried.[511] While currency depreciation can have the effect of boosting a country's exports, which become relatively less expensive, it can also increase the price of imports, with the potential for deleterious effects on net importers like Afghanistan.

The IMF attributed the recent depreciation of the afghani against the U.S. dollar in part to U.S. dollar outflows to Iran.[512] According to reporting from Bloomberg, U.S. sanctions against Iran have catalyzed a "booming" cash-smuggling business, with Afghan currency traders crossing the border and using U.S. dollars to purchase rials at favorable rates from "desperate" Iranian sellers.[513] Speaking to Bloomberg, a spokesman for Afghanistan's central bank (Da Afghanistan Bank, or DAB) said the Afghan traders then sell the rials in Afghanistan for as much as 30% profit.[514] To counter U.S. dollar outflows, DAB increased sales of U.S. dollars to $2.4 billion in 2018, a 23% increase over total sales in 2017.[515]

However, a World Bank analysis released in January 2019 concluded, "In Afghanistan's case, most concerns around depreciation are not currently relevant."[516] Pointing out that none of Afghanistan's largest markets (Pakistan, India, China, and Iran) used the U.S. dollar as their currency, the Bank (like the IMF in its May 2019 macroeconomic appraisal of Afghanistan) emphasized that the afghani's average exchange rate against all trade partners appreciated during 2018.[517] Thus, the Bank said, a lower AFN/USD exchange rate only impacted a limited proportion of Afghanistan's exports and imports.[518]

As a result of these factors, and even though Afghanistan is a net importer, the IMF said that the recent depreciation of the afghani against the U.S. dollar had not resulted in increased prices across the economy. In fact, the IMF reported, inflation was just 0.8% in 2018, due in part to lower priced imports.[519] Both high dollarization in Afghanistan, with two-thirds of loans and deposits denominated in U.S. dollars, and healthy foreign exchange reserves of more than $8.2 billion have likely further mitigated the effects of the depreciating afghani.[520]

However, although inflation was tame in 2018 as the currencies of Afghanistan's trading partners also depreciated against the U.S. dollar, inflation since March 2019 may reflect different underlying dynamics. The Bank said that, as of April 2019, nationwide food prices had increased by 5.5%, driven by rising fruit (9.7%), cereal (8.2%) and vegetable (6.2%) prices.[521] According to the Bank, the afghani has depreciated more sharply against the U.S. dollar than other regional currencies in 2019, likely contributing to these price increases. This may explain the localized inflation witnessed in Herat, as could the reported use of the Iranian rial in western Afghanistan (though State reported that use of the rial in Herat and Faryab had become less common since the currency came under stress).[522] Overall, while the Bank said there was little evidence to suggest that the afghani's depreciation against the U.S. dollar produced major difficulty or hardship for Afghan firms and households in 2018, the full effects of depreciation in 2019 are not yet known.[523]

Financial Action Task Force: an intergovernmental body that aims to combat money laundering and terrorist financing. FATF no longer lists Afghanistan as a major money-laundering jurisdiction because FATF believes Afghanistan has made "significant progress" in addressing AML/CFT deficiencies.

European Commission: the executive governing body of the European Union. The Commission proposes legislation, manages EU policies, and allocates EU funding.

Council of the European Union: a separate governing body consisting of member state ministers.

Correspondent Banking Relationship: A relationship established between two financial institutions that allows one bank to provide services—such as facilitating business transactions or wire transfers—on behalf of another. Correspondent banking relationships can provide financial institutions access to foreign markets without having to open a branch abroad.

Source: FATF, "Who We Are," no date, https://www.fatf-gafi.org/about/, accessed 6/18/2019; FATF, "Outcomes of the Plenary Meeting of the FATF, Valencia, 21–23 June 2017," 6/23/2017; EU, "European Commission," no date, https://europa.eu/european-union/about-eu/institutions-bodies/european-commission_en, accessed 6/18/2019; EU, "Council of the European Union," no date, https://europa.eu/european-union/about-eu/institutions-bodies/council-eu_en, accessed 6/18/2019; Investopedia, "Correspondent Bank Definition," revised 4/20/2019, https://www.investopedia.com/terms/c/correspondent-bank.asp, accessed 6/18/2019.

BANKING AND FINANCE

Afghanistan's modest financial sector consists of 12 banks. Three are state-owned and seven are private. Two are branches of foreign-owned banks.[524] Afghanistan's central bank, Da Afghanistan Bank (DAB), recently canceled the licenses of two foreign-owned bank branches, as SIGAR reported last quarter. One, Arian Bank, was a subsidiary of an Iranian state-owned bank, and was therefore subject to U.S. sanctions on Iran. The other, Habib Bank Ltd., committed unspecified violations of Afghan law.[525] According to the IMF, neither of these banks played a major role in providing credit to Afghanistan's private sector.[526] Thus, the withdrawal of the licenses is not expected to have a substantial effect on the country's financial sector.

This quarter, the IMF said Afghanistan's banking sector remained vulnerable. The overall loan-to-deposit ratio in the sector stood at just 16%, though the IMF noted that the low ratio was accounted for in part by ongoing reforms designed to reduce risk exposure.[527] While profitability remained weak, nonperforming loans decreased in 2018.[528] According to Afghanistan's central bank, major impediments to access to financial services include poor security and the high risk of borrower defaults.[529]

Afghanistan Still Struggling to Combat Money Laundering and Terrorist Financing

Criminal and terrorist organizations continue to take advantage of Afghanistan's fledgling financial sector. Although the Financial Action Task Force (FATF) no longer lists Afghanistan as a jurisdiction with strategic anti-money-laundering/combating financing of terrorism (AML/CFT) deficiencies, State continued to list Afghanistan as a major money-laundering jurisdiction in March 2019.[530] State said that although the Afghan government has enacted laws and regulations to combat financial crimes, it faces significant challenges in implementing and enforcing them.[531]

One consequence of these implementation shortcomings is that Afghanistan still faces challenges in establishing global correspondent-banking relationships—a challenge the IMF underscored again this quarter.[532] In particular, the IMF noted that the European Union's February 2019 decision to include Afghanistan in a list of 23 jurisdictions with strategic deficiencies in their anti-money-laundering and counter-terrorist-financing frameworks further complicated Afghanistan's ability to establish such correspondent relationships.[533] The European Commission must revise the list due to an objection, raised by the Council of the European Union, that the list was compiled in an insufficiently transparent manner.[534] Nevertheless, the EU's initial decision to include Afghanistan on its list of major money-laundering jurisdictions underscores the fact that implementation challenges remain and raises questions about why FATF no longer lists Afghanistan as a major money-laundering jurisdiction.[535]

Kabul Bank Theft: Progress on Cash and Asset Recoveries Slowly Progressing

Fraud and embezzlement by a handful of politically connected individuals and entities nearly led to the collapse of Kabul Bank—then the country's largest commercial bank—in September 2010.[536] The fallout from the scam necessitated an $825 million bailout from the Afghan government (an amount equivalent to approximately 5–6% of the country's GDP at the time), and was one of the largest banking catastrophes in the world, relative to GDP.[537] Every quarter, SIGAR requests an update on Kabul Bank Receivership (KBR) efforts to recover funds stolen from the Kabul Bank. The KBR was established to manage Kabul Bank's bad assets.[538]

