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COVID-19 continued to ravage Afghanistan this quarter, overwhelming the country’s rudimentary health-care system and, as UNAMA head Deborah Lyons put it, casting “a huge shadow” over Afghan daily life. As of July 15, 2020, the number of reported deaths remained low at just 1,094, but this figure may vastly undercount the true toll of the virus: testing capacity remained limited and many Afghans do not have access to medical facilities. Afghans tell foreigners that the illness is already widespread. The Asia Foundation’s country director wrote at the end of June, “I have been unable to keep track of the growing number of deaths among my own acquaintances, relatives, and friends’ families.” At a press conference in June 2020, the governor of Kabul Province, Mohammad Yaqub Haidari, said the capital’s ambulance service had reported an average of approximately 33 deaths per day. Commenting on the lack of an accurate death count, the head of a Kabul-based hospital dedicated to treating COVID-19 patients estimated that roughly 75% of those who died at the hospital had not been tested.

Available COVID-19 data point to rapid spread with undetected infection. As of early June, Afghanistan’s Ministry of Public Health could test only 2,000 of the 10,000–20,000 samples received daily, according to the
International Rescue Committee (IRC), a humanitarian-oriented nongovernmental organization. Consequently, up to 90% of potential cases are not being tested. Afghanistan’s positivity rate—or the proportion of tests that return a positive result divided by the total number of tests conducted—was nearly 43%, as of July 15, 2020. This was one of the highest positivity rates in the world, based on data collected by Johns Hopkins University (JHU) and, separately, by the IRC. While JHU did not calculate the rate for all countries and although Afghanistan was apparently excluded from the JHU rankings, Brazil (at nearly 37%) was listed as having the highest positivity rate globally. Overall, the IRC said, Afghanistan faced a “humanitarian disaster.”

The potential for disaster is heightened by the probability that the pandemic will have secondary effects on broader health outcomes. State pointed to research from JHU suggesting a possible 18% increase in child mortality and a 14% increase in maternal mortality in Afghanistan as indirect consequences of the virus’ spread. Complicating matters, public-health workers in some provinces, like Nangarhar and Herat, only recently received their salaries after a hiatus of several months, State added. Perhaps reflecting widespread desperation among many Afghans, thousands of people swarmed an herbal clinic in Kabul hoping to receive a dose of a solution falsely marketed as a COVID-19 vaccine. Local residents initially resisted Afghan government efforts to shut down the clinic, burning tires and blocking roads. The government eventually forced the clinic’s proprietor, an herbalist named Hakeem Alokozai, out of Kabul after tests revealed that the solution Alokozai had represented as a vaccine was merely an amalgamation of several types of narcotics. As of mid-June, Alokozai’s brother—Alokozai himself is reportedly in hiding, with a warrant out for his arrest—was still distributing drops of the concoction to several thousand Afghans in Kandahar City every day, according to the New York Times.

Beyond social effects, COVID-19 began disrupting the Afghan economy this quarter, and estimates of the magnitude of economic disruption varied widely. The IMF said that Afghanistan had likely entered a recession, forecasting that Afghanistan’s GDP would contract by 3% in 2020. Projected economic contraction by other experts ranged from 3% to 10%. Describing the outlook as “dire,” the World Bank said South Asia would likely experience its worst economic performance in the last four decades and predicted that Afghanistan would be the worst regional performer in 2020, other than the Maldives. “The pandemic is inflicting severe economic and social damage, with its depth and duration subject to great uncertainty,” the IMF said.

Driven in part by COVID-19, the Afghan government’s sustainable domestic revenues contracted by 23.4%, year-on-year, over the first six months.
of 2020, SIGAR analysis of Afghan government accounting data showed. In the first quarter of the year, prior to the pandemic, revenues already were falling as a result of deep political uncertainty that followed the contested September 2019 Afghan presidential election, only resolved in May 2020. The impact of COVID-19 and government actions to halt its spread exacerbated this decline. With the Afghan government so heavily reliant upon customs duties and taxes—comprising approximately one-fifth of all revenues—the ongoing border closures due to COVID-19 were a major contributor to this contraction. In the first six months of 2020, customs duties and taxes dropped 31.6% from the same period last year. With the pandemic driving increases in both unemployment and prices for essential goods, sales-tax revenue—another major source of income for the Afghan government—also decreased substantially from the previous year.

As revenues declined, expenditures increased at the outset of the lockdown beginning in late March, rising by 5% over the next two months compared to the same period in the prior year. Nevertheless, a significant drop in expenditures in Month 6 (May 21–June 20, 2020) meant that cumulative, year-on-year expenditures through the first half of 2020 decreased by 1.6%, in part due to restricted government activity during the lockdown, according to the MOF. In Month 6 of FY 1399 (December 22, 2019–December 21, 2020), expenditures were 31% lower than the previous year.

Balkh Chamber of Commerce raised over 2 million afghanis to support Afghan families in need due to COVID-19 and distributed 15,000 sacks of flour at reduced prices. (U.S. Embassy photo)

COVID-19 Has Prompted Generosity Among Some Afghans

Amidst a growing public health and economic crisis in Afghanistan, some Afghans are reportedly responding to the pandemic with generosity, according to the New York Times. In many areas, landlords have waived rent—some until the crisis passes. For example, in Taloqan, the capital of Takhar Province in the country’s north, the owner of a 40-shop business center informed his tenants that rent would be forgiven temporarily, and possibly until the end of 2020 if the pandemic persists.

COVID-19 INTENSIFIES IN AFGHANISTAN

The COVID-19 epidemic in Afghanistan has intensified since the first case was confirmed in Herat Province on February 24, 2020. As of July 15, 2020, the country has reached 34,994 confirmed cases with 1,094 deaths attributed to the disease, according to the Afghan Ministry of Public Health (MOPH). Confirmed cases have been largely concentrated in urban centers, with the highest number in Kabul. However, Afghan public-health officials have warned that actual cases are likely much higher given the government’s low testing capacity. With limited resources to deal with the spreading disease and high poverty levels inhibiting compliance with government-mandated lockdowns, experts have warned that Afghanistan is headed for a humanitarian disaster.

Millions Going Hungry
The economic shock of the pandemic—including increased unemployment, food-supply disruptions due to border closures, and rising food prices—has exacerbated Afghans’ food insecurity, already impacted by the ongoing conflict and high poverty levels. In May 2020, the Integrated Food Security Phase Classification (IPC), a common global scale for classifying the severity and magnitude of food insecurity and malnutrition, warned that about one-third of Afghanistan’s estimated 32.2 million people remain in either a crisis or emergency state of food insecurity and require urgent action. Further, Save the Children assessed that 7.3 million Afghan children will face food shortages due to the pandemic.

