

ECONOMIC AND SOCIAL CONTENTS

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ECONOMIC AND SOCIAL DEVELOPMENT



KEY ISSUES & EVENTS

Afghanistan will require at least \$4.6 billion, and perhaps as much as \$8.2 billion, of donor funding, per year, through 2024, the World Bank said this quarter.

Some 11.3 million Afghans face acute food insecurity in the coming months.

After several years of strong performance, the growth rate of the Afghan government's domestic revenues has slowed significantly.

An Afghan civil society organization alleged that at least 165, and possibly more than 546, boys from six schools in Logar Province were sexually abused by teachers, older students, authority figures, and extended family members.

Afghanistan will require at least \$4.6 billion, and perhaps as much as \$8.2 billion, of donor funding, per year, through 2024, according to a World Bank report released this quarter.³⁹⁷ Even in a best-case scenario in which the Afghan government's organically generated revenues doubled to \$5 billion, nearly half of all public expenditures would need to be financed by donors, the Bank said.³⁹⁸ The Bank's analysis assumes constant per capita spending on government services, increased operations and maintenance expenditures on infrastructure, and a \$1.6 billion reduction in security-sector costs.³⁹⁹ A significant reduction in grants would "force very difficult trade-offs," according to the Bank.⁴⁰⁰

On November 27, 2019, President Ashraf Ghani reportedly canceled two large-scale extractives contracts to develop a copper mine in Sar-e Pul and Balkh Provinces and a gold mine in Badakhshan Province.⁴⁰¹ The Afghan government had the right to terminate the contracts if the awardees—the Afghan Gold and Minerals Company (AGMC) and the Turkish Afghan Mining Company (TAMC)—violated a material contract obligation, or if exploration activities were delayed for a period of more than 12 months.⁴⁰² Both companies failed to post contractually required performance bonds

(issued to one party of a contract as a guarantee against the failure of the other party to meet its contractual obligations).⁴⁰³ However, in an interview with SIGAR, Brad Barnett, the CEO of CENTAR Ltd.—which partially owns AGMC and TAMC—said the contracts had not yet been canceled because the Afghan cabinet had not yet approved their cancellation.⁴⁰⁴ Neither company had initiated exploration activities as of October 2019, according to reporting from *Stars and Stripes*.⁴⁰⁵

Many Afghans remain hungry this quarter. The Integrated Food Security Phase Classification (IPC), on whose food-security analyses USAID relies, anticipated that 11.3 million people—or more than one-third of all Afghans—would face acute food insecurity between November 2019 and March 2020.⁴⁰⁶ Food-insecure households are those that either experience acute malnutrition due to food consumption gaps, or that are forced to deplete household assets in order to meet minimum needs.⁴⁰⁷ Christos Stylianides, the European Union’s Commissioner for Humanitarian Aid and Crisis Management commented, “The humanitarian outlook in Afghanistan is as bleak as ever.”⁴⁰⁸

A longstanding Afghan human rights issue led to controversy this quarter. An Afghan civil society organization shared allegations with the *New York Times* and the *Guardian* that at least 165, and possibly more than 546, boys from six schools in Logar Province were sexually abused by teachers, older students, authority figures, or extended family members.⁴⁰⁹ The organization, the Logar Youth, Social, and Civil Institution, said it had discovered more than 100 videos of abuse on a Facebook page.⁴¹⁰

After making the allegations public, Mohammed Musa (described as a lead social worker at the Institution) and another Logar activist, Ehsanullah Hamidi, were detained by Afghanistan’s intelligence agency, the National Directorate of Security (NDS), and coerced into confessing that their accusations were untrue.⁴¹¹ In a Twitter post, U.S. Ambassador to Afghanistan John Bass decried the NDS for “Soviet-style tactics.”⁴¹² Musa and Hamidi were subsequently released by the NDS, reportedly due to pressure from the U.S. and international human rights groups.⁴¹³ The practice of *bacha bazi*, or “boy play,” in which authority figures keep boys as sex slaves, is widespread in Afghanistan.⁴¹⁴ A SIGAR report released in January 2018 found that DOD was partnering with certain Afghan security force units credibly accused of being involved in child sexual assault.⁴¹⁵

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

Advancing the Afghan economy has long been a key U.S. objective. While the emphasis and intensity of specific policies and programs have changed over the past 16 years, the core belief and theory of change that a growing economy contributes to stability and security has remained

constant.⁴¹⁶ The U.S. government's current Integrated Country Strategy (ICS) for Afghanistan states that economic prosperity in Afghanistan depends upon the United States' ability to advance private-sector-led export growth and job creation, and to bolster gains in health, education, and women's empowerment.⁴¹⁷

The ICS is linked to USAID's Country Development Cooperation Strategy (CDCS) for Afghanistan.⁴¹⁸ The objectives of the CDCS are to:⁴¹⁹

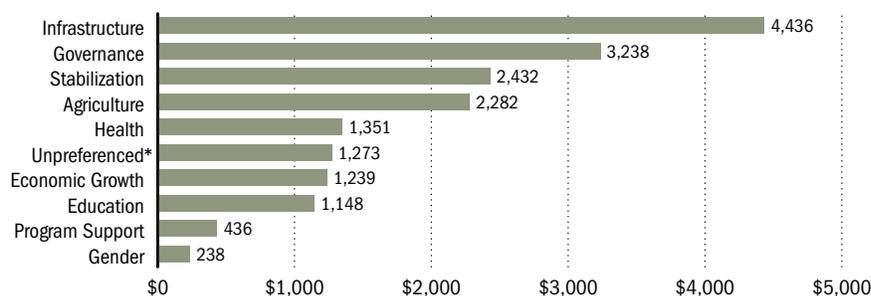
- accelerate private-sector-driven, export-led economic growth
- advance social gains in health, education, and gender equality
- increase the Afghan government's accountability to its citizens

Progress towards these objectives is likely to remain difficult. High levels of violence, episodic political uncertainty (most recently surrounding the outcome of the September 2019 presidential election), and a severe drought have kept Afghanistan's real GDP growth rate below 3% since 2014—the year in which U.S. and Coalition forces completed a phased drawdown.⁴²⁰ Since then, poverty has increased, some social-development indicators have stagnated, and the proportion of Afghans who perceive corruption as a problem in daily life has remained roughly the same.⁴²¹

As of December 31, 2019, the U.S. government had 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, \$19.6 billion has been obligated and \$17.0 billion has been disbursed.⁴²² Figure 3.44 shows USAID assistance by sector.

FIGURE 3.44

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JANUARY 11, 2020 (\$ 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.

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

Source: SIGAR analysis of USAID, response to SIGAR data call, 1/11/2020; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status as of October 22, 2019, 1/3/2020.

Excluding Opium Economy Distorts Analysis of Afghanistan's Economic Performance

The IMF and the World Bank's economic analysis ignores the most important factor to Afghanistan's growth rate in recent years: the flourishing opium trade. Afghanistan's National Statistics and Information Authority (NSIA), which includes the opium economy in one version of its GDP figures, reported that when estimated opium production dropped by nearly 30% due to a supply surplus and a widespread drought in 2018, Afghanistan's economy contracted by 0.2%. That figure differs substantially from the NSIA's licit-only growth rate figure of 2.7%. Unlike the NSIA, neither the IMF nor the World Bank considers the narcotics economy in their GDP growth estimates.

By contrast, the NSIA reported that GDP growth including the opium economy in 2017 was 7.2%, due to a nearly 90% increase in opium production. Afghanistan's licit GDP growth rate in 2017 was 2.7%, according to the Bank and IMF.

The impact the narcotics economy can have on Afghanistan's economic growth rate is reflected by its size. According to the UNODC, the overall value of the opium economy in 2018 (between \$1.2 billion and \$2.2 billion) was equivalent to 6%–11% of the country's licit GDP. As has become typical for Afghanistan, the value of opiates available for export in that year (between \$1.1 billion and \$2.1 billion) was much larger than the combined value of all licit exports (\$875 million).

Source: NSIA, Afghanistan Statistical Yearbook 2017–2018, 8/2018, p. 110; World Bank, Afghanistan Development Update: Building Confidence Amid Uncertainty, 7/2019, p. 18; IMF, Fifth Review under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria, 5/15/2019, p. 24; 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; NSIA, "Growth-Rate-of-GDP," 6/10/2019; NSIA, Afghanistan Statistical Yearbook 2018–19, 7/2019, posted to the NSIA website 11/2019, ii; SIGAR, Quarterly Report to the United States Congress, 4/30/2019, p. 151; UNODC, Afghanistan Opium Survey 2017: Cultivation and Production, 11/2018, p. 40; UNODC, Afghanistan opium survey 2018: Challenges to sustainable development, peace and security, 7/2019, p. 24; World Bank, Afghanistan Development Update January 2020: Navigating a Sea of Uncertainty, 1/2020, p. 32.

Since counternarcotics is a crosscutting issue that depends on a variety of reconstruction activities, please see Appendix B for a consolidated list of counternarcotics reconstruction funding.

SIGAR EVALUATION REPORT

In September 2019, the House Oversight and Reform National Security Subcommittee (Majority) asked SIGAR to conduct an inquiry to ascertain whether any U.S.-funded capital assets provided to Afghanistan were either unused or improperly used. The evaluation is ongoing.

Data Reliability Issue: Shifting Labor Force Numbers

Donors like USAID and the World Bank use estimates for the number of Afghans entering the labor market every year to justify interventions aimed at reducing poverty and improving living standards. But such estimates vary, making it difficult to understand how much assistance, and what types of assistance, might be required.

