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ECONOMIC AND SOCIAL DEVELOPMENT



KEY ISSUES & EVENTS

The COVID-19 pandemic spread to Afghanistan this quarter. Relatively few Afghans (770, as of April 15, 2020) have been confirmed to have the virus but, due to limited testing, the number of infected is likely much higher.

The prices of key food commodities rose dramatically in Afghan urban centers at a time when as many as 14.3 million Afghans were already experiencing some degree of food insecurity.

Afghanistan's domestic revenues contracted by 7.8%, year-on-year, in the first quarter of 2020. Increased border closures due to the spread of COVID-19 could adversely affect customs collections, on which the government relies for one-fifth of its revenues.

On March 23, 2020, the Department of State announced that due to the ongoing dispute between President Ashraf Ghani and Chief Executive Abdullah Abdullah over who won the 2019 presidential election, the United States would immediately reduce assistance to Afghanistan by \$1 billion.⁴⁸⁰ Warning that the United States was “prepared to reduce by another \$1 billion in 2021,” State said it would initiate a review of all U.S. programs and projects to identify additional reductions and reconsider future funding pledges to Afghanistan.⁴⁸¹

Qualifying the announcement, State said it was willing to “revisit the reviews” should Afghan leaders succeed in forming an inclusive government.⁴⁸² The implications of the announcement for U.S. funding are not yet clear. A previous threat last year from State to withhold \$60 million because of the Afghan government’s inability to meet unspecified reform benchmarks was never carried out.⁴⁸³

The COVID-19 pandemic spread to Afghanistan this quarter, having been identified in at least 29 provinces so far. Although relatively few Afghans (770) have been confirmed to have the virus, just 4,470 had been tested as of April 15, 2020.⁴⁸⁴ Afghanistan’s numerous unique vulnerabilities—a weak health-care system, widespread malnutrition, porous borders, massive internal displacement, proximity to Iran (where the disease has spread widely), and ongoing conflict—raise the possibility of significant social and economic disruption if the virus continues to spread in the coming months.⁴⁸⁵



USAID tweeted this public health message in Dari on April 12, 2020. The message encouraged Afghans to wash their hands, cough into their elbows, avoid touching their faces, keep a safe distance away from others, and stay at home. (USAID photo)

The Afghan government took several measures to help mitigate the spread of the disease. On March 14, it shuttered all schools for an initial one-month period through April 18.⁴⁸⁶ The government also instituted “measured lockdowns” throughout the country that closed sections of, and limited movement in, major cities.⁴⁸⁷ In Kabul, more stringent measures requiring all residents to shelter in place went into effect on April 8.⁴⁸⁸ Movement exemptions were granted for humanitarian personnel and goods.⁴⁸⁹

Whether these measures can curb the rapid transmission of the virus remains to be seen. According to the British medical journal *The Lancet*, Afghanistan’s low public awareness of COVID-19 and low health literacy, as well as cultural norms of shaking hands and hugging, community gatherings in mosques that reportedly remained largely open as of early April, paucity of masks and effective handwashing techniques are all likely to aggravate the crisis.⁴⁹⁰ Moreover, with virtually no government safety net and an average per capita income of about \$500 a year, few Afghans can afford to go without working.⁴⁹¹ According to TOLONews, movement restrictions are being disregarded by residents of Herat City—despite the fact that Herat Province has the highest number of confirmed COVID-19 cases.⁴⁹²

The United States is providing Afghanistan with more than \$18 million to support prevention, treatment, and detection.⁴⁹³ Meanwhile, the International Monetary Fund (IMF), World Bank, and the European Union have all established financing facilities that can be accessed by countries coping with the fallout of the pandemic.⁴⁹⁴ On April 2, the World Bank approved a \$100.4 million grant to help fight COVID-19 in Afghanistan by reinforcing essential health services.⁴⁹⁵ The Afghan government requested an additional \$223.0 million grant from the IMF.⁴⁹⁶ As with many other government services, any funds the Afghan government uses to respond to the virus are likely to be deployed in both government-controlled and Taliban-controlled areas. The Taliban said they were willing to cooperate with international health organizations in territory administered by the insurgency.⁴⁹⁷

So far, efforts by Afghanistan’s neighbors to block the disease’s path into (and out of) Afghanistan have been mixed. Hard-hit by COVID-19, Iran ignored requests from the Afghan government to close its borders, allowing thousands of people—more than 57,000 over a four-day period in mid-March—to continue to cross into western Afghanistan.⁴⁹⁸ Since the beginning of this year, 226,316 undocumented Afghans had returned from Iran, as of April 4, 2020, compared to 100,347 undocumented Afghan migrant returns from January 1, 2019, to April 6, 2019, according to the International Organization for Migration.⁴⁹⁹ As of April 15, Iran had recorded 74,877 cases of the virus.⁵⁰⁰

Although some commercial transport continued between Afghanistan and its Central Asian neighbors to the north, Turkmenistan, Uzbekistan, and Tajikistan, all either closed their borders to civilian movement or grounded flights to and from Afghanistan.⁵⁰¹ Meanwhile, nearly 19,000 Afghans living in Pakistan surged back into Afghanistan over a two-day period in early April. Unprepared for the volume, the Afghan government scuttled initial plans to quarantine the returnees for a period of up to three weeks. Instead, it instructed them to self-quarantine in their homes.⁵⁰²

The movement of returnees came after Pakistan initially closed its border for a two-week period in mid-March. Pakistani Prime Minister Imran Khan later announced that the Chaman-Spin Boldak border crossing point would reopen for three days to ensure the continued movement of supplies into Afghanistan. As of April 15, Pakistan's border was closed to all traffic except commercial vehicles. At the Torkham and Chaman-Spin Boldak crossing points, cargo trucks were permitted to cross three days per week. However, some humanitarian organizations are concerned about the impact that border closures could have on access to goods partially sourced in Pakistan.⁵⁰³ Given the UN's assessment that 14.3 million Afghans experienced some degree of **food insecurity** in March 2020, food imports are of particular concern.⁵⁰⁴

In a sign that food supplies may be running short (or that vendors are price-gouging), the UN's World Food Programme (WFP), in late March, recorded price spikes for key food commodities in certain heavily populated parts of Afghanistan. In eight major Afghan urban centers—including Kabul, Kandahar, and Jalalabad—prices for certain key items like wheat, wheat flour, and cooking oil increased substantially, according to the UN.⁵⁰⁵

By April 15, WFP data showed that the price of wheat flour had increased by 15–18% and the price of cooking oil by 17%. The WFP found that, simultaneously, the purchasing power of casual laborers and pastoralists had declined by 20% and 14%, respectively. Deterioration in Kabul, where the purchasing power of casual laborers fell by as much as 31%, was especially significant.⁵⁰⁶

Afghanistan's domestic revenues contracted by 7.8% over the first three months of FY 1399 (December 22, 2019, to December 21, 2020), year-on-year, SIGAR analysis showed.⁵⁰⁷ Because the Afghan government relies so heavily on customs duties and taxes—which make up approximately one-fifth of all revenues—increased border closures due to the spread of COVID-19 could adversely affect the Afghan government's fiscal position in 2020.⁵⁰⁸ Expenditures, meanwhile, ticked up by 13.5%.⁵⁰⁹ The World Bank expected Afghanistan's fiscal deficit to increase in 2020 as revenue collections stall, donor grants decline, and expenditures increase.⁵¹⁰

Food-insecure: households that either are experiencing acute malnutrition due to food consumption gaps, or are forced to deplete household assets in order to meet minimum needs.