Provincial governments in Afghanistan are using mass media campaigns, including billboards, to increase public awareness of best practices to prevent the spread of COVID-19. (USAID photo)
Due to supply shortages and panic buying, prices of essential food items have steadily risen. When comparing World Food Programme (WFP) price data from March 14 to May 28, wheat flour has increased by as much as 17%, wheat by 9%, cooking oil by 24%, pulse by 11%, and sugar by 10%. At the same time, the purchasing power of casual labor has dropped significantly by 13%. Amid reports of food-price inflation of 16.7%, the Afghan government initiated a bread-distribution program in early May to help Afghan families. Soon thereafter, seven protesters reportedly died after demonstrations broke out in Ghor Province over perceived unfair food distribution.

Donors Commit Economic Aid Despite Concerns of Corruption and Mismanagement
Various international donors have committed economic aid for Afghanistan to mitigate the COVID-19 crisis. The Asian Development Bank (ADB) provided a $40 million emergency-assistance grant to help Afghanistan construct and rehabilitate hospitals, procure medical supplies, and train health workers. The World Bank approved a $400 million grant, comprising $160 million from the International Development Association (IDA)—the World Bank Group’s fund for the poorest countries—and $240 million from the Afghanistan Reconstruction Trust Fund (ARTF). The European Union provided an additional EUR 50 million to help strengthen Afghanistan’s health system. However, Integrity Watch Afghanistan, an Afghan-based NGO, raised concerns about the Afghan government’s ability to properly manage and monitor funds allocated for the COVID-19 response.

Other reports suggest public-health resources are being mismanaged. More than 200 doctors and medical staff took part in protests in Herat on May 19, 2020, saying they had not been paid for three months while risking their lives to treat COVID-19 patients. Furthermore, 13 doctors resigned from a Herat hospital designated to treat COVID-19 patients, citing a lack of equipment, unpaid salaries, and increased workload. Amid this and other health-related crises, Minister of Public Health Ferozuddin Feroz announced on May 31 that he was stepping down. President Ghani appointed Mohammad Javad Osmani as the new acting Minister of Public Health.

Challenges to Limiting Spread of COVID-19
The Afghan government has launched several information campaigns in urban and rural areas to promote public-health recommendations for containing the spread of the disease, such as frequent hand washing, use of masks in public spaces, social distancing, and staying at home as much as possible. Many impoverished families have ignored government recommendations to stay at home because they will not be able to afford to feed their families if they do not work. Despite the rising number of cases and government warnings, Afghans are increasingly moving about in Kabul. The government food-distribution plan has drawn many vulnerable families outside, putting them in severe risk of contracting COVID-19. A similar situation was reported in Herat, where health officials warned that the public was not paying sufficient attention to the crisis.

Public-health conditions in areas under Taliban control remain unclear. The group has released messages and videos as part of a public relations campaign highlighting its COVID-19 response, including enforcing quarantine. Yet, as aid officials have argued, it has been difficult to assess the effectiveness of the Taliban’s actions. Reports have said Taliban messaging is mere propaganda, with no preventive public-health measures occurring in local communities. Others portrayed Taliban officials as attempting to help mitigate the crisis by holding the Afghan
government accountable for delivering necessary supplies.539

Lack of Testing and Medical Equipment
Afghanistan has carried out 81,934 tests in a population estimated at more than 30 million people, as of July 15, 2020. The UN Office for the Coordination of Humanitarian Affairs reports that Afghanistan has a test-positivity rate (positive tests as a percentage of total tests) of nearly 43%, of which more than 10% are healthcare staff, one of the highest rates in the world.540 Confirmed cases rose by 684% in May 2020, as the MOPH struggled to scale up testing. As of June 1, 2020, the MOPH had the capacity to test only 2,000 of the 10,000–20,000 samples it receives daily.541

Afghanistan also lacks the medical equipment necessary to treat patients diagnosed with COVID-19. While the Afghan government approved the purchase of 500 ventilators in April, the country’s hospitals currently have only 300 ventilators to help patients.542 Furthermore, Kabul hospitals have also reported a severe lack of oxygen, resulting in relatives bringing makeshift oxygen balloons to help suffering patients.543

Slowdown in Economic Activity
Largely as a result of border closures and the resulting loss in customs revenues, Afghanistan’s sustainable domestic revenues contracted by 23.4% in the first two quarters of 2020, as compared to the same period in the previous year.544 The World Bank’s latest Global Economic Prospects report predicts Afghanistan will experience an economic contraction of 5.5% of real GDP.545 Further, a panel of experts at a May 14, 2020, event titled “Economic Implications of COVID-19 for South Asia” hosted by the Wilson Center in Washington, DC, also predicted that the Afghan economy could contract 3–10% due to the pandemic.546 Experts predict that an additional 8 million people will fall into poverty, pushing the poverty rate from 55% to 80%.547

The shutdown of trade routes by neighboring countries has damaged Afghanistan’s economy. Members of the Afghan Chamber of Commerce and Investment (ACCI) claim that millions of dollars’ worth of economic activity will be lost due to the pandemic.548 The IMF projected an $857 million balance of payments deficit for Afghanistan in 2020.549 By early July 2020, five border crossings with Pakistan (Angor Adda, Kharlachi, Torkham, Chaman, and Ghulam Khan) were open for trade. However, traders have complained of lost revenues as trucks face slow clearance processes, especially as severe delays put perishable cargo at high risk of rotting.550
U.S. SUPPORT FOR ECONOMIC AND SOCIAL DEVELOPMENT: THEORY, OBJECTIVES, AND PROSPECTS

Since the outset of the intervention, the United States has sought to advance economic and social conditions in Afghanistan in the service of U.S. national security interests. While the intensity and emphasis of policies and programs have changed over the years, the core U.S. belief and theory of change that expansive programming across a wide array of disparate sectors could contribute to stability and security has remained constant.

The U.S. sees such programming as contributing positively to security through several channels. Economic growth raises living standards and can provide gainful employment to the young, unemployed men who may be most likely to join the insurgency. Improved Afghan government delivery of key services like health and education, meanwhile, are believed to increase the government’s legitimacy, thereby fostering greater stability as Afghan citizens’ confidence in the Afghan state rises.

However, the causal processes by which countries become more stable and prosperous are not well understood. Additionally, scholars have found the evidence that development can reduce violence in conflict zones is, at best, mixed. Nevertheless, these theories continue to inform current U.S. economic and social development programming in Afghanistan. The U.S. government’s current Integrated Country Strategy (ICS) 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.

