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ECONOMIC AND SOCIAL DEVELOPMENT



KEY ISSUES & EVENTS

While Afghan government revenues continued to recover from the impact of COVID-19 this quarter, sustainable domestic revenues fell by 2.8%, year-on-year, during 2020.

Poverty levels were forecasted to rise to 61–72% of the population in 2020 due to the pandemic, while Afghanistan braced for a second wave of COVID-19 in early 2021.

A number of U.S. economic and social development programs fell short of their FY 2020 performance goals due to COVID-related restrictions that hindered project activities.

On November 23–24, the governments of Finland and Afghanistan co-hosted the 2020 Afghanistan Conference in Geneva, Switzerland, with representatives from various government agencies and international organizations attending virtually due to COVID-19 restrictions. Major donors expressed their continued commitment to support the Afghan government and highlighted the importance of economic and social development for sustaining any future peace agreement.⁴⁹⁷

According to the UN, donors pledged at least \$3.3 billion in development assistance for 2021 and expressed the potential for between \$12 billion and \$13.2 billion in civilian aid over the next four years, a drop from the \$15.2 billion pledged for four years in the 2016 donors' conference. (Security assistance is pledged separately.) A number of donors said assistance beyond 2021 would be contingent on demonstrated progress in the peace process and a commitment to the protection of human rights.⁴⁹⁸

This reduction in pledged assistance came as Afghanistan struggles with the COVID-19 pandemic. Afghan public health officials have warned that the country faces a second wave of the disease as cases have surged in recent months. As of January 14, 2021, the number of confirmed COVID-19 cases remained relatively low at 53,819, with 2,320 deaths.⁴⁹⁹ But public-health officials caution that the number of confirmed cases vastly undercounts the true spread and impact of the disease because of Afghanistan's low testing capacity and the limited reach of its public-health system.⁵⁰⁰ Acting Health

Minister Ahmad Jawad Osmani announced in August 2020 that a survey of antibody tests showed that COVID-19 had likely infected approximately 10 million Afghans, or 31.5% of the population. The number of cases in urban areas was even higher, with more than half of Kabul’s residents estimated to have contracted the disease.⁵⁰¹

Currently, the government can test only approximately 1,000 people per day. A technical adviser for the Ministry of Public Health explained, “In the first wave, we didn’t have the capacity to test people on time—patients received their results after they had recovered or had passed away.”⁵⁰² The adviser also said health-care workers’ continued lack of personal protective equipment (PPE) and failure to implement even basic infection prevention and control (IPC) measures is contributing to uncontrolled spread of the disease and rising cases among healthcare staff.⁵⁰³

Beyond the public-health impact, the COVID-19 pandemic has inflicted significant harm on Afghanistan’s economy, exacerbating many existing challenges. By the end of 2020, Afghanistan’s unemployment rate was projected to rise to 37.9%, up from 23.9% in 2019.⁵⁰⁴ The World Bank estimates the overall poverty level increased from 55% to 72% of the population in 2020 due to the economic contraction, with the IMF projecting Afghanistan’s GDP to drop by 5%.⁵⁰⁵ A spokesperson for the United Nations (UN) humanitarian affairs office said the UN will require an additional \$1.3 billion in 2021 for humanitarian aid in Afghanistan, as the number of people who require assistance will have doubled compared to a year ago.⁵⁰⁶ In a November 2020 Asia Foundation survey, 74.2% of respondents reported that they and their families had received no government support during the pandemic.⁵⁰⁷

Although the opening of Afghanistan’s international borders in July 2020 helped ease food shortages, a lack of **food security** has persisted. According to the UN World Food Programme, the average price of wheat flour increased by more than 11% between March 14 (just before the government-mandated lockdown) and December 2, 2020, with the cost of pulses (dry edible seeds of plants in the legume family), sugar, cooking oil, and rice increasing by 21%, 19%, 36%, and 21% respectively over the same period. Higher prices were matched by a decline in purchasing power for many day laborers, resulting in more individual debt as workers struggled to afford basic necessities.⁵⁰⁸

As of early November 2020, 11.2 million people, or approximately 36% of the estimated population, faced either a crisis or emergency state of food insecurity, according to the Integrated Food Security Phase Classification, a common global scale for classifying the severity and magnitude of food insecurity and malnutrition.⁵⁰⁹ On December 21, 2020, Acting Minister of Rural Rehabilitation and Development Mujib Rahman Karimi announced that more than 20,000 families had received food aid as part of the first phase of the government’s national assistance program.⁵¹⁰

Food security: all people within a society at all times having “physical, social, and economic access to sufficient, safe, and nutritious food to meet daily basic needs for a productive and healthy life,” without being forced to deplete household assets in order to meet minimum needs.

Source: United Nations, Press Release, “World Food Summit Concludes in Rome,” 11/19/1996.

The United Nations Development Programme (UNDP) representative in Afghanistan, Abdallah Al Dardari, said “four years of progressive growth” will be required to return to the pre-COVID economic conditions of 2019.⁵¹¹ To sustain this, however, UNDP estimated in early November 2020 that the Afghan government will need an additional \$6 billion in international grants over the next five years, a 30% increase from current levels of donor funding, to offset COVID-related budget losses and maintain expenditure levels, adding that a “clear commitment to continued grant support is vital for improving confidence and investment.”⁵¹²

Under any scenario, economic recovery in the coming years will be hampered by continued violence and political uncertainties surrounding the Afghan peace talks. Asian Development Bank (ADB) projections that the Afghan economy will rebound in 2021 with modest growth of 1.5%, for instance, assumes “that peace talks are successful and [will] enable improved security and political stability.”⁵¹³ Even with additional international grants, the Afghan economy could lose the equivalent of 12.5% of real GDP by 2024, according to UNDP estimates. Without additional international support and instead relying on increased taxes and reductions in government expenditures, this number climbs to 14.3% of real GDP by 2024. These losses, however, could be tempered by paired improvements in governance, such as effective anticorruption efforts.⁵¹⁴

Largely as a result of COVID-19, the Afghan government’s **sustainable domestic revenues** contracted by 2.8%, year-on-year, during 2020, SIGAR’s analysis of Afghan government accounting data showed.⁵¹⁵ The contraction in government revenue during the first half of 2020 was particularly driven by the fall in customs duties and taxes—which comprised approximately 20% of sustainable domestic revenues in 2019—due to the closing of the border. In July 2020, Afghan exports to Pakistan, Afghanistan’s leading trading partner, decreased by 56.8% compared to July 2019; imports from Pakistan decreased by 43.6%.⁵¹⁶ By Month 7 of FY 1399 (December 22, 2019, to December 21, 2020), customs revenue had fallen by 28.2% from the previous year, according to publicly available data from the Afghanistan Revenue Department.⁵¹⁷ With the partial lifting of the government-mandated lockdown and reopening of the borders to trade over the summer, government revenues began to recover during the third and fourth quarters of FY 1399. Government expenditures, on the other hand, increased overall by 8.1%, year-on-year, during 2020 amid the COVID-19 pandemic.⁵¹⁸

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

While the intensity and focus of U.S. reconstruction programs in Afghanistan have shifted over the years, the United States has consistently highlighted the importance of economic and social development to support

Sustainable domestic revenues:

According to Afghan Ministry of Finance officials, these are revenues such as customs, taxes, and nontax fees. Multilateral institutions, including the World Bank and the International Monetary Fund (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.

U.S. national security interests and the broader political stability of the country. The U.S. government's current Integrated Country Strategy (ICS), released in September 2018, highlights the need to strengthen economic prosperity through U.S. support of private-sector-led export growth and job creation and accompanying gains in health, education, and women's empowerment leading to increased revenue generation and budget sustainability for the Afghan government.⁵¹⁹ USAID's FY 2019–2023 Country Development Cooperation Strategy (CDCS) for Afghanistan, nested within the ICS, further outlines the need to:⁵²⁰

- 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

Within the CDCS, USAID posits that progress in these three areas will, in turn, “increase Afghanistan's economic viability and enable the country to become less reliant on donors”; “enable the country to become more inclusive and stable, as Afghans gain confidence in their government's ability to achieve reforms and deliver services”; and “help improve the country's stability and inclusivity, as Afghans' trust in their government improves and civic participation expands.”⁵²¹

In pursuit of these objectives, USAID has shifted its approach under the current CDCS to focus on direct interaction with Afghanistan's private sector and work with other U.S. government agencies to implement various policy reforms and programs to support economic growth.⁵²² In particular, senior U.S. officials have pointed to the emerging role of the U.S. International Development Finance Corporation (DFC)—the U.S. government development finance institution formed in December 2019 from the Overseas Private Investment Corporation and USAID's Development Credit Authority—and its potential as an alternative source of financing to support private investments in Afghanistan's agriculture and extractives industries. The DFC is exploring co-investment and co-financing opportunities with private investors that may emerge as the Afghan peace talks move forward, supporting a gradual transition from grant-based aid to an investment model for U.S. engagement with the Afghan economy.⁵²³

Both U.S. and Afghan officials have highlighted expected economic opportunities following a peace agreement. On International Migrants Day (December 17, 2020), U.S. Chargé d'Affaires Ross Wilson tweeted that peace in Afghanistan “will bring economic opportunities for displaced people and all Afghan citizens. Peace will increase trade, improving employment prospects, economic outcomes, and futures of generations to come.”⁵²⁴ In early January 2021, U.S. Special Representative for Afghanistan Reconciliation Zalmay Khalilzad toured Afghanistan, Pakistan, Qatar, and Turkmenistan, in part, to “continue to encourage projects and plans for expanded regional

connectivity, trade, and development which will be aided by an Afghan peace agreement and will help sustain peace.”⁵²⁵