In a May 2017 report on poverty in Afghanistan, the World Bank said that more than 400,000 Afghans were expected to enter the labor market every year for the foreseeable future. In a December 2019 report assessing Afghanistan's future grant financing needs, the Bank said that 300,000 Afghans were entering the labor force every year. While it is unclear what accounts for this difference, given population growth of 2.3% per year, it seems intuitively unlikely that fewer Afghans are entering the labor force today than in 2017.

Source: World Bank, Afghanistan Poverty Status Update: Progress at Risk, 5/2017, p. 7; World Bank, Financing Peace: Fiscal Challenges and Implications for a Post-Settlement Afghanistan, 12/5/2019, p. 9; USAID, Country Development Cooperation Strategy, 3/31/2019, p. 13.

ECONOMIC PROFILE

Afghanistan remains poor, war-ridden, and heavily aid-dependent. Despite consistent and intensive donor efforts to make the country more economically self-reliant, grants totaling \$8.5 billion per year currently finance approximately 75% of total public expenditures.⁴²³ While the overall economic goal of the current U.S. strategy is to transition Afghanistan from an assistance recipient to an enduring economic partner, there is a sense in which the reach, scale, and nature of U.S. assistance has made the country's state apparatus, as currently constructed, more dependent, rather than less.⁴²⁴ In its *2019 High-Risk List*, SIGAR identified the sustainability of U.S.-funded institutions, programs, and property provided in Afghanistan as a crosscutting issue affecting every area of reconstruction in Afghanistan.⁴²⁵

Although Afghanistan's real, licit GDP growth rate averaged just under 10% over the first decade of reconstruction as donor funds flooded into the country, growth dropped substantially as the Afghan government assumed responsibility for the ongoing fight against the Taliban insurgency.⁴²⁶ In 2018, GDP grew at the lowest rate (1.8%, according to the World Bank) in several years, falling from the 2017 figure of 2.7% and interrupting what had been a slow but steady licit economic recovery.⁴²⁷

One consequence of slower growth is that approximately 55% of Afghans are living below the poverty line today, compared to 39% in 2012, according to the Bank.⁴²⁸ While the World Bank estimates that the GDP grew by 2.9% in 2019, this will not be enough to materially improve living standards, with Afghanistan's population growing by an estimated 2.3% per year.⁴²⁹ Living standards are often defined in GDP per capita terms, meaning that if the population were growing at a rate just below GDP, living standards would not markedly improve. Currently, Afghanistan has the lowest GDP per capita in "the immediate region," according to the IMF.⁴³⁰

In contrast to Afghanistan's relatively low economic growth rate, the South Asian economy as a whole was expected to grow by 7% in 2019, the Bank said.⁴³¹ For Afghanistan, hopes for higher future growth depend heavily on improvements to security and political stability, and continued foreign assistance, according to the IMF.⁴³² But improvement in these areas is uncertain: the Afghan government's control of territory deteriorated over the last several years for which data is available, the outcome of the latest Afghan presidential election remains unresolved months after the final vote was cast, and levels of future grant support to Afghanistan are unclear.⁴³³ As the IMF said in December 2019, "Risks to the [growth] outlook are tilted to the downside."⁴³⁴



Afghan business owners discuss their products with a potential buyer at the USAID-sponsored Passage to Prosperity International Trade and Investment Show. (USEK photo)

Afghanistan's Licit Trade Deficit Remains Stubbornly High

Afghanistan's large, licit trade deficit has not budged despite USAID's strategic focus on exports to spur economic growth.⁴³⁵ As USAID was developing its current strategy in December 2017, the agency told SIGAR it expected to "bridge [Afghanistan's] massive trade deficit" through efforts occurring over "the next three to five years."⁴³⁶ This thinking is proving to be overly optimistic: in afghani terms, the country's trade deficit remained virtually the same (decreasing by just 0.2%) through the first three quarters of 2019, compared to the same period in 2018 (following an 8.8% *increase* from 2017 to 2018).⁴³⁷ (The afghani (AFN) has depreciated against the U.S. dollar (USD) over the last several years, meaning that export growth calculations could overstate a decrease in export growth if USD values are not first converted to AFN.)

In response to a draft of this report, USAID distanced itself from its December 2017 statement by saying, "The elimination of the trade deficit is beyond USAID's manageable strategic interest."⁴³⁸ USAID added that while increased exports could reduce Afghanistan's trade deficit, growth in exports may not be large enough to eliminate or "bridge" it.⁴³⁹ While it is true that USAID's current strategy reflects the less aggressive hypothesis that the agency's efforts will simply "*decrease* the country's trade deficit" [emphasis added], World Bank projections show that this thinking, too, may be overly optimistic.⁴⁴⁰ The Bank expected the deficit to be equivalent to 32.3% of GDP by 2022, essentially unchanged from December 2017.⁴⁴¹ Available trade data from 2019 showed that, at the end of the third quarter, the deficit was \$4.5 billion, while cumulative exports in 2019 stood at just \$534.6 million.⁴⁴²



Tray of saffron awaits inspection in Herat. (USAID photo)

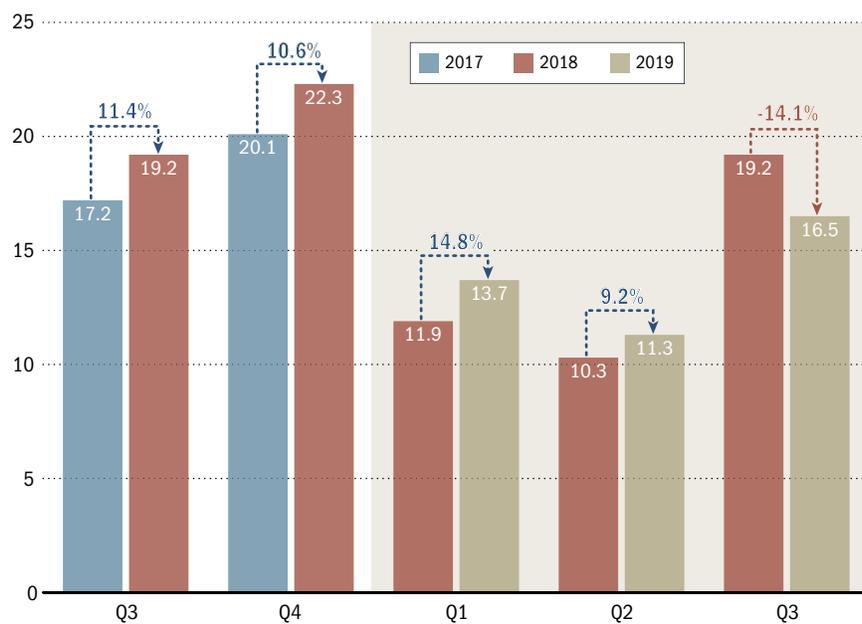
Also in response to a draft of this report, USAID claimed that its “shift to the new export strategy is incomplete, and its consequences can be better evaluated after its completion.”⁴⁴³ However, in a publicly available fact sheet presented on its website, USAID continues to claim that a “major highlight” of its support for export-driven economic growth is: “Afghanistan is showing strong progress with exports of \$875 million in 2018.”⁴⁴⁴

In early 2019, USAID was celebrating strong licit export growth through 2018 as a sign of economic progress.⁴⁴⁵ However, export growth began to moderate in the third quarter of 2018, and has continued more modestly in 2019, even in afghani terms (trade data on the NSIA website is denominated in U.S. dollars).⁴⁴⁶ Exports contracted by 14.1% in the third quarter of 2019, compared to the third quarter of 2018.⁴⁴⁷ Overall, exports in 2019 have been stagnant: through the first three quarters of 2019, cumulative exports were equivalent to the same period in 2018.⁴⁴⁸ Figure 3.45 presents recent quarter-to-quarter export growth.

The IMF attributes Afghanistan’s poor licit-trade situation to persistent conflict, the country’s landlocked geography (which significantly raises the costs of trade, relative to countries with direct access to commercial sea routes), low levels of infrastructure and institutional capacity, and limited access to electricity and finance.⁴⁴⁹ However, these obstacles do not preclude Afghanistan from exporting large amounts of opium, which dwarfs the country’s licit exports.⁴⁵⁰ Curiously, although the IMF listed opium as Afghanistan’s top export in a table of selected economic indicators in a May 2018 update on the country’s macroeconomic performance, it removed opium from lists of Afghanistan’s main exports in subsequent updates dated November 2018 and May 2019.⁴⁵¹ In 2018, the value of opiates available for export was between \$1.1 billion and \$2.1 billion, according to the UNODC—far larger than the combined value of all licit exports (\$875 million).⁴⁵²

FIGURE 3.45

AFGHANISTAN'S EXPORT PERFORMANCE, 2017-2019 (AFN BILLIONS)



Note: Afghanistan's National Statistics and Information Authority (NSIA) denominates its quarterly trade data in U.S. dollars. The afghani (AFN) has depreciated against the U.S. dollar (USD) over the last several years, meaning that export growth calculations could overstate a decrease in export growth if USD values are not first converted to AFN. SIGAR therefore converted quarterly merchandise export totals to afghani (AFN). To do so, SIGAR used the average AFN/USD exchange rate for each quarter, calculated from monthly average exchange rates posted by Afghanistan's central bank.

Source: SIGAR analysis of NSIA quarterly and annual export data, 2017-2019, accessed 12/10/2019, 9/22/2019, 6/21/2019, 3/23/2019, 12/20/2018, and 9/25/2018.