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

• 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

Making progress toward these goals faces numerous obstacles. After growing by 2.9% in 2019, Afghanistan’s economy faces major headwinds as COVID-19 continues to spread across the country. A panel of experts convened by the Wilson Center in May predicted that Afghanistan’s GDP would contract sharply in 2020, perhaps by as much as 10%. Economic and social conditions in Afghanistan faced significant challenges even before the pandemic. Since 2014—the year in which U.S. and Coalition forces completed a phased drawdown—annual GDP growth has not surpassed 3%, 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 unchanged.
As of June 30, 2020, the U.S. government has provided approximately $35.85 billion to support governance and economic and social development in Afghanistan since 2002. Most of these funds—nearly $21.05 billion—were appropriated to USAID’s Economic Support Fund (ESF). Of this amount, more than $19.60 billion has been obligated and nearly $17.65 billion has been disbursed. Figure 3.37 shows USAID assistance by sector.563

**ECONOMIC PROFILE**

The overall economic goal of the current U.S. strategy is to transition Afghanistan from an assistance recipient to an enduring economic partner.564 This transition will be difficult, as Afghanistan remains poor, aid-dependent, and conflict-affected.565 Donor grants totaling $8.5 billion per year (combined security and civilian assistance) currently finance more than half the Afghan government’s budget and 75% of total public expenditures (including funds not channeled through government ministries).566

Approximately 55% of Afghans live below the poverty line, according to the most recent household survey data—up from 34% in 2008.567 Although increased service provision and an economy fueled by donor funds rapidly improved many development outcomes through the 2014 drawdown of most international troops, licit GDP growth of just under 10% dropped to low-single-digit levels as the Afghan government assumed responsibility for the fight against the Taliban insurgency.568

Poverty likely worsened in 2019 and “remains at unacceptably high levels,” according to the World Bank.569 The IMF said the COVID-19 pandemic is likely to push more Afghans below the poverty line—approximately $1 per day—in 2020, as remittances from Afghans working in
adjacent countries decline, household budgets are stretched by a spike in food prices, and lockdowns and border closures dampen domestic economic activity.570

Short-term prospects for the Afghan economy are not bright. Weak domestic demand and trade disruption due to border closures intended to contain the virus’ spread are weighing on Afghan businesses, according to the IMF.571 The IMF added that Afghanistan had likely entered a recession and projected that GDP would contract by at least 3%.572 Some experts expected a drop of as much as 10%.573 Raising Afghanistan’s licit exports in accordance with current U.S. development strategy will be very difficult.574 Exports are expected to decline in 2020 as key regional economies—primarily India and Pakistan—slow.575 Declining exports and slowing remittance inflows that could eventually fall by as much as 50% have reportedly opened up a more than $850 million deficit in Afghanistan’s balance of payments—the net value of financial transactions between Afghanistan and the rest of the world.576

Overall, while much uncertainty remains regarding the full impact of the pandemic, the IMF assessed that “risks to the outlook are high and to the downside,” with additional uncertainty surrounding prospects for a political settlement between the Afghan government and the Taliban.577

Afghanistan’s True GDP Growth Remains Highly Sensitive to the Narcotics Trade

More than any other domestic factor, the success or failure of the opium trade has the greatest effect on Afghanistan’s gross domestic product (GDP) when illicit activity is taken into account. The country’s statistical authority (NSIA) includes the opium economy in one version of its annual GDP calculation. The NSIA reported that when estimated opium production dropped by nearly 30% in 2018 due to drought and a supply surplus left over from the previous year, the Afghan economy contracted by 0.2%. By comparison, the NSIA estimated that licit growth in the same year was 2.7%.

By contrast, when opium production increased by nearly 90% in 2017, GDP growth including the opium economy in 2017 was 7.2%. 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, it did not materially affect aggregate economic activity because of the high prevalence of opium-poppy cultivation.

... while expenditures initially increased amidst the COVID-19 pandemic.

Revenues continued to decline in the second quarter of 2020 ...

Source: SIGAR analysis of MOF-provided AFMIS data exported 7/11/2020; SIGAR analysis of MOF-provided AFMIS data exported 1/18/2020.

Source: SIGAR analysis of MOF-provided AFMIS data exported 7/13/2020; SIGAR analysis of MOF-provided AFMIS data exported 1/18/2020.

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

CUMULATIVE SUSTAINABLE REVENUE GAINS (FY 1398–1399) VERSUS SAME MONTH PRIOR YEAR
Fiscal Update: Revenues Contract Substantially, Driven by Decline in Customs

Afghanistan’s sustainable domestic revenues contracted by 23.4% in the first two quarters of 2020 as compared to the same period in the previous year, reflecting further fallout from the pandemic. According to State, the Afghan government expects tax revenue to contract by $715 million to $1.99 billion in 2020, 26% shy of the $2.7 billion in revenues that were projected before the emergence of COVID-19. Beginning in March 2020, customs revenues dropped “to close to zero for several months,” State said.

Among revenue categories, customs revenues—on which the Afghan government relies for approximately one-fifth of its domestically generated income—are uniquely vulnerable to border closures. Pakistan, one of Afghanistan’s key trading partners, closed the Chaman-Spin Boldak and Torkham border crossings with Afghanistan in March 2020 in an attempt to contain the spread of COVID-19. As a result, customs revenues dropped by 54.2% from Month 3 (February 20–March 19, 2020) to Month 4 (March 20–April 19, 2020) of the Afghan fiscal year, according to publicly available data from the Afghanistan Revenue Department. Although customs revenues rebounded in Month 5 (April 20–May 20, 2020), the cumulative gap compared to prior-year revenues continued to widen. At Month 6 (May 21–June 20, 2020), the aggregate year-on-year decline was 31.6%.

As of May 15, 2020, Pakistan increased the numbers of days the border was open to commercial traffic to six days a week, according to State. More recently, the Pakistani and Afghan governments had coordinated to allow five border crossings to reopen to commercial traffic on a regular schedule, as of July 12, 2020. Consequently, it is possible that customs revenues may recover somewhat over the second half of the year (though much uncertainty remains especially with traders reporting corruption and delays at the border). Figure 3.38 shows cumulative sustainable revenue gains through Month 6 of FY 1399. Expenditures over the first six months of 2020 (also presented in Figure 3.38), meanwhile, decreased overall by 1.6%, in part due to restricted government activity during the lockdown, according to the MOF.