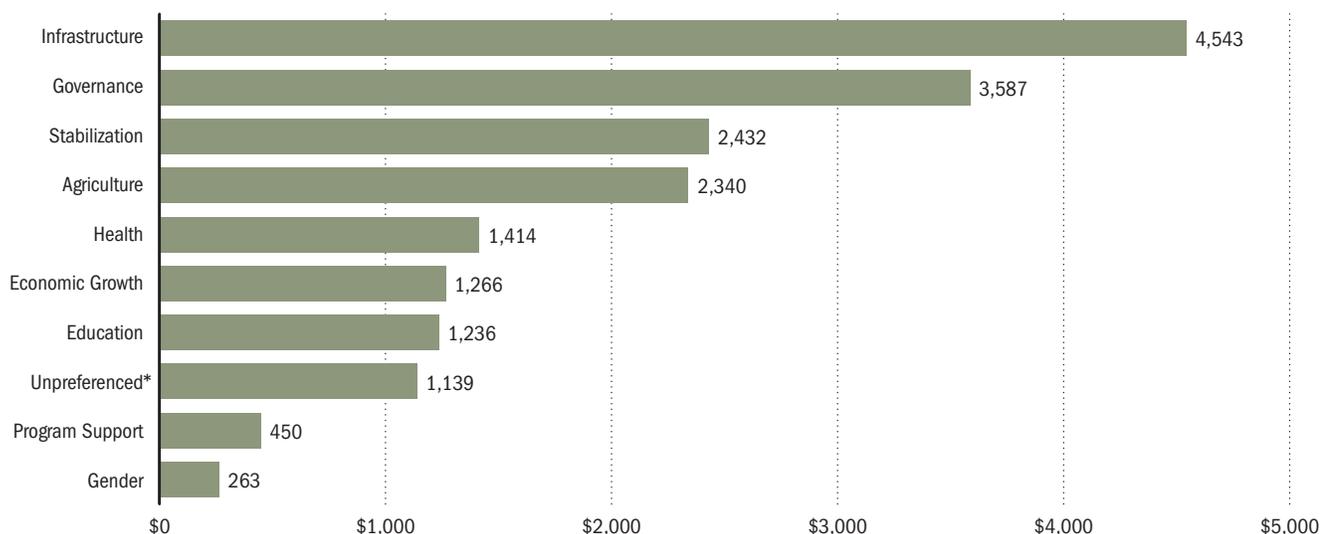
In particular, Afghan officials point to the potential of the country’s extractives sector to fuel economic growth and promote economic self-sufficiency following a successful peace settlement. Afghanistan’s First Vice President Amrullah Saleh stated in a recent interview, “Daikundi has the biggest deposit of lithium. Logar and Kabul have the biggest copper mines; northern provinces have gas. We are sitting on treasure. When peace comes, we will lift everything from underground and use it to be self-sufficient.”⁵²⁶ The Afghan government has also extolled the promise of increased public-private partnerships to spur investment in extractives, as well as other sectors of the economy.⁵²⁷ While the U.S. government has estimated the total value of Afghanistan’s extractives at more than \$1 trillion, efforts to develop the sector, like so many other areas of reconstruction, have been hindered by persistent insecurity, the Afghan government’s unwillingness to complete the mutually agreed-upon reforms by donors, as well as by its limited capacity to provide necessary infrastructure and institutional support, and lingering corruption. In recent years, the extractives sector has represented only around 2% of the government’s sustainable domestic revenues as a result of these issues.⁵²⁸

Overall, many uncertainties surround Afghanistan’s future economic growth and social development: the ultimate outcome of peace talks; the long-term impact of the COVID-19 pandemic; the effect, if any, of the material withdrawal of U.S. forces; and the levels of future international assistance. Even if the Afghan government controls the pandemic and successfully negotiates a peace agreement with the Taliban—perhaps the best-case scenario for Afghanistan—this will not translate immediately into sustainable licit economic growth, as many enduring barriers to economic growth remain. These include widespread corruption that continues to undermine investor confidence in the Afghan government and economy, limited skilled labor, the lingering effects of near-continuous conflict over four decades, deficits in physical and institutional infrastructure, and heavy reliance on foreign donor support. Following a peace agreement, Afghanistan must also reintegrate into the economy ex-combatants and potentially large numbers of Afghans returning from abroad.⁵²⁹ Upon their return, they could face a weak licit labor market unable to fully absorb the large influx of laborers in the short term, potentially exacerbating already high unemployment and poverty figures.

As of December 31, 2020, the U.S. government has provided approximately \$35.95 billion to support governance and economic and social development in Afghanistan since 2002. Most of these funds—approximately \$21.10 billion—were appropriated to USAID’s Economic Support Fund (ESF). Of this amount, \$20.03 billion has been obligated and \$18 billion has been disbursed. Figure 2.32 on the following page shows USAID assistance by sector.⁵³⁰

FIGURE 2.32

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JANUARY 4, 2021 (\$ MILLIONS)



Note: USAID Mission-managed funds. Numbers are rounded. USAID gender programs managed by the agency's Office of Gender are presented as a separate category. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and programs that build health and education facilities. OFM activities (e.g. audits and pre-award assessments) are included under Program Support funds.

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

Source: SIGAR analysis of USAID, response to SIGAR data call, 1/10/2021; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status as of November 20, 2020, 1/10/2021.

Donors Reduce Pledges of Conditions-Based Aid at Afghanistan Conference in Geneva

On November 23–24, 2020, the governments of Finland and Afghanistan co-hosted the quadrennial international donors' conference in Geneva, Switzerland. Most representatives of over 100 governments and international organizations participated virtually due to COVID-19 restrictions. International donors, including the United States, reiterated their support for Afghanistan, but at a reduced level of assistance, pledging \$3.3 billion for 2021 according to the UN (including the U.S. government's commitment) with the expectation that annual commitments would stay at the same level year-on-year through 2024, a drop from the \$15.2 billion pledged for 2016–2020.⁵³¹ According to World Bank estimates, this figure falls to the bare minimum required for Afghanistan to remain a "viable state."⁵³²

According to U.S. government statements, future U.S. assistance will be conditioned on sufficient progress in the Afghan peace talks and the protection of human rights. In November, Secretary of State Michael Pompeo said, "I want to be clear that the choices made in peace negotiations will affect the size and scope of future international support and assistance. The United States looks forward to reviewing progress in the areas I mentioned in one year's time."⁵³³

In a November 24 statement, the U.S. Mission to International Organizations in Geneva clarified, “Future assistance beyond 2021 is planned at comparable levels provided there is consistent progress on transparency and accountability, as well as on the peace process, on the part of the Afghan government.”⁵³⁴ On the same day, the Department of State released a statement pointing to the conditionality of future U.S. assistance: “The United States will continue to support Afghanistan Peace Negotiations. All sides must seize this historic opportunity for peace and commit to a reduction in violence that will enable these talks to succeed. Future assistance decisions will reflect progress made in these negotiations. ... The United States and the international donor community are united in the view that future assistance will be determined by the steps Afghanistan takes to protect the human rights of all Afghans, especially those of women, girls, and ethnic and religious minorities.”⁵³⁵

Along with pledges for assistance, international donors and the Afghan government agreed to a new Afghanistan Partnership Framework (APF) outlining foundational principles and expectations for continued international engagement with and assistance to the Afghan government.⁵³⁶ One of the three core reform priorities in the APF focuses on “market-building,” with the intended outcome of “a reduction in poverty driven by a vibrant private sector.” This is to be measured by vague and unspecified improvements in several economic indicators:⁵³⁷

- a reduction in the proportion of Afghans (sex-disaggregated) living below the basic-needs poverty line (around \$1 a day) as measured by Afghanistan’s National Statistics and Information Authority (NSIA) survey data
- improved annual growth rate of real GDP per employed person
- improved real rate of economic growth as recorded in NSIA data
- improved gross value of exports as recorded in Da Afghanistan Bank data
- improved overall score recorded in the World Bank Group Doing Business survey
- domestic credit to the private sector as a proportion of GDP increasing to 10% by 2024

Additionally, the APF lays out key action items with incremental targets, including the Afghan government adhering to “sound policies for macroeconomic stability,” undertaking reforms to ensure equal economic opportunities for women, facilitating agribusiness and agricultural exports, and mobilizing growth and investment in the mining sector.⁵³⁸

ECONOMIC PROFILE

U.S. efforts to bolster private-sector investment and growth are part of a broader strategy to transition Afghanistan from being predominantly an

assistance recipient to becoming a long-term economic partner.⁵³⁹ Yet, Afghanistan remains poor, aid-dependent, and conflict-affected, with any potential economic growth in the short term further limited by COVID-19.⁵⁴⁰ Donor grants totaling \$8.5 billion per year (covering both security and civilian assistance) finance more than half the Afghan government budget and approximately 75–80% of total public expenditures (including funds not channeled through government ministries).⁵⁴¹

Afghanistan's economy also remains highly dependent on imports, generating a severe trade deficit that is almost entirely financed through external aid.⁵⁴² In 2019, Afghanistan imported goods totaling \$7.33 billion while exporting only \$975 million worth, according to World Trade Organization data; this produced a negative trade balance of \$6.36 billion or 32.9% of GDP.⁵⁴³ The trade deficit is in part caused by Afghanistan's low manufacturing capacity and poor domestic infrastructure which results in a narrow export base—largely agricultural products and carpets—to limited destination markets.⁵⁴⁴

Increased government service provision and an economy fueled by donor funds rapidly improved many development outcomes through the 2014 drawdown of most international troops. But 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.⁵⁴⁵ In early 2020, 55% of Afghans lived below the poverty line, according to the most recent household survey data, an increase from 34% in 2008.⁵⁴⁶

Poverty worsened in 2020 as a result of the COVID-19 pandemic as remittances from Afghans working in adjacent countries declined, household budgets were stretched by a spike in food prices matched by an increase in unemployment, and lockdowns and border closures dampened overall domestic economic activity. According to a November 2020 Afghanistan survey by the Asia Foundation, 70.9% of respondents agreed that “the financial situation of their household has gotten worse in the past 12 months,” a drastic increase from the 31.1% who responded to the same question in 2019.

Additionally, 66.8% of surveyed Afghans reported that the availability of basic products in the market, such as wheat, rice, and oil, had worsened over the previous year, with 77.3% also reporting decreasing affordability.⁵⁴⁷ In the survey, 85% also stated that corruption remained a major problem in their daily lives, with 95% pointing to corruption as a major problem for the country as a whole.⁵⁴⁸

Amid an overall economic downturn, the COVID-19 pandemic has exacerbated the Afghan government's inability to generate sufficient domestic revenue. The government's over-reliance on international assistance and inability to generate sufficient government revenue have been long-standing challenges, stemming from limited government capacity, persistent corruption, tax evasion, and the strength of the informal and illicit economies.

Around 90% of economic activity in Afghanistan takes place within the informal economy, which often overlaps with and strengthens the illicit economy, including opium production, and so is not taxed by the government, increasing the government's reliance on external donors.⁵⁴⁹ As a result, the government has largely relied on simpler forms of revenue generation, such as customs duties and income taxes. Given the relative ease of their collection, customs taxes have typically been a primary source of sustainable domestic revenues for the Afghan government, but were particularly hard hit by pandemic-caused border closings and subsequent shipping delays.