Fiscal Update: Revenue Gains Stalled

Afghanistan's **sustainable domestic revenues** contracted by 2.6% over the first 11 months of FY 1398 (December 22, 2018, to December 21, 2019), year-on-year, SIGAR analysis of Afghan government accounting data showed.⁴⁵³ As SIGAR emphasized in its *2019 High-Risk List*, strengthening Afghanistan's fiscal capacity will be key to sustaining the infrastructure and institutions that will be vital to economic growth as the Afghan government is asked to take greater responsibility for its own development in the coming years.⁴⁵⁴

The IMF is uncertain how long revenue growth will remain slow (Figure 3.46 shows cumulative sustainable revenue gains through Month 11 of FY 1398).⁴⁵⁵ Signaling potential concerns from Afghanistan's Ministry of Finance, the MOF requested an early tax payment of more than \$10 million from state-owned Bank-e Millie Afghan (BMA) in order to shore up funds intended for "major national projects," TOLONews reported this quarter.⁴⁵⁶ An MOF spokesman said the Afghan government was entitled to the funds because BMA is a state-owned bank.⁴⁵⁷ However, according to TOLONews,

Sustainable Domestic Revenues:

According to Afghanistan Ministry of Finance 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.

the MOF said funds collected from BMA would count towards the bank's taxes in future years, inviting questions about why the funds were collected now.⁴⁵⁸

Should public expenditure needs stay constant, rise in line with population growth, or rise due to other factors (such as the need to consolidate and sustain an intra-Afghan peace), poorer revenue performance would mean that donors would need to foot more of Afghanistan's reconstruction bill, according to World Bank analysis published this quarter.⁴⁵⁹ The World Bank said that, in a mid-term, downside scenario in which revenues drop to a similar extent observed during the heavily contested 2014 presidential elections (i.e. collapse to the equivalent of approximately 8.5% of GDP), donors may have to provide between \$6.4 billion and \$8.2 billion to supplement domestic financing.⁴⁶⁰ That would be a little less than the \$8.5 billion in grant assistance donors currently provide per year, but the Bank's analysis also assumes that security expenditures will decrease by \$1.6 billion by 2024, which may not occur.⁴⁶¹

Lower growth through month 11 was driven in large part by a sharp decline in "Other Revenue," a catchall category for revenues not listed elsewhere in the MOF's chart of accounts.⁴⁶² Within this category, revenues from Afghan government-owned enterprises dropped by AFN 4.9 billion (\$61.4 million)—or 77.3%.⁴⁶³ A second factor was an 8.0% decline in administrative fees, which fell by AFN 2.1 billion (\$26.5 million).⁴⁶⁴ The Afghan government earns administrative fees in exchange for certain services it provides, such as issuing national identity cards and visas.⁴⁶⁵ A 47.4% drop in overflight revenues accounted for the majority of the overall decline in the administrative fees category. Overflight revenues, earned when commercial aircraft transit through Afghan airspace, decreased by AFN 2.0 billion (\$25.3 million) during the period.⁴⁶⁶ Pakistan closed its airspace from February 27, 2019, to July 16, 2019, which likely contributed to the decline.⁴⁶⁷

Figure 3.46 compares monthly sustainable domestic revenue collection from FY 1397 (December 22, 2017 to December 21, 2018) with monthly revenue collection from FY 1398. While aggregate revenues grew at the higher rate of 4.3% over the first 11 months of the year, the increase was driven by a large (AFN 9.0 billion, or \$113.8 million) transfer of central bank profits rather than revenue categories generally considered to be more sustainable.⁴⁶⁸ Outpacing sustainable (but not aggregate) domestic revenues, expenditures grew by 10.4%.⁴⁶⁹ Figure 3.47 shows cumulative spending increases by month through month 11.

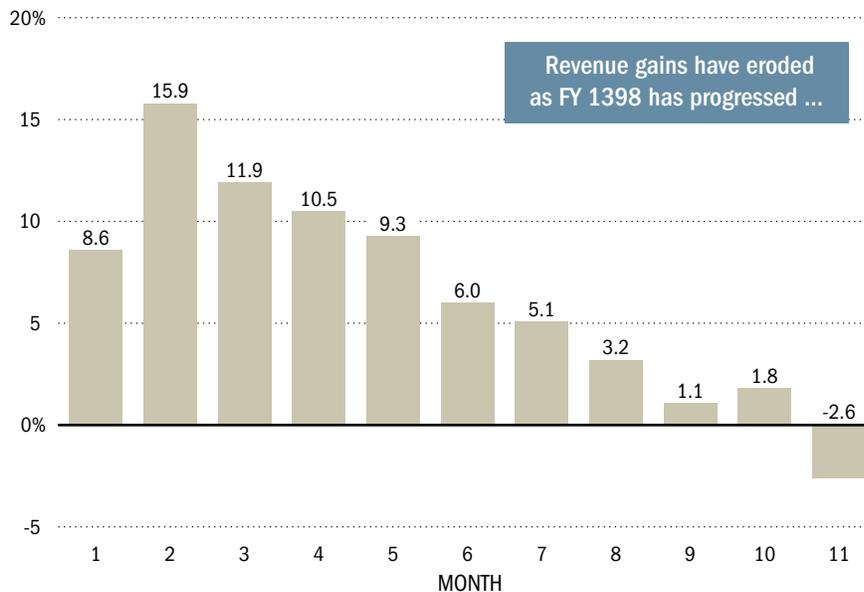
ECONOMIC GROWTH

Through its current strategy, USAID seeks to accelerate private-sector-driven, export-led growth in Afghanistan.⁴⁷⁰ In support of this objective, the agency's Office of Economic Growth aims to:⁴⁷¹

- strengthen trade connections between Afghanistan and its neighbors

FIGURE 3.46

CUMULATIVE SUSTAINABLE REVENUE GAINS (FY 1397-1398) VERSUS SAME MONTH PRIOR YEAR

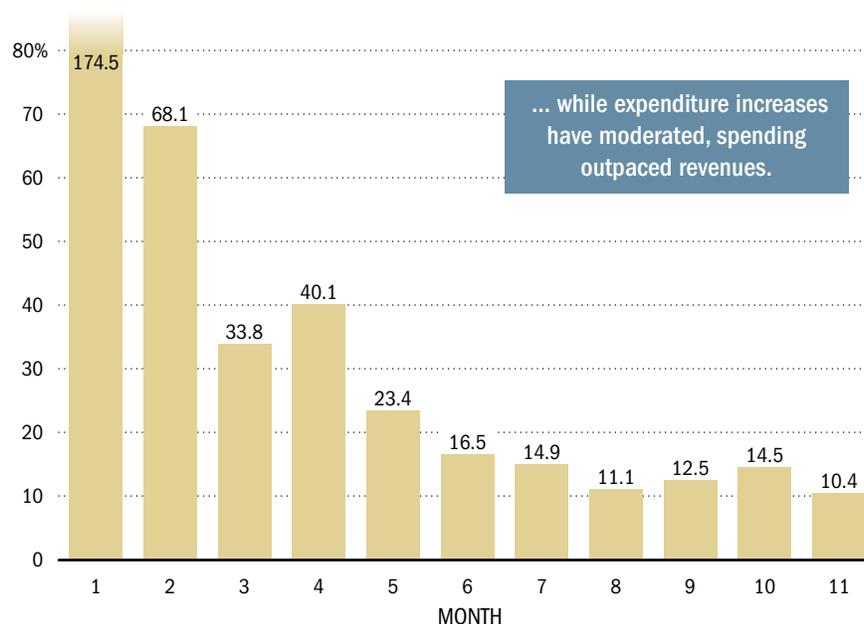


Note: During the timeframe within which SIGAR conducted the analysis for this report, Afghanistan's Ministry of Finance provided AFMIS data for only the fourth quarter of FY 1398. Consequently, the first nine months of revenues were calculated using AFMIS data exported on 10/8/2019. Because the Afghan government sometimes retroactively revises its accounting data, growth figures above may differ from those calculated using a single comprehensive export from AFMIS that includes all data from FY 1398. Last quarter, a similar graphic presented a cumulative 4.6% uptick in revenues through month 7. That figure is corrected here to 5.1%.

Source: SIGAR analysis of MOF-provided AFMIS data exported 1/6/2020 and 10/8/2019; SIGAR analysis of USAID-provided AFMIS data exported 1/12/2019.

FIGURE 3.47

CUMULATIVE EXPENDITURE INCREASES (FY 1397-1398) VERSUS SAME MONTH PRIOR YEAR



Note: During the timeframe within which SIGAR conducted the analysis for this report, Afghanistan's Ministry of Finance provided AFMIS data for only the fourth quarter of FY 1398. Consequently, the first nine months of revenues were calculated using AFMIS data exported on 10/7/2019. Because the Afghan government sometimes retroactively revises its accounting data, growth figures above may differ from those calculated using a single comprehensive export from AFMIS that includes all data from FY 1398.

Source: SIGAR analysis of MOF-provided AFMIS data exported 1/6/2020 and 10/7/2019; SIGAR analysis of USAID-provided AFMIS data exported 1/12/2019.

- 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

Materially accelerating Afghanistan's licit economic growth rate, which is currently too low to reduce poverty and improve living standards, may not be possible within the timeframe set by USAID's strategy (which covers development support through 2023).⁴⁷² High levels of insecurity, violence, and episodic political uncertainty (manifest most recently in a presidential election that remains unresolved months after the final vote was cast) continue to weigh down the Afghan economy, according to the IMF.⁴⁷³

USAID's active economic-growth programs have a total estimated cost of \$139 million and can be found in Table 3.18.