Source: SIGAR, Quarterly Report to the United States Congress, 1/30/2020, p. 124.

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

Throughout its intervention in Afghanistan, the United States has sought to advance the Afghan economy. While the intensity and emphasis of policies and programs have changed over the years, the core U.S. belief and theory of change that a growing economy contributes to stability and security has remained constant.⁵¹¹ 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.⁵¹²

USAID's Country Development Cooperation Strategy (CDCS) for Afghanistan is nested within the ICS.⁵¹³ The objectives of the CDCS are to:⁵¹⁴

- 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

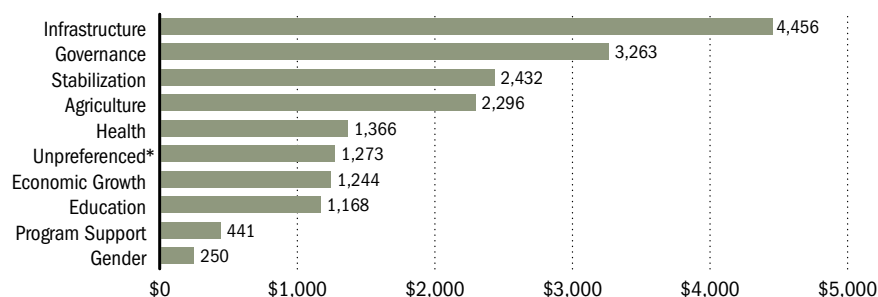
Given current circumstances, it will be very difficult to make progress towards these objectives. In December 2019, the IMF predicted that economic growth in 2020 would reach 3.5%, bolstered by recovery in the agricultural sector from a widespread drought in 2018.⁵¹⁵ However, that was before the COVID-19 outbreak crippled the global economy. While Afghanistan has far fewer confirmed cases of the disease than neighboring Iran and Pakistan, testing has so far been very limited.⁵¹⁶ According to the United Nations, Afghanistan is especially vulnerable due to its weak health-care system, poor water and sanitation infrastructure, and high malnutrition rates, among other factors.⁵¹⁷

Even with the full economic effects of COVID-19 still undetermined, other uncertainties present additional obstacles to growth. Physical insecurity remains widespread as the war rages on even after the recent deal signed between the United States and the Taliban. Moreover, tensions over the September 2019 Afghan presidential election continued to escalate this quarter: after officially losing, President Ashraf Ghani's rival Abdullah Abdullah declared a parallel government, and each held their own inauguration.⁵¹⁸

As of March 31, 2020, the U.S. government has provided approximately \$35.06 billion to support governance and economic and social development in Afghanistan since 2002. Most of these funds—nearly \$20.85 billion—were appropriated to USAID's Economic Support Fund (ESF). Of this amount, \$19.60 billion has been obligated and \$17.48 billion has been disbursed. Figure 3.38 shows USAID assistance by sector.⁵¹⁹

FIGURE 3.38

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF APRIL 8, 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. Office of Financial Management 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, 4/8/2020; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status as of December 21, 2019, 3/12/2020.

ECONOMIC PROFILE

Afghanistan remains impoverished, conflict-affected, and heavily aid-dependent. While the overall economic goal of the current U.S. strategy is to move Afghanistan from being a recipient of assistance to an enduring economic partner, donor grants totaling \$8.5 billion per year (combined security and civilian assistance) currently finance approximately 75% of total public expenditures.⁵²⁰ Afghanistan's real, licit GDP growth rate averaged just under 10% over the first decade of reconstruction, driven by donor funding and a large international troop presence. But the growth rate dropped substantially as the Afghan government assumed responsibility for the fight against the Taliban insurgency.⁵²¹

In more hopeful recent developments, the World Bank reported that the Afghan economy grew by 2.9% in 2019, catalyzed by the end of a prolonged drought and higher levels of snowfall and precipitation during the winter of 2018–2019.⁵²² However, the Bank said that higher agricultural growth was partially offset by lower growth in the industrial and services sectors.⁵²³

Despite the growth-rate increase, poverty likely worsened in 2019, the Bank added.⁵²⁴ Though favorable weather improved rural livelihoods for some Afghans, the effects were uneven, as continued internal displacement may have had adverse effects on the timing of agricultural planting.⁵²⁵ Overall, private-sector confidence remained weak in 2019, reflected in excess liquidity and stagnant loan-to-deposit ratios in the commercial banking sector.⁵²⁶

While USAID says that, in the mid-term, its programs “will help accelerate private sector-driven and export-led economic growth,” slowing export growth in 2019,⁵²⁷ compounded by the global pandemic, challenges this

Afghanistan's Economic Performance Highly Sensitive to Narcotics Trade

When illicit activity is included in Afghanistan's gross domestic product (GDP), the success or failure of the opium trade is shown to have a greater impact on growth than any other factor. The country'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, the Afghan economy contracted by 0.2%. That figure differs substantially from the NSIA's licit-only growth rate figure of 2.7%.

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.

Unlike the NSIA, neither the IMF nor the World Bank consider the narcotics economy in their GDP growth estimates. However, there appears to be increasing interest from the Bank on this issue. In a March 2020 paper described by its authors as "the first ... to consider impacts [of conflict] across formal, informal, and illicit activities simultaneously," the Bank found that while violence in Afghanistan negatively impacted licit economic activity, conflict had little impact on aggregate economic activity due to the high prevalence of opium-poppy cultivation.

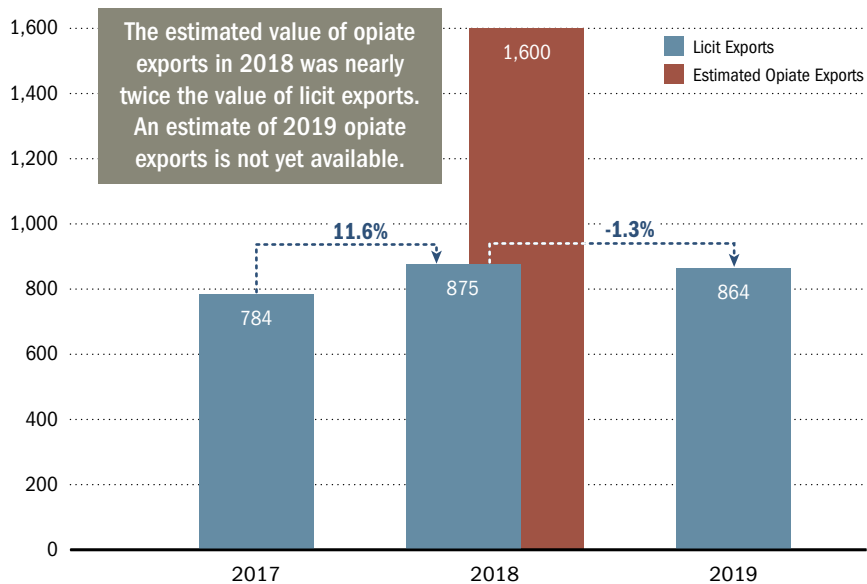
Source: NSIA, Afghanistan Statistical Yearbook 2017–2018, 8/2018, p. 110; World Bank, Afghanistan Development Update: Building Confidence Amid Uncertainty, 7/2019, p. 18; IMF, Fifth Review under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria, 5/15/2019, 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; World Bank, Conflict and the Composition of Economic Activity in Afghanistan, 3/2020, pp. 12, 19.

expectation. The Bank expected that Afghanistan's trade deficit would grow, with exports unable to keep pace with imports.⁵²⁸ Afghanistan's poor licit trade situation is attributable 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.⁵²⁹ However, these obstacles do not preclude Afghanistan from exporting large amounts of opium, which dwarf the country's licit exports.⁵³⁰ Figure 3.39 below presents licit exports from 2017–2019 and compares them to estimated opiate exports in 2018 (an estimate for 2019 is not yet available).