Afghanistan Braces for Second Wave of COVID-19

Public-health officials have warned that Afghanistan faces a second wave of the COVID-19 pandemic. The number of new cases per week has steadily increased this quarter, rising from 741 in the first two weeks of October 2020 to 2,293 in the first two weeks of January 2021, numbers which undercut the true number of cases given the country's low testing capacity.⁵⁵⁰ Many Afghans reportedly have continued to disregard the government's public-health guidelines, such as wearing masks and practicing social distancing. Even within hospitals, there are consistent reports of medical staff not wearing masks or failing to properly enforce IPC measures, further spreading the disease.⁵⁵¹

Much of the country's health-care system has been redirected toward addressing the pandemic, at the expense of many other public-health issues. During March–August 2020, for example, polio vaccinations were suspended over fears of spreading COVID-19 among vaccinators and the recipient families, and polio-surveillance volunteers were redirected to COVID-19 surveillance. World Health Organization (WHO) and United Nations Children's Fund (UNICEF) officials point to the suspension of the vaccination campaign in different parts of the country, due to both the pandemic and continued insecurity, as contributing to the rising numbers of polio cases in Afghanistan.⁵⁵²

The Global Polio Eradication Initiative reported 56 polio cases in Afghanistan in 2020, compared to 29 total cases in 2019.⁵⁵³ In November 2020, the director of Mirwais Hospital in southern Kandahar Province also explained that his hospital is still inundated with thousands of civilians arriving daily for medical treatment, with many seeking care for injuries sustained in the escalating violence. "The war has not finished," he explained. "If we make this hospital a COVID hospital, where will everyone else go? I refuse to make this a COVID hospital."⁵⁵⁴

COVID-19 has overwhelmed Afghanistan's limited health-care system, which continues to be hampered by limited resources, a shortage of trained health-care workers, and poor management and implementation of IPC measures, leaving it ill-prepared to handle a second wave.⁵⁵⁵ One physician



Public-health officials distribute COVID-19 information in a rural community. (UN photo)

in Kabul's only infectious-disease hospital expressed concern that if the second wave intensifies, the hospital will not be able to handle the influx of COVID-19 patients.⁵⁵⁶ Anecdotal reports persist of Afghans relying on home treatments, including herbs, narcotics, and over-the-counter antibiotics, instead of seeking treatment at hospitals.⁵⁵⁷

On November 18, 2020, the Acting Minister of Public Health announced that wedding halls and other public places would be closing at the end of December 2020 due to the rising number of cases.⁵⁵⁸ In late November, the Ministry of Education also announced that schools would close in December until spring 2021.⁵⁵⁹

During a December 3, 2020, speech at a special session of the UN General Assembly, President Ashraf Ghani outlined the disease's devastating impact on Afghanistan's public health and economy in the short term, which has "exacerbated existing gaps and inequalities between developed and developing countries." The longer-term effects of the pandemic, President Ghani stated, remain unclear. He warned, "Now, the second wave of the pandemic is at our doorstep. We face this wave during the winter season, with very little understanding of how cold weather, particularly under conditions of poverty, will affect the nature of the pandemic."⁵⁶⁰ The effectiveness of the Afghan government's previous lockdown was undermined by the inability of many people to stay quarantined at home given their need to continue working to feed their families.

Afghanistan's pandemic response has been further hampered by reports of corruption. There were allegations of "ghost" workers in a COVID-19 hospital in Kunduz Province. An administrative official in the hospital stated, "These workers and vehicles do not exist but their wages are claimed," citing the fact that the hospital has 25 beds but posted charges associated with 50 beds. Provincial public-health officials denied the claims.⁵⁶¹ In mid-October 2020, reports also emerged of five private hospitals selling fake negative COVID-19 test certificates to allow individuals to travel abroad.⁵⁶²

At the end of October, the former Wardak governor and 16 others were charged with embezzling over 800,000 afghanis budgeted for the COVID-19 response. This case came shortly after the Attorney General's Office announced charges against the Herat governor and 21 others for embezzling 20 million afghanis from the COVID-19 response budget.⁵⁶³ Additionally, in late December 2020, former Acting Public Health Minister Osmani announced that President Ghani had dismissed him after four individuals—two Public Health Ministry employees and two of Osmani's relatives—were arrested for soliciting bribes using the acting minister's name.⁵⁶⁴

In 2020, grants to the Afghan government increased by approximately \$500 million, helping to mitigate the pandemic-induced decline in domestic revenues.⁵⁶⁵ This quarter, as Afghanistan prepared for the second wave of the disease, the international community pledged continuing support for Afghanistan's COVID-19 response and recovery efforts. To supplement the

100 ventilators given to the Afghan government on October 1, 2020, USAID informed SIGAR that the Bureau for Global Health approved an additional \$347,280 for consumables, such as ventilation tubes and plastic attachments, as the initial consumables included with the October donation are expected to last only a few months and Afghanistan lacks the ability to procure replacement parts.⁵⁶⁶ As of January 2021, the United States has provided a total of \$39.4 million to support COVID-19 response efforts in Afghanistan.⁵⁶⁷

During the quarter, the ADB approved a \$100 million grant to support the Afghan government's COVID-19 response, including strengthening the health-care system and expanding social protections for poor and vulnerable communities.⁵⁶⁸ In late October 2020, the ADB approved an \$18.28 million grant to improve water access and protect water infrastructure from extreme weather to support agricultural productivity in the Panj-Amu River Basin in northeastern Afghanistan. This grant, according to ADB officials, "will help Afghanistan in its recovery from COVID-19 by improving water available for irrigated agriculture and [by] creating more employment opportunities for rural communities."⁵⁶⁹

In early November 2020, the International Monetary Fund (IMF) Executive Board approved a 42-month extended credit facility totaling approximately \$370 million to assist Afghanistan's recovery from the pandemic, bolster needed economic reforms, and catalyze donor financing. Of that, \$115 million is available for immediate disbursement, with the remaining funds to be disbursed over the duration of the program and subject to semiannual reviews.⁵⁷⁰ The following month, however, the World Bank warned in a letter to President Ghani that it would withhold \$200 million in aid to Afghanistan, intended to help mitigate the economic impact of COVID-19, until the Da Afghanistan Bank provided banking-sector data to assess "the adequacy of a recipient country's macroeconomic policy framework," per the World Bank's current operational policies.⁵⁷¹ While this was resolved in mid-December, the World Bank disbursed only \$180 million and withheld \$20 million over issues with the Afghan government moving the Public Private Partnership and Public Investment Advisory Project from the Ministry of Finance to the Presidential Palace.⁵⁷²

President Ghani also announced that the World Bank and donors to the Afghanistan Reconstruction Trust Fund "in principle pledged to provide us \$100 million" for doses of a COVID-19 vaccine, with the ADB pledging another \$40 million, as part of the International Vaccine Coalition. A Ministry of Public Health spokesperson announced that it would take seven months for the first doses of a vaccine to arrive in Afghanistan. The government is planning to provide the vaccine first to public workers, teachers, employees of companies, senior citizens, health workers, and patients.⁵⁷³ However, Duke University's Global Health Innovation Center warned that a vaccine may not be widely available to the populations of low-income

countries like Afghanistan until as late as 2023 or 2024, as high-income countries have already purchased most of the short-term supply.⁵⁷⁴

12 Killed in Jalalabad During Stampede Over Pakistani Visas

On October 21, 2020, 12 women were killed in a stampede in Jalalabad, sparked by the demand for Pakistani visas. Before dawn, a crowd of around 10,000 had gathered in a Jalalabad soccer stadium where Pakistani officials from the nearby consulate were handing out tokens allowing the holder to apply for a visa. The consulate had recently reopened, after being closed for eight months due to Pakistan's COVID-related travel restrictions, and began to reissue visas, though they were limited to only 1,000 per day. The women who were killed, as well as many others in the stadium, were seeking visas for medical treatment in Pakistan. The deadly stampede erupted as Pakistani officials began handing out the tokens.

Source: New York Times, Zabihullah Ghazi and Fahim Abed, "Demand for Pakistan Visas Sets Off Deadly Stampede in Afghanistan," 10/21/2020.

Cross-Border Trade Problems with Pakistan Persist

Afghanistan's trade with Pakistan, its largest trading partner, precipitously dropped due to COVID-related border closures. Even with the reopening of border crossings between the two countries in July, disruptions persisted. In late October 2020, there were reported shipping delays due to shortages of container-tracking devices necessary to clear goods at border crossings. As a result, loaded trucks have been stranded on both sides of the border. This has been particularly troublesome for perishable cargo.⁵⁷⁵ In the first quarter of FY 2021, Pakistani exports to Afghanistan fell from about \$244 million to \$209.9 million (-14%) compared to the same period of the previous fiscal year.⁵⁷⁶ In mid-December 2020, Pakistani exports to Afghanistan at the Torkham border crossing were completely halted when Pakistani customs-clearing officials went on strike to protest inadequate facilities.⁵⁷⁷

Despite these problems, the Afghan and Pakistani governments continued to work to normalize and expand cross-border trade this quarter. On November 19, Pakistani Prime Minister Imran Khan made his first visit to Kabul to discuss the Afghan peace talks and other bilateral issues, including connectivity and trade between the two countries ahead of the expiring Afghanistan-Pakistan Transit Trade Agreement in February 2021. His visit sparked a number of protests around the country blaming Pakistan for the continued violence, as militants have been able to operate from Pakistani territory.⁵⁷⁸

In a November 30 statement by the Pakistani Embassy in Kabul, Pakistan announced that it would establish 12 Joint Trade Markets (JTM) along the international border in conjunction with Afghanistan in an effort to "promote the well-being of the people living on both sides of the Durand Line [the late 19th-century, British-drawn border], rehabilitate those affected by anti-smuggling drive[s], economically integrate the neglected areas, formalize bilateral trade and transform local economies." The first JTM is scheduled to open in February 2021 at Shaheedano Dand in Kurram Tribal District in northwestern Pakistan as a pilot project.⁵⁷⁹

During an early-December 2020 visit to the border town of Chaman in Balochistan, Pakistani Railways Minister Sheikh Rashid Ahmed also announced a new, 11-kilometer railway connection between Chaman and Spin Boldak across the border in Afghanistan, with the potential to extend to Kandahar City. Pakistan is also improving railway connections between the port of Karachi and Chaman.⁵⁸⁰ An Afghan delegation led by Afghan Minister for Commerce and Industry Nisar Ahmad Ghoryani met with Pakistani officials in Islamabad December 28–30, 2020, to continue discussions on a revised Afghanistan-Pakistan Transit Trade Agreement and on a preferential trade agreement between the two countries.⁵⁸¹