ECONOMIC GROWTH

Through its current strategy, USAID is seeking to accelerate export-led growth by providing support to Afghanistan’s private sector. Specifically, the strategy aims to:

- strengthen trade connections between Afghanistan and neighboring countries
- increase the competitiveness of Afghan private industry by supporting export-ready firms
- create jobs via that firm-level support and by improving the enabling environment for businesses
However, given current obstacles, tightening trade connections, increasing Afghanistan’s licit exports, and creating jobs may not be possible within the timeframe set by USAID’s strategy (which covers development support through 2023).\textsuperscript{589} Afghanistan’s economy is likely to face a significant contraction this year.\textsuperscript{586} Even before the pandemic took hold, licit economic growth was too low vis-à-vis Afghanistan’s population growth to reduce poverty and improve living standards for most Afghans.\textsuperscript{591} Moreover, licit export levels stagnated in 2019, even though the Afghan government covers a majority of transit costs for exports via air freight in subsidized air corridors to incentivize trade within the region.\textsuperscript{592} Although the full effects of COVID-19 have not yet been felt, the IMF projected that unemployment and poverty would rise in 2020.\textsuperscript{593}

USAID’s active economic-growth programs—which have included technical assistance to the mining and financial sectors, recent developments within which are discussed in this section—have a total estimated cost of $331 million and can be found in Table 3.18.

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**Treasury Provides USAID with Final Report on Financial-Sector Technical Assistance**

Last quarter, SIGAR reported that Treasury had not yet provided a final project-performance report required by an interagency agreement with USAID through which Treasury provided technical assistance to Afghanistan’s financial sector. This quarter, Treasury informed SIGAR it had provided the report to USAID on April 13, 2020. Treasury also provided SIGAR with a copy of the report.

The final project report described Treasury’s efforts to increase the Afghan government’s public financial-management capacity through training on how to better project future expenditures. It also described Treasury’s technical assistance to Afghanistan’s central bank (DAB) for improving DAB’s ability to supervise and oversee Afghanistan’s financial sector.

SIGAR was particularly interested to understand what metrics Treasury had used to assess progress in building up Afghan government capacity in these areas. According to USAID, the metrics against which USAID and Treasury tracked progress were the “number of meetings and number of trainings with Treasury’s [Afghan] counterparts.”

In the final project report, Treasury indicated that “timely workshops” and “opinions valued by [the Ministry of Finance]” were metrics used to assess progress against objectives. While Treasury said it used additional measures—such as actual Afghan government “adoption and implementation” of improved budgeting techniques—SIGAR could not verify, judging by the report, whether such progress had actually been achieved and, if so, the extent to which Treasury’s technical assistance played a role.

Mahmoud Karzai Appointed Minister Despite Alleged Involvement in Kabul Bank Crisis

On June 1, 2020, President Ghani appointed Mahmoud Karzai—the brother of former Afghan President Hamid Karzai—as the new Acting Minister of Urban Development and Land.594 Karzai is a former investor in the now-defunct, but still infamous, Kabul Bank, which nearly collapsed in 2010 after almost $1 billion was stolen by a group of politically connected executives and shareholders.595 Orchestrated by Kabul Bank chairman Sherkhan Farnood and head of security turned chief executive officer Khalilullah Ferozi, the scheme involved money laundering and fraudulent lending.596 Funds flowed to shareholders, such as Karzai, through the loans or via inflated or falsified asset purchases.597 The crimes stressed the still incipient formal Afghan financial system, resulting in a $500 million run on Kabul Bank.

In a list of new Afghan government appointments provided to SIGAR this quarter, State explicitly referred to Acting Minister of Urban Development and Housing Mahmoud Karzai as a “shareholder of Kabul Bank.”


<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 7/9/2020</th>
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<td>Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)</td>
<td>1/28/2020</td>
<td>1/27/2025</td>
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<td>8/31/2020</td>
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<td>Multi-Dimensional Legal Economic Reform Assistance (MELRA)</td>
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<td>9/30/2024</td>
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<td>Extractive Technical Assistance by USGS</td>
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<td>12/31/2022</td>
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<td>7,016,783</td>
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<td>4/30/2023</td>
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<td>Establishing Kabul Carpet Export Center (KCEC)</td>
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<td>6/5/2021</td>
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<td>Trade Show Support (TSS) Activity</td>
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<td>12/6/2020</td>
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<td>Development Credit Authority (DCA) with FINCA, OXUS, and First Microfinance Banks</td>
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<td>9/27/2017</td>
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Source: USAID, response to SIGAR data call, 7/12/2020.
Bank and eventually an $825 million bailout (an amount equivalent to approximately 5–6% of the country’s GDP at the time).508

Karzai, who for a time was reportedly allowed to live in one of Farnood’s Dubai villas, maintains his innocence.509 He claimed he was offered a 7.5% share in Kabul Bank in 2007, purchased the shares with a $6 million loan from Farnood, but had no knowledge of the fraud and embezzlement.509 The same year, Karzai founded a cement business using additional loans from the bank.601 In November 2019, investigative reporting from the London-based Bureau of Investigative Journalism based on leaked property data revealed that Karzai owned luxury property in Dubai (not an indication of wrongdoing in itself).602 Records from the Kabul Bank Receivership, established to manage the bank’s bad assets, show that Karzai had paid back all but $585,537 of $13.0 million owed, as of December 2019.603 The remaining balance has been in dispute.604

Overall, $587.5 million—59.5% of the $987.0 million total amount of stolen funds—remains unrecovered by the Afghan government.605 Hope rose that the government would compel additional payments after President Ghani first took office in September 2014.606 A presidential decree issued two days after he was sworn in purported to address all remaining aspects of the case,607 although, little progress has been made since.608

Mining Equipment of Guernsey-Based Firm Could be in Taliban Hands

The mining equipment of CENTAR Ltd., a Guernsey-based company whose contracts for large-scale gold and copper concessions were recently canceled by the Afghan government, may be in the hands of the Taliban, according to the Financial Times.609 “The Taliban have established their own ministry of mining in Qatar, with their own people on the ground collecting revenues and operating mines nationally, which has led to a profitable mining industry of which our mine in Badakhshan [Province] is a great success,” CENTAR founder and former UK Special Air Services officer Ian Hannam said in a colorful letter to CENTAR shareholders quoted in the Financial Times.610

The contracts for the Badakhshan gold and Balkhab copper concessions were signed at a ceremony at the Afghan Embassy in Washington, DC, in the fall of 2018.611 At the time, some claimed the contracts resulted from pressure applied to the Afghan government by the Trump administration.612 According to the Financial Times, CENTAR did initiate a lobbying campaign targeting both the U.S. and Afghan governments.613 However, according to the Afghanistan Compact—a reform-tracking device containing economic benchmarks (among others) mutually agreed upon by the U.S. and Afghanistan—the Afghan government had committed merely to “approve, reject, [or] retender the then-stalled contracts.”614
The signed contracts—finally moving after a seven-year delay—seemed to revive long-held hopes that Afghanistan’s extractives sector could be leveraged for the country’s economic development. But controversy soon followed. Civil society organizations, 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.

Documented Western interest in Afghan minerals extends back more than 200 years. As early as 1808, surveyors from Britain’s armed, quasigovernmental East India Company “scrambled through Afghanistan attempting to exploit its riches ahead of their Russian competitors.” In 2010, the U.S. government estimated the value of the country’s extractives sector at more than $1 trillion. Yet, as in other areas of reconstruction, efforts to develop extractives have been hindered by unrealistic implementation timelines and inflated expectations, sometimes shaped by overestimation of the Afghan government’s ability to provide critical enabling support.