Although the Bank anticipated in late-January that growth would climb to 3.3% in 2020, that was before the emergence of COVID-19, which has since brought the global economy to a veritable standstill.⁵³¹ The specter of significant economic disruption in Afghanistan due to the spread of the novel coronavirus looms large.⁵³²

FIGURE 3.39

AFGHANISTAN'S LICIT EXPORTS 2017–2019 VS. ESTIMATED OPIATE EXPORTS 2018
(USD MILLIONS)



Note: The United Nations Office on Drugs and Crime (UNODC) publishes authoritative annual estimates of opiate exports. The UNODC expresses that value as a range. The bar representing the estimated value of opiate exports in 2018 represents the midpoint (\$1.6 billion) of the 2018 range (\$1.1 billion–2.1 billion) reported by the UNODC. While the UNODC figure is technically the "value of opiates potentially available for export" rather than an estimate of the value of actual exports, it is the best figure available to express the comparison with licit exports. Notably, while the value of licit exports, denominated in afghanis, has gradually risen over the last several years, according to official figures, the estimated value of opiate exports is far more volatile. For example, in 2017, the value of opiates potentially available for export was \$4 billion–6.5 billion, according to the UNODC.

Source: SIGAR analysis of NSIA quarterly export data, 2017–2019, accessed 4/10/2020, 12/10/2019, 9/22/2019, 6/21/2019, 3/23/2019, 12/20/2018, and 9/25/2018; UNODC, Afghanistan opium survey 2018: Challenges to sustainable development, peace and security, 7/2019, p. 24; UNODC, Afghanistan opium survey 2017: Challenges to sustainable development, peace and security, 5/2018, p. 5.



USAID's Commercial Law Development Program hosted an event in Dubai for members of Afghanistan's private sector to discuss how they could contribute to the economic development of Afghanistan. (USAID photo)

Fiscal Update: Revenues Contract

Afghanistan's **sustainable domestic revenues** contracted by 7.8% over the first three months of FY 1399 (December 22, 2019, to December 21, 2020), year-on-year, SIGAR analysis showed.⁵³³ Because no **one-off revenues** were recorded in the first quarter, aggregate domestic revenues declined by the same amount.⁵³⁴ In the first three months of FY 1399, the Afghan government collected \$494.4 million (compared to \$536.2 million in the first three months of FY 1398).⁵³⁵ In recent years, aggregate annual revenues have been approximately \$2.5 billion.⁵³⁶

It was not possible to ascertain what drove the decline in the first quarter (nearly half of revenues collected had not yet been reconciled). However, a spokesman for the Ministry of Finance (MOF) attributed the contraction to “political issues” (a presumed reference to the disputed presidential election) and lower customs taxes.⁵³⁷ Because the Afghan government relies so heavily on customs duties and taxes—which make up approximately one-fifth of all revenues—increased border closures due to the spread of COVID-19 could adversely affect Afghanistan's fiscal position in 2020.⁵³⁸

The Afghan government signaled it would continue the recent trend of supplementing lagging core revenue collections (i.e. taxes) with large one-off transfers of foreign exchange profits from the central bank (DAB).⁵³⁹ In the fourth month of FY 1399, the MOF received a \$163.6 million transfer from DAB, constituting 68.0% of revenues collected in the month, as of April 12, 2020.⁵⁴⁰ While central bank profits are not an illegitimate source of revenue, they are not considered to be a sustainable source of government funding.⁵⁴¹ Figure 3.40 shows cumulative sustainable revenue gains through Month 3 of FY 1399.

Sustainable Domestic Revenues:

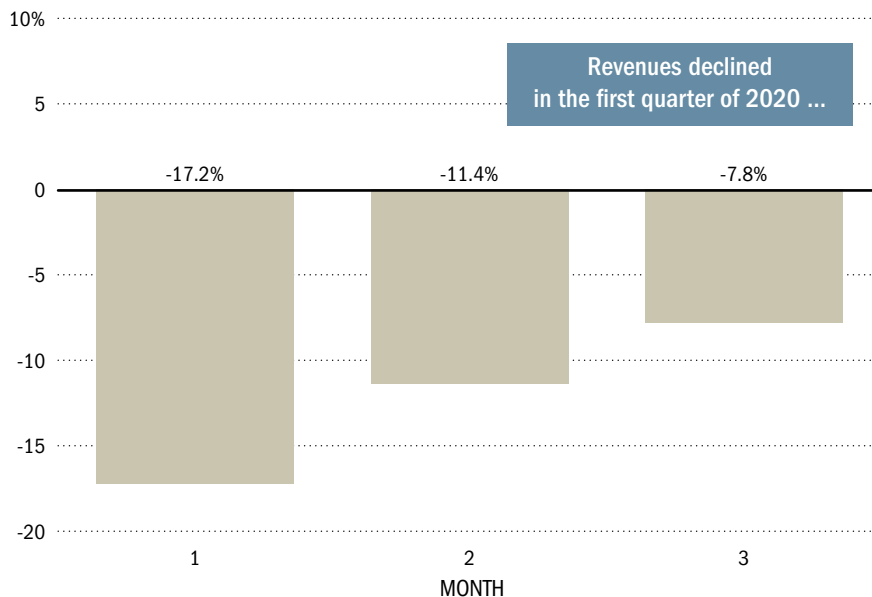
According to Afghanistan Ministry of Finance officials, these are revenues like customs, taxes, and nontax fees. Multilateral institutions such as the World Bank and the IMF use reports of these revenues to judge the Afghan government's fiscal performance.

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.