The Extractives Sector Contributes Little to GDP

Although Afghanistan is endowed with a plethora of natural resources (including rare earth elements, gold, chromite, copper, natural gas, and many others), mining made up just 1.1% of GDP in 2018, according to a recently released report from Afghanistan's statistical authority (the NSIA).⁴⁷⁴ As the NSIA bluntly stated, "Despite having numerous mines in Afghanistan, it has not been extracted yet [sic]."⁴⁷⁵

Even so, donors continue to emphasize the supposed importance of the extractives sector to Afghanistan's future development. Substantial future increases to government revenues (which presently cover only 25% of total public expenditures) would depend in large part on the ability of the Afghan government to mobilize major revenue-generating projects in the extractives sector, the World Bank said this quarter.⁴⁷⁶ The Afghan government has passed a new mining law, but it believes that security challenges and poor infrastructure, among other issues, still hinder development of the sector.⁴⁷⁷

After a seven-year period from 2009 through 2016, during which DOD and USAID obligated nearly \$488 million to develop Afghanistan's extractives industry, U.S. support to the sector is now relatively small.⁴⁷⁸ The most significant current U.S. effort is a five-year, \$18.2 million interagency agreement between USAID and the United States Geological Survey (USGS) that aims to help MOMP better organize and improve its data on Afghanistan's mineral reserves.⁴⁷⁹ One objective of a separate, five-year, \$20 million USAID interagency agreement with the U.S. Department of Commerce is to improve the legal and regulatory regime in the mining sector as well as building the capacity of MOMP's staff to administer its mining contracts.⁴⁸⁰

In sharp contrast to the state of the licit industry, illegal mining—broadly defined—has flourished in Afghanistan. According to the United States Institute of Peace, most mineral extraction in the country is either illicit or unregulated. While some local communities have operated for decades

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.18

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/11/2020
Multi-Dimensional Legal Economic Reform Assistance (MELRA)	2/7/2018	2/6/2023	\$19,990,260	\$3,371,197
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	5,567,947
INVEST	9/28/2017	9/27/2020	15,000,000	5,287,209
Afghanistan Investment Climate Reform Program	3/27/2015	3/26/2020	13,300,000	6,273,446
Commercial Law Development Program	3/1/2014	9/30/2019	13,000,000	12,700,832
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	1,369,315
Goldozi Project	4/5/2018	4/4/2022	9,718,763	2,926,344
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	1,020,463
Establishing Kabul Carpet Export Center (KCEC)	6/6/2018	6/5/2021	9,416,507	3,959,066
Recycling Plant Value Chain in Northern Afghanistan	6/5/2019	6/4/2023	7,250,000	156,333
Trade Show Support (TSS) Activity	6/7/2018	12/6/2020	6,921,728	5,474,912
Development Credit Authority (DCA) with Ghazanfar Bank	9/1/2018	8/30/2025	2,163,000	40,015
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	142,100
Afghanistan Loan Portfolio Guarantee	9/27/2017	9/26/2023	665,820	732
Total			\$139,043,043	\$48,810,713

Source: USAID, response to SIGAR data call, 1/11/2020.

under informal agreements brokered before the current regulatory regime took effect, the Taliban and various criminal networks control other sites.⁴⁸¹

Another Acting Minister Takes Over at the Ministry of Mines

Frequent leadership turnover at Afghanistan’s Ministry of Mines and Petroleum (MOMP) has disrupted U.S. capacity-building efforts there and has been an obstacle to developing the extractives sector, according to a report that evaluated USAID’s last large-scale effort to develop the industry.⁴⁸² While turnover at the ministry has slowed in recent years—over one four-year period, MOMP cycled through five different ministers—Acting Minister Nargis Nehan resigned for unspecified personal reasons in late October 2019.⁴⁸³ Nehan, whom the Afghan parliament refused to confirm (a decision that Afghan civil society organizations said reflected sexism), had served in an acting capacity for two and a half years.⁴⁸⁴

Taking over for Nehan is Acting Minister Enayatullah Momand.⁴⁸⁵ Momand, who is described as a “technical deputy of the ministry” in public reporting, is a seven-year veteran of MOMP, according to his profile on the ministry’s website.⁴⁸⁶ Since the beginning of the National Unity Government—the power-sharing arrangement between President Ashraf

Ghani and Chief Executive Abdullah Abdullah adopted following the disputed 2014 presidential elections—MOMP has been led by five different acting ministers, and has had a confirmed minister for a total of only 12 months.⁴⁸⁷

Two Large Mining Contracts in Jeopardy

On November 27, 2019, President Ghani reportedly canceled two contracts to develop a gold mine in Badakhshan Province and the Balkhab copper mine in Sar-e Pul and Balkh Provinces.⁴⁸⁸ The awardees—the Afghan Gold and Minerals Company (AGMC) and the Turkish Afghan Mining Company (TAMC)—failed to post contractually required performance bonds.⁴⁸⁹ A performance bond is issued to one party of a contract as a guarantee against the failure of the other party to meet its contractual obligations.⁴⁹⁰ However, in an interview with SIGAR, Brad Barnett, the CEO of CENTAR Ltd.—which partially owns AGMC and TAMC—said the contracts had not yet been canceled because the Afghan cabinet had not yet approved their cancellation.⁴⁹¹

MOMP had the right to terminate the contracts if AGMC or TAMC violated a material contract obligation, or if exploration activities were delayed for more than 12 months.⁴⁹² Although State claimed in December 2018 that the companies had begun the exploration phase, *Stars and Stripes* reported that exploration activities had not yet been initiated as of October 2019, 12 months after the contracts were signed.⁴⁹³

The Afghan government signed the mining contracts for the Badakhshan gold and Balkhab copper concessions at a ceremony at the Afghan Embassy in Washington, DC, in the fall of 2018, reviving long-held hopes at the time that Afghanistan’s extractives sector could be leveraged for the country’s economic development.⁴⁹⁴ Consultant projections from 2012 suggested that total government revenues over the lifetime of the projects (11 years from the mines’ becoming operational) could have been \$358 million for Balkhab and \$328 million for Badakhshan.⁴⁹⁵

However, controversy soon followed.⁴⁹⁶ Civil society organizations (CSOs) concerned about corruption in Afghanistan’s mining sector contended the contracts had been awarded illegally, due to the involvement of former Minister of Housing and Urban Development Sadat Naderi.⁴⁹⁷ The CSOs pointed out that the Afghan mining law in force at the time the contracts were signed appeared to set a five-year “cooling off” period for former ministers before they were allowed to hold a mining license.⁴⁹⁸ State argued that such concerns were “without substantive legal basis,” and said Naderi’s firm—the Afghan Krystal Mining Company, which had a 50.1% ownership stake in the Balkhab concession (by owning 50.1% of AGMC) and a 24.5% ownership stake in the Badakhshan concession (by owning 24.5% of TAMC), according to contract documents—bid for and won these contracts in good faith before Naderi became a minister.⁴⁹⁹

Beyond potential conflict of interest issues, State inaccurately portrayed the contracts as having been awarded to a U.S. company. State claimed that CENTAR Ltd. was based in the United States. Contract documents, however, contain contrary information: a company named CENTAR Ltd., based in Guernsey in the Channel Islands of the UK, owned 24.5% of the Badakhshan concession and 49.9% of the Balkhab project.⁵⁰⁰ CENTAR CEO Brad Barnett confirmed to SIGAR that the company is Guernsey-based, not U.S.-based.⁵⁰¹

Some Afghanistan Jobs Creation Program Awardees are Not Meeting USAID Performance Standards

Project data shared with SIGAR this quarter indicates that several awards granted under USAID's five-year, \$96 million Afghanistan Jobs Creation Program (AJCP) are not meeting targets.⁵⁰² Initiated in June 2017, AJCP aims to generate revenue and sustainable jobs by supporting Afghanistan's value-chain development, and to help Afghan business increase exports.⁵⁰³ The program funds multiple awards, with the value of individual grants ranging from \$2 million to \$10 million.⁵⁰⁴

One AJCP award went to Impact Carpets Associates LLC, which established the \$9.4 million Kabul Carpet Export Center (KCEC). KCEC seeks to increase Afghanistan's carpet exports and create jobs for Afghans in the carpet industry.⁵⁰⁵ Despite training 150 Afghan carpet manufacturers (750% of the project target for the first fiscal year of implementation), Impact Carpets missed annual targets for the volume of carpets exported (achieving 70% of the target), the value of carpets exported (70% of the target), the number of new jobs created (71% of the target), and the value of loans distributed to carpet manufacturers (0% of the target).⁵⁰⁶ KCEC, which is intended to be financially sustainable, hit only 40% of its revenue target.⁵⁰⁷

USAID awarded a second grant worth \$9.7 million to Family Health International (FHI 360) to support a program entitled "The Goldozi Project," which aims to help 15,000 women in and around Kabul sell their embroidered products.⁵⁰⁸ Goldozi's annual report for FY 2019 showed that FHI 360 failed to meet several key performance targets. For example, FHI 360 created just 80 of a planned 200 jobs. FHI 360 also reported that no individuals increased their income as a result of Goldozi assistance (versus a target of 500).⁵⁰⁹ FHI 360 explained that the high-end Afghan products supported by the project struggled to compete with new trends and styles in the fashion industry. Lack of product differentiation and quality were major concerns.⁵¹⁰ FHI 360 further explained that most Afghans lacked the purchasing power to afford Goldozi's products and preferred to purchase imported machine-made goods from Pakistan.⁵¹¹