**AGRICULTURE**

Licit agriculture remains the base of Afghanistan’s formal economy. The sector directly employs approximately 40% of Afghanistan’s labor force and directly or indirectly supports an estimated 80% of the total population. While the agricultural industry’s importance has diminished somewhat since the outset of reconstruction due to the rise of the country’s service sector, it remains an important driver of GDP growth.

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.” Even today, the agency’s strategy says, “Agriculture, the biggest driver of the Afghan economy, presents major opportunities for job creation, poverty reduction, and economic growth.”

While donors continue to support the development of licit Afghan agriculture, illicit opium-poppy cultivation thrives. According to the Afghanistan Research and Evaluation Unit, a Kabul-based think tank, 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.

Since 2002, USAID has disbursed over $2.3 billion to improve licit agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production. USAID’s active agriculture programs have a total estimated cost of $390 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 June 17, 2020.
ECONOMIC AND SOCIAL DEVELOPMENT

Major Activities of USAID’s SWIM Project Continue Despite Pandemic

USAID’s five-year, $57 million Strengthening Watershed and Irrigation Management (SWIM) project saw some training and meetings delayed as a result of COVID-19, implementer DT Global said in its latest quarterly report (January through March 2020). However, canal-rehabilitation efforts were “ongoing and for the most part on schedule,” DT Global added. Operating in six provinces in northern Afghanistan, SWIM has several components.

TABLE 3.19

USAID ACTIVE AGRICULTURE PROGRAMS

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 7/9/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening Watershed and Irrigation Management (SWIM)</td>
<td>12/7/2016</td>
<td>12/6/2021</td>
<td>$87,905,437</td>
<td>$30,717,548</td>
</tr>
<tr>
<td>Commercial Horticulture and Agriculture Marketing Program (CHAMP)</td>
<td>2/1/2010</td>
<td>1/31/2020</td>
<td>71,292,850</td>
<td>71,285,455</td>
</tr>
<tr>
<td>Afghanistan Value Chains–High-Value Crops</td>
<td>8/2/2018</td>
<td>8/1/2023</td>
<td>54,958,860</td>
<td>13,787,319</td>
</tr>
<tr>
<td>Agricultural Marketing Program (AMP)</td>
<td>1/28/2020</td>
<td>1/27/2023</td>
<td>30,000,000</td>
<td>1,359,301</td>
</tr>
<tr>
<td>Regional Agriculture Development Program-East (RADP East)</td>
<td>7/21/2016</td>
<td>7/20/2023</td>
<td>28,126,111</td>
<td>18,220,200</td>
</tr>
<tr>
<td>Grain Research and Innovation (GRAIN)</td>
<td>11/8/2012</td>
<td>9/30/2022</td>
<td>19,500,000</td>
<td>10,273,530</td>
</tr>
<tr>
<td>Promoting Value Chain–West</td>
<td>9/20/2017</td>
<td>9/19/2020</td>
<td>19,000,000</td>
<td>13,900,963</td>
</tr>
<tr>
<td>Catalyzing Afghan Agricultural Innovation</td>
<td>5/28/2018</td>
<td>5/27/2023</td>
<td>8,000,000</td>
<td>2,887,581</td>
</tr>
<tr>
<td>SERVIR</td>
<td>10/1/2015</td>
<td>9/30/2020</td>
<td>3,100,000</td>
<td>2,367,493</td>
</tr>
<tr>
<td>USDA PAPA</td>
<td>09/30/2016</td>
<td>9/29/2021</td>
<td>12,567,804</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$390,123,232</strong></td>
<td><strong>$180,276,077</strong></td>
</tr>
</tbody>
</table>

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, 7/12/2020.

TABLE 3.20

STATE-INL ACTIVE ALTERNATIVE-DEVELOPMENT PROJECTS

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Obligated and Disbursed, Cumulative, as of 6/17/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community-Based Agriculture and Alternative Development–West (CBARD-West)</td>
<td>9/1/2016</td>
<td>4/30/22</td>
<td>$24,368,607</td>
</tr>
<tr>
<td>Community-Based Agriculture and Alternative Development–East (CBARD-East)</td>
<td>11/11/17</td>
<td>4/30/22</td>
<td>22,128,683</td>
</tr>
<tr>
<td>Boost Alternative Development Intervention Through Licit Livelihoods (BADILL)</td>
<td>8/12/16</td>
<td>8/12/20</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Community-Based Agriculture and Alternative Development–Access to International Markets (CBARD-AIM)</td>
<td>7/30/19</td>
<td>4/30/23</td>
<td>8,900,000</td>
</tr>
<tr>
<td>Monitoring and Impact Assessment of High-Value Agricultural Based Interventions</td>
<td>8/30/16</td>
<td>11/10/20</td>
<td>3,810,530</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$79,207,820</strong></td>
</tr>
</tbody>
</table>

ECONOMIC AND SOCIAL DEVELOPMENT

The project aims to increase the sustainability and production of agricultural water use: rehabbing irrigation canals and watersheds; strengthening Afghanistan’s regulatory framework for water use; and building the capacity of local entities to better manage water resources.630

Specifically, among other effects of COVID-19, DT Global was forced to postpone water evaluation and planning training that was intended to serve as a platform for reviewing catchment data (that is, information about areas from which rainfall flows into rivers) for different locations of the Kunduz river basin.631 However, irrigation-rehabilitation delays reported by DT Global did not appear to be related to the pandemic. For example, cold weather and severe rain delayed work on canals in the Choghai and Joy Zendam areas of Samangan Province for 54 days and 50 days, respectively.632 Nevertheless, rehabilitation progress on the canals sped up after subcontractors marshalled additional labor and arranged for longer working hours.633

INFRASTRUCTURE AND ESSENTIAL SERVICES

A major goal of the U.S.-led reconstruction effort has been to provide Afghanistan with a physical infrastructure base. Since 2002, the U.S. has built electricity infrastructure, bridges and roads, and education and health facilities.634 USAID alone has disbursed more than $4.4 billion for infrastructure projects.635

In more recent years, however, the U.S. reconstruction focus has shifted away from large capital projects like road construction. Several high-dollar-value projects are still being implemented, but there are presently no plans to bilaterally underwrite any new major infrastructure, according to State.636 Below, SIGAR provides an update on remaining U.S.-funded power-infrastructure projects.

