## ECONOMIC AND SOCIAL CONTENTS

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In February 2021, the Afghan government launched a COVID-19 vaccination campaign after receiving an initial shipment of 500,000 doses (enough for 250,000 people) from the Indian government. On March 8, 2021, Afghanistan received a second shipment of 468,000 doses (enough for another 234,000 people) through the international COVAX program for developing countries.

The vaccination campaign began as Afghanistan’s ability to contain COVID-19 has been severely hampered by limited public-health resources and government capacity. At the end of 2020, Afghanistan was struggling with a second wave of COVID-19. Confirmed cases began to fall in late January 2021, but a third wave may be emerging. As the country prepares for this wave, the Ministry of Public Health confirmed in late March 2021 that COVID-19 variants had been detected in Afghanistan.

As of April 8, 2021, the number of official, confirmed cases of COVID-19 remained relatively low at 56,945, with 2,516 deaths, but high test-positivity rates suggest actual spread and case numbers are likely far higher. Afghanistan’s testing remains severely limited. As of April 4, 2021, public
and private health labs had tested only 354,478 samples—roughly 1% of the population—of which 16% tested positive.\textsuperscript{567} Earlier estimates point to at least one-third of the population having contracted the disease.\textsuperscript{568}

Beyond the public-health impacts, the COVID-19 pandemic has significantly harmed Afghanistan’s economy, exacerbating many of the existing challenges that have long limited sustainable economic growth in the country. The pandemic-induced economic contraction has contributed to increasing levels of unemployment and poverty, which has worsened food insecurity. This quarter, food prices remained high, with growing concerns that if reduced precipitation and higher temperatures persist over the next few months, prices will increase further. According to the World Food Programme, the average wheat-flour price increased by 12% between March 14, 2020, and the second week of March 2021. The cost of pulses (dry edible seeds of plants in the legume family, such as chickpeas and beans), sugar, cooking oil, and rice increased by 26%, 20%, 58%, and 21% over the same period.\textsuperscript{569}

Although the opening of Afghanistan’s international borders in July 2020 helped ease food shortages, a lack of food persists. As a result of COVID-19 and rising urban poverty levels, 16.9 million people are facing “crisis” and “emergency” levels of food insecurity, including 5.5 million people experiencing “emergency” levels—the second highest in the world after the Democratic Republic of Congo—with almost half of children under five years old projected to face acute malnutrition in 2021.\textsuperscript{570} These difficult conditions have pushed some Afghans into increasingly desperate behavior, including some reportedly resorting to illegally selling their bodily organs.\textsuperscript{571}

International organizations continued to provide Afghanistan with financial assistance this quarter to help it recover from the public-health and economic impacts of the pandemic. In late January 2021, the European Union delegation in Kabul announced $42 million in additional assistance that will “contribute to strengthening the response capacity of health systems, to test and treat patients, to improve infection prevention, to raise awareness and to reduce nutritional risks.”\textsuperscript{572} On February 16, 2021, the World Bank approved a $97.5 million grant to provide cash support to Afghans affected by both COVID-19 and drought to improve food security in the country. State told SIGAR this grant complements the $115 million from the World Bank-administered Afghanistan Reconstruction Trust Fund and $2 million from the World Bank’s Program for Asia Resilience to Climate Change.\textsuperscript{573} This money will also finance the Drought Early Warning, Early Finance, and Early Action Project to build Afghanistan’s resilience to increasingly prevalent drought conditions.\textsuperscript{574}

As of March 17, 2021, the U.S. government has provided approximately $39.4 million to support Afghanistan’s COVID-19 response. Funds have been drawn from the Economic Support Fund, International Counter Narcotics and Law Enforcement, and Migration Refugee Assistance accounts.\textsuperscript{575}

\textbf{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.

International aid organizations also have stressed the need for increased humanitarian assistance in 2021. According to the UN, the number of Afghans requiring humanitarian assistance in 2021 has reached approximately half of Afghanistan’s total estimated population due to the health and socioeconomic impact of the COVID-19 pandemic. This figure is nearly double that of 2020, and a six-fold increase compared to four years ago. In January 2021, the UN said Afghanistan’s Humanitarian Response Plan for 2021 would require an additional $1.3 billion to address the growing number of Afghans in need of humanitarian aid, including around 10 million children, stemming from a combination of ongoing conflict, poverty, and COVID-19.

On the financial front, the Afghan government’s domestic revenues increased by 1.4%, year-on-year, during the first quarter of 2021, SIGAR analysis of Afghan government accounting data showed. Afghan expenditures decreased by 35.7% during the first quarter of 2021, as compared to the same period last year.

As a result of the socioeconomic impact of the COVID-19 pandemic, the World Bank estimated that the overall urban poverty level increased from 41.6% to 45.5%. Yet, according to the World Bank, overall poverty levels actually decreased from 55% to 47.1% in 2020 due to the pandemic having a less significant impact on rural economic conditions than originally projected. Additionally, the unemployment rate was projected to rise to 37.9%, up from 23.9% in 2019.

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 time, the United States has consistently highlighted the importance of Afghanistan’s economic and social development to support broader political stability and U.S. national-security interests. As of 2019, according to USAID, Afghanistan was the leading recipient of U.S. foreign assistance, receiving around 10% of the total amount of U.S. assistance in recent years. In his announcement that U.S. troops will be withdrawn by September 11, 2021, President Biden committed to “maintaining significant humanitarian and development assistance” to Afghanistan and reiterated that the “U.S. must remain engaged […] through our development efforts to support the Afghan people.”

In February 2021, the U.S. government publicly released its updated Integrated Country Strategy (ICS) for Afghanistan. The ICS continues to stress, “A growing Afghan economy and job creation remain necessary predicates for stability and the development that makes it resilient.” The ICS also maintains the importance of strengthening 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, to help increase revenue generation and budget sustainability.584

USAID’s FY 2019–2023 Country Development Cooperation Strategy (CDCS) for Afghanistan, which is part of the ICS, further outlines the need to:585
• 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

In 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.”586 In pursuing these objectives, USAID has shifted its approach to focus on direct interactions with Afghanistan’s private sector and to work with other U.S. government agencies to implement various policy reforms and programs to support economic growth.587

The U.S. government’s ultimate goal remains to support Afghanistan’s transition from an assistance recipient to an enduring and self-sufficient economic partner that is able to attract foreign investment and meet its own financial needs.588 Overall, Afghanistan’s economic growth and social development, as well as the U.S. government’s ability to support it, face many uncertainties, including the outcome of Afghan peace talks, long