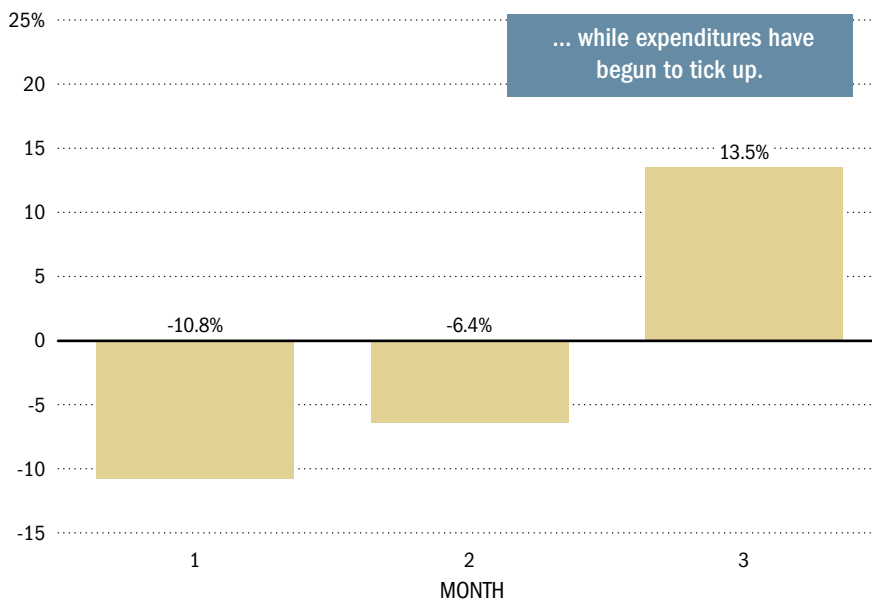
FIGURE 3.40

CUMULATIVE SUSTAINABLE REVENUE GAINS (FY 1398-1399) VERSUS SAME MONTH PRIOR YEAR



Source: SIGAR analysis of MOF-provided AFMIS data exported 4/12/2020; SIGAR analysis of MOF-provided AFMIS data exported 1/18/2020.

CUMULATIVE EXPENDITURE INCREASES (FY 1398-1399) VERSUS SAME MONTH PRIOR YEAR



Source: SIGAR analysis of MOF-provided AFMIS data exported 4/12/2020; SIGAR analysis of MOF-provided AFMIS data exported 1/18/2020.

As SIGAR emphasized in its *2019 High-Risk List*, strengthening Afghanistan's fiscal capacity will be key to sustaining the infrastructure and institutions vital to economic growth as the Afghan government is asked to take greater responsibility for its own development in the coming years.⁵⁴² The IMF is uncertain how long revenue growth will remain slow.⁵⁴³ Expenditures ticked up by 13.5% through the first quarter of FY 1399 (Figure 3.40).⁵⁴⁴ The World Bank expected Afghanistan's fiscal deficit to increase in 2020 as revenue collections stall, donor grants decline, and expenditures increase.⁵⁴⁵

ECONOMIC GROWTH

USAID's current strategy seeks to accelerate private-sector-driven, export-led growth in Afghanistan.⁵⁴⁶ To support that strategy, the agency's Office of Economic Growth aspires to:⁵⁴⁷

- tighten trade connections between Afghanistan and its neighbors
- raise the competitiveness of private Afghan enterprises by supporting export-ready firms
- create jobs through that firm-level support and by improving the enabling environment for businesses

But accelerating Afghanistan's licit economic growth rate, which is currently too low vis-à-vis its population growth 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).⁵⁴⁸ Still-high levels of violence, episodic but intense political uncertainty (manifest most recently in the disputed outcome of the Afghan presidential election), and now the COVID-19 pandemic are weighing down the Afghan economy.⁵⁴⁹

USAID's active economic-growth programs have a total estimated cost of \$260 million and can be found in Table 3.18.

USAID Seeks Key Performance Data from Treasury

After repeated SIGAR requests for information, USAID has asked the U.S. Treasury Department to provide key data related to a technical assistance project that concluded in September 2019.⁵⁵⁰ Treasury has not provided a final project performance report for this project despite several requests from USAID, which entered into an interagency agreement with Treasury to implement the technical assistance. The terms of the interagency agreement require Treasury to submit the report.⁵⁵¹

Signed in 2016, the \$2 million agreement between USAID and Treasury had two primary goals. The first was to strengthen Afghanistan's public financial management capacity by improving government budgeting. The second was to increase the Afghan central bank's oversight capacity by streamlining reporting processes for supervised financial entities



An Afghan entrepreneur conducts a transaction at her shop. (USAID photo)

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 4/8/2020
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)	1/28/2020	1/27/2025	\$105,722,822	\$0
Multi-Dimensional Legal Economic Reform Assistance (MELRA)	2/7/2018	9/30/2024	29,990,258	3,371,197
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	6,140,781
Commercial Law Development Program	3/1/2014	9/29/2020	17,864,283	12,812,046
INVEST	9/28/2017	9/27/2020	15,000,000	6,183,392
Afghanistan Investment Climate Reform Program	3/27/2015	3/26/2022	13,300,000	6,700,793
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	1,922,044
Goldozi Project	4/5/2018	4/4/2022	9,718,763	3,680,110
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	1,455,599
Establishing Kabul Carpet Export Center (KCEC)	6/6/2018	6/5/2021	9,416,507	4,203,066
Recycling Plant Value Chain in Northern Afghanistan	6/5/2019	6/4/2023	7,250,000	350,816
Trade Show Support (TSS) Activity	6/7/2018	12/6/2020	6,921,728	5,920,518
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			\$259,630,146	\$53,444,010

Source: USAID, response to SIGAR data call, 4/8/2020.

and improving databases where central bank enforcement actions were recorded.⁵⁵² The broad intent of the agreement was to support economic reform.⁵⁵³

In pursuit of such reform, USAID hoped for Treasury to achieve numerous “expected results.” For example, Treasury sought to improve “the capacity of the [Afghan central bank] to collect reporting data from banks and to supervis[e] these institutions.” Treasury also aimed to enhance the MOF’s “capacity to develop reliable expenditure forecasts and cost and analyze ministry programs.”⁵⁵⁴

However, according to USAID, the only metrics against which USAID and Treasury tracked progress were the “number of meetings and number of trainings with Treasury’s [Afghan] counterparts.”⁵⁵⁵ Based on these metrics alone, it is difficult to ascertain whether capacity at the MOF and the Afghan central bank actually improved as a result of Treasury’s technical assistance.⁵⁵⁶

For this reason, SIGAR has sought to better understand the project's results.⁵⁵⁷ Prompted by SIGAR's questions, USAID asked Treasury in December 2019 to provide a final performance report in accordance with the terms of its agreement.⁵⁵⁸ Approximately three weeks after its initial request for a final performance report, USAID reminded Treasury that the report was still due.⁵⁵⁹ As of March 18, 2020—nearly six months after the conclusion of the project—Treasury had still not submitted it.⁵⁶⁰ USAID reported that it “came to the conclusion that U.S. Treasury was not interested in extending the agreement; U.S. Treasury was not willing to continue to work in Afghanistan due to the complex work environment and security issues.”⁵⁶¹ However, Treasury previously told SIGAR that it was capable of providing technical assistance remotely,⁵⁶² mitigating security challenges.

USAID Awards \$105.7 Million Contract to DAI to Improve Export Competitiveness

This quarter, USAID reported that it awarded a \$105.7 million contract to Development Alternatives Incorporated (DAI) Global LLC in late-January 2020, to increase the competitiveness of Afghanistan's export-oriented businesses.⁵⁶³ The USAID project supported by the contract is the Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA).⁵⁶⁴

According to USAID, the premise of the award is that, among the “legion” of obstacles to Afghanistan's economic growth, “the constraint that matters most for the sustainable growth of Afghanistan's economy—growth in a market undistorted by massive influxes of foreign government spending—is the dismal productivity of Afghan businesses.”⁵⁶⁵ To improve that productivity, ACEBA seeks to bolster the capacity of enterprises “from the inside”—meaning “experts inside a company, walking the factory floor, even in companies well beyond urban centers.” ACEBA also plans to demonstrate to Afghan businesses owners the “benefits of modern management methods” and to facilitate “apprenticeships, internships, and sharply focused training courses.”⁵⁶⁶

As SIGAR described in its lessons-learned report on private-sector development, various U.S. agencies have been engaged in enterprise-development initiatives—including those aimed at developing more competitive domestic products—since at least 2006.⁵⁶⁷ For example, in 2006, USAID started providing direct support to enterprises by launching the Afghanistan Small and Medium Enterprise Development (ASMED) project, which provided grants and technical assistance to new and existing businesses and business associations. ASMED also supported business-development services providers, which were intended to be market-oriented companies that would provide business advisory services.⁵⁶⁸

USAID's launch of ACEBA, which raised the cost of the agency's economic growth portfolio in Afghanistan by 76%, represents a significant bet on the value of attempting to increase the competitiveness of Afghan

enterprises. Even after many years of U.S. support, Afghan firms, broadly speaking, remain uncompetitive.⁵⁶⁹ Because ACEBA is new, no performance indicator results are yet available.