Afghan Government Delays New Value Added Tax Until 2022

State informed SIGAR this quarter that the Afghan government has delayed the implementation of the new **value added tax (VAT)**, originally scheduled for December 2020, until 2022 over concerns that implementing a new tax on consumers could have negative consequences in the midst of the pandemic.⁵⁸²

Anticipating a decline in external donor funding in the coming years, the Afghan government has been formulating plans to improve revenue collection and develop additional sources of sustainable domestic revenue.⁵⁸³ In 2015, the government doubled the **business receipts tax (BRT)** from 2% to 4%, drawing much criticism from the business community, which argued such a measure stifled growth in the private sector.⁵⁸⁴

In 2016, following several years delay, the Afghan government approved plans for the VAT setting a 10% rate to replace the BRT—responsible for around 17% of collected taxes—for businesses with revenue over 150 million afghani.⁵⁸⁵ The VAT is intended to rectify many tax-evasion problems associated with the BRT, increase tax revenue, and help formalize and document the production chain. Moreover, to encourage domestic production and ensure cost competitiveness for Afghan exports, the 10% VAT rate will be imposed on all imports, but not on exports.⁵⁸⁶ The Afghan government projects that switching from a BRT to a VAT for taxpayers above the threshold of 150 million afghanis will translate into an additional 1.8% of GDP in revenue generation.⁵⁸⁷ According to the Ministry of Finance, the VAT “will play a key role in achieving the Afghanistan’s leadership vision of building a sustainable, self-reliant economy and reducing donor dependency.”⁵⁸⁸

While the VAT has potential benefits in the long term, the transition to the new tax and the accrual of additional revenue for the Afghan government will be gradual. In the first few years, it is not expected to bring in much more revenue compared to the BRT, especially as the tax administration and business community learn and adjust to the new tax regulations, and may modestly increase poverty by partially shifting the cost burden onto customers.⁵⁸⁹ The VAT’s impact on the poorest households will be partially mitigated by exemptions for basic foodstuffs.⁵⁹⁰

Civil Aviation Struggles with COVID-Related Revenue Losses Ahead of Airport Transfer

The COVID-19 pandemic and its impact on international and domestic air travel has led to financial losses for Afghanistan’s civil aviation sector. The Afghan government grounded domestic flights on April 21, 2020, and resumed them on June 17. On June 13, however, international airlines suspended most air travel to Afghanistan due to the spread of COVID-19, following a period of gradual reduction. Of the 11 international airlines that fly to Afghanistan, according to State, only Air Arabia, Emirates, and Fly Dubai had resumed international flights as of December 2020.⁵⁹¹

Value added tax (VAT): A tax levied on the value added to products at each stage of the supply chain, from production to point of sale, minus the costs of any previous stages. Based on consumption rather than income, it has the potential to increase tax revenue without impinging on business investments.

Business receipts tax (BRT): A tax based on total gross income from sales of goods or services before any deductions.

Source: Government of Afghanistan, Income Tax Law, Official Gazette 976, 3/18/2009.

Among Afghanistan's domestic carriers, Ariana Afghan Airline (AAA) lost \$22.5 million and Kam Air \$13 million.⁵⁹² Moreover, AAA was forced to cut most salaries by 30% and fired 650 employees. Kam Air placed 70% of its employees on leave without pay. By the end of 2020, the revenue generated by the Afghanistan Civil Aviation Authority (ACAA), largely from fees for the use of Afghan airspace and airports, declined by 28% compared to the previous year due to suspended air travel, SIGAR analysis of Afghan government accounting data showed.⁵⁹³

These revenue losses come as NATO's Resolute Support mission is preparing to hand over full responsibility to the ACAA for Afghanistan's four international airports in Kabul, Kandahar, Herat, and Mazar-e Sharif. The airports are currently under joint control by NATO and the ACAA. NATO plans to hand over the airports in 2021, State informed SIGAR last quarter, but the precise timing remains under review by NATO and the Afghan government.⁵⁹⁴

This transfer has long been planned. While the U.S. government initially intended to transfer management of Afghanistan's civil aviation to the Afghan government at the end of 2014, the transfer was delayed one year in part due to the lack of certified air traffic controllers, according to a 2015 SIGAR audit.⁵⁹⁵ Following the delay, the Afghan government failed to award an airspace-management contract, citing high prices, which required State to fund an interim \$29.5 million DOD-managed contract through September 2015 to avoid air service interruptions.⁵⁹⁶ SIGAR's 2015 civil aviation audit further found that the Afghan government failed to use all of its overflight revenue for airspace management, despite pledging to do so, which contributed to Afghanistan's inability to independently manage civil aviation operations.⁵⁹⁷ In 2015, the U.S. government transferred control of airspace management to the ACAA, but NATO's Resolute Support continued to shoulder key civil aviation responsibilities at Afghanistan's international airports, in particular for the five essential aviation functions of air traffic control; fire, crash, and rescue; safety management; meteorological service; and communication, navigation, and surveillance.⁵⁹⁸

In 2019, the ACAA director general noted that the ACAA remains roughly two to three years away from achieving the necessary personnel, financial, and regulatory capacity to independently shoulder all civil aviation responsibilities within Afghanistan.⁵⁹⁹ Some Afghan officials have continued to express concern over the insufficient number of trained Afghan personnel able to take over the functions currently handled by NATO, as the ACAA is unprepared to run the airports without international support. In a November 2020 interview, the Director of Civil Aviation at Kandahar's Ahmad Shab Baba International Airport explained that local Afghans have not been trained to run critical tasks such as air traffic control or manning the radar. He added, "Our guys are not even able to start the fire trucks. If the U.S. leaves, the airport will be in trouble."⁶⁰⁰

NATO training of local Afghan civil aviation staff was delayed by COVID-19, and then canceled after determining the Afghan trainees were “not capable of being trained” as they lacked basic qualifications, according to Kandahar Governor Hayatullah Hayat. An ACAA spokesperson, however, announced that the Afghan government will be able to take control of the international airports by May 2021, adding that “some of our foreign colleagues will still be coordinating with us in some of the sectors of the airports after the handover is finished.”⁶⁰¹

FISCAL UPDATE

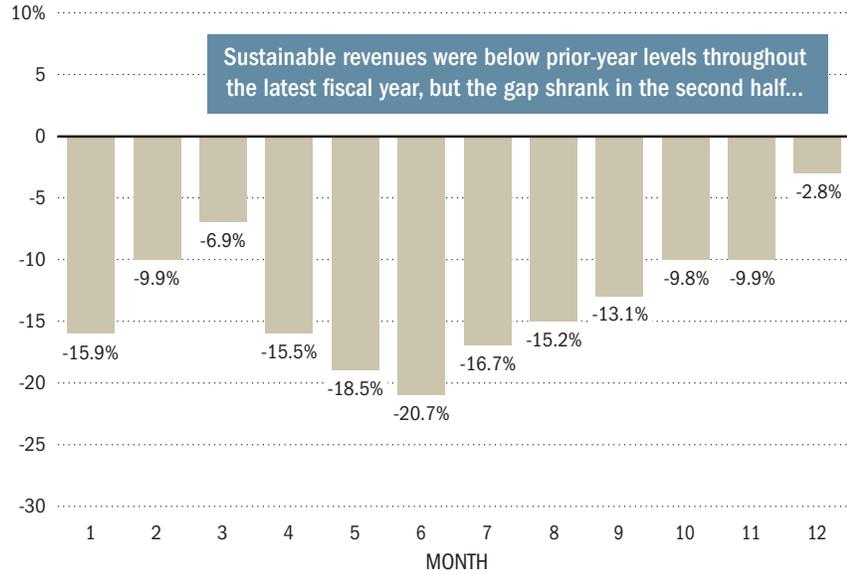
Afghanistan’s sustainable domestic revenues contracted by 2.8% during 2020 as compared to 2019, due to the economic downturn from the pandemic (Figure 2.33, on the following page).⁶⁰² Overall government revenues dropped 20.7% by Month 6 (May 21–June 20, 2020) of FY 1399 compared to the previous year. With the partial lifting of the lockdown and the re-opening of the border to trade, domestic revenue generation rebounded in the second half of 2020. During Month 9 of FY 1399, for instance, customs revenue increased by 42.2% from the previous month, according to publicly available Afghan government revenue data.⁶⁰³

However, sustainable domestic revenues remained below the previous year’s. Despite improvements following the reopening of the international borders, customs revenue declined by 12.6%, year-on-year, during 2020.⁶⁰⁴ Afghan Deputy Minister of Finance Abdul Habib Zadran also announced that the Afghan government had collected 174 billion afghanis (\$2.25 billion) in tax revenue in FY 1399 (which concluded on December 20, 2020), 31 billion afghanis (\$402 million) short of the FY 1399 revenue target and a decrease from the previous year’s figure of 177 billion afghani (\$2.29 billion). Zadran cited the COVID-19 pandemic for the tax-revenue shortfall and noted the financial pressure of additional COVID-related expenses.⁶⁰⁵

As domestic revenues declined, government expenditures in 2020 increased by 8.1% compared to the previous year, SIGAR’s analysis of Afghan government accounting data showed (Figure 2.34, on the following page).⁶⁰⁶ The UNDP estimates total government expenditures will increase Afghanistan’s deficit by around 4% of GDP. Deficit spending is expected to be financed by the government’s cash reserves (around 10.6 billion afghanis or \$138 million as of September 2020) as well as short-term concessional loans from the IMF’s Rapid Credit Facility and the World Bank.⁶⁰⁷

FIGURE 2.33

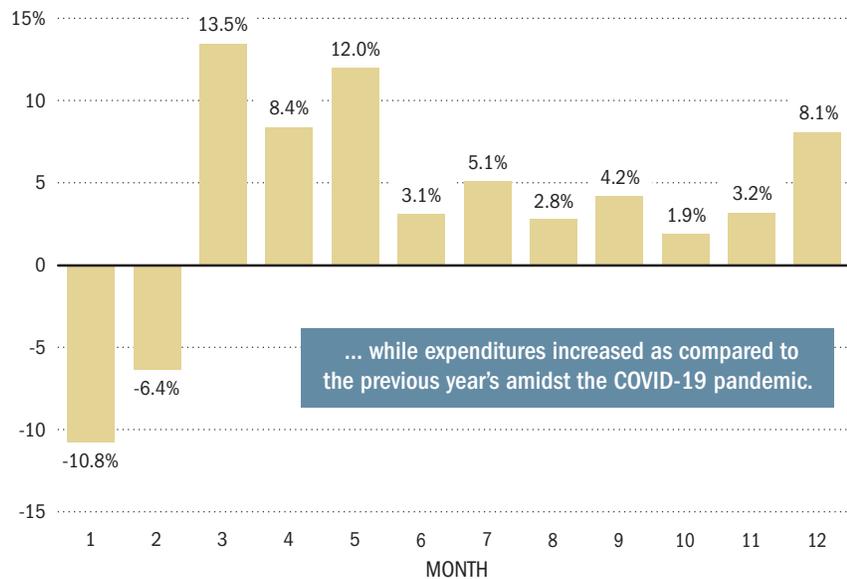
CUMULATIVE SUSTAINABLE REVENUE CHANGES (FY 1398-1399) VERSUS SAME MONTH PRIOR YEAR



Source: SIGAR analysis of MOF-provided AFMIS data exported 1/10/2021 and 1/18/2020.