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

A top U.S. development priority has been to build out and improve Afghanistan’s two major power grids, which are currently “islanded,” or unconnected. Specifically, DOD and USAID have been working to connect the country’s Northeast Power System (NEPS) with its southeastern counterpart, the Southeast Power System (SEPS).637 A 470-kilometer transmission line constructed by USAID will eventually link them.638 The fragmented nature of Afghanistan’s power sector presents a number of technical challenges to establishing this link, such as synchronization. Islanded power grids rely on different supply sources, including imported power, and therefore generate electricity at different speeds and frequencies. Da Afghanistan Breshna Sherkat (DABS)—Afghanistan’s national power utility—is responsible for working with neighboring countries to match (or synchronize) imported power with domestically generated power.

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.

ECONOMIC AND SOCIAL DEVELOPMENT

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.

before electricity can safely flow from NEPS to SEPS once the connection is established.639

During the high-water mark of the Afghanistan intervention (roughly 2010–2012), DOD and State justified the development of Afghanistan’s power sector based on the U.S. government’s counterinsurgency (COIN) strategy. Applying COIN doctrine meant trying to contain the Taliban insurgency by addressing its presumed root causes. Confidence in the Afghan government would grow as the government demonstrated it could provide essential services (such as electricity), the thinking went. Popular confidence would translate into support for the Afghan government—and thereby, under a zero-sum paradigm, reduce support to the insurgency.640

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.641 However, it is unclear whether this improvement contributed to COIN outcomes: 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.642 Although USAID plans to conduct an assessment to better understand how electricity access and socioeconomic conditions improved as a result of its investment in power-infrastructure, it will not examine COIN-related outcomes.643

Currently, agencies claim their remaining efforts to bolster Afghanistan’s power sector will contribute to Afghanistan’s economic development.644 Still, USAID links the projects to stability when it says that all development objectives articulated in its current strategy “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.”645

Some 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:

- a transmission line between Ghazni and Kandahar Provinces (21.7% complete, with an expected completion date of December 31, 2020)
- substations along the transmission line from Ghazni to Kandahar (expected completion date of July 30, 2023, but still in the design phase)
- transmission lines and substations in SEPS (expected completion date of July 30, 2023, but still in the design phase, which was delayed this quarter due to COVID-19 lockdowns in India, USAID said)
- a wind farm in Herat Province (no completion date established, but at least two years away)
A floating solar power plant to be constructed on the Naghlu Dam Reservoir in Kabul Province (no completion date established, but at least one-and-a-half years away)

Three of USAID’s five active projects are delayed.647 The transmission line and substations between Ghazni and Kandahar were originally supposed to be complete by the end of 2016—putting them more than three-and-a-half years behind schedule.648 USAID’s work on SEPS evolved from a separate contract that was originally supposed to be complete by November 2013—now more than six-and-a-half years behind schedule.649 This quarter, USAID finally completed the Salang substation, located near a strategic pass between Baghlan and Parwan Provinces.650 Only contract-closeout activities remain.651 Like the Ghazni-to-Kandahar transmission lines and substations, the Salang substation was more than three years behind schedule.652

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.653 USAID’s active power-infrastructure projects have a total estimated cost of $828 million and are presented in Table 3.21.

### Table 3.21

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 7/9/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Transmission Expansion and Connectivity (PTEC)</td>
<td>1/1/2013</td>
<td>12/31/2023</td>
<td>$316,713,724</td>
<td>$262,427,145</td>
</tr>
<tr>
<td>SEPS Completion and NEPS-SEPS Connector Substations</td>
<td>7/3/2019</td>
<td>7/30/2023</td>
<td>159,794,733</td>
<td>39,551,606</td>
</tr>
<tr>
<td>Contribution to AITF (Afghanistan Infrastructure Trust Fund)</td>
<td>3/7/2013</td>
<td>3/6/2023</td>
<td>153,670,184</td>
<td>153,670,184</td>
</tr>
<tr>
<td>Engineering Support Program</td>
<td>7/23/2016</td>
<td>1/22/2020</td>
<td>125,000,000</td>
<td>79,534,193</td>
</tr>
<tr>
<td>25 MW Wind Farm in Herat Province</td>
<td>10/22/2019</td>
<td>12/24/2021</td>
<td>22,994,029</td>
<td>0</td>
</tr>
<tr>
<td>Design and Acquisition of SEPS Completion and NEPS-SEPS Connector</td>
<td>3/7/2018</td>
<td>6/27/2022</td>
<td>20,151,240</td>
<td>3,994,795</td>
</tr>
<tr>
<td>20 MW Floating Solar Installation–Naghlu</td>
<td>1/27/2020</td>
<td>7/26/2021</td>
<td>16,100,000</td>
<td>0</td>
</tr>
<tr>
<td>Kandahar Solar Project (10MW solar photovoltaic plant in Kandahar City)</td>
<td>2/23/2017</td>
<td>12/29/2019</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Spare Parts for Tarakhil Power Plant</td>
<td>8/14/2019</td>
<td>8/31/2020</td>
<td>2,136,850</td>
<td>1,849,965</td>
</tr>
<tr>
<td>Energy Loss Management Visualization Platform Activity</td>
<td>1/25/2020</td>
<td>1/24/2022</td>
<td>1,579,973</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$828,140,733</strong></td>
<td><strong>$551,027,888</strong></td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 7/12/2020.
Involving Private Sector in Afghan Energy is a Bet on Continued Donor Funding

Donors have presented their efforts to attract private investment in Afghanistan’s energy sector as a push towards sustainability. But even if they succeed in finding some private investors, these projects may continue to rely indirectly on international largesse.

In their efforts to develop Afghanistan’s power sector, USAID and other donors are attempting to pivot away from large capital projects—like transmission-line construction—and towards incentivizing private-sector involvement. For example, USAID is subsidizing the upfront costs of independent power producers (IPPs) who wish to construct power plants, thereby making such investments more attractive for the private sector. Similarly, the Asian Development Bank (ADB) announced this quarter that it had signed a $10 million loan with a private firm—the Afghan Power Plant Company Limited (APPC)—to construct and subsequently operate a 58.6 megawatt (MW) gas-fired power plant near the city of Mazar-e Sharif in northern Afghanistan.

Such projects are introduced with great fanfare. In announcing the $10 million loan—a virtually immaterial amount compared to ADB’s overall $2.2 billion energy-sector portfolio in Afghanistan—an ADB official said the apparently inevitable success of the power plant “will send an important signal to the market that Afghanistan’s power industry is now ready to attract more private sector investment and financing.” Likewise, a USAID press release describing the groundbreaking ceremony for a 10 MW solar-power plant that received a $10 million construction subsidy from USAID called the plant a “landmark infrastructure project.”