Two Large Mining Contracts Canceled, State Confirms

Last quarter, SIGAR reported that two large mining contracts to develop a gold mine in Badakhshan Province and a copper mine in Sar-e Pul and Balkh Provinces were in jeopardy.⁵⁷⁰ This quarter, State reported that, to its knowledge, “these contracts were officially canceled for cause.”⁵⁷¹ State explained that the awardees, including a company called CENTAR Ltd., failed to post a contractually required \$5 million performance bond, even after the Afghan government granted two extensions. The Afghan government reportedly intends to move ahead with re-tendering the contracts.⁵⁷² In an interview with SIGAR last quarter, Brad Barnett, CEO of CENTAR Ltd., said the contracts had not yet been canceled, although press reports indicated otherwise.⁵⁷³

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.⁵⁷⁴ Controversy soon followed.⁵⁷⁵ 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, whose firm held the mining license.⁵⁷⁶

AGRICULTURE

Directly employing approximately 40% of Afghanistan’s labor force and directly or indirectly supporting an estimated 80% of the total population, the agricultural sector remains the base of Afghanistan’s formal economy.⁵⁷⁷ While the sector’s importance has diminished somewhat since the U.S.-led invasion of 2001 due to the rise of the country’s services sector, it continues to be an important driver of economic growth.⁵⁷⁸ For example, the World Bank anticipated that licit agriculture would contribute approximately 0.84 percentage points (out of 2.5 percentage points) of GDP growth in 2019.⁵⁷⁹

Because of its economic significance, developing Afghanistan’s agricultural sector has long been a priority for donors. In a strategic document published in 2002, USAID said agriculture was a “cornerstone of recovery and a pillar of reconstruction for a sustainable future.”⁵⁸⁰ The agency’s current strategy states that “agriculture, the biggest driver of the Afghan economy, presents major opportunities for job creation, poverty reduction, and economic growth.”⁵⁸¹

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.19

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/8/2020
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	\$87,905,437	\$26,444,892
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	1/31/2020	71,292,850	71,285,455
Afghanistan Value Chains-Livestock Activity	6/9/2018	6/8/2021	55,672,170	12,942,803
Afghanistan Value Chains-High Value Crops	8/2/2018	8/1/2023	54,958,860	10,990,793
Agricultural Marketing Program (AMP)	1/28/2020	1/27/2023	30,000,000	0
Regional Agriculture Development Program-East (RADP-East)	7/21/2016	7/20/2021	28,126,111	17,119,029
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	9,349,610
Promoting Value Chain-West	9/20/2017	9/19/2020	19,000,000	13,009,883
Catalyzing Afghan Agricultural Innovation	5/28/2018	5/27/2023	8,000,000	2,569,772
SERVIR	9/14/2015	9/30/2020	3,100,000	1,877,059
Total			\$377,555,428	\$165,589,297

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, 4/8/2020.

But as donors support the development of licit Afghan agriculture, illicit opium-poppy cultivation thrives. As many as 507,000 Afghans worked in the opium economy in 2018, including indirect employment, making the drug trade one of Afghanistan’s largest employers, according to the Afghanistan Research and Evaluation Unit, a Kabul-based think tank.⁵⁸²

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.⁵⁸³ USAID’s active agriculture programs have a total estimated cost of \$378 million and can be found in Table 3.19. Total disbursements for State’s active alternative-livelihood projects (Table 3.20)—which aim to transition opium-poppy farmers into licit agriculture—were \$79 million, as of March 3, 2020.

So Far, Mixed Performance for USAID’s AVC-HVC in FY 2020

USAID’s \$55 million Afghanistan Value Chains-High Value Crops (AVC-HVC) project is on track to meet some, but not all performance indicator targets for FY 2020.⁵⁸⁴ Described by USAID as “market-oriented,” AVC-HVC aims to promote sustainable agriculture-led economic growth. Afghanistan’s high-value crops sector contributes significantly to economic growth and employment.⁵⁸⁵ To help grow the agricultural sector, AVC-HVC attempts to build the profitability and competitiveness of individual high-value crop-related enterprises by providing business-development services and advice.⁵⁸⁶

Based on data from the first quarter (Q1), AVC-HVC is on track (or approximately so) to meet several key FY 2020 annual performance indicator

targets. For example, according to implementer Development Alternatives Incorporated (DAI) Global LLC, AVC-HVC created 437 full-time-equivalent jobs in Q1—23% of the project’s annual target. Additionally, the value of agricultural exports supported by AVC-HVC exceeded \$1.4 million—already 35% of the project’s annual target, per DAI data.⁵⁸⁷

However, through FY 2020 Q1, AVC-HVC has been less successful at facilitating new investment in the agricultural sector, achieving just 5% (\$381,187) of its annual target of \$8 million. Additionally, AVC-HVC achieved just 6% (\$324,167) of its annual target for the value of agriculture-related financing accessed as a result of project assistance (\$5 million) through Q1.⁵⁸⁸ In response to a draft of this report, USAID said, “Snapshots in quarterly increments are not a great way to judge the effectiveness of an activity like HVC.”⁵⁸⁹ Nevertheless, DAI reports progress against this indicator on a quarterly basis.⁵⁹⁰

Why the program did not spur more investment in FY 2020 Q1 is not completely clear. USAID said the Q1 results may be due to the role that growing seasons play in the agricultural sector.⁵⁹¹ But experience indicates that corruption also sometimes plays a role. For example, in October 2019, DAI reported that a \$550,000 (or 11%) deficit between the project’s FY 2019 annual target for the value of agricultural financing accessed and the actual result was due to “corruption issues for collateral registration, which delayed loan disbursements.”⁵⁹²

This quarter, DAI reported that one pending transaction was delayed “due to lack of responsiveness on the side of the Afghan firm.” DAI said it was evaluating two other potential investment transactions valued at \$6 million and \$2 million, respectively.⁵⁹³

Effectiveness of State’s CBARD-West Project May Not be Known Until 2028

A finalized midterm evaluation of State’s \$24.4 million Community-Based Agriculture and Rural Development-West (CBARD-West) project recommended periodic monitoring until 2028 to fully ascertain this alternative-livelihood project’s effectiveness.⁵⁹⁴ CBARD-West aims to strengthen local production and marketing of high-value crops (like apple, citrus, grape, and pistachio orchards) in 63 communities in Farah and Badghis Provinces, thereby accelerating Afghanistan’s licit economic growth and reducing the prevalence of illicit opium-poppy production.⁵⁹⁵ Given the maturity period of orchard crops provided to Afghan beneficiaries, the evaluation stated, “it is recommended that evaluation should continue until at least 2028, ten years after the first orchards were planted.”⁵⁹⁶

CBARD-West aims to “prove the viability” of high-value agriculture interventions as alternatives to illicit opium-poppy cultivation. But the midterm evaluation noted that the project’s implementation period was too short to fully measure the impact of these interventions “in a range of market conditions” (i.e. in varying market conditions over a long-term time horizon).⁵⁹⁷

The midterm evaluation characterized this issue as the program’s “main design weakness.”⁵⁹⁸ In response to a draft of this report, INL claimed this conclusion was “irrelevant” and added that “there is no inherent timeframe on the ‘proof of viability.’”⁵⁹⁹ Nevertheless, the fact remains that the efficacy of the project will remain in question for some time to come.