FIGURE 2.34

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



Source: SIGAR analysis of MOF-provided AFMIS data exported 1/10/2021 and 1/18/2020.



A USAID panel offers training for women-owned Afghan businesses. (USAID Afghanistan photo)

ECONOMIC GROWTH

Under the current CDCS, USAID economic growth programs seek to support and enhance export-led growth through direct interaction with Afghanistan’s private sector, putting the country on the “road to self-reliance.”⁶⁰⁸ Specifically, the strategy aims to:⁶⁰⁹

- 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, USAID programs face numerous obstacles in expanding licit export growth within the timeframe set by USAID’s strategy (which covers development support through 2023), particularly as a result of the COVID-19 pandemic. During 2020, the World Bank projected the Afghan economy to contract by an estimated 5.5–7.4% of GDP as a result of COVID-related limitations on economy activity, inhibiting the impact of efforts to promote future economic growth.⁶¹⁰ Even before the pandemic hit, Afghanistan’s licit economic growth was too low to reduce poverty rates and improve living standards for most Afghans.⁶¹¹ Additionally, licit export levels stagnated in 2019, despite the fact that the Afghan government provided a majority of the transit costs for exports through subsidized air corridors to incentivize trade within the region.⁶¹² The pandemic exacerbated these economic challenges, along with uncertainty about the ultimate outcome of the Afghan peace talks and the level of future donor support.

USAID’s active economic-growth programs have a total estimated cost of \$237.8 million and can be found in Table 2.17 on page 136.

USAID Programs Fall Short of FY 2020 Performance Targets

While USAID has been engaged in a number of economic growth projects to promote international trade linkages and export competitiveness for Afghan businesses, some of them have been forced to adapt or limit activities due to various COVID-19 pandemic restrictions. These restrictions included mandatory teleworking for staff, limited ability to coordinate with partners, impaired procurement processes, and suspension of in-person activities such as trainings, in-person meetings, and monitoring activities.⁶¹³ As a result, some projects were unable to meet their FY 2020 performance targets.

The four-year, \$9.5 million Livelihood Advancement for Marginalized Population (LAMP) project was established in August 2018 to help create sustainable jobs for internally displaced persons (IDPs), returnees, and host communities in Kabul, Ghazni, Khost, and Mazar-e Sharif through engaging and supporting agricultural value chains, and helping with vocational training and job placement.⁶¹⁴ The World Bank and United Nations High Commissioner for Refugees (UNHCR) have noted the challenges IDPs and returnees face in finding employment, with many living close to or below the poverty line. Moreover, an influx of IDPs or returnees can create tensions with host communities due to inadequate social services and scarce economic opportunities.⁶¹⁵

According to project implementer CARE International's FY 2020 annual report, LAMP already faced delays prior to the COVID-19 pandemic from deteriorating security conditions and the dropout of program participants. The government-mandated lockdown during the second quarter of FY 2020 led to the program staff switching to full-time telework and a suspension of program activities, with staff providing support and advice to beneficiaries using mobile communications. After the partial lifting of the lockdown, the staff shifted to a 50% in-office rotating presence.⁶¹⁶

As a result, the program was unable to meet its third and fourth quarters' performance targets for increasing employment and skills of Afghan beneficiaries, gender equality and female empowerment, and private-sector productivity, and so fell short of its annual targets.⁶¹⁷ With a looming second wave of the disease, the project's annual report states, "COVID-19 is still a severe challenge and threat to project staff members and its beneficiaries. Due to the on-going COVID-19 threat and guidance by CARE International, the project has limited access to communities, events, and gatherings to a minimum. The risk of a second wave of COVID-19 and quarantine persists."⁶¹⁸

As part of USAID's Afghanistan Job Creation program, the four-year, \$9.7 million Goldozi Project also had its activities limited by COVID-19. This project was launched in April 2018 to support the development, sales, and marketing activities of Afghan women in the textile industry and to bolster exports of their embroidered products. The government-mandated

lockdown caused project implementer FHI 360 to completely suspend training sessions, events, international travel, site visits, and other in-person activities for nearly five months. As a result, Goldozi's FY 2020 targets were reduced by 30%.⁶¹⁹

Conversely, USAID's Exports, Jobs, and Market Linkages in Carpet and Jewelry Value Chains project expanded its reliance on online platforms to connect with customers during the pandemic and, therefore, was able to exceed several performance targets for FY 2020, according to the project's annual report. The project created 3,046 new jobs in the carpet industry against a target of 1,865, including surpassing the fourth-quarter target of 745 carpet jobs by creating 885. It also exceeded the annual target of 30 international clients engaged, reaching 104. With the partial lifting of the lockdown, this project also saw sales increases for supported carpet producers and jewelry artisans in the fourth quarter of FY 2020, rising from \$315,092 in the third quarter to \$592,956.⁶²⁰

Amid COVID-19 Restrictions, USAID-funded Kabul Carpet Export Center Addresses SIGAR Recommendations

In August 2020, SIGAR's Office of Special Projects issued its review of the Kabul Carpet Export Center (KCEC). The KCEC was funded by USAID's Afghanistan Job Creation Program with a \$9.4 million grant awarded to Impact Carpet Associates (ICA) in June 2018 to establish the center. KCEC's purpose is to help bolster Afghan carpet exports and create jobs by addressing three main problems in the carpet industry: (1) burdensome processes to airfreight carpets from Afghanistan, (2) a lack of access to export financing, and (3) the absence of a direct linkage and Web-based market for overseas wholesale buyers.⁶²¹

SIGAR found that KCEC was not yet fully operational as it had met only four of the six requirements of the grant agreement; it has failed to incorporate e-commerce capabilities into its website or engage with the Afghan government to advocate for the streamlining of export regulations. Moreover, the center has struggled to meet sales objectives and revenue targets for both its first and second year of operations, inhibiting its ability to become self-sufficient and sustain operations when USAID funding ends in June 2021.

SIGAR's review concluded with three recommendations, which USAID agreed to implement by December 31, 2020: (1) direct ICA to immediately update KCEC's current website to include an HTTPS security protocol and a comprehensive and secure public e-commerce capability for all current and potential clients; (2) in conjunction with ICA, establish new targets for performance and job creation and assess KCEC's ability to achieve financial self-sufficiency by June 2021. The assessment should also include a reevaluation of KCEC's marketing, sales, and operational strategies; and

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 2.17

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/4/2021
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)	1/28/2020	1/27/2025	\$105,722,822	\$5,000,729
Multi-Dimensional Legal Economic Reform Assistance (MELRA)	2/7/2018	9/30/2024	29,990,258	8,982,762
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	8,691,701
INVEST*	9/28/2017	9/27/2021	15,000,000	8,174,178
Afghanistan Investment Climate Reform Program (AICR)	3/27/2015	3/26/2022	13,300,000	6,911,319
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	3,606,929
The Goldozi Project	4/5/2018	4/4/2022	9,718,763	4,870,545
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	3,190,783
Establishing Kabul Carpet Export Center (KCEC)	6/6/2018	6/5/2021	9,416,507	6,922,494
Recycling Plant Value Chain in Northern Afghanistan	6/5/2019	6/4/2023	7,250,000	849,373
Trade Show Support (TSS) Activity	6/7/2018	12/6/2020	6,921,728	6,216,187
Development Credit Authority (DCA) with Ghazanfar Bank	9/1/2018	8/30/2025	2,163,000	40,015
Afghanistan Loan Portfolio Guarantee	9/27/2017	9/26/2023	665,820	732
Total			\$237,807,863	\$63,457,747

Note: *INVEST is a USAID initiative to mobilize and support private capital investment in development markets through technical assistance, networking, and capacity building.

Source: USAID, response to SIGAR data call, 1/10/2021.

(3) reassess the financing program and consider setting up a system that conforms to prevailing lending norms of the Afghan industry.⁶²²

On December 30, 2020, USAID informed SIGAR that KCEC had successfully implemented the three recommendations; SIGAR therefore closed them. ICA upgraded the project's website with an enhanced HTTPS security protocol which is updated regularly, and with a comprehensive and secure public e-commerce capability for current and potential clients. Regarding the second recommendation, USAID adjusted the indicator targets for job creation (9,615 jobs), value of carpets exported (around \$7.9 million), and sales revenues (approximately \$157,000). KCEC also changed its marketing strategy focused digital platforms to help it achieve financial self-sufficiency. To address the final recommendation, USAID terminated KCEC's loan program given the low likelihood of making any loans and authorized the center to purchase \$500,000 in carpets to support manufacturers during the economic downturn caused by the COVID-19 pandemic.⁶²³

These reforms take place amid broader COVID-related restrictions on KCEC's activities. In the fourth quarter of FY 2020, KCEC participated in no scheduled international carpet exhibitions and conducted no roadshows. Following the reopening of the international borders and air travel during summer 2020, KCEC was able to complete delayed carpet shipments to

the United States and Europe during the fourth quarter of FY 2020, totaling 1,187.35 square meters of carpet.⁶²⁴ USAID also informed SIGAR this quarter that the 7% fee used for KCEC's project income, based on the total value of exports processed, was reduced to 2% due to changes in the roadshow sales strategy and a marked decline in cargo industry export fees.⁶²⁵

To address COVID-related loss of business for Afghan carpet manufacturers, KCEC has provided Trader Assistance Grants to spur new production in the short term and provide immediate cash to manufacturers. With these grants, KCEC is supporting two companies to establish cutting and washing facilities in Afghanistan. Currently, about 90% of Afghan-made carpets are sent to Pakistan for finishing according to international quality standards, which adds most of the value to the final product, and for final export to international markets, often with "Made in Pakistan" labels. The pandemic-caused border closures, as well as on-going tensions between Pakistan and Afghanistan, have highlighted the need to develop this domestic capacity as part of the textile value chain.⁶²⁶