According to the IMF, the Afghan government is "revitalizing" Kabul Bank asset recoveries.[539] In a congressionally mandated report of June 2019, State celebrated recent recoveries as one success story of the Afghanistan Compact, a series of reform benchmarks established by the Afghan government in consultation with the United States in the areas of security, governance, peace and reconciliation, and economic growth.[540]

In line with these observations from the IMF and State, the KBR indicated the Afghan government had taken several recent measures to increase recoveries. Those include a presidential decree that allowed the government to seize collateralized property held by debtors and the reversal of approximately $49 million of waived interest on a loan held by Khalilullah Ferozi, the former chief executive officer of Kabul Bank.[541] Still, total recoveries, as tallied by the KBR, fell by $3.1 million this quarter, the result of a decision to reverse $3.13 million of interest previously waived on one outstanding loan (the KBR counts waived interest toward recoveries).[542] Cash recoveries increased by just $1 million from March 2019 to June 2019.[543] Overall, 59.6% of the $987 million loan portfolio remains unrecovered.[544]

Allegations of Impropriety Surround Bankruptcy of Afghanistan Commercial Bank

According to TOLOnews, the Afghanistan Commercial Bank (ACB) went bankrupt in 2018. TOLOnews reported that ACB was the third private bank to declare bankruptcy since 2001 (along with the Afghanistan Development Bank and Kabul Bank). ACB's most recent owner, Jawed Andish, alleged that former ACB shareholders and Afghan central bank officials colluded to fraudulently hand him a bank that was already struggling financially when he purchased shares in ACB in 2015.

Current central bank officials, meanwhile, claimed ACB had engaged in numerous violations of Afghan banking laws, including, according to TOLOnews, the "disappearance of at least $700,000" from the bank's Mazar-e Sharif branch. SIGAR has not independently verified any of these allegations.

Source: TOLOnews, "How Afghanistan Commercial Bank Went Bankrupt," 6/18/2019.

ECONOMIC GROWTH

USAID's objective to accelerate private-sector-driven, export-led growth means that the agency's Office of Economic Growth (OEG) will play an important role in the agency's Country Development Cooperation Strategy (CDCS).[545] Within the context of the new strategy, OEG's efforts seek to:[546]

- strengthen trade connections between Afghanistan and its neighbors
- increase firm-level competitiveness by supporting export-ready Afghan businesses
- raise employment levels through that firm-level support and through the creation of a more favorable enabling environment for businesses

If Afghanistan continues to endure conflict and uncertainty, it may be difficult for USAID to achieve its goal of accelerating Afghanistan's economic

TABLE 3.30

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/9/2019
Multi-dimensional Legal Economic Reform Assistance (MELRA)	2/7/2018	2/6/2023	$19,990,260	$2,888,674
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	3,717,297
Afghanistan Investment Climate Reform Program	3/27/2015	3/26/2020	13,300,000	6,131,266
INVEST	9/28/2017	9/27/2020	15,000,000	2,736,175
Commercial Law Development Program	3/1/2014	9/30/2019	13,000,000	9,829,569
Carpet and Jewelry Value Chains	2/1/2019	3/31/2023	9,941,606	330,710
Goldozi Project	4/5/2018	4/4/2022	9,718,763	1,583,644
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	330,172
Establishing Kabul Carpet Export Center (KCEC)	6/6/2018	6/5/2021	9,416,507	2,709,000
Recycling Plant Value Chain in Northern Afghanistan	6/5/2019	6/4/2023	7,250,000	0
Trade Show Support (TSS) Activity	6/7/2018	12/6/2020	6,921,728	2,873,810
Development Credit Authority (DCA) with Ghazanfar Bank	9/1/2018	8/30/2025	2,163,000	0
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	732
Total			**$139,043,043**	**$33,651,849**

Source: USAID, response to SIGAR data call, 7/11/2019.

growth rate. On the other hand, the IMF said that, if effected, a durable peace could boost private-sector confidence and investment.[547] USAID has cumulatively disbursed over $1.2 billion for economic-growth programs in Afghanistan.[548] USAID's active economic-growth programs have a total estimated cost of $139 million and can be found in Table 3.30.

Kabul Carpet Export Center Project Experiences Delay in Meeting Revenue Target

Initiated in June 2017, USAID's Afghanistan Jobs Creation Program (AJCP) has two goals: to generate revenue and sustainable jobs by supporting Afghanistan's value-chain development, and to support trade promotion and facilitate Afghan businesses in increasing exports.[549] The program intends to fund multiple awards—with the value of individual grants ranging from $2 million to $10 million—to be implemented within the next five years. The shared funding ceiling for all projects is $96 million.[550]

One AJCP award is intended to establish the Kabul Carpet Export Center (KCEC). The $9.4 million KCEC seeks to address obstacles to Afghanistan's

carpet exports by increasing access to capital for the purchase of wool, improving packaging and export processing, and connecting Afghanistan's carpet industry to global markets.[551] This quarter, KCEC's implementing partner, Impact Carpets Associates LLC, reported it had completed the project milestone of registering 10 international buyers and 10 Afghan sellers.[552]

However, Impact Carpets reported the KCEC team had facilitated exports of just 104 square meters (equivalent to an area of less than 36 by 36 feet square) of carpet during the three-month reporting period (January 1, 2019–March 31, 2019).[553] The team also reported that KCEC would be delayed in achieving the goal of earning at least 80% of projected fees for the project's first year of implementation.[554] USAID's intent is that KCEC become financially sustainable via the collection of a 7% service fee in exchange for facilitating transactions for Afghan exporters.[555] Impact Carpets attributed the anticipated delay in meeting Year 1 revenue goals to a longer-than-expected process to agree upon carpet samples from prospective buyers and a lack of interest from Afghan manufacturers for KCEC financing, on the basis that the loans offered violated Islamic banking principles.[556] Despite these setbacks, Impact Carpets claimed it expected to meet its fee-revenue milestone in the current quarter.[557]

AGRICULTURE

The agricultural sector employs approximately 40% of Afghans overall and more than half of the rural labor force, according to the World Bank. Historically, agriculture has been the base of Afghanistan's licit, formal economy, making substantial contributions to Afghanistan's licit economic growth. However, its share of the overall economy has declined since the 2001 intervention in Afghanistan due to growth in Afghanistan's service sector.[558]

In addition to licit agricultural activity supported by international donors, illicit opium-poppy cultivation thrives in Afghanistan. Opium-poppy cultivation provided employment for as many as 507,000 Afghans in 2018, making the industry one of the country's largest employers, according to a May 2019 paper from the Afghanistan Research and Evaluation Unit (AREU).[559]

Since 2002, USAID has disbursed more than $2.2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.[560] USAID's active agriculture programs have a total estimated cost of $444 million and can be found in Table 3.31 on page 154. The Counternarcotics section of this report provides updates for many of these programs.