Complicating CBARD-West’s short-term effectiveness are substantial implementation challenges, including an exceptionally low survival rate for saplings provided to Afghan beneficiaries, as SIGAR reported last quarter.⁶⁰⁰ The midterm evaluation described CBARD-West as a “generally well-designed, well-run livelihoods project.” But CBARD-West’s implementer, the United Nations Development Programme (UNDP), said its ability to assess the impact of adverse weather conditions and conflict, as well as provide timely support, was limited. UNDP attributed these limitations to the remoteness of project locations, poor accessibility in times of flood, general insecurity, and weak management and coordination at local, district, and provincial levels.⁶⁰¹

State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) has told SIGAR that CBARD 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).” In contrast, SIGAR’s 2018 lessons-learned report on counternarcotics found that interventions like CBARD were unlikely to have a lasting impact on poppy cultivation.⁶⁰² INL’s alternative-livelihood projects are presented in Table 3.20 below.

TABLE 3.20

STATE-INL ACTIVE ALTERNATIVE-DEVELOPMENT PROJECTS			
Project Title	Start Date	End Date	Obligated and Disbursed, Cumulative, as of 3/3/2020
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, 3/17/2020.

INFRASTRUCTURE AND ESSENTIAL SERVICES

Building out Afghanistan’s infrastructure base has been a major goal of the U.S.-led reconstruction effort. Since 2002, the U.S. has constructed education and health facilities, bridges and roads, and electricity infrastructure.⁶⁰³ USAID alone has disbursed more than \$4.4 billion for infrastructure projects.⁶⁰⁴

With the U.S. reconstruction focus shifting away from large capital projects like road construction, funding levels for infrastructure have decreased in recent years. While several high-dollar-value projects are still being implemented, State says there are no plans to bilaterally underwrite any new major infrastructure.⁶⁰⁵ This section focuses specifically on remaining U.S.-funded power-infrastructure projects.

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

One of the top U.S. development priorities has been to expand and connect Afghanistan's "islanded" power grids. DOD and USAID have been working to expand Afghanistan's power grid and to connect the country's the **Northeast Power System (NEPS)** with its southeastern counterpart, the **Southeast Power System (SEPS)**.⁶⁰⁶ USAID hopes to connect the two networks with a 470-kilometer transmission line.⁶⁰⁷

At the height of the U.S.-led Afghanistan intervention (2010–2012), DOD and State justified these efforts based on the U.S. government's counter-insurgency (COIN) strategy. The strategy sought to contain the Taliban insurgency by addressing its presumed root causes. By increasing access to electricity, the logic went, the Afghan population's confidence in the Afghan government would grow as the government demonstrated it could provide essential services (such as electricity). The confidence of the population would translate into support for the Afghan government—and, reciprocally, reduce support to the insurgency.⁶⁰⁸

Although the proportion of Afghans with access to grid-based electricity rose from less than 6% in 2002 to over 30% in early 2019, according to USAID, it is unclear whether this improvement contributed to COIN outcomes.⁶⁰⁹ 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.⁶¹⁰

Today, these projects are justified primarily on the basis that they will materially contribute to Afghanistan's economic development.⁶¹¹ Still, USAID ties the projects to stability in its current strategy when it says that all of the strategy's development objectives "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."⁶¹²

Remaining USAID Power-Infrastructure Projects Face Delays

USAID has five ongoing power-infrastructure projects; DOD's projects are complete. Current USAID projects include the construction of:⁶¹³

- the Salang substation, located near a strategic pass between Baghlan and Parwan Provinces (expected completion date of April 1, 2020—a date that was extended by three months this quarter to allow Afghanistan's national utility to complete contract closeout activities)

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 to provide power in the Helmand and Kandahar areas.

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

- a transmission line between Ghazni and Kandahar Provinces (19% complete, with an expected completion date of December 30, 2020)
- substations along the transmission line from Ghazni to Kandahar (expected completion date of July 30, 2023; USAID did not provide a completion percentage for this specific project, as it was awarded in the same contract as transmission lines and substations in SEPS)
- transmission lines and substations in SEPS (expected completion date of July 30, 2023; USAID did not provide a completion percentage for this specific project)
- a wind farm in Herat Province (expected completion date of December 24, 2021; construction has not yet begun)

Four of USAID’s five active projects are delayed.⁶¹⁴ 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.⁶¹⁵ USAID’s work on SEPS evolved from a separate contract that was originally supposed to be complete by November 2013—meaning it is now more than six years behind schedule.⁶¹⁶

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.⁶¹⁷ USAID’s active power-infrastructure projects have a total estimated cost of \$829 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 4/8/2020
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2023	\$316,713,724	\$256,837,540
SEPS Completion and NEPS-SEPS Connector Substations	7/3/2019	7/30/2023	159,794,733	25,531,379
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	74,867,368
25 MW Wind Farm in Herat Province	10/22/2019	12/24/2021	22,994,029	0
Design and Acquisition of SEPS Completion and NEPS-SEPS Connector	3/7/2018	6/27/2022	20,151,240	3,578,338
20M Watt Floating Solar - Naghlu	1/27/2020	7/26/2021	16,100,000	0
Kandahar Solar Project	2/23/2017	12/29/2019	10,000,000	10,000,000
Spare Parts for Tarakhil Power Plant	8/14/2019	5/31/2020	2,136,850	1,849,965
Energy Loss Management Visualization Platform Activity	1/25/2020	1/24/2022	1,579,973	0
Power Sector Governance and Management Assessment	1/12/2019	3/2/2019	567,330	567,330
Total			\$828,708,063	\$526,902,104

Source: USAID, response to SIGAR data call, 4/8/2020.

SIGAR OVERSIGHT OF AFGHANISTAN'S ENERGY SECTOR

Given the U.S. government’s significant investment in Afghanistan’s energy sector and the importance of available, reliable power to support the overall success of the reconstruction effort, SIGAR has focused a considerable portion of its oversight portfolio on projects and programs in the sector. SIGAR is currently performing an audit to examine the entirety of the U.S. investment in the Afghan energy sector, including efforts to improve generation, transmission, and distribution. Additionally, SIGAR has a number of ongoing inspections of key energy infrastructure projects to examine whether construction was completed in accordance with requirements and whether the constructed infrastructure is being used as intended and maintained.