Beneath this rhetoric, though, the pivot to encouraging more private investment in Afghanistan’s power sector involves numerous challenges. First, it will be a long time before such a pivot is fully actualized. As explained earlier in this section, USAID is still struggling to complete several large capital projects involving the construction of transmission lines and substations—legacy projects underpinned by the assumption that the best way to expand electricity access in Afghanistan was to build a nationwide power grid. Likewise, ADB is still funding, or has pledged to fund, extremely ambitious transnational power-infrastructure projects. ADB’s initiatives, for example, include the Turkmenistan, Uzbekistan, Tajikistan, Afghanistan, and Pakistan (TUTAP) project, which aims to leverage Afghanistan’s geographical location between Central Asia and Pakistan to export excess electricity from the former to the latter.

An additional and more vexing challenge is that the commercial viability of these projects is ultimately contingent on power-purchase agreements struck between the IPPs and DABS. A typical agreement involves a commitment from DABS to purchase electricity from an IPP at a set rate schedule for a number of years. 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 as well as steady-state operations and maintenance expenditures.

Thus, whether the projects will ultimately be profitable for the private sector and successful for Afghanistan in the long run depends on DABS’ ability to purchase electricity. That in turn hinges on DABS’ financial sustainability and, because DABS is nationalized, the financial sustainability of the Afghan government. As the World Bank said about the aforementioned gas-fired power plant project co-financed by ADB’s $10 million loan, “The cost of gas is the responsibility of the electricity off-taker (DABS) and by extension the [Government of Afghanistan].”

This is where things get tricky. The Afghan government continues to face “substantial constraints to fiscal sustainability,” according to the World Bank. Donors currently finance more than half the Afghan government budget and 75% of total public expenditures. The result is that donors pay for at least half of a government that in turn owns the national electricity utility purchasing the power from the IPPs. Ultimately, therefore, unless the Afghan government is able to mobilize sustainable sources of domestic revenue, including more effective DABS billing for its electricity sales, donor efforts in Afghanistan’s energy sector that are overtly bets on the private sector are in reality a collective bet on donors themselves.

EDUCATION

Progress in Afghanistan’s education sector has been held up as a significant achievement since the U.S.-led intervention of 2001. Millions more Afghan children are in school today compared to the number under the Taliban, which generally banned girls from attending. But poor data quality makes it difficult to determine fully the extent of success. Figures for the number of children and youth in school vary widely. Additionally, Afghanistan’s Ministry of Education (MOE) counts students who have been absent for up to three years as still enrolled, in the belief that they may reenter school. While this may be a reasonable policy given the desire to mitigate barriers for children who wish to return to school, it means that enrollment data cannot be used as a close proxy for attendance.

Currently, USAID aims to increase access to, and improve the quality of, basic education for children while also building management capacity at the MOE. USAID’s strategy advances the theory that advancing the education sector will spur greater confidence in the Afghan government, ultimately making the country more stable. However, the Taliban has reportedly co-opted Afghan government-run education services in areas under their control.

An additional justification for USAID’s current education projects is to increase Afghanistan’s self-reliance. A better-educated workforce could
theoretically contribute to long-term sustainable economic growth. Moreover, increasing access to education in Afghanistan may be a worthy goal unto itself, as a commonly held view is that education is a fundamental human right. Nevertheless, there are concerns with the sustainability of a nation-wide education system established and supported through donor funds, given the many challenges the Afghan government currently faces to becoming a self-financing state. Complicating matters, according to the World Bank, population growth of approximately 2.3% per year could necessitate increases in public-expenditures to maintain service delivery, with investments in education potentially taking years to contribute to positive economic growth.

Setting aside the end-goals of USAID’s investments in Afghanistan’s education sector, the country has struggled to improve its education outcomes 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.

Moreover, given continuing violence that often makes it difficult for children to physically travel to school—and wariness on the part of parents who may not want to send them in areas where the risk of harm is high—stagnation (and possibly deterioration) of education-sector indicators may have been even greater, but for continued donor funding. Thus, while donors may have been unable to bolster education outcomes from 2011–2012 and 2016–2017, continued commitment to Afghanistan’s education sector may have at least held them constant.
Since 2002, USAID has disbursed more than $1.1 billion for education programs in Afghanistan, as of July 9, 2020. The agency’s active education programs have a total estimated cost of $370 million and can be found in Table 3.22.

### Table 3.22

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 7/9/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support to the American University of Afghanistan (AUAF)</td>
<td>8/1/2013</td>
<td>8/31/2020</td>
<td>$90,681,844</td>
<td>$80,254,987</td>
</tr>
<tr>
<td>Strengthening Education in Afghanistan (SEA II)</td>
<td>5/19/2014</td>
<td>9/30/2020</td>
<td>44,835,920</td>
<td>39,392,473</td>
</tr>
<tr>
<td>Textbook Printing and Distribution II</td>
<td>9/15/2017</td>
<td>12/31/2020</td>
<td>35,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Let Girls Learn Initiative and Girls’ Education Challenge Programme (GEC)</td>
<td>6/29/2016</td>
<td>6/28/2021</td>
<td>25,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Capacity-Building Activity at the Ministry of Education</td>
<td>2/1/2017</td>
<td>1/31/2022</td>
<td>23,212,618</td>
<td>17,413,626</td>
</tr>
<tr>
<td>Financial and Business Management Activity</td>
<td>7/5/2017</td>
<td>10/31/2020</td>
<td>4,384,058</td>
<td>3,735,749</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$370,064,707</strong></td>
<td><strong>$291,369,079</strong></td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 7/12/2020.

School Closures Present Challenges for Education Outcomes

On March 14, 2020, the Afghan government announced it would close all schools for an initial one-month period to help stem the spread of COVID-19. Although, at the time, the government tentatively planned to reopen the education system by April 18, this quarter the closure was extended into at least September.

In Afghanistan, where widespread online education is not possible because of limited internet access and where traditional gender roles already limit girls’ relative access to education, school closures run the risk of exacerbating existing challenges even if they help address the first-order health crisis caused by the pandemic. In mid-June, Human Rights Watch (HRW), a nongovernmental organization that focuses on girls’ education, among other issues, in Afghanistan said that although Afghan schools faced a “crisis” before the pandemic, “now things are even worse.” Prior to the spread of COVID-19, nearly 2.6 million girls were out of school, SIGAR analysis of NSIA data shows.

Specifically, HRW raised concerns that because girls generally have less internet access, more social isolation, and greater housework burdens than boys, they may be less likely to return to school when the education system opens again. HRW underscored that physical abuse at home and
ECONOMIC AND SOCIAL DEVELOPMENT

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 providing security-related training and support to certain Afghan security-force units credibly accused of being involved in child sexual assault.

the prevalence of early marriages were additional risks disproportionately faced by out-of-school girls during the pandemic.691

At the same time, school closures and other socially restrictive policies appear to significantly curtail the spread of COVID-19.692 In a study published on June 8, 2020, that analyzed emergency health measures in six major countries—including Afghanistan’s neighbor Iran—UC Berkeley researchers found that restrictive policies, including school closures, may have averted approximately 530 million infections.693 While the full impact of COVID-19 on Afghanistan remains uncertain, the issue of school closures underscores the difficulties inherent in balancing public health outcomes with other fundamental areas of social development.