EXTRACTIVES SECTOR UPDATE: DESPITE NEW MINING CONTRACTS, LITTLE OVERALL PROGRESS

In the fall of 2018, the Afghan government signed three major, previously stalled mining contracts, ending a four-and-a-half-year period during which the government signed no contracts, and reviving perennial hopes of raising substantial revenue from the country's abundant mineral and hydrocarbon reserves.[561] These three contracts, valued at a combined $320 million according to State, included two copper mines—one in Herat Province and the other in Balkh and Sar-e Pul Provinces—and one gold mine in Badakhshan Province.[562]

More recently, Acting Minister of Mines and Petroleum Nargis Nehan announced 43 additional tenders in mid-April 2019 while attending a conference in Dubai.[563] Nehan commented, "Overall we have seen there is interest because everybody knows about the mineral resources of the country and they're interested to invest, it's just that since they haven't seen any deals in the sector for four and half years, it will take us some time to build trust and show them action and then we're hoping they'll come forward with their proposals."[564]

Over the course of the 17-year-long reconstruction effort, the extractives sector has periodically been touted as a possible path for Afghanistan—which has extensive deposits of copper, iron, sulfur, talc, chromium, salt, gold, and lithium, among other minerals—to wean itself from foreign donor support.[565] The U.S. government has estimated that Afghanistan has more than $1 trillion in untapped natural resource reserves, provided those reserves can be extracted profitably.[566]

But while the new developments may prove to be positive, previous spurts of optimism about Afghanistan's extractives sector have not come to fruition. For example, in December 2011, former MOMP Minister Wahidullah Shahrani declared that by 2024 mining would contribute between 42% and 45% of Afghanistan's GDP.[567] However, in 2017, mining contributed less than 1% of Afghanistan's $21.4 billion GDP.[568] Moreover, the Afghan government recorded just $31 million in mining revenues in 2017, according to USAID.[569] In contrast, the Taliban may generate as much as $200–300 million annually from unregulated mining, according to a 2017 report from the United States Institute of Peace (though estimates vary).[570]

The Embassy of Afghanistan in Washington, DC, hosted a signing ceremony for the Balkh Copper and Badakhshan Gold mines, October 5, 2018. (Embassy of Afghanistan, Washington, DC photo)

Many obstacles to the development of Afghanistan's extractives sector remain, including ongoing security issues, inadequate infrastructure, and declining global commodity prices, according to the Afghan government.[571] Commenting on prospects for the sector in a 2017 interview with *Foreign Policy*, U.S. Secretary of Commerce Wilbur Ross said, "I used to be in the mining business—in iron ore and coal—and it's not an easy activity … there are myriad questions that have to be answered for the project to come to fruition."[572] Echoing Secretary Ross, former USAID Administrator for the Office of Afghanistan and Pakistan Affairs Greg Huger said in November 2017, that U.S. efforts to develop Afghanistan's extractives sector, "really weren't very successful."[573] More recently, in January 2019, Afghanistan was suspended from the Extractives Industries Transparency Initiative, an

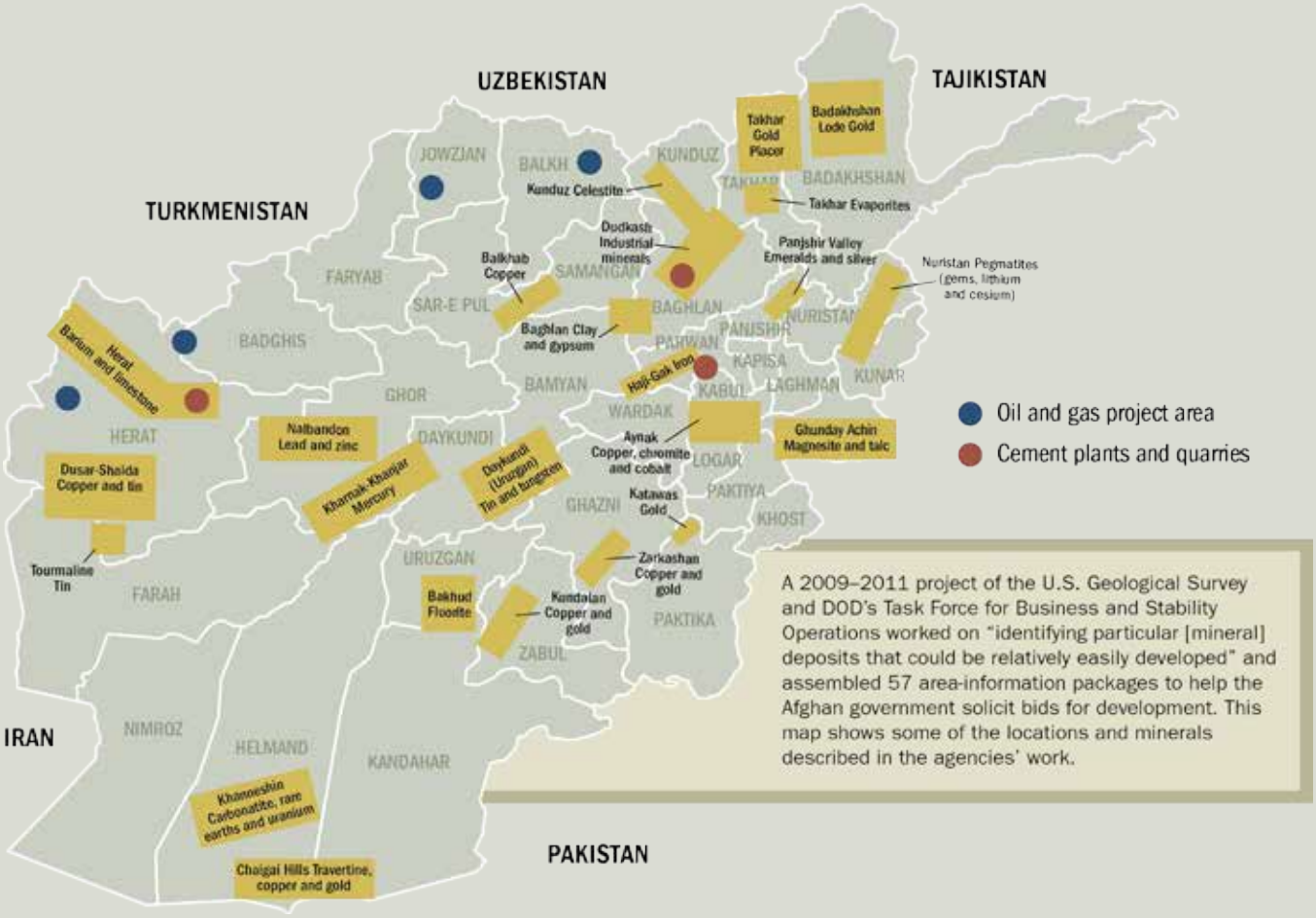
international standard designed to ensure transparency in the extractives sector.[574]

Nevertheless, the consensus among both donors and the Afghan government is that catalyzing the extractives sector remains essential for Afghanistan's economic development (Figure 3.45 shows mineral deposits identified for development by the U.S. government). Afghan President Ashraf Ghani said in September 2017, "The economic development and prosperity of Afghanistan depends on its mining sector, which will enable Afghanistan to pay its military expenditure and achieve self-reliance."[575] In May 2019, the IMF said that further development of Afghanistan's natural-resource sector "remain[s] essential for domestic revenue mobilization over the medium term."[576] According to the World Bank, Afghanistan's medium-term economic growth will depend in part on the realization of Afghanistan's extractives-industry potential.[577]

The new mining contracts have raised higher hopes for the sector than in recent years and it is possible that extractives could play a vital role in Afghanistan's economic development sometime in the future. But for the time being, experience suggests more modest expectations. It is unlikely that natural resources will represent an economic game-changer for Afghanistan any time soon.