A third AJCP grant worth \$9.5 million was awarded to the Cooperative for Assistance and Relief Everywhere Inc. (CARE) to support a project called "Livelihood Advancement for Marginalized Populations (LAMP)."⁵¹²

LAMP aims to create jobs for internally displaced Afghans.⁵¹³ LAMP's most recent quarterly performance report indicated that CARE had met its target of providing 145 individuals with new or better employment.⁵¹⁴ However, this target was met by simply providing these individuals with 40 hens, along with feed and equipment. The quarterly report did not indicate whether the recipients were generating income from poultry activities.⁵¹⁵ More than a year and a half since it was established in 2018, LAMP has benefitted only these 145 individuals.⁵¹⁶ CARE attributed the slow start in part to a long delay in finalizing beneficiaries for intervention. As a result of this delay, many beneficiaries "lost their interest."⁵¹⁷ Descriptions of other challenges listed in CARE's quarterly report were poorly written and consequently incomprehensible. For example, according to CARE, one challenge was, "Due to this project implementation modality and program description mentioned issue is challengeable for implementation of this modality."⁵¹⁸

AGRICULTURE

The agricultural sector employs approximately 40% of Afghanistan's total labor force, according to the World Bank, and accounted for 20.5% of the country's GDP (including opium-poppy) in 2018, according to Afghanistan's National Statistics and Information Authority (NSIA).⁵¹⁹ The Bank expected the sector's contribution to GDP in 2019 to be approximately the same as in 2018.⁵²⁰ Agriculture's significance to growth has diminished somewhat since the U.S.-led intervention in 2001, in line with a significant rise in demand, driven largely by the international presence in the country, for construction and services (for example, communications and logistics services).⁵²¹ Nevertheless, the Bank expected licit agriculture to contribute approximately 0.84 percentage points (out of 2.5 percentage points) of GDP growth in 2019 due to anticipated recovery from a severe drought in 2018.⁵²²

In addition to licit agricultural activity supported by international donors, illicit opium-poppy cultivation thrives in Afghanistan. Including indirect employment, as many as 507,000 Afghans worked in the opium economy in 2018, making the sector one of the country's largest employers (considerably larger than the Afghan National Defense and Security Forces), according to a May 2019 paper from the Afghanistan Research and Evaluation Unit.⁵²³

Since 2002, USAID has disbursed nearly \$2.3 billion to improve licit agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.⁵²⁴ USAID's active agriculture programs have a total estimated cost of \$348 million and can be found in Table 3.19. This quarter, State and USAID's alternative development projects—which aim to transition opium-poppy farmers into licit agriculture—have been incorporated into this section of the quarterly economic and social development update. Total disbursements on State's active

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TABLE 3.19

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/11/2020
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	\$87,905,437	\$22,548,698
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	1/31/2020	71,292,850	71,238,969
Afghanistan Value Chains–Livestock Activity	6/9/2018	6/8/2021	55,672,170	10,630,971
Afghanistan Value Chains–High Value Crops	8/2/2018	8/1/2023	54,958,860	8,768,053
Regional Agriculture Development Program–East (RADP East)	7/21/2016	7/20/2021	28,126,111	15,520,586
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	9,150,000
Promoting Value Chain–West	9/20/2017	9/19/2020	19,000,000	11,406,963
Catalyzing Afghan Agricultural Innovation	5/28/2018	5/27/2023	8,000,000	2,182,659
SERVIR	9/14/2015	9/30/2020	3,100,000	1,877,059
Total			\$347,555,428	\$153,323,957

Note: CHAMP is the only project USAID continues to code as an alternative-development intervention in its financial data. All other projects are coded as agricultural interventions.

Source: USAID, response to SIGAR data call, 1/11/2020.

alternative livelihood projects (Table 3.20 on page 140) were \$79 million, as of December 18, 2019.

One-Third of Afghans Could Face Food Insecurity in Early 2020

Some 11.3 million people—or more than one-third of all Afghans—stood to face acute food insecurity between November 2019 and March 2020, according to the Integrated Food Security Phase Classification (IPC), on whose food-security analyses USAID relies.⁵²⁵ Food-insecure households experience acute malnutrition due to food consumption gaps, or are forced to deplete household assets to meet minimum needs.⁵²⁶

Factors contributing to widespread food insecurity include the lingering impacts of last year’s severe drought, high unemployment and food prices, and the continuing conflict.⁵²⁷ Christos Stylianides, the European Union’s Commissioner for Humanitarian Aid and Crisis Management, commented, “The humanitarian outlook in Afghanistan is as bleak as ever.”⁵²⁸ To help address widespread malnutrition, USAID contributed \$101.1 million to multiple partners in FY 2019, including \$87.1 million to the UN World Food Program (WFP) to address widespread food insecurity.⁵²⁹ WFP provides emergency food assistance in Afghanistan.⁵³⁰

USAID’s CHAMP is Meeting Performance Targets but Sustainability is a Key Question

USAID’s Commercial Horticulture and Agricultural Marketing Program (CHAMP) works with Afghan firms to boost the country’s exports, particularly fresh and dry fruits and nuts.⁵³¹ While USAID still categorizes CHAMP as an alternative-development project in its financial data, the current,

SIGAR AUDIT

A November 2019 SIGAR audit examining USAID's efforts to reduce food insecurity in Afghanistan found that incomplete reporting and limited site visits reduced USAID's ability to conduct oversight of its emergency food-assistance activities in Afghanistan. Moreover, more than 91% of USAID's implementing partners' formal quarterly, biannual, annual, and final project performance reports lacked information required by USAID's award agreements.

primary purpose of CHAMP is to support USAID's export-led growth strategy by increasing exports of high-value agricultural products.⁵³² The project is implemented by the humanitarian organization Roots of Peace.⁵³³

CHAMP met or significantly exceeded nearly all of its performance targets for the quarter ending September 30, 2019, data from the project's latest quarterly report show.⁵³⁴ In particular, CHAMP exceeded targets for both the volume and value of agricultural commodities exported with U.S. government (USG) assistance by 60% and 240%, respectively.⁵³⁵ Other performance targets that were exceeded, like the number of households benefitted by agriculture and alternative-development interventions and the number of full-time equivalent jobs created, were boosted by higher-than-target exports.⁵³⁶

While these figures seem encouraging (the value of agricultural commodities exported with CHAMP support was more than \$31.7 million in the fourth quarter of FY 2019), they are attributable in part to USAID-supported trade shows and to heavily subsidized air corridors between Afghanistan and regional trading partners.⁵³⁷ For example, contracts signed at a single trade show—USAID Afghanistan's 3rd Annual Passage to Prosperity event, which ran from September 24 through September 26, 2019, in New Delhi, India—were equivalent to nearly 65% (\$20.5 million) of the value of sales supported by CHAMP's assistance in the fourth quarter of FY 2019.⁵³⁸

While the extent of linkage between CHAMP-supported exports and Afghanistan's network of regional air corridors is less clear, USAID has said there is a close connection between the corridors and the trade exhibitions supported by the agency.⁵³⁹ Representatives from the Afghanistan Chamber of Commerce and Investment attend the trade shows and, if a deal is signed, ensure that planes are available to fill the order.⁵⁴⁰ Subsidy rates that reduce airfreight costs for Afghan exporters are substantial. For example, subsidies cover 83% of shipment costs from Kabul to New Delhi.⁵⁴¹

USAID said that its goal was to ensure "Afghans can self-reliantly manage international trade exhibitions within five years," and noted it is working to help Afghanistan "achieve critical product density for various Afghan commodities within [a] five-year timeframe" (implying that export subsidies are a necessary but temporary measure to help achieve such density).⁵⁴² However, a key question is whether high levels of exports from CHAMP-supported traders are sustainable in the absence of subsidized trade exhibitions and airfreight costs.

State's \$24 Million CBARD-West Project Faces Implementation Challenges

The Community-Based Agriculture and Rural Development-West (CBARD-West) project, managed by State's Bureau of International Narcotics and Law Enforcement Affairs (INL), faced significant implementation challenges during the fourth quarter of FY 2019, a report provided to SIGAR

this quarter showed.⁵⁴³ CBARD-West aims to strengthen local production and marketing of high-value crops in 63 communities in Farah and Badghis Provinces, thereby accelerating Afghanistan’s licit economic growth and reducing the prevalence of illicit opium-poppy production.⁵⁴⁴ By dividing communities into treatment and control groups, CBARD-West is also attempting to assess the viability of alternative livelihoods for farmers who might otherwise grow poppies.⁵⁴⁵

CBARD-West’s implementer, the United Nations Development Programme (UNDP), said the project faced numerous implementation challenges during the latest reporting period (July 2019 through September 2019).⁵⁴⁶ The biggest unforeseen challenge, according to UNDP, was an exceptionally low survival rate for saplings planted in 2018. The survival rate in Farah was just 59.9% (meaning that approximately 99,000 out of 160,000 saplings planted survived).⁵⁴⁷ The survival rate of saplings planted in Badghis Province was even lower (37.7%): only 38,000 of 124,000 saplings survived.⁵⁴⁸

UNDP said the low survival rates were the cumulative result of successive droughts, extreme floods, and unintentional neglect by farmers displaced by armed conflict. The implementer added that despite its efforts to mitigate the impacts of these risks through site selection and assessment of intervention appropriateness, the severity of floods, drought, and conflict in areas selected for intervention were too much for local communities to cope with.⁵⁴⁹ Moreover, UNDP was limited in its ability to assess these impacts, as well as provide timely support, due to the remoteness of project locations, limited accessibility in times of flood, general insecurity, and weak management and coordination at local, district, and provincial levels.⁵⁵⁰ In light of these challenges, UNDP said it was conducting a review that will ascertain how to make its project interventions more viable.⁵⁵¹

In addition to these developments, UNDP reported that it had trained project beneficiaries on gender-sensitive agro-business development (to strengthen women’s involvement and participation) and post-harvest value addition (processing and marketing), as well as completed construction on new commercial greenhouses and irrigation projects during the quarter.⁵⁵² INL said that the preliminary analysis for CBARD’s midterm evaluation suggests that the project is succeeding as “there has been a (larger) reduction on opium-poppy cultivation in the villages receiving INL funded project interventions (“treatment” villages) compared to the villages not receiving the interventions (“control” villages).”⁵⁵³ However, SIGAR’s 2018 lessons-learned report on counternarcotics found that interventions like CBARD seldom have a lasting impact on poppy cultivation.⁵⁵⁴ State-INL’s alternative-development projects are presented in Table 3.20 on the following page.