USAID and DABS Focus on Independent Power Producers

USAID and Afghanistan's national power utility, Da Afghanistan Breshna Sherkat (DABS), are attempting to encourage private investment in Afghanistan's energy sector.⁶¹⁸ To do so, USAID is subsidizing the upfront capital investment of independent power producers (IPPs), thereby making such projects more attractive for the private sector.⁶¹⁹ IPPs own or operate electricity-generation facilities primarily for public use, but are not themselves electric utilities.⁶²⁰

As SIGAR reported last quarter, commercial operations at a 10-megawatt (MW) solar power plant outside Kandahar City commenced in October 2019 (one year behind schedule). USAID provided \$10 million in incentive funds to help make the project possible.⁶²¹ India-based IPP Dynasty Oil and Gas Ltd. signed a 15-year power-purchase agreement (PPA) with DABS to construct and operate the plant.⁶²²

DABS told SIGAR that it had signed a second agreement with two IPPs, 77 Construction and Solaristan, to build two additional solar plants with a total electric generating capacity of 30 MW.⁶²³ The only current USAID power-infrastructure project that is on track to meet its originally scheduled completion timeline is the newly initiated 25 MW wind farm in Herat Province—for which 77 Construction is responsible. The purpose of the wind farm is to demonstrate the commercial viability of generating “affordable, reliable, and accessible” electricity from wind resources. 77 Construction will build, own, operate on, and maintain the facility for a period of 20 years under the PPA with DABS. USAID is subsidizing more than half (\$23 million) of total upfront construction costs (\$43 million).⁶²⁴

Aside from USAID subsidies, the commercial viability of these projects is ultimately contingent on the PPAs. The IPPs make money as they sell electricity to DABS. Profit from electricity sales allows the IPPs to recover their share of upfront construction costs. Thus, whether the projects will ultimately be profitable for the private sector depends on DABS' ability to purchase electricity, which in turn hinges on DABS's financial sustainability. In the past, USAID has been skeptical of DABS's financial strength.⁶²⁵ However, DABS told SIGAR that it is currently operating at a “breaking point [sic] profit-wise” (i.e. at a “breakeven” point).⁶²⁶ SIGAR has not yet vetted this statement from DABS.

EDUCATION

Donors have generally highlighted Afghanistan's progress in the education sector as a significant achievement since the U.S.-led intervention of 2001.⁶²⁷ While there are millions more Afghan children in school today compared to the number under the Taliban, which banned girls from attending, poor data quality renders it difficult to quantify success. Figures for the number of children and youth in school vary widely.⁶²⁸ Moreover, enrollment data from Afghanistan's Ministry of Education (MOE) do not indicate current

attendance rates because the MOE counts as enrolled students who have been absent for up to three years, in the belief that they may return.⁶²⁹

In accordance with its current strategy in Afghanistan, USAID aims to increase access to, and improve the quality of, basic education for children. USAID is also seeking to build management capacity at the MOE.⁶³⁰ The agency hypothesizes that advancing gains in education will help the Afghan government gain the confidence of its citizens.⁶³¹ However, there is reason to doubt this hypothesis: Afghan-government (and by extension donor) funded education services are provided in many Taliban-controlled areas, meaning that the insurgency, too, benefits from overall improvements to Afghanistan’s education system.⁶³²

Moreover, gains in the country’s education sector have been hard to come by in recent years. Attendance rates of primary-school age children did not improve between two comprehensive surveys conducted by Afghanistan’s statistical authority (NSIA) in 2011–2012 and 2016–2017. “This is a remarkable finding, given the continuous efforts to expand primary education facilities across the country,” the NSIA commented.⁶³³

Since 2002, USAID has disbursed more than \$1.1 billion for education programs in Afghanistan, as of April 8, 2020.⁶³⁴ The agency’s active education programs have a total estimated cost of \$480 million and can be found in Table 3.22.

To Prevent Spread of COVID-19, the Afghan Government Closes All Schools

In an attempt to help curtail the spread of COVID-19, on March 14, 2020, the Afghan government announced it would close all schools for an initial one-month period through April 18, 2020.

Source: UN, OCHA, Afghanistan Brief: COVID-19 No. 16, 3/20/2020, p. 1.

TABLE 3.22

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/8/2020
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	77,871,779
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	12/31/2020	35,000,000	0
Afghan Children Read (ACR) Program	4/4/2016	4/3/2021	69,547,810	44,467,870
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	38,517,553
Let Girls Learn Initiative and Girls’ Education Challenge Programme (GEC)	6/29/2016	6/28/2021	25,000,000	25,000,000
Capacity Building Activity at the Ministry of Education	2/1/2017	1/31/2022	23,212,618	16,313,767
Afghanistan’s Global Partnership for Education	10/11/2012	9/30/2019	15,785,770	15,782,810
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			\$480,256,697	\$392,416,621

Source: USAID, response to SIGAR data call, 4/8/2020.

SIGAR EVALUATION REPORT

The practice of *bacha bazi*, or “boy play,” in which authority figures sexually abuse young boys, is widespread in Afghanistan. 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.

Afghanistan’s Attorney General Arrests Nine Connected to Alleged Abuse at Logar Province Schools

Afghanistan’s Attorney General’s Office (AGO) opened an investigation, and made nine arrests, related to allegations that members of a pedophile ring abused more than 500 schoolboys in Logar Province.⁶³⁵ While publicly reported figures for the number of boys abused varied, at least 165, and possibly more than 546 boys, were allegedly sexually abused by teachers, older students, authority figures, or extended family members, as SIGAR reported last quarter.⁶³⁶

The allegations were made public by the Logar Youth, Social, and Civil Institution, which said it had discovered more than 100 videos of abuse on a Facebook page.⁶³⁷ According to State, civil-society activists identified 59 suspected perpetrators.⁶³⁸ Two activists were subsequently detained by Afghanistan’s intelligence agency, the National Directorate of Security (NDS), and coerced into confessing that their accusations were untrue.⁶³⁹ Then-U.S. Ambassador to Afghanistan John Bass decried NDS tactics as “Soviet-style” and “appalling.”⁶⁴⁰ For safety reasons, both activists left the country with their families after their release.⁶⁴¹

In addition to the arrests, the ongoing investigation by the AGO had, by April 9, led to the issuance of arrest warrants for another nine suspects. State said that, so far, investigators have maintained that there was no connection between Logar educators or the Logar school system and the sexual assaults—a finding inconsistent with the activists’ research and a finding of the Afghanistan Independent Human Rights Commission. Some anecdotal information suggests that Members of Parliament and others in positions of influence have been pressuring the AGO to suspend or discontinue the investigation, State reported.⁶⁴²

USAID Reduces Funding for Textbook Procurement by \$40 Million

This quarter, USAID notified SIGAR that it reduced its funding by \$40 million for a troubled on-budget project to procure 135 million textbooks for Afghan schools. As a result, the estimated project cost fell from \$75 million to \$35 million.⁶⁴³ USAID attributed the reduction to “changes in the programming and budgetary environment.” Procurement will be limited to 49.2 million textbooks, less than half the number planned.⁶⁴⁴