FIGURE 3.45

IDENTIFYING MINERAL DEPOSITS FOR DEVELOPMENT



A 2009–2011 project of the U.S. Geological Survey and DOD's Task Force for Business and Stability Operations worked on "identifying particular [mineral] deposits that could be relatively easily developed" and assembled 57 area-information packages to help the Afghan government solicit bids for development. This map shows some of the locations and minerals described in the agencies' work.

TABLE 3.31

USAID ACTIVE AGRICULTURE PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/9/2019
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	$87,905,437	$18,285,440
Regional Agriculture Development Program (RADP North)	5/21/2014	5/20/2019	78,429,714	71,719,485
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/31/2019	71,292,850	64,384,275
Afghan Value Chains-Livestock Activity	6/9/2018	6/8/2021	55,672,170	6,515,164
Afghanistan Value Chains-High Value Crops	8/2/2018	8/1/2023	54,958,860	4,593,975
RADP East (Regional Agriculture Development Program-East)	7/21/2016	7/20/2021	28,126,111	13,055,016
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	9,039,483
Promoting Value Chain-West	9/20/2017	9/19/2020	19,000,000	9,264,411
ACE II (Agriculture Credit Enhancement II)	6/23/2015	6/30/2019	18,234,849	17,480,253
Catalyzing Afghan Agricultural Innovation	5/28/2018	5/27/2023	8,000,000	1,288,558
SERVIR	9/14/2015	9/30/2020	3,100,000	1,558,556
Total			**$444,219,991**	**$217,184,615**

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds.

Source: USAID, response to SIGAR data call, 7/11/2019.

Floods Continue as Impact of Drought Lingers

In June 2019, the UN said that over the last several months, precipitation levels in Afghanistan had been high but erratic.[578] Noting the widespread unavailability of seeds due to the lingering impact of a significant drought, the UN added that the main harvest (which was expected in May and June 2019) was likely to reveal significant shortfalls of staple crops.[579]

In addition to the probable shortage of essential crops, Afghanistan continued to experience serious flooding this quarter. Radio Free Europe/Radio Liberty (RFE/RL) reported that flooding over a two-day period in late May 2019 had killed at least 24 people and injured 11 others.[580] The wave of floods affected six of the country's 34 provinces, including Kabul, according to the Ministry for Disaster Management and Humanitarian Affairs.[581] RFE/RL said floods had killed approximately 150 Afghans this year, as of late May 2019.[582]

According to the UN, more than 265,000 Afghans in 17 provinces were affected by the seasonal flooding, which damaged or destroyed more than 35,000 houses in March and April.[583] The western provinces of Farah and Badghis and the southern province of Kandahar have been the most affected areas.[584] USAID reported that although the floods had slowed work on four canal rehabilitation sites, they had generally had little to no effect on the agency's agriculture programs.[585]

INFRASTRUCTURE AND ESSENTIAL SERVICES

The United States has provided reconstruction funds to build roads and bridges, construct and improve health and education facilities, and increase the electricity supply in Afghanistan since 2002.[586] This section addresses key developments in U.S. efforts to improve the government's ability to deliver these essential services, focusing specifically on ongoing projects intended to increase access to electricity in Afghanistan.

Affordable, Reliable Electricity Remains Key Development Challenge

According to USAID, lack of access to reliable and affordable electricity remains a fundamental constraint on economic growth in Afghanistan.[587] Approximately 31% of Afghans have access to grid-based electricity, according to the most recent comprehensive survey by Afghanistan's statistical authority.[588]

While nearly 98% of Afghans report having access to some form of electricity, according to the same survey, the majority of rural Afghans use distributed solar-power systems rather than connections to an electric grid for their energy needs.[589] However, according to USAID, these systems lack the capacity and availability required to be the primary source of power for commercial enterprises, implying that current levels of available electricity are insufficient to bolster economic growth in rural areas.[590]

Many barriers persist to expanding electricity access. USAID said those challenges include Afghanistan's near-complete (80%) dependence on electricity imports, weak sector governance, a poorly functioning national utility, insufficient supply to meet growing demand, insufficient transmission and distribution networks, and insecurity (particularly with respect to crossfire incidents).[591]

U.S. Power-Sector Assistance has been Focused on Expanding the National Power Grid

The U.S. government's current work in the Afghan power sector consists primarily of large-scale infrastructure projects. Expanding and linking "islanded" (unconnected) power grids has been a top priority. Both USAID and DOD have been working to connect Afghanistan's North East Power System (NEPS) with its southeastern counterpart, the South East Power System (SEPS).[592] USAID is funding the construction of a 470-kilometer transmission line that, when complete, will connect the two networks.[593] USAID is also expanding the SEPS network.[594]

DOD and USAID's power-infrastructure projects are funded through the Afghanistan Infrastructure Fund (AIF), with monies appropriated by Congress in Fiscal Years (FYs) 2011–2014. USAID is also using the Economic Support Fund to cover some project costs.[595] No additional AIF monies have been appropriated since FY 2014.[596] However, up to $50 million of Title IX

In addition to power-infrastructure projects funded by AIF, DOD is connecting Afghan National Defense and Security Force bases to regional electricity networks.

Overseas Contingency Operations (OCO) funds appropriated in later acts may be used to complete these projects.[597] Both DOD's and USAID's power-infrastructure projects have faced substantial delays over the years.[598]

SIGAR SPECIAL PROJECT

This quarter, SIGAR released the results of a review of the U.S. Army Corps of Engineers' (USACE's) vetting of potential NEPS contractors in accordance with the Federal Acquisition Regulation (FAR) and DOD policy. SIGAR found that USACE awarded one contract to a contractor that falsely claimed prior experience he didn't have. USACE awarded a second contract to an individual who was proposed for debarment. SIGAR concluded that USACE's failure to properly vet these contractors put the NEPS contracts at risk of waste and may have contributed to the significant delays, and safety and reliability problems SIGAR identified in subsequent audits and inspections of NEPS projects.