Two Convictions, Ten Arrests in AGO’s Investigation of Logar Sexual Abuse Scandal

The Afghanistan Attorney General’s Office’s (AGO’s) investigation into allegations that at least 165 boys were sexually abused in Logar Province continued this quarter, resulting in two convictions and one additional arrest, according to State.694 The AGO made nine arrests last quarter.695

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.696 According to State, civil-society activists identified 59 suspected perpetrators—20 of whom have now been identified by the AGO’s investigation.697 It is not clear whether these suspected perpetrators were part of a single criminal ring, State told SIGAR this quarter.698

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.699 Then-U.S. Ambassador to Afghanistan John Bass decried NDS tactics as “Soviet-style” and “appalling.” For safety reasons, both activists left the country with their families after their release.700

Perhaps because they feared for their safety, the activists neither shared their report with the MOE nor met with ministry officials, according to an MOE statement provided to donors.701 To assess the truth of the allegations, a team of MOE officials visited the schools where the abuse was said to have occurred and distributed confidential questionnaires to students and teachers.702 According to the MOE’s analysis of data collected, “some respondents reported [the] possibility of individuals who could have [an] inclination towards child abuse; however, no child abuse was reported.”703 According to the MOE, ministry officials then requested that the AGO investigate.
ECONOMIC AND SOCIAL DEVELOPMENT

HEALTH

Increasing caseloads resulting from the COVID-19 pandemic are significantly stretching the capacity of Afghanistan’s already limited healthcare system, State reported this quarter. The strain comes despite efforts by health officials to increase the number of hospital beds available in provincial and district centers. Underlying the toll the outbreak is taking on Afghanistan’s health infrastructure, approximately 10% of Afghans who have tested positive for the virus work in the healthcare sector, according to the United Nations (UN). Complicating matters, in some provinces such as Herat and Nangarhar, public health workers only recently received their salaries after a hiatus of several months.

State added that the pandemic was likely to impact substantially a range of health outcomes not overtly related to COVID-19. For example, researchers at Johns Hopkins University estimated a potential 18% increase in child mortality and a 14% increase in maternal mortality in the country as a secondary result of the virus’ prevalence.

USAID asserts in its current strategy that advancing gains in Afghanistan’s health sector will help the country become more stable and self-reliant. As the agency told SIGAR as it was developing the strategy in December 2017, “healthy people and health[y] communities are the bedrock of a peaceful and stable nation.” However, there is reason to question the independent influence of public-health improvements on stability due to confounding factors and data failing to support a causal link. In fact, insecurity has risen even as health outcomes have improved. And even severely insecure areas have demonstrated progress in health service coverage, according to the World Bank. Moreover, as the Bank summarized in a 2018 policy brief, “In the period between 2011 and 2015, there was no detectable difference in unadjusted improvements in health systems performance between facilities located in areas of low, medium, and high insecurity.” Adjusting the analysis for potentially confounding variables did not alter “evidence of resilience to conflict,” the Bank added. In other words, it appears that, at least in Afghanistan, better health care coexists with ongoing instability.

Additionally, some reports (unverified by SIGAR) indicate that healthcare delivery in areas controlled by the insurgency may actively work against stability by reinforcing insurgent governance. Such research suggests that the Taliban co-opt Afghan government health services delivered in areas under their control, thereby bolstering their own legitimacy and authority rather than the Afghan government’s.

U.S. on- and off-budget assistance to Afghanistan’s health sector totaled more than $1.3 billion as of July 9, 2020. USAID’s active health programs have a total estimated cost of $283 million, and are listed in Table 3.23 on the following page.

Kabul Maternity Ward Attacked

On May 12, 2020, three men of undetermined affiliation attacked a Kabul maternity ward. Dressed in ANDSF uniforms and armed with AK-47s and hand grenades, the attackers killed 24 people, including 19 women and three children. An additional 23 people were injured, including two children and one newborn. No group claimed responsibility for the incident.

The maternity ward was operated by Médecins Sans Frontiers (MSF, also known as Doctors Without Borders), which in a statement described the attack as a “deliberate assault” on its operations “with the purpose of killing mothers in cold blood.” Concerned about the possibility of further attacks, MSF announced on June 15, 2020, that it would close the maternity ward.

UN Expresses Concern Regarding Attacks on Health Facilities During Pandemic

In a special report, the UN voiced “grave concern” regarding the extent of deliberate attacks against healthcare facilities and workers in Afghanistan even as the country faced the health crisis of the pandemic. According to the UN, “both Anti-Government Elements and Pro-Government Forces were responsible for incidents that significantly undermined healthcare delivery.”

The UN monitored attacks against health facilities and health-care workers in Afghanistan during the approximately two-and-a-half month period from March 11, 2020, (when the World Health Organization officially declared the pandemic) to May 23, 2020 (which marked the end of Ramadan and the commencement of a three-day ceasefire). In that period, 15 incidents were documented, 12 of which were categorized as deliberate attacks and three of which were “incidental” in that parties were fighting in the vicinity of healthcare provision. The UN attributed two-thirds (10) of the documented attacks to the Taliban.
USAID’s IHSAN Projects Faces Significant Disruption due to COVID-19

In a sign that the pandemic is beginning to disrupt some U.S. development programming, USAID’s $57.6 million Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) project “cancelled all planned workshops, training sessions, monitoring programs and supportive supervision visits” due to the government-imposed lockdown in Kabul, implementer Family Health International (FHI 360) said in a semiannual report finalized this quarter.723 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.724

Prior to the pandemic, USAID had already decided to move up IHSAN’s project end date by eight months from May 11, 2021, to September 11, 2020, and reduce its budget from $75.5 million to $57.6 million as part of a transition to the new National Health Technical Assistance Program and Urban Health Initiative.725 When the pandemic struck, COVID-19 forced IHSAN to cancel “train-the-trainer” sessions intended to promote and support breastfeeding at hospitals across 24 provinces.726 At the same time, IHSAN adjusted some of its programming to directly address the pandemic. For example, project implementers provided a COVID-19 “orientation session” for Afghan government public health officials.727 Overall, the pandemic had a “major impact” on IHSAN operations across Afghanistan, FHI 360 wrote in its semiannual project report.728 The pandemic’s effects on IHSAN are emblematic of broader ramifications for USAID health programs in Afghanistan as they have been adjusted to address COVID-19 directly, mitigate the secondary impact of the virus, and protect project staff, according to USAID.729