As SIGAR reported in its July 2019 quarterly report, the international procurement of the first 37 million textbooks that began in late January 2018 failed due to document falsification by the selected bidder. Specifically, it was USAID’s understanding that the first-ranked bidder submitted a forged certificate from the Indian state of Uttar Pradesh confirming that the bidder had completed work similar to the specifications under the MOE’s textbook-solicitation specifications.⁶⁴⁵ Following this development, USAID appeared to be frustrated with the MOE. In a letter sent to the MOE and

the MOF in October 2019, USAID noted that the MOE had failed to satisfactorily address more than half of 17 open recommendations designed to mitigate fiduciary risk.⁶⁴⁶

It appears that USAID will no longer engage directly in textbook procurement. In a letter provided to SIGAR, USAID encouraged the MOF to explore “other mechanisms for the printing and distribution of future textbooks such as the [World Bank-administered] Afghanistan Reconstruction Trust Fund.”⁶⁴⁷

HEALTH

COVID-19 has struck Afghanistan. Relatively few Afghans (770) have been confirmed to have the virus so far, but only 4,470 Afghans had been tested as of April 15, 2020.⁶⁴⁸ Afghanistan’s numerous unique vulnerabilities—a weak health care system, widespread malnutrition, porous borders, massive internal displacement, proximity to Iran (where the disease has spread widely), and ongoing conflict—raise the possibility of significant social and economic disruption in the coming months.⁶⁴⁹ See Section 1 of this report for additional coverage of the effects of COVID-19 on Afghanistan.

Afghanistan appears to have made progress in key health indicators since 2001, but conflicting data points prevent a precise assessment of the change.⁶⁵⁰ For example, one household survey showed that Afghanistan’s under-5 mortality rate (deaths between birth and 5 years of age) was 55 per 1,000 live births in 2015. But the *CIA World Factbook* stated in 2015 that the infant mortality rate (incidence of deaths between birth and *one year* of age) was 115 per 1,000 live births.⁶⁵¹ If correct, this indicates that the broader under-5 rate would necessarily be *at least* 115 per 1,000.



Afghan volunteers prepare to sanitize public spaces in Herat. (USEK photo)

Taliban Claim Readiness to Help Fight COVID-19

Despite the Taliban’s suspicion of polio-vaccination campaigns and previous attacks on some health care workers, the insurgent group signaled a willingness to work with the Afghan government and international NGOs to combat the spread of COVID-19.

“The [Taliban] via its Health Commission assures all international health organizations and [the World Health Organization] of its readiness to cooperate and coordinate with them in combating the coronavirus,” Taliban spokesman Suhail Shaheen tweeted. A second Taliban spokesman, Zabihullah Mujahid, said the group had established approximately 100 health teams to increase awareness of the importance of hand washing and other measures. However, Mujahid added that these teams were struggling to convince rural Afghans how dangerous the virus is.

Source: Reuters, “Coronavirus makes the Taliban realise they need health workers alive not dead,” 3/18/2020; Reuters, “Afghan government announces ‘inclusive’ team for talks with Taliban,” 3/27/2020.

In Some Areas, the Taliban Coopt Afghan Government-Provided Health Services

USAID has suggested that, by bolstering Afghans' confidence in their government's capacity to deliver services, continuing to improve health outcomes will help achieve stability in Afghanistan. However, some reports (unverified by SIGAR) indicate that the Taliban coopt Afghan government health services delivered in areas under their control, thereby legitimizing their own authority rather than the Afghan government's.

Source: USAID, OAPA, Grant Agreement 306-AA-18, 9/6/2018, p. 11; Overseas Development Institute, *Life under the Taliban shadow government*, 6/2018, pp. 5, 26.

SIGAR SPECIAL PROJECT

This quarter, SIGAR released a report that summarized its findings from site visits at 269 health facilities across 10 provinces in Afghanistan. SIGAR found that although most facilities were operational and, except for one instance, included an operational pharmacy, two facilities were in potentially hazardous condition due to possible seismic activity and an explosion. Additionally, SIGAR observed that many facilities had other deficiencies including: a lack of access to utilities such as electricity or water; wall or ceiling defects; incinerators in poor condition; or a lack of resources.

Afghanistan's health outcomes remain worse than those in many other countries: Afghanistan has the lowest life expectancy (52.1 years) in the world, according to the *Factbook*.⁶⁵²

USAID has asserted, "healthy people and health[y] communities are the bedrock of a peaceful and stable nation."⁶⁵³ But, according to the World Bank, insecurity has risen even as key health indicators have ticked up.⁶⁵⁴

U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1.3 billion as of April 8, 2020.⁶⁵⁵ USAID's active health programs have a total estimated cost of \$290 million, and are listed in Table 3.23 on the following page.

World Bank Announces \$100.4 Million Grant to Help Afghanistan Fight COVID-19

On April 2, 2020, the World Bank approved a \$100.4 million grant to help mitigate the effects of COVID-19 in Afghanistan. The Bank will finance the grant using \$81.0 million from its International Development Association fund, which provides financing to low-income countries. The additional \$19.4 million was provided through the Bank's newly established COVID-19 Fast-Track Facility. The Bank said it would provide the funds on-budget to Afghanistan's Ministry of Public Health, which will reinforce essential healthcare services to slow the spread of the disease.⁶⁵⁶

USAID's IHSAN Project Struggles to Meet Performance Targets in FY 2020

Based on project data through the first quarter (Q1), USAID's \$75.5 million Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) project appears to be off-track in meeting its FY 2020 annual performance targets.⁶⁵⁷ IHSAN aims to assist the Afghan government, civil society organizations, and the private sector to implement and scale hygiene and nutrition interventions in order to improve the health of women and young children. The project—which is implemented by Family Health International (FHI) 360 in conjunction with several other development partners—is being implemented over a five-year period (2016 to 2021).⁶⁵⁸

One of IHSAN's goals is to increase the number of open-defecation-free (ODF) communities in Afghanistan. However, thus far, just 37 communities were verified as ODF as a result of IHSAN assistance through Q1 of FY 2020. This figure represented just 2% of IHSAN's FY 2020 target of 1,800 communities.⁶⁵⁹ Additionally, just 6,245 Afghans gained access to basic sanitation services as a result of IHSAN in Q1—a mere 1% of the annual target of 629,911.⁶⁶⁰ The project was similarly lagging on several other performance indicators. For example, through Q1, IHSAN had reached just 7% of its FY 2020 target for the number of Afghan children under five reached by nutrition-specific interventions supported by the project.⁶⁶¹

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.23

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/8/2020
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$43,676,569
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	10/6/2020	66,292,151	58,661,443
Disease Early Warning System Plus (DEWS Plus)	7/1/2014	6/30/2022	54,288,615	34,588,615
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	27,634,654	21,597,750
Medicines, Technologies and Pharmaceuticals Services (MTaPS)	9/20/2018	9/20/2023	20,000,000	29,620
Challenge Tuberculosis	1/1/2015	1/31/2020	15,700,000	15,015,849
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	9,788,122
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	180,419
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			\$289,559,609	\$199,434,067

Source: USAID, response to SIGAR data call, 4/8/2020.

FHI 360 reported various challenges during Q1 that resulted in the lagging indicators. In particular, FHI 360 reported that Afghanistan’s harsh winter interfered with project efficacy. Apparently, “people were not motivated to support project activities, such as visiting Afghan households, when temperatures were low.”⁶⁶² FHI 360 also reported that security remains an obstacle. Two staff members of one of the project’s subcontractors were killed by an unknown gunman in Ghor Province.⁶⁶³