DOD Power-Infrastructure Projects Mostly Complete

DOD has completed the majority of its power-infrastructure projects. Only two remain. The first is a two-part project to construct substations and a transmission line from Sangin to Lashkar Gah in Afghanistan's restive Helmand Province (this component of the project remains ongoing) and to improve three substations in SEPS (this component of the project is now complete). The second ongoing project will construct transmission lines from Paktiya Province to Khost Province. Approximately $187.4 million has been obligated for those two projects, of which $172.9 million has been disbursed. In total, $601.0 million has been obligated for DOD's AIF-funded power infrastructure projects (including $141.7 million for "bridging solution" for power in Kandahar City that concluded in September 2015), with $578.9 million disbursed.[599]

Five USAID Power-Infrastructure Projects Remain Ongoing; Challenges in the Construction of Transmission Line from Ghazni to Kandahar Continue

USAID currently has five ongoing power-infrastructure projects. Those projects include the construction of:[600]

- the Salang substation, located near a strategic pass between Baghlan and Parwan Provinces
- a 10 megawatt solar-power plant near Kandahar City in southern Afghanistan
- a transmission line between Ghazni and Kandahar Provinces
- substations along the transmission line from Ghazni to Kandahar
- transmission lines and substations in SEPS

All five projects are delayed.[601] Although precise completion dates for several of the projects are not yet known, USAID said it expected the projects to be complete by late 2022.[602] Cumulatively, USAID has disbursed more than $1.5 billion in Economic Support Funds since 2002 to build power plants, substations, and transmission lines, and to provide technical assistance in the power sector.[603] USAID's active power-infrastructure projects have a total estimated cost of $309 million and are presented in Table 3.32.

In a report submitted to USAID in June 2019, USAID quality-assurance contractor Tetra Tech said that, as of May 27, 2019, construction activities on the $113.2 million transmission line from Ghazni to Kandahar had been halted at 157 locations because Afghanistan's national utility, Da Afghanistan Breshna Sherkat (DABS), had allowed construction to

Transmission-line towers constructed by USAID between Arghandi and Ghazni. (USAID photo)

commence on privately owned land before compensating landowners.[604] Tetra Tech also noted that poor weather conditions during the winter had delayed construction progress at three of five sections along the transmission line's route and that, as of May 27, 2019, 128 construction deficiencies identified by Tetra Tech had not been corrected.[605] According to USAID, 5% of the total contract value is withheld from the contractor until all deficiencies noted in the final inspection are resolved.[606]

Additionally, according to Tetra Tech, project contractor KEC International Limited is experiencing financial distress due to the combination of its slow progress, its inability to resolve construction deficiencies, and DABS' nonpayment of some invoices for a separate but related USAID project involving the construction of a transmission line from Arghandi to Ghazni.[607] According to Tetra Tech, DABS is withholding payment on the

TABLE 3.32

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/9/2019
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	1/22/2020	125,000,000	63,895,494
Kandahar Solar Project	2/23/2017	8/25/2019	10,000,000	5,000,000
Design and Acquisition of SEPS Completion and NEPS-SEPS Connector	3/7/2018	6/27/2022	20,151,240	1,441,496
Power Sector Governance and Management Assessment	1/12/2019	3/2/2019	567,330	567,330
Total			**$309,388,754**	**$224,574,504**

Source: USAID, response to SIGAR data call, 7/11/2019.

"Education is under fire in Afghanistan. The senseless attacks on schools; the killing, injury and abduction of teachers; and the threats against education are destroying the hopes and dreams of an entire generation of children."

–UNICEF Executive Director Henrietta Fore

Source: UNICEF, "Afghanistan sees three-fold increase in attacks on schools in one year – UNICEF," 5/28/2019.

invoices until it has issued a contract amendment related to demining.[608] Tetra Tech said KEC International's financial distress could lead to further project delays due to lack of funding for the procurement of materials and the potential inability to pay subcontractors.[609]

EDUCATION

Before the U.S.-led military intervention in 2001, several decades of conflict had decimated Afghanistan's education system. Since then, donors have generally highlighted Afghanistan's progress in the education sector as a significant success story.[610] But poor data quality makes it difficult to ascertain the extent of that success. Figures for the number of children and youth in school vary widely.[611] Afghanistan's Ministry of Education (MOE) counts students who have been absent for up to three years as enrolled because, it says, they might return to school, which limits the usefulness of Afghan government data to determine attendance rates.[612]

Numerous challenges plague the education sector. They include insecurity, shortages of school buildings and textbooks, rural access issues, poor data reliability, and the alleged appointment of teachers on the basis of cronyism and bribery.[613]

USAID, which aims to improve access to and quality of education in Afghanistan, as well as build capacity at the MOE, has disbursed nearly $1.1 billion for education programs in Afghanistan, as of July 9, 2019. USAID's education programs aim to increase access to education, as well

TABLE 3.33

USAID ACTIVE EDUCATION PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/9/2019
Afghanistan University Support and Workforce Development Program	1/1/2014	9/30/2019	$93,158,698	$89,969,355
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
Support to the American University of Afghanistan (AUAF)	8/1/2013	11/29/2019	72,181,844	65,846,792
Afghans Read Program (ARP)	4/4/2016	4/3/2021	69,547,810	33,921,175
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	34,450,173
Let Girls Learn Initiative and Girls' Education Challenge Programme (GEC)	6/29/2016	6/28/2021	25,000,000	15,000,000
Capacity Building Activity at the Ministry of Education	2/1/2017	1/31/2022	23,212,618	11,758,699
Afghanistan's Global Partnership for Education	10/11/2012	9/30/2019	15,785,770	14,296,222
Financial and Business Management Activity with AUAF	7/5/2017	3/4/2020	4,384,058	2,726,430
PROMOTE Scholarships PAPA	3/4/2015	3/3/2020	1,247,522	1,247,522
Total			**$501,756,697**	**$346,618,824**

Source: USAID, response to SIGAR data call, 7/11/2019.

A young girl solves a math problem at her school in Kandahar. (Global Partnership for Education photo)

as to improve the quality and relevance of, and to bolster the management capacity of Afghanistan's education system.[614] The agency's active education programs have a total estimated cost of $502 million and can be found in Table 3.33.

Attacks Against Schools Tripled in 2018 and Continue at a High Rate

This quarter, the United Nations Children's Fund (UNICEF) reported that the number of attacks against schools in Afghanistan tripled in 2018, compared to the number of attacks in 2017.[615] UNICEF said that more than 1,000 Afghan schools were closed at the end of 2018 due to the ongoing conflict.[616] Consequently, the report said approximately 500,000 children "were denied their right to education."[617]

Attacks on schools, UNICEF said, increased from 68 in 2017 to 192 in 2018—the first increase since 2015.[618] UNICEF attributed the rise in school attacks in part to the use of schools as polling and voter registration centers for Afghanistan's parliamentary elections held in 2018.[619] The Taliban targeted schools used as polling centers during those elections, according to the UN.[620] High levels of school closures have continued in 2019. In May, Afghanistan's Ministry of Education told the *New York Times* that approximately 400 schools had been closed over the last several months for "security reasons."[621]

Delivery of Education Services in Taliban-Controlled Areas: Nad Ali District

A June 2019 report from the Afghanistan Analysts Network (AAN) explored service delivery in Nad Ali District in Helmand Province. According to AAN, the majority of Nad Ali was captured by the Taliban in 2016, but service delivery remained funded by the Afghan government and non-governmental organizations. It is likely that some of the funding provided by the Afghan government for education in Nad Ali actually comes from donors via the World Bank-administered Afghanistan Reconstruction Trust Fund.