AGRICULTURE

Licit agriculture has served as a key foundation for Afghanistan's formal economy and one of its primary sources of exports. The agricultural sector directly employs approximately 40% of the country's labor force and directly or indirectly supports an estimated 80% of the total population.⁶²⁷ The service sector has gained prominence since reconstruction efforts began, but agriculture is an important driver of GDP growth and developing that sector remains a priority for external donors.⁶²⁸ In recent years, Afghan farmers have struggled with the effects of nearly four decades of conflict, poor market conditions, and the increasing prevalence of extreme weather such as droughts and flash floods, with Afghanistan increasingly reliant on agricultural imports to meet rising domestic demand for key crops.⁶²⁹

The COVID-19 pandemic has increased pressure on the agricultural sector as agribusinesses have lost revenues due to the economic contraction and border closures. Even after the border crossings officially reopened, the crossings were intermittently closed due to civil unrest or political clashes with neighboring countries. Border crossings that remained open faced long delays, resulting in the loss of large amounts of perishable cargo. Demand for Afghan agricultural exports declined as overseas markets prioritized domestic production to reduce reliance on imports.⁶³⁰ With limits on trading routes for Afghan exports, inadequate cold storage has made it difficult for farmers to preserve crops while seeking markets for their goods. On October 26, members of the Wolesi Jirga questioned Acting Minister of Agriculture, Irrigation, and Livestock Anwarul Haq Ahadi over the lack of construction of cold houses for farmers during FY 1399.⁶³¹

Following the easing of the lockdown, USAID's Agriculture Marketing Program (AMP) conducted site assessments of broader limitations for agribusinesses in Kabul, finding that:⁶³²

- The COVID-19 pandemic has caused a significant reduction in production/processing as exports diminished due to border closures.
- Lack of stable and regular electricity is a common and persistent challenge to these businesses.
- While large-scale exporters applied COVID-19 mitigation and prevention plans in their workplaces, most medium- and small-scale agribusinesses did not practice wearing masks or social distancing.
- Agribusinesses are usually understaffed or do not invest in human resource for marketing, research, and business development.
- Agribusinesses take an interest in new markets, new product development, value addition, but lack the capacity and skills for such endeavors.
- Most businesses lack proper filing, accounting, inventory, and asset registry systems.

If trade corridors for agricultural exports do not return to normal soon and farmers continue to face limitations on what agribusinesses are able to sell abroad, individual farmers might be tempted to offset income losses from licit crops with the production and sale of illicit crops.⁶³³ During the pandemic, there have been media reports of individuals engaging in poppy cultivation to weather the economic downturn.⁶³⁴ However, as State told SIGAR this quarter, overall there has been only a 2% decrease in agricultural sales between FY 2019 and FY 2020, with expectations that the impact on incomes and the potential for sales of illicit crops could be minimal.⁶³⁵

Since 2002, USAID has disbursed over \$2.3 billion to improve licit agricultural production, increase access to both domestic and international markets, and develop income alternatives to growing poppy for opium production.⁶³⁶ USAID's active agriculture programs have a total estimated cost of \$315.7 million and can be found in Table 2.18. Total disbursements for State's active alternative-livelihood programs (Table 2.19)—which aim to transition opium-poppy farmers into licit agriculture—were \$109.2 million, as of December 16, 2020.

USAID Program Seeks to Bolster Agricultural Exports by Air

The USAID-funded Agriculture Marketing Program (AMP) is a three-year, \$33.8 million program focused on supporting Afghanistan's agricultural sector through improving agricultural exports using five strategies:⁶³⁷

1. increase bulk agriculture exports to existing markets
2. expand the number of export products
3. develop new markets for Afghan exports
4. increase value-added of agriculture exports
5. develop remote rural areas to support the peace effort

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 2.18

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/4/2021
Strengthening Watershed and Irrigation Management (SWIM)	12/7/2016	12/6/2021	\$87,905,437	\$37,761,922
Afghanistan Value Chains–Livestock	6/9/2018	6/8/2021	55,672,170	20,374,839
Afghanistan Value Chains–High Value Crops	8/2/2018	8/1/2023	54,958,860	18,614,502
Agricultural Marketing Program (AMP)	1/28/2020	1/27/2023	30,000,000	4,919,756
RADP East (Regional Agriculture Development Program–East)	7/21/2016	7/20/2021	28,126,111	21,498,943
Grain Research and Innovation (GRAIN)	11/8/2012	9/30/2022	19,500,000	11,856,867
Promoting Value Chain–West	9/20/2017	6/30/2021	19,000,000	16,300,963
USDA PAPA	9/30/2016	9/29/2021	12,567,804	127,323
Catalyzing Afghan Agricultural Innovation	5/28/2018	5/27/2023	8,000,000	3,450,955
Total			\$315,730,382	\$134,906,070

Source: USAID, response to SIGAR data call, 1/10/2021.

TABLE 2.19

STATE-INL ACTIVE ALTERNATIVE-DEVELOPMENT PROJECTS			
Project Title	Start Date	End Date	Obligated and Disbursed, Cumulative, as of 12/16/2020
Community-Based Agriculture and Rural Development - Access to Licit Livelihoods (CBARD-ALL)	8/25/2020	5/25/2025	\$30,000,000
Community-Based Agriculture and Alternative Development (CBARD) West	9/1/2016	4/30/2022	24,368,607
Community-Based Agriculture and Alternative Development (CBARD) East	11/11/2017	4/30/2022	22,128,683
Boost Alternative Development Intervention Through Licit Livelihoods (BADILL)	8/12/2016	12/30/2021	20,000,000
Community-Based Agriculture and Alternative Development - Access to International Market (CBARD-AIM)	7/30/2019	4/30/2023	8,900,000
Monitoring and Impact Assessment of High-Value Agricultural Based Interventions	8/30/2016	12/30/2022	3,810,530
Total			\$109,207,820

Source: State, INL, response to SIGAR data call, 12/16/2020.

According to the project's latest quarterly report (covering July–September 2020), AMP has undertaken several initiatives to boost agricultural exports amid the economic downturn caused by the COVID-19 pandemic and by border closures. One such initiative is organizing a new air export program to boost agricultural exports in the near term. This new program subsidizes agricultural exports by air to the UAE and India. The first flight left Kabul for Sharjah, UAE, on September 27, 2020, carrying 37 metric tons of various horticultural products—totaling over 109,000 kilograms with a value of almost \$290,000—from three agribusinesses.⁶³⁸

The Afghan government's current air-corridor exports largely rely upon available cargo space on passenger flights, which prioritize passenger



Tons of Afghan fruit await USAID-facilitated air shipment to Dubai. (USAID Afghanistan photo)

baggage, limiting the capacity for each shipment. As part of this new air export program, AMP contracted dedicated charter flights for agricultural exports, allowing participating agribusinesses to bypass limited space on passenger flights and avoid spreading cargo over several flights. Instead, they export commercial volumes within a single shipment to avoid the delays associated with traditional export methods.⁶³⁹ AMP noted several limitations of this pilot program, including the absence of sufficient cold chain infrastructure to maintain product quality and high per-kilo costs due to current high demand for cargo flights and current COVID-19 restrictions, with the total cost of the pilot program adding up to over \$304,000.⁶⁴⁰ These shipments are in addition to the \$2.6 million worth of agricultural exports to existing markets in India, UAE, and Kazakhstan and \$5 million worth of exports to new markets facilitated by AMP during the fourth quarter of FY 2020.⁶⁴¹

INFRASTRUCTURE AND ESSENTIAL SERVICES

A major objective of U.S.-led reconstruction efforts has been to support and expand Afghanistan's physical infrastructure base, with the purpose of bolstering economic development, stability in the country, and confidence in the government. Since 2002, the U.S. government has built and expanded electricity infrastructure, bridges and roads, urban water access, and education and health facilities.⁶⁴² USAID is still working 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.⁶⁴³

While Afghans' access to the power grid has increased since 2002, only approximately 30% of the population currently has access to grid-based power. Limited access to reliable power remains a factor in Afghanistan's sluggish economic growth. Moreover, the existing power infrastructure remains inadequate to meet the economy's power needs, leaving the country heavily reliant on imported power from neighboring countries. To expand access to grid-based power, DOD and USAID have worked to connect the country's **Northeast Power System**, (NEPS) with its southeastern counterpart, the **Southeast Power System** (SEPS). A 470-kilometer transmission line constructed by USAID will eventually link them.

The fragmented nature of Afghanistan's power sector presents a number of technical challenges to establishing this link, such as synchronization. Unconnected ("islanded") power grids rely on different supply sources, including imported power, and therefore must handle electricity generated at different speeds and frequencies. Afghanistan's national power utility Da Afghanistan Breshna Sherkat (DABS) is responsible for working with neighboring countries to match (or synchronize) imported power with domestically generated power before electricity can safely flow from NEPS to SEPS once the connection is established.

However, an expansive power infrastructure remains vulnerable to persistent insecurity in many parts of the country. In late October 2020, for instance, DABS announced that Taliban forces had severely damaged an electricity pylon in Herat's Ghoryan District responsible for transferring electricity from Iran to Herat Province. Local officials identified such attacks as a lingering problem in the area. As a result of the October attack, nearly 50% of Herat's population was left without power. DABS officials stated that security conditions around the damaged pylon delayed engineers from making immediate repairs.⁶⁴⁴ During the fourth quarter of FY 2020, agribusinesses in Kabul also reported frequent power outages due to Taliban attacks on power lines and disruptions of electricity imports from neighboring countries. This limited their ability to fulfill orders at full capacity, given the high costs of running generators capable of powering large processing machinery.⁶⁴⁵

In more recent years, however, U.S.-funded reconstruction has shifted away from large capital projects like roads and transmission lines toward smaller-scale projects, including solar and wind power plants. To incentivize more private-sector investments in the energy sector, in line with the broader U.S. economic growth strategy, USAID has subsidized the upfront costs of constructing solar and wind power plants for independent power producers (IPPs). The profitability and commercial viability of such projects is premised on power-purchase agreements (PPA) with DABS that allow IPPs to recover their upfront costs for construction.⁶⁴⁶ With the

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

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

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

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.

An ongoing SIGAR audit is examining the broad scope of U.S. investment in the Afghan energy sector since 2009, including efforts to improve generation, transmission, and distribution.

Additionally, SIGAR has a number of ongoing inspections of key energy-infrastructure projects examining whether construction was completed in accordance with requirements and whether the constructed infrastructure is being used as intended and maintained.