TABLE 3.20

STATE-INL ACTIVE ALTERNATIVE-DEVELOPMENT PROJECTS			
Project Title	Start Date	End Date	Obligated and Disbursed, Cumulative, as of 12/18/2019
Community-Based Agriculture and Alternative Development-West (CBARD-West)	9/1/2016	4/30/22	\$24,368,607
Community-Based Agriculture and Alternative Development-East (CBARD-East)	11/11/17	4/30/22	22,128,683
Boost Alternative Development Intervention Through Licit Livelihoods (BADILL)	8/12/16	8/12/20	20,000,000
Community-Based Agriculture and Alternative Development-Access to International Markets (CBARD-AIM)	7/30/19	4/30/23	8,900,000
Monitoring and Impact Assessment of High-Value Agricultural Based Interventions	8/30/16	11/10/20	3,810,530
Total			\$79,207,820

Source: State, INL, response to SIGAR data call, 12/18/2019.

INFRASTRUCTURE AND ESSENTIAL SERVICES

A major goal of the U.S.-led reconstruction effort has been to construct and improve Afghanistan’s infrastructure base. Since 2002, the U.S. has built health and education facilities, roads and bridges, and electricity infrastructure.⁵⁵⁵ USAID alone has disbursed more than \$4.4 billion for infrastructure projects.⁵⁵⁶

Funding levels for infrastructure have decreased in recent years as the U.S. has shifted its reconstruction focus away from large capital projects like road construction. Although State says there are no plans to bilaterally underwrite any new major infrastructure, several high-dollar-value projects are still being implemented.⁵⁵⁷ This section focuses specifically on remaining U.S.-funded power-infrastructure projects.

U.S. Efforts to Expand Afghanistan’s Power Grid

Since 2011, a top U.S. development priority has been to expand and connect Afghanistan’s “islanded” power grids—work that has involved large-scale infrastructure projects. DOD and USAID have been working to expand Afghanistan’s power grid and to connect the country’s **Northeast Power System (NEPS)** with its southeastern counterpart, the **Southeast Power System (SEPS)**.⁵⁵⁸ USAID aims to connect the two networks with a 470-kilometer transmission line.⁵⁵⁹ Figure 3.48 on the previous page shows the current status of U.S.-funded power-infrastructure projects.

During the high-water mark of the Afghanistan intervention (2010–2012), DOD and State justified these efforts based on the U.S. government’s counterinsurgency (COIN) strategy, which sought to simultaneously contain the Taliban insurgency and address its presumed root causes. By increasing access to electricity, the reasoning went, the Afghan population’s confidence in the Afghan government would grow as the government’s ability to provide essential services and stimulate long-term economic growth improved—thereby reducing support to the Taliban.⁵⁶⁰ While the proportion of Afghans with access to grid-based electricity rose from less than 6% in

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

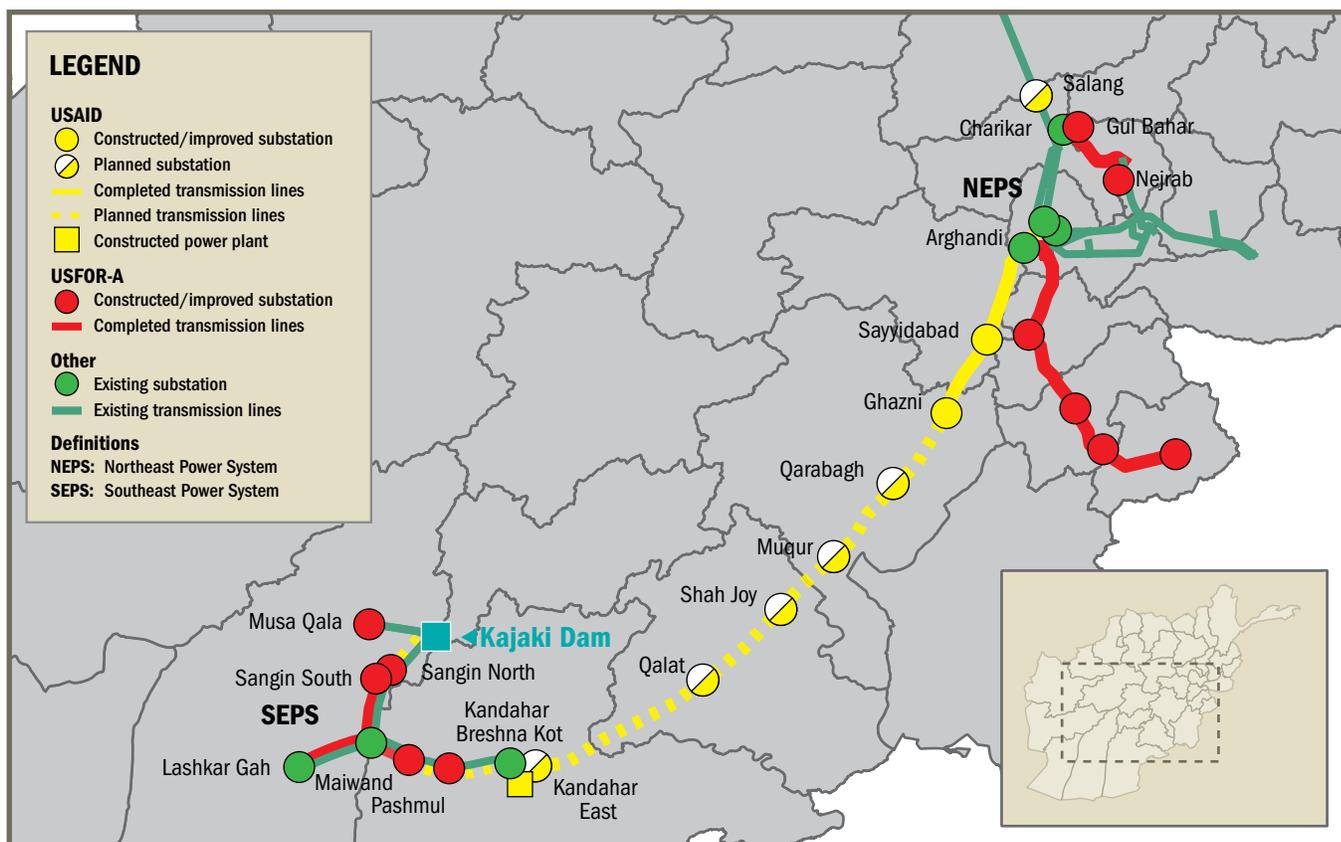
SEPS: draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.

Source: DOD, Report on Progress Toward Security and Stability in Afghanistan, 11/2013, p. 107.

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FIGURE 3.48

STATUS OF U.S.-FUNDED POWER-INFRASTRUCTURE PROJECTS, AS OF DECEMBER 2019



Note: Map is illustrative and does not depict every feature of Afghanistan's energy infrastructure.

Source: Afghan Energy Information Center, Afghanistan Energy Map, "Afghanistan Current & Future Power System up to Year 2032 (1410)," no date, <http://aEIC.af/en/ppi>, accessed 10/9/2019; USFOR-A, JENG, "Afghanistan Infrastructure Fund Program FY 11 through FY 14," 12/10/2019; USAID, OI, response to SIGAR data call, 12/18/2019; SIGAR, Supplement to October 2018 Quarterly Report to Congress: Power Infrastructure Map, "U.S.-Funded Power-Infrastructure Projects: Current Status, as of September 2018," 10/30/2018; SIGAR, Afghanistan's Energy Sector: USAID and DOD Did Not Consistently Collect and Report Performance Data on Projects Related to Kajaki Dam, and Concerns Exist Regarding Sustainability, SIGAR 19-37-AR, 5/2019, p. 28.