AAN said that although the Taliban did not close schools when they captured most of the district in 2016, the group did impose a series of restrictions on education. For example, the Taliban required male teachers to wear turbans and grow their beads long. The Taliban also staffed schools with teachers from among their own ranks for religious-education classes funded by the Afghan government (and likely also by donors). Using a Taliban-approved curriculum, these Taliban-picked teachers taught students for one hour prior to the start of "regular" school.

Following what AAN described as "local traditions," the Taliban allowed girls to study through grades 4, 5, or 6, depending on the location. Similarly, girls were generally only allowed to study through the end of primary school in government-controlled areas of Nad Ali. AAN described the relationship between the Taliban and the Afghan government in Nad Ali District as "pragmatic," with government monitors allowed to access schools with prior coordination with the insurgents.

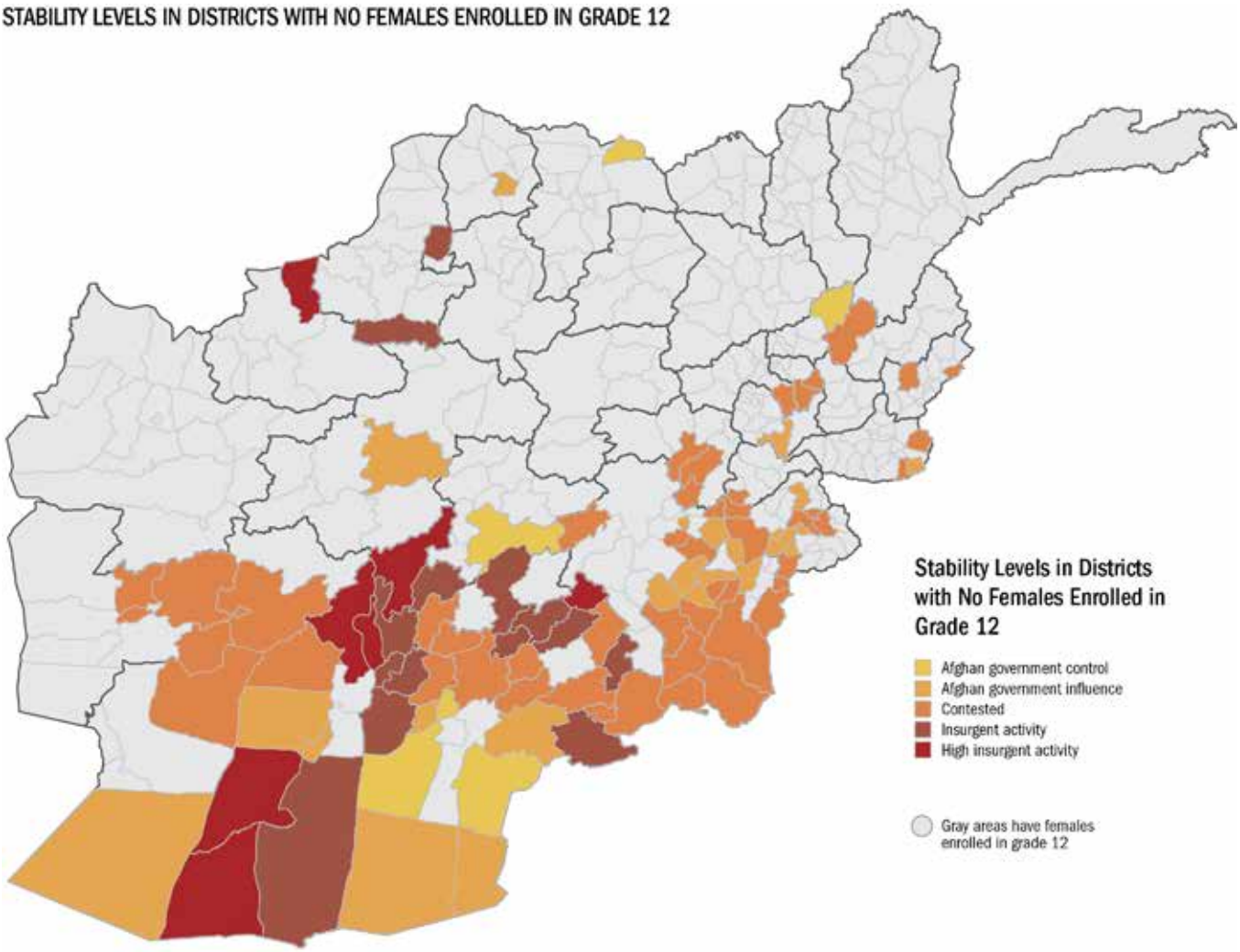
Source: AAN, "One Land, Two Rules (6): Delivering public services in insurgency-affected Nad Ali district of Helmand province," 6/2/2019; SIGAR, communications with MOF officials, 12/4/2017; SIGAR analysis of USAID-provided AFMIS data exported 4/8/2019.

Girls' Education Limited in Many Areas

Nearly 2.6 million girls are out of school, according to a comprehensive survey published by Afghanistan's statistical authority in August 2018.[622] This quarter, Radio Free Europe/Radio Liberty (RFE/RL) reported that not a single girl had graduated from high school in most districts of southern Afghanistan's restive Helmand Province.[623] Afghan officials in Helmand Province told RFE/RL that provincial capital Lashkar Gah and neighboring Greshk District, were the only two districts in which girls had graduated from high school in the province since 2001.[624] Helmand Province has a total of 13 districts.[625]