Afghan government heavily reliant on international donors, DABS' long-term financial stability depends on either a continuation of the current level of donor assistance or on the Afghan government's ability to generate far greater domestic revenues—both areas of great uncertainty in the coming years.⁶⁴⁷

Some Remaining USAID Power-Infrastructure Projects Continue to Face Delays

USAID has five ongoing power-infrastructure projects; DOD's projects are complete. Current USAID projects include the construction of:⁶⁴⁸

- a transmission line between Ghazni and Kandahar Provinces (87.1% complete as of October 9, 2020, with a completion date of September 7, 2021)
- substations along the transmission line from Ghazni to Kandahar (44% complete as of October 9, 2020, with an expected completion date of July 30, 2023)
- transmission lines and substations in SEPS (34% complete as of October 9, 2020, expected completion date of July 23, 2023)
- a wind farm in Herat Province (the Notice to Proceed was issued on October 28, 2020, with an expected end date in February 2021)
- a floating solar power plant to be constructed on the Naghlu Dam Reservoir in Kabul Province (no completion date established as the Notice to Proceed is pending finalization of a PPA with DABS, but at least one-and-a-half years away)

Three of USAID's five active projects are delayed.⁶⁴⁹ USAID's work on SEPS evolved from a separate contract that was originally supposed to be complete by November 2013—meaning it is now over seven years behind schedule.⁶⁵⁰ The NEPS-SEPS connecting transmission lines and substations between Ghazni and Kandahar were originally supposed to be completed by the end of 2016—meaning they are four years behind schedule.⁶⁵¹ Moreover, as of the end of FY 2020, this project failed to meet its FY 2020 construction target, completing only 18 kilometers of a planned 280 kilometers of transmission line between Ghazni and Kandahar, according to DABS' annual performance indicator progress report.

As an explanation for failing to meet its FY 2020 target, DABS cited a January 2020 explosion that killed five project staff members and caused a 38-day delay; the COVID-19 lockdown and border closures leading to restrictions on mobility and lack of construction materials such as cement and steel; and COVID-related delays with the procurement process for a new demining and reclearance contract, which expired in May 2020. As a result of these issues, construction on the transmission line has been halted since May 30, 2020. With the project completion date originally set for December 31, 2020, DABS noted that “the contract requires an extension

for the completion of the remaining construction work and the successful implementation of the project.⁶⁵² USAID informed SIGAR this quarter that the contract was extended to September 7, 2021, to enable the completion of the transmission line.⁶⁵³

Cumulatively, USAID has disbursed approximately \$2.02 billion since 2002 to build power plants, substations, and transmission lines, and to provide technical assistance in the power sector.⁶⁵⁴ USAID's active power-infrastructure projects have a total estimated cost of \$821.4 million and are presented in Table 2.20.

TABLE 2.20

USAID ACTIVE ENERGY PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/4/2021
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2023	\$316,713,724	\$272,477,914
Design and Construct of SEPS Completion and NEPS-SEPS Connector Substations	7/3/2019	7/30/2023	159,794,733	64,035,450
Contribution to AITF (Afghanistan Infrastructure Trust Fund)	3/7/2013	3/6/2023	153,670,184	153,670,184
Engineering Support Program	7/23/2016	1/22/2022	125,000,000	87,518,517
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	7,370,421
20 MW Floating Solar Installation-Naghlu	1/27/2020	7/26/2021	16,100,000	0
Partnerships for Enhanced Engagement in Research (PEER) grants	7/25/2011	7/23/2021	5,440,647	5,440,647
Energy Loss Management Visualization Platform Activity	1/25/2020	1/24/2022	1,579,973	473,991
Total			\$821,444,530	\$590,987,124

Source: USAID, response to SIGAR data call, 1/10/2021.

Afghan Government Authorizes Permits for USAID-Funded Wind Farm in Herat

On October 28, 2020, the Afghan government issued a notice to proceed, allowing construction to begin on a 25 MW wind farm in Herat Province. USAID will contribute \$23 million to help subsidize the upfront construction costs of the \$43 million project, developed jointly with the independent power producer (IPP) 77 Construction. That IPP will operate the wind farm under a 20-year power-purchase agreement with DABS, allowing them to recoup their upfront construction costs. Once completed, the wind farm will provide power to an estimated 300,000 Afghan citizens and businesses in Herat and help “demonstrate the commercial viability of generating affordable, reliable, and accessible power from wind resources in north-west Afghanistan,” according to USAID.⁶⁵⁵

USAID has increasingly focused on supporting the development of renewable energy resources in Afghanistan. On October 16, 2019, a 10 MW solar power plant in Kandahar began commercial operations. USAID provided \$10 million in incentive funds for an IPP to construct and operate the plant. This project represented the first private-sector investment in Afghanistan's renewable energy sector.⁶⁵⁶ In late-September 2020, DABS signed deals for four new public-private partnership energy projects with private investors representing \$160 million in investment, with USAID funding approximately \$23 million of the total costs.⁶⁵⁷ The solar and wind power plants are anticipated to add around 110 MW of capacity to the national grid over the next 18 to 27 months.⁶⁵⁸

Speaking at the 2020 Climate Ambition Summit in mid-December, President Ghani said, "We have some of the most abundant supplies of sun, water, and wind" which could "collectively produce 300,000 megawatts of power." He then referenced the memorandum of understanding the Afghan government signed with Siemens Energy on November 16, 2020, for the company to develop, in part, the renewable-energy sector in Afghanistan, which President Ghani argued will "position us to become the regional hub for reliable, sustainable and affordable energy."⁶⁵⁹

Given the absence of reliable, grid-based power, facilities with pressing electricity needs, such as hospitals, have also turned to renewable energy. In June 2020, DABS installed solar panels in 10 hospitals throughout Herat Province to provide emergency power, in place of often-unreliable backup generators plagued by gaps in power generation due to delays in supply switchover. This power is primarily used for essential equipment within intensive-care units, such as ventilators, defibrillators, and patient-monitoring devices. The solar panels were financed by the World Bank's Herat Electrification Project. Hospitals' access to emergency power is especially necessary during periods of peak electricity usage in summer and winter months when demand exceeds available supply, overwhelming the limited power infrastructure and resulting in frequent power outages.⁶⁶⁰

EDUCATION

USAID-funded education programs aim to increase access to, and improve the quality of, basic education, while also building the management capacity of the Ministry of Education (MOE) to develop a self-sustaining national education system in the long term. USAID's strategy is premised on the understanding that gains in social development, including a strong education system, will help to bolster Afghan's confidence in the government, improve the overall "stability and inclusivity" of the country, expand "civic participation," and "create the conditions necessary for peace."⁶⁶¹ With one of the youngest populations in the world—more than 40% of the Afghan population is aged 14 or younger—developing a quality education system



Afghan grade-school girls attend a USAID-supported reading class. (USAID Afghanistan photo)

serves as a long-term investment in human capital for the Afghan economy and democratic system of government. Despite donor assistance, however, Afghanistan has struggled to improve its education outcomes in recent years in the face of continued insecurity and MOE’s capacity issues, with many students remaining out of school, particularly girls.

Since 2002, USAID has disbursed more than \$1.2 billion for education programs, as of January 4, 2021.⁶⁶² The agency’s active education programs have a total estimated cost of \$351.9 million and can be found in Table 2.21.

TABLE 2.21

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/4/2021
Support to the American University of Afghanistan (AUAF)	8/1/2013	2/28/2021	\$94,825,445	\$87,473,156
Afghan Children Read (ACR)	4/4/2016	4/3/2021	69,547,810	55,535,830
Advancing Higher Education for Afghanistan Development (AHEAD)	8/5/2020	8/4/2025	49,999,917	495,917
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2021	49,828,942	41,272,958
Textbook Printing and Distribution II	9/15/2017	12/31/2020	35,000,000	0
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	19,679,892
Financial and Business Management Activity	7/5/2017	1/15/2021	4,384,058	3,874,195
Non-U.S. Organization Pre-Award Survey (NUPAS) for AUAF	8/6/2020	9/30/2022	101,025	0
Total			\$351,899,815	\$233,331,947

Source: USAID, response to SIGAR data call, 1/10/2021.

Afghan Students Targeted Amid Worsening Security Conditions

On October 24, 2020, a suicide bombing at the Kawsar-e-Danish education center in Kabul killed 24 people, including a number of teenage students, and injured another 57, according to an Afghan Ministry of Interior spokesperson. The suicide bomber had attempted to enter the building but was stopped by a security guard. He then detonated the explosives in an alley outside the center. A Taliban spokesperson denied involvement and the Islamic State-Khorasan (IS-K) later claimed responsibility. The private education center provides tutoring for higher education students and is located in the largely Shia neighborhood of Dasht-e-Barchi in west Kabul. In 2018, another education center in the same area of Kabul was targeted in an IS-K-claimed suicide bombing that killed 48 people.

Source: BBC News, "Afghan bombing: Kabul education centre attack kills at least 24," 10/25/2020; Reuters, Abdul Qadir Sediqi and Orooj Hakimi, "Suicide bombing at Kabul education centre kills 24, students among the victims," 10/25/2020.

COVID-19 Closes Afghan Schools Again

On March 14, 2020, the Afghan government announced school closures for an initial one-month period due to COVID-19, which was extended into the fall.⁶⁶³ Beginning in early-August, the Afghan government began a phased reopening of schools, with all schools opened by October 3, 2020.⁶⁶⁴ As schools reopened, COVID-related challenges persisted. Soon after reopening, Ghor University was again shut down after dozens of students tested positive for COVID-19.⁶⁶⁵ In Herat, public-health officials estimated that approximately 40–50% of students in the province had contracted the disease by October 2020, according to a survey of blood samples.⁶⁶⁶

Teachers have expressed concern over the surge in COVID-19 cases within schools, with most students reportedly not wearing masks. In one school in Herat City, every single sample taken from students and teachers tested positive for COVID-19. As a result, schools reported teacher shortages due to teachers contracting the disease and needing to quarantine.⁶⁶⁷

In late November 2020, the Afghan government announced that grades 1–6 would close until the new year due to increasing cases and grades 7–12 would continue until early December and then close until the spring. Midterm exams also were postponed until spring 2021. At the university level, the Ministry of Higher Education announced that all universities would be closed from November 28, 2020, until March 5, 2021, with students' final exams postponed to the beginning of the next educational year over concerns for a second wave of COVID-19.⁶⁶⁸

UNICEF Reaches Agreement with Taliban for Community-Based Schooling

In mid-December 2020, UNICEF announced that it had reached an agreement with the Taliban, known as the Helmand Sangin Workplan, allowing the UN aid organization to establish 4,000 community-based education (CBE) classes covering the first three grades of primary school by March 2021 within territory controlled or influenced by the Taliban. These classes are estimated to be able to reach up to 140,000 Afghan boys and girls. In the announcement, UNICEF stated that there are currently 680 such informal classes within the targeted provinces of Helmand, Kandahar, Uruzgan, and Faryab.