2002 to over 30%, as of early 2019, according to USAID, it is unclear whether this improvement contributed to COIN outcomes.⁵⁶¹ A 2017 SIGAR audit that examined a subset of infrastructure projects funded by Fiscal Year (FY) 2011 monies found that U.S. agencies had not assessed whether the projects had achieved their COIN objectives or could be sustained by the Afghan government.⁵⁶²

Overtly, the rationale for increasing Afghans' access to electricity is less directly connected to security outcomes than it was at the peak of the U.S. intervention.⁵⁶³ According to USAID's current strategy, access to reliable and affordable power drives economic growth and results in better delivery of education and health services.⁵⁶⁴ Yet, a residual connection between power-infrastructure and security outcomes remains: all of the

development objectives under USAID’s strategy are expected to contribute to Afghanistan’s stability because they “address the security and development challenges that have made Afghanistan a safe haven for terrorists and violent extremist organizations and have driven the conflict with the Taliban.”⁵⁶⁵ The body of research examining whether economic and social development programs can positively impact stability levels is mixed.⁵⁶⁶

Most of USAID’s Remaining Power-Infrastructure Projects Face Delays

USAID currently has five ongoing power-infrastructure projects (DOD’s projects are complete). Those projects include the construction of:⁵⁶⁷

- the Salang substation (99% complete, with an expected completion date of January 2, 2020), located near a strategic pass between Baghlan and Parwan Provinces
- a transmission line between Ghazni and Kandahar Provinces (17% complete, with an expected completion date of December 30, 2020)
- substations along the transmission line from Ghazni to Kandahar (completion date: July 30, 2023; USAID did not provide a completion percentage for this project)
- transmission lines and substations in SEPS (completion date: July 30, 2023; USAID did not provide a completion percentage for this project)
- a wind farm in Herat Province (completion date: December 24, 2021; SIGAR did not ask for a completion percentage, as this is a new project).

A sixth project—construction of a 10-megawatt solar power plant outside of Kandahar City in southern Afghanistan that was more than one year behind schedule—has been completed, USAID reported this quarter. Commercial operations at the plant began on October 16, 2019, USAID said.⁵⁶⁸

Four of five active projects are also delayed.⁵⁶⁹ The Salang substation and the transmission line and substations between Ghazni and Kandahar were originally supposed to be complete by the end of 2016—meaning they are more than three years behind schedule.⁵⁷⁰ USAID’s work on SEPS evolved from a DOD contract that was originally supposed to be complete by November 2013—meaning it is now more than six years behind schedule.⁵⁷¹ Initiated in October 2019, USAID’s newest power-infrastructure project is a 25-megawatt wind farm in Herat Province that aims to demonstrate the commercial viability of generating power from wind in northwest Afghanistan.⁵⁷²

Cumulatively, USAID has disbursed more than \$1.9 billion since 2002 to build power plants, substations, and transmission lines, and to provide technical assistance in the power sector.⁵⁷³ USAID’s active power-infrastructure projects have a total estimated cost of \$811 million and are presented in Table 3.21.

TABLE 3.21

USAID ACTIVE ENERGY PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/11/2020
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2023	\$316,713,724	\$254,041,011
SEPS Completion and NEPS-SEPS Connector Substations	7/3/2019	7/30/2023	159,794,733	16,523,473
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	71,162,587
25 MW Wind Farm in Herat Province	10/22/2019	12/24/2021	22,994,029	–
Design and Acquisition of SEPS Completion and NEPS-SEPS Connector	3/7/2018	6/27/2022	20,151,240	2,345,093
Kandahar Solar Project	2/23/2017	12/29/2019	10,000,000	10,000,000
Spare parts for Tarakhil Power Plant	8/14/2019	2/11/2020	2,136,850	1,135,788
Power Sector Governance and Management Assessment	1/12/2019	3/2/2019	567,330	567,330
Total			\$811,028,090	\$509,445,467

Source: USAID, response to SIGAR data call, 1/11/2020.

EDUCATION

Since the 2001 U.S.-led intervention, donors have generally highlighted Afghanistan’s progress in the education sector as a significant achievement.⁵⁷⁴ However, although more children are in school than under the Taliban regime, when girls were forbidden to attend, poor data quality makes it difficult to ascertain the extent of that success. For example, figures for the number of children and youth in school vary widely.⁵⁷⁵ Additionally, Ministry of Education (MOE) enrollment data cannot be used to determine attendance rates directly because the MOE counts students who have been absent for up to three years as enrolled, under the premise that they may return to school.⁵⁷⁶

Numerous challenges plague the education sector. Many Afghans living in rural areas reside far from schools (making it difficult for them to attend); schools are sometimes targeted, threatened, occupied, or caught in crossfire between Afghan government forces and insurgents; and many teachers are allegedly appointed on the basis of cronyism and bribery.⁵⁷⁷

As part of its current strategy in Afghanistan, USAID hopes to increase access to basic education for children, improve the quality of that education, and build management capacity at the MOE.⁵⁷⁸ The agency hypothesizes that advancing gains in education will help the Afghan government gain the confidence of its citizens.⁵⁷⁹ However, Afghanistan’s education sector has not succeeded in making such gains in recent years: attendance rates of primary-school age children did not improve between two comprehensive surveys conducted by the NSIA in 2011–2012 and 2016–2017. The

NSIA said, “This is a remarkable finding, given the continuous efforts to expand primary education facilities across the country.”⁵⁸⁰

USAID also believes that advancing gains in education will ultimately contribute to Afghanistan’s stability.⁵⁸¹ Yet, Afghan government—and by extension donor—funded education services are also provided in many Taliban-controlled areas, meaning that the insurgency, too, benefits from overall improvements to Afghanistan’s education system.⁵⁸²

USAID, which aims to improve access to and quality of education in Afghanistan, as well as build capacity at the MOE, has disbursed more than \$1.1 billion for education programs in Afghanistan, as of January 11, 2020.⁵⁸³ The agency’s active education programs have a total estimated cost of \$520 million and can be found in Table 3.22.

Activists Allege Rampant Sexual Abuse in Logar Province Schools

At least 165, and possibly more than 546, boys from six schools in Logar Province were sexually abused, according to reporting from the *New York Times* and the *Guardian*.⁵⁸⁴ The Logar Youth, Social, and Civil Institution, an Afghan civil society organization, told the publications that teachers and other authority figures, older students, and extended family members were among the abusers, adding that it had discovered more than 100 videos of the abuse on a Facebook page.⁵⁸⁵ Mohammed Musa, described as a lead social worker at the organization, said that although some of the accused

TABLE 3.22

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/11/2020
Afghanistan University Support and Workforce Development Program	1/1/2014	9/30/2019	\$93,158,698	\$92,454,137
Support to the American University of Afghanistan (AUAF)	8/1/2013	5/31/2020	90,681,844	74,324,123
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	–
Afghan Children Read (ACR) Program	4/4/2016	4/03/2021	69,547,810	41,996,195
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	37,698,050
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	14,722,111
Afghanistan’s Global Partnership for Education	10/11/2012	9/30/2019	15,785,770	15,729,922
Financial and Business Management Activity with AUAF	7/5/2017	7/4/2020	4,384,058	3,358,726
PROMOTE Scholarships PAPA	3/4/2015	3/3/2020	1,247,522	1,247,522
Total			\$520,256,697	\$373,933,244

Source: USAID, response to SIGAR data call, 1/11/2020.

teachers had been detained by the police, they were subsequently released without charges.⁵⁸⁶

Some victims have suffered extensive repercussions for reporting the abuse, according to the *Times* and the *Guardian*, both of which spoke with accusers, teachers, or administrators.⁵⁸⁷ One school administrator said the Taliban had killed three boys who reported rapes, and Musa claimed that five families killed their sons after recognizing them in videos posted to social media.⁵⁸⁸ Musa added that police officers had raped several boys who had agreed to be questioned.⁵⁸⁹ A spokesman for the Logar provincial police denied this accusation, while Logar Provincial Governor Mohammad Anwar Ishaqzai said he considered Musa's findings "inaccurate."⁵⁹⁰

In the wake of the news reports on the allegations, the National Directorate of Security (NDS, Afghanistan's intelligence agency) detained Musa and another Logar activist, Ehsanullah Hamidi, and coerced the activists into confessing that their accusations were untrue.⁵⁹¹ Musa and Hamidi were subsequently released following pressure from the United States and human-rights groups—including a Twitter post in which U.S. Ambassador to Afghanistan John Bass decried the Afghan government for "Soviet-style tactics."⁵⁹² Afghan President Ashraf Ghani, who instructed the NDS to "stop the proceedings," ordered Afghanistan's Ministry of Education to compile a report on the allegations.⁵⁹³ The practice of *bacha bazi*, or "boy play," in which authority figures keep boys as sex slaves, is widespread in Afghanistan.⁵⁹⁴

HEALTH

Afghanistan appears to have made progress in key health indicators since 2001—though conflicting data points preclude a precise evaluation of the extent of improvement.⁵⁹⁵ For example, although results from a household survey showed that Afghanistan's under-5 mortality rate (the probability of dying between birth and 5 years of age) was 55 per 1,000 live births in 2015, the CIA *World Factbook* stated in 2015 that the infant mortality rate (the probability of dying between birth and 1 year of age) was 115 per 1,000 live births.⁵⁹⁶ Many health outcomes in Afghanistan remain worse than in most other countries: according to the *Factbook*, Afghanistan has the lowest life expectancy (52.1 years) in the world.⁵⁹⁷

USAID has suggested that making people healthier can produce positive effects on security outcomes—"healthy people and health[y] communities are the bedrock of a peaceful and stable nation," the agency said. But insecurity has risen even as key health indicators have ticked up, according to the World Bank.⁵⁹⁸ USAID has also asserted that, by bolstering Afghans' confidence in their government's capacity to deliver services, continuing to improve health outcomes will help achieve stability in Afghanistan.⁵⁹⁹ However, some reports indicate that the Taliban coopt Afghan government

SIGAR EVALUATION REPORT

On December 23, 2015, a bipartisan group of 93 U.S. Senators and members of the House of Representatives requested that SIGAR conduct an inquiry into the U.S. government's experience with allegations of sexual abuse of children committed by members of the Afghan security forces, and the manner in which DOD and State implemented the Leahy laws in Afghanistan. The Leahy laws prohibit the U.S. funding of units of foreign forces that commit gross violations of human rights.