FIGURE 3.46

STABILITY LEVELS IN DISTRICTS WITH NO FEMALES ENROLLED IN GRADE 12

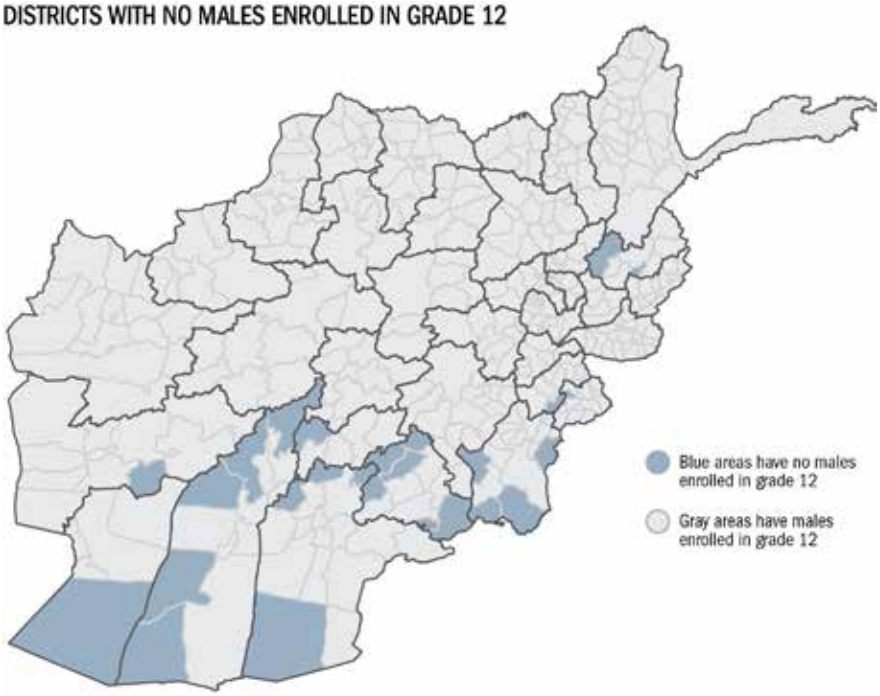


Note: District-stability data as of October 22, 2018. District map adapted from 2012 Afghan Geodesy and Cartography Office (AGCHO) shapefile with 399 districts. Afghan Ministry of Education student enrollment data for 2018 exported from the Education Management Information System (EMIS) on 6/20/2019 with 424 districts. Enrollment data from some districts was combined in order to reconcile the EMIS district list, Resolute Support's list of 407 districts, and the AGCHO's list of 399 districts. Some districts are excluded from the analysis due to reconciliation of district boundaries. Enrollment for certain districts may thus be understated, but this does not affect the fundamental results of the analysis. The EMIS system did not have 2018 enrollment data for four districts. In those cases, enrollment data from the most recent prior year available were used.

Source: SIGAR analysis of Afghan government EMIS data exported 6/20/2019.

FIGURE 3.47

DISTRICTS WITH NO MALES ENROLLED IN GRADE 12



Note: See note for corresponding map.
Source: SIGAR analysis of Afghan government EMIS data exported 6/20/2019.

SIGAR analysis of Afghan government education enrollment data confirms that, in 2018, no girls were enrolled in grade 12 in 85% of districts in Helmand Province.[626] Girls' education lags behind across much of southern Afghanistan. In Zabul Province, 91% of districts did not have a single female enrolled in grade 12 in 2018. In Kandahar, the figure was 87%.[627] All seven provinces where no females were enrolled in at least 50% of districts were located in Afghanistan's South or Southeast regions (Table 3.34).[628] In May 2018, the *New York Times* reported that two attacks on girls' schools occurred in Farah, a province in southwestern Afghanistan where females were not enrolled in grade 12 in 45% of districts, putting nearly 1,700 girls out of school indefinitely.[629]

Figure 3.46 shows districts in which there are no girls enrolled in grade 12. For contrast, Figure 3.47 shows districts in which there are no boys enrolled in grade 12.

TABLE 3.34

PROVINCES WITH THE HIGHEST PROPORTION OF DISTRICTS WITHOUT A FEMALE IN GRADE 12

Province	Proportion	Region
Zabul	91%	South
Kandahar	87	South
Helmand	85	South
Paktika	72	Southeast
Uruzgan	71	South
Nimroz	50	South
Paktiya	50	Southeast
Farah	45	West
Ghazni	44	Southeast
Khost	38	Southeast

Source: SIGAR analysis of Afghan government EMIS data exported 6/20/2019; Government of Afghanistan, A *Roadmap for Subnational Reform: Citizen-Centered Governance*, 7/2018, p. 5.

Risks to On-Budget Funds Remain High

SIGAR has discovered, investigated, and audited several troubling instances of waste, fraud, and abuse of U.S. funds provided on-budget to Afghanistan. For example, in 2013 Afghanistan's Ministry of Defense (MOD) awarded a fuel-procurement contract valued at nearly $1 billion. A SIGAR investigation subsequently found that the winning contractors had colluded to rig their bids above previously competitive price levels, and that there was evidence of attempted bribery.

Source: SIGAR, *2019 High-Risk List*, 3/28/2019, pp. 51–52.

USAID Textbook Procurement Runs into Snag

On November 7, 2017, USAID announced that it would provide $75 million to Afghanistan's Ministry of Education to cover the costs of printing and distributing 135 million textbooks and teacher guides for all public schools in Afghanistan serving students in grades 1–12. USAID said this latest effort was a follow-on to its $26.9 million Textbook I Printing and Distribution Project, which ran from 2011 to 2017.[630]

USAID added that procuring and distributing the textbooks would help ensure increased access to, and improve the quality of, basic education in Afghanistan.[631] However, a USAID report issued in February 2017 that examined lessons learned on the agency's programming in the education sector said "textbooks production and distribution has been another area of recurrent problems in the education sector."[632] The report noted that the Ministry of Education (MOE) has in the past inadequately planned for textbook needs, which resulted in "emergency procurements." The report also said the MOE lacks a reliable distribution plan, which produced inefficiencies in textbook delivery, including delays and shortages.[633] To mitigate recurrence of such issues, USAID said two agency representatives on the Ministry of Education's textbook-oversight committee will directly review procurements and provide oversight for selection of printing contractors.[634]

Last quarter, USAID informed SIGAR this on-budget project had been delayed.[635] This quarter, in response to a request from SIGAR to clarify why the project had been delayed, USAID said that, while the international procurement of the first 37 million textbooks started in late January 2018, that procurement failed due to document falsification by the selected bidder.[636] Specifically, it was USAID's understanding that the first-ranked bidder submitted a forged certificate from the Indian state of Uttar Praddesh confirming that the bidder had completed work similar to the specifications under the MOE's textbook-solicitation specifications.[637]

Consequently, the MOE and Afghanistan's National Procurement Authority (NPA), a centralized procurement body housed within the Administrative Office of the President that aims to root out corruption, canceled the solicitation.[638] USAID reported that the Afghan government's process to cancel the first international solicitation and publicize a second solicitation "took a significant amount of time."[639] USAID added that local procurement and printing of 12.2 million textbooks was complete and said a third-party monitor had verified that the technical specifications of the locally procured textbooks met MOE standards.[640] The agency expected that the MOE would soon make the decision to distribute these textbooks.[641]

HEALTH

Since 2001, Afghanistan's health outcomes have improved.[642] However, serious data limitations complicate a precise evaluation of the extent of those improvements.[643]

Specifically, Afghanistan has made progress in key health indicators concerning maternal and child health, health service delivery, and nutrition, among other measures, despite increasing insecurity since 2005. For example, the Bank said that Afghanistan benefited from a significant reduction in the under-five mortality rate, which fell from 97 per 1,000 live births in 2010 to 55 per 1,000 live births in 2015.[644] Even with this progress, however, Afghanistan's health outcomes remain worse than most countries'; according to the CIA World Factbook, Afghanistan also has the lowest life expectancy (52.1 years) in the world.[645]

USAID's on- and off-budget assistance to Afghanistan's health sector totaled nearly $1.3 billion as of July 9, 2019.[646] USAID's active health programs have a total estimated cost of $284 million, and are listed in Table 3.35 on page 165.