The agreement, a product of discussions with both local Taliban leaders and the Taliban's political office in Doha according to a UNICEF spokesperson, is currently valid through the end of December 2021 and subject to extension based on the understanding of both parties.⁶⁶⁹ Under the agreement, according to media reports, the Taliban will recruit the teaching staff, who must then be able to pass a test set by the MOE.⁶⁷⁰ A MOE spokesperson stated that UNICEF did not inform ministry officials about the agreement but added, "we welcome any move that enables Afghans to earn education."⁶⁷¹ Ahead of the November 2020 donors' conference in Geneva,

the Taliban spokesperson in Doha had previously stated that international assistance to Afghanistan should be coordinated with the Taliban.⁶⁷²

CBE is an alternative approach to education based on informal classes, usually consisting of 25–35 students, and largely held in individuals' homes, mosques, or other community buildings. With limited MOE resources and reach in many parts of Afghanistan, CBE has been held up as an effective means of expanding access to education, especially for female students, in rural or other hard-to-reach areas where children are “unable to attend formal schools due to insecurity, distance, or other constraints.”⁶⁷³ Of the estimated 3.7 million currently out of school, 1.5 million reside in such areas.⁶⁷⁴ USAID is currently supporting CBE in Afghanistan through three education programs (Afghan Children Read, Education Quality Reform in Afghanistan, and Girls' Education Challenge); estimated costs total \$194.5 million.⁶⁷⁵

USAID's Troubled Textbook Printing and Distribution Project Extended

USAID informed SIGAR this quarter that it plans to extend its Textbook Printing and Distribution II project, an on-budget project with the MOE, by one year to December 31, 2021. As of January 6, 2021, USAID and the MOE have approved the implementation letter for this extension, and it is awaiting the Acting Minister of Finance's signature.⁶⁷⁶ This project, launched in September 2017, was originally planned to print and distribute 135 million textbooks to Afghan schools through three phases, at a total cost of \$75 million. However, after printing 12.2 million Dari and Pashto textbooks for primary education as part of the first phase of the project, the original contractor, Baheer Printing and Packaging in Kabul, had its contract cancelled for falsifying certification documents during the bidding process.⁶⁷⁷

The MOE subsequently issued a revised contract for the already-printed textbooks, with distribution to primary schools beginning in late August 2019, and initiated a new procurement process for the remaining 37 million textbooks of the first phase, awarding new printing contracts to three international firms in early January 2020.⁶⁷⁸ That same month, USAID extended the contract by one year to December 31, 2020; reduced the overall funding to \$35 million; and limited the project to its first phase only, which, at 49.2 million textbooks total, was less than half the number originally planned. USAID attributed the reduction to “changes in the programming and budgetary environment.”⁶⁷⁹ In a September 24, 2020, letter, USAID further agreed to a MOE request to:

1. Eliminate some optional subjects from the printing list of 37 million textbooks.
2. Include Afghan Children Read and the MOE's recently developed and approved Grades 1–3 Pashto and Dari language books in the printing list of 37 million textbooks.

3. Extend the contracts date until January 10, 2021, for 37 million textbooks.

Following these changes, the total project cost was revised to about \$24 million.⁶⁸⁰ USAID had previously signaled to the Afghan government its intention to no longer engage directly on textbook procurement once this project ends. A January 16, 2020, letter from USAID to Afghanistan's Acting Ministers of Education and Finance stated, "USAID encourages exploring other mechanisms for the printing and distribution of future textbooks such as the Afghanistan Reconstruction Trust Fund/Education Quality Reform in Afghanistan."⁶⁸¹

Ministry of Education Introduces Sexual-Abuse Prevention Policy in Response to Logar Investigation

As a result of the investigation by the Attorney General's Office (AGO) into allegations that at least 165 boys were sexually abused in Logar Province, the MOE introduced this quarter a policy on the prevention of sexual harassment and abuse in schools. MOE officials worked with Logar legal advocates to reform school regulations and curricula, emphasizing the safety of children and awareness of child protection and antiharassment laws. Further, legal advocates worked with the MOE to develop guidelines and protocols to address sexual harassment and abuse on university campuses, State informed SIGAR this quarter.⁶⁸²

In late-2019, allegations of sexual abuse 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.⁶⁸³ To assess the truth of the allegations, MOE officials visited the schools where the abuse was said to have occurred and distributed confidential questionnaires to students and teachers.⁶⁸⁴ 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."⁶⁸⁵ According to the MOE, ministry officials then requested that the AGO investigate.⁶⁸⁶ According to State, the AGO's investigation has identified 20 perpetrators; there have been a total of nine convictions and a further four suspects, including a Logar school official, indicted with warrants issued for their arrest.⁶⁸⁷ In response to the investigation, the MOE announced its intentions to reform its existing Comprehensive School Safety Framework to include training on awareness and prevention of sexual harassment, sexual assault, and gender-based violence.⁶⁸⁸

HEALTH

Afghanistan's struggle with COVID-19 since late February 2020 has demonstrated the many limitations and inadequacies of the country's health sector.

TABLE 2.22

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 1/4/2021
National Health Technical Assistance Program (NHTAP)	7/10/2020	7/9/2025	\$117,000,000	\$3,290,697
Urban Health Initiative (UHI)	10/14/2020	10/13/2025	104,000,000	458,906
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	12/6/2020	66,292,151	64,850,473
Disease Early Warning System Plus (DEWS Plus)	7/1/2014	6/30/2022	54,288,615	34,588,615
Afghanistan Demographic and Health Survey (ADHS) Follow-On	10/9/2018	9/9/2023	10,500,000	2,000,005
Central Contraceptive Procurement (CCP)	4/20/2015	11/28/2023	3,599,998	1,350,309
Sustaining Technical and Analytic Resources (STAR)	5/1/2018	9/30/2023	2,186,357	748,828
TB Data, Impact Assessment and Communications Hub (TB DIAH)	9/24/2018	9/24/2023	600,000	284,171
Total			\$358,467,121	\$107,572,004

Source: USAID, response to SIGAR data call, 1/10/2021.

USAID asserts in its current strategy that advancing gains in Afghanistan’s health sector will help the country become more stable and self-reliant.⁶⁸⁹ As the agency told SIGAR when it was developing the strategy in December 2017, “healthy people and health[y] communities are the bedrock of a peaceful and stable nation.”⁶⁹⁰

Even before the COVID-19 pandemic, though, Afghanistan struggled to contain outbreaks of treatable diseases due to poor access to healthcare services stemming from continued insecurity, repeated population displacement, and insufficient resources, limiting the ability for public health improvements to bolster political stability.⁶⁹¹ “Nonetheless,” USAID told SIGAR, “the health sector has continued to improve the population’s health status by focusing on the main causes of morbidity and mortality as an essential element of the social contract.”⁶⁹² Even severely insecure areas have demonstrated some progress in health-service delivery in recent years, according to the World Bank.⁶⁹³

U.S. on- and off-budget assistance to Afghanistan’s health sector totaled more than \$1.4 billion as of January 4, 2021.⁶⁹⁴ USAID’s active health programs have a total estimated cost of \$358.5 million, and are listed in Table 2.22.

USAID-Funded Health Surveillance System Supporting COVID-19 Response

The Disease Early Warning System (DEWS), established to monitor 15 priority, “epidemic-prone diseases” among other public-health indicators and events, has been active in monitoring COVID-19 in Afghanistan. The surveillance system has 513 active sentinel sites operating in regional, provincial,



UNDP-supported treatment centers offer preventive measures against transmission of COVID-19. (UNDP photo)

and district hospitals and comprehensive and basic health centers covering 92% of the country's districts, as of September 30, 2020.⁶⁹⁵

According to the project's latest quarterly report (covering July–September 2020), DEWS established an electronic data-entry program for sharing epidemiological and laboratory COVID-19 data in all provinces to assist with improved on-time data sharing and help accelerate early response at the national and subnational levels, and reduce morbidity and mortality.⁶⁹⁶ For COVID-19 data, DEWS' sentinel sites have maintained 100% daily reporting through the end of September 2020.⁶⁹⁷ In addition, the project supported the expansion of lab capacity to 14 public-health labs in eight provinces (with only one of the 14 labs testing for other diseases besides COVID-19) and trained 208 mobile, rapid-response teams (RRTs) and 28 fixed-location teams on COVID-19 case definition, specimen collection, investigation of cases, health education for refereeing mild or moderate cases for home quarantine and severe cases to designated hospitals, as of September 30, 2020.⁶⁹⁸

COVID-19 Slows Launch of USAID's New Health Programs

As SIGAR reported in its October 2020 quarterly report, USAID moved up the end date for its Initiative for Hygiene, Sanitation, and Nutrition to September 11, 2020, as part of a transition to two new health programs: the National Health Technical Assistance Program (NHTAP) and the Urban Health Initiative (UHI).⁶⁹⁹

NHTAP is a five-year program to support the quality of and access to primary and secondary health services and improve health practices in rural and peri-urban (or urban-adjacent) regions, especially for women of child-bearing age and preschool-aged children. It will also support the Afghan government's management of the public health-care system in both the public and private sectors.⁷⁰⁰

NHTAP was awarded on July 10, 2020, with a total estimated cost of \$117 million. The COVID-19 pandemic slowed the project's start-up activities, particularly with the limitations on in-person meetings with Ministry of Public Health officials and other stakeholders. Many of the introductory meetings as part of the work-planning phase have taken place virtually as a result. USAID also informed SIGAR last quarter that staff recruitment took longer than usual.⁷⁰¹ While a number of the 227 budgeted staff positions remain unfilled, the project has been able to hire sufficient personnel (72 as of September 30, 2020) to ensure functional operations, according to the project's latest report (covering July–September, 2020).⁷⁰²

The Urban Health Initiative (UHI) was awarded on October 14, 2020, with an estimated cost of \$104 million. This is a five-year program to improve the quality of and access to public and private health services, public health education, and public health management within urban communities in Kabul, Jalalabad, Herat, Kandahar, and Mazar-e Sharif. The project is especially focused on supporting women, children, and other vulnerable populations such as slum dwellers and IDPs.⁷⁰³ UHI is currently in the work-planning phase.⁷⁰⁴