SIGAR found that although DOD and State had received credible information regarding incidents of child sexual assault perpetrated by members of the Afghan security forces, the Secretary of Defense had used an exemption authority granted by statute to continue providing select training, equipment, and other assistance to some of the Afghan security-force units implicated in those incidents. Following SIGAR's report, Congress removed the exemption authority—known as the "notwithstanding clause"—from subsequent funding provisions for the Afghanistan Security Forces Fund, through which the U.S. provides funding for Afghan security forces.



A public health employee takes a woman's blood pressure. (USAID photo)

health services delivered in areas under their control, thereby potentially legitimizing their own authority, not the Afghan government's.⁶⁰⁰

U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1.3 billion as of January 11, 2020.⁶⁰¹ USAID's active health programs have a total estimated cost of \$291 million, and are listed in Table 3.23.

USAID's \$60 Million HEMAYAT Project Difficult to Assess

Some results of USAID's \$60 million Helping Mothers and Children Thrive (HEMAYAT) project appear to be encouraging, but the project's overall impact is difficult to assess, data from HEMAYAT's latest annual report show.⁶⁰² HEMAYAT was initiated to help reduce high child-mortality rates and pregnancy-related deaths for mothers in Afghanistan.⁶⁰³ The project, which concluded this quarter, sought to achieve these goals by increasing access to, and use of, family-planning and maternal, neonatal, and child health services, and by strengthening referral systems to hospitals at the provincial level.⁶⁰⁴

HEMAYAT implementer Jhpiego, an affiliate of Johns Hopkins University, reported that it had significantly exceeded its FY 2019 target for the number births attended by a skilled doctor or midwife. A total of 573,332 births were attended by a skilled health-care professional, more than 39% above the goal of 411,586. Jhpiego indicated that the higher-than-expected result may be attributable to higher utilization rates of health facilities in targeted provinces.⁶⁰⁵ HEMAYAT project records also showed a 20% reduction in the rate of postpartum hemorrhage mortality and a 59% reduction in the rate of early newborn mortality in targeted health facilities in FY 2019.⁶⁰⁶ While these results are encouraging on their face, Jhpiego noted that the changes in the fatality rates were difficult to interpret due to changes in quality of care, timely use of services by clients, and the reporting of deaths.⁶⁰⁷ The

TABLE 3.23

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/11/2020
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$36,916,350
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	66,292,151	58,653,113
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	20,805,044
Medicines, Technologies and Pharmaceuticals Services (MTaPS)	9/20/2018	9/20/2023	20,000,000	29,620
Challenge Tuberculosis	1/1/2015	9/29/2019	16,886,357	13,889,395
Enhancing Community Access & Utilization of Zinc and ORS for the 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	9,596,443
Central Contraceptive Procurement (CCP)	4/20/2015	4/19/2020	2,343,773	1,350,309
Global Health Supply Chain Quality Assurance (GHSC-QA)	1/2/2015	12/31/2019	1,500,000	1,348,802
TB Data, Impact Assessment and Communications Hub (TB DIAH)	9/24/2018	9/24/2023	600,000	170,149
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			\$290,745,966	\$184,944,410

Source: USAID, response to SIGAR data call, 1/11/2020.

same data caveats applied to the discouraging 20% increase in pre-eclampsia and eclampsia fatality rates at targeted health facilities.⁶⁰⁸ Eclampsia is a pregnancy disorder characterized by the onset of high blood pressure.

Other metrics of HEMAYAT's impact, including the contraceptive prevalence rate and the percent of births receiving at least four antenatal visits during pregnancy, were not measured during the lifetime of the project, making it difficult to ascertain whether HEMAYAT made inroads in those areas.⁶⁰⁹

Number of Polio Cases Rises Significantly in 2019

The number of new polio cases reported in Afghanistan rose by 33% in 2019: 28 new polio cases were reported, compared to 21 cases in 2018.⁶¹⁰ Both figures were substantially higher than the 14 cases reported in 2017.⁶¹¹ In a sign that polio may be spreading beyond eastern and southern Afghanistan (where new cases are not uncommon), this quarter authorities registered a new polio case in Baghlan Province in the country's north. It was reportedly the first case of polio registered in Baghlan since 2011.⁶¹² Afghanistan, Pakistan, and Nigeria are the only three countries where polio remains endemic.⁶¹³

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.



A midwife trained through USAID's HEMAYAT tends to a newborn and her mother. (USEK photo)

Efforts to eliminate polio in Afghanistan face numerous obstacles. Large-scale population movements across Pakistan and Afghanistan's 1,500-mile border increase cross-border transmission risk, and the Pakistani Taliban have issued a fatwa targeting polio workers, complicating vaccination outreach.⁶¹⁴ Although the Afghan Taliban have reportedly voiced strong support for polio vaccinations over the past decade, they too at times disrupt vaccination efforts.⁶¹⁵ Since May 2018, the Taliban, fearing spies, has not allowed door-to-door vaccinations in areas they control, and from April to September 2019, they banned all polio-related activities, according to the United Nations. Currently, the Taliban allows vaccinations only in area health facilities.⁶¹⁶

USAID has obligated \$36.6 million for polio-related programs since 2003, of which \$32.5 million has been disbursed.⁶¹⁷

Drug Use in Afghanistan Continues to Grow

Drug use is a growing problem for Afghanistan, following a pattern of increasing opium production.⁶¹⁸ A 2015 report published by Afghanistan's Ministry of Counter Narcotics (with technical assistance from the United Nations Office on Drugs and Crime, or UNODC) estimated that between 1.9 million and 2.4 million adult Afghans used drugs.⁶¹⁹ The number of drug users at that time was equal to 12.6% of Afghanistan's adult population—more than double the global drug use rate of 5.2%.⁶²⁰ By comparison, in 2009, there were an estimated 940,000 drug users in Afghanistan, a figure that, 10 years ago, represented 8% of the adult population.⁶²¹

Drug use among women and children is among the highest documented worldwide, and 38.5% of rural households tested positive for some form of illicit drug.⁶²² Opium remains the predominant opioid used in Afghanistan, with nearly 70% of opioid users reporting using opium, but there is also significant use of heroin and nonmedical use of pharmaceutical opioids, according to the UNODC.⁶²³ Afghan authorities are also grappling with a growing methamphetamine problem that could one day rival the country's heroin trade.⁶²⁴ Drug use "will pull down, today or tomorrow, the entire economy," a senior program officer in the UNODC's Afghanistan office told National Public Radio this quarter.⁶²⁵

Update on State-INL's Drug-Treatment and Prevention Work

State's Bureau of International Narcotics and Law Enforcement Affairs (INL) works with international partners to build the capacity of Afghan service providers in drug prevention, treatment, and recovery.⁶²⁶ To support Afghanistan's drug-demand reduction efforts, and to build capacity in Afghan government ministries, INL funds several projects administered by the **Colombo Plan** and UNODC.⁶²⁷

In November 2018, INL provided nearly \$300,000 to the Colombo Plan to support drug treatment education for eight staff members of Kabul

The Colombo Plan: Instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon) in 1950 with seven founding-member countries. The organization has since expanded to include 26 member countries. INL supports the Colombo Plan's Universal Treatment Curriculum, a national level training and certification system for drug-addiction counselors aimed at improving the delivery of drug treatment services in Africa, Asia, and Latin America.

Source: Colombo Plan Secretariat website, "History," www.colombo-plan.org, accessed 7/1/2017; INL, International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control, 3/2018, p. 19.

University's Addiction Studies Department.⁶²⁸ The latest project document available to SIGAR indicated that training for the staff members continued with an 11-day session in New Delhi, India.⁶²⁹

INL also sponsors a \$2 million program that provides scholarships and fellowships to female Afghan students at the Asian University for Women (AUW). The program aims to develop the capacity of the Afghan government to advance counternarcotics priorities and, simultaneously, promote gender integration.⁶³⁰ This project is not on track to meet these objectives. As of July 2019 (the latest reporting provided to SIGAR) the project had placed just four (out of a target of 25) women fellows to Afghanistan's Ministry of Counter Narcotics (MCN) and sponsored just five female students at AUW (out of a target of 25).⁶³¹ So few beneficiaries were expected in 2020 that project implementers put hiring of a career counselor on hold after conducting interviews for the position.⁶³²

Since a January 2019 Afghan presidential decree dissolved the MCN, the MCN's functions have been assumed by the Ministry of Public Health (MOPH), the Ministry of Interior (MOI), and the Ministry of Agriculture, Irrigation, and Livestock. Women leadership fellowships will continue at these ministries.⁶³³

Another INL capacity-building initiative is a four-year, \$5.4 million agreement with the Colombo Plan to bolster the capabilities of the MCN.⁶³⁴ Since 2008, INL has obligated \$35.2 million and disbursed \$27.4 million to support capacity building at the MCN.⁶³⁵ In light of the dissolution of the MCN, INL is funding an advisor position at the MOI and providing technical assistance to the MOPH in support of the transfer of MCN functions to these ministries.⁶³⁶

Overall, INL has obligated and disbursed approximately \$159.7 million to the Colombo Plan since 2008 for drug-demand-reduction and capacity-building programs in Afghanistan.⁶³⁷