USAID's HEMAYAT Project Continues Efforts to Lower Rates of Pregnancy-Related Deaths and Child Mortality

USAID's Helping Mothers and Children Thrive (HEMAYAT) program aims to increase access to and use of family-planning and maternal, neonatal, and child health services. A second goal is to strengthen referral systems to hospitals at the provincial level. HEMAYAT was initiated to address high child-mortality rates and pregnancy-related deaths for mothers in Afghanistan.[647]

This quarter, USAID provided an update on HEMAYAT's activities through May 2019.[648] Thus far, by providing training and necessary equipment to sole practitioners, HEMAYAT has established 25 midwife houses in Balkh, Herat, and Kandahar Provinces.[649] In February 2019, HEMAYAT also posted multiple family-planning messages to a mobile reproductive-health service addressing misconceptions regarding reproductive care. Among the posts were messages explaining what HEMAYAT characterizes as high-impact interventions, such as the application of Chlorhexidine (CHX) immediately following childbirth.[650] HEMAYAT implementers reported that, as of December 2018, 70,030 calls had been placed to the family-planning menu of the mobile service, with 60,586 callers listening to complete family-planning messages.[651] Among other activities, in January–March 2019, CHX was administered to 48,800 newborn children and 59,198 newborns were breastfed within one hour of birth.[652]

USAID said the only significant implementation challenge currently faced by HEMAYAT was the fluid security situation.[653] USAID added that one sustainability challenge for HEMAYAT was insufficient oversight and responsiveness from Afghanistan's Ministry of Public Health and the World

Delivery of Health Services in Taliban-Controlled Areas: Nad Ali District

In its exploration of service delivery in Nad Ali District in Helmand Province (which is mostly Taliban-controlled), AAN discussed the delivery of health services in addition to education. AAN found that while health services were available, they were generally substandard. According to AAN, not only were there no female doctors or nurses (although there are a handful of midwives), but the Taliban also demanded priority treatment for their own injured and sick. While the insurgents granted access to vaccination campaigns, vaccination personnel were required to administer vaccines from local mosques. AAN said this resulted in lower coverage.

That the Taliban appear to benefit directly from Afghan government-funded health provision raises questions about USAID's belief that continuing to improve health services will help achieve stability.

Source: AAN, "One Land, Two Rules (6): Delivering public services in insurgency-affected Nad Ali district of Helmand province," 6/2/2019; USAID, OAPA, Grant Agreement 306-AA-18, 9/6/2018, p. 11.

Chlorhexidine is an antiseptic antibacterial agent that kills or prevents the growth of bacteria. As part of a solution or gel, it is applied topically to the skin before a surgery or injection, after an injury, or onto a newborn after birth in order to prevent infection resulting from the severing of the umbilical cord. Chlorhexidine has been proven to prevent 15 percent of newborn deaths.

Source: Mayo Clinic, "Chlorhexidine (Topical Application Route)," http://www.mayoclinic.org/drugs-supplements/chlorhexidine-topical-application-route/description/drg-20070874, accessed 9/30/17; USAID, OHN, Fact Sheet, "HEMAYAT: Helping Mothers And Children Thrive," 9/1/2018.

Endemic: refers to the constant presence and/or usual prevalence of a disease or infectious agent in a population within a geographic area.

Source: CDC, *Principles of Epidemiology in Public Health Practice, Third Edition An Introduction to Applied Epidemiology and Biostatistics*, "Lesson 1: Introduction to Epidemiology," https://www.cdc.gov/ophss/csels/dsepd/ss1978/lesson1/section11.html, accessed 10/16/2018.

Risks to Effective Polio Vaccination

According to Afghanistan's Ministry of Public Health, the greatest risk to polio vaccination is the Taliban's ban on house-to-house vaccinations in major areas of southern Afghanistan. USAID/Afghanistan's Office of Health and Nutrition shares this view.

Source: Government of Afghanistan, MOPH, National Emergency Operation Center, *Framework for change: fast-track to zero polio cases*, 10/27/2018, p. 2; USAID, OHN, response to SIGAR data call, 6/20/2019.

Bank's Sehatmandi project (the World Bank's flagship healthcare program in Afghanistan), which has led to shortages of critical healthcare commodities such as contraceptives and misoprostol (a medication used to induce labor or manage miscarriage, among other purposes).[654] USAID said that, although HEMAYAT does not fund such commodities, the project helps mobilize resources from other partners to fill gaps as they emerge.[655]

Polio: Eight Cases in 2019

Afghanistan is one of only three countries in the world in which polio remains endemic, along with Pakistan and Nigeria.[656] Afghanistan and Pakistan share a 1,500-mile border and large-scale population movements between the two countries increase the risk of cross-border transmission. A fatwa issued by the Pakistani Taliban targeting polio workers complicates vaccination outreach.[657]

Although they sometimes enter into access agreements, the Afghan Taliban at times also disrupt vaccination efforts. Recent reporting from the Afghanistan Analysts Network indicates that the Taliban's central leadership implemented a ban on polio vaccination in four provinces (Helmand, Uruzgan, Kandahar, and Ghazni) in 2018, claiming that vaccinators in these provinces were found collecting intelligence on local Taliban leaders.[658] In other cases, such as in Kunduz Province's Dasht-e Archi District, a ban was imposed locally rather than centrally (but for similar reasons).[659] Yet, because the Taliban do not uniformly oppose vaccination efforts, a compromise was reportedly struck in Dasht-e Archi that allowed vaccinators to continue their campaign.[660]

As of June 24, eight new cases of polio had been reported in Afghanistan in 2019.[661] Thus far, the rate of new cases in 2019 is approximately the same as in 2018, when 21 cases were reported—substantially higher than the 13–14 cases seen in 2016 and in 2017.[662] In June 2018, the UN reported that although a nationwide vaccination campaign targeting 9.9 million children in 29 provinces had been initiated in April 2019, approximately 450,000 children remained inaccessible due to vaccination bans in central, eastern, and southern Afghanistan.[663]

TABLE 3.35

USAID ACTIVE HEALTH PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/9/2019
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	$75,503,848	$26,263,871
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	1/06/2020	60,000,000	53,252,693
Disease Early Warning System Plus (DEWS Plus)	7/1/2014	6/30/2022	54,288,615	28,988,615
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	27,634,654	17,704,775
Medicines, Technologies and Pharmaceuticals Services (MTaPS)	9/20/2018	9/20/2023	20,000,000	266,335
Challenge Tuberculosis	1/1/2015	9/29/2019	16,886,357	13,889,395
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/20/2020	13,000,000	13,000,000
Sustaining Health Outcomes through the Private Sector (SHOPS) Plus	10/11/2015	9/30/2020	12,500,000	9,034,693
Central Contraceptive Procurement (CCP)	4/20/2015	4/19/2020	2,343,773	256,227
Global Health Supply Chain Quality Assurance (GHSC-QA)	1/2/2015	12/31/2019	1,500,000	1,182,308
Global Health Supply Chain Management (GHSCM-PSM)	4/20/2015	4/19/2020	176,568	176,568
4 Children	9/15/2014	9/16/2019	20,000	20,000
Total			**$283,853,815**	**$164,035,480**

Source: USAID, response to SIGAR data call, 7/11/2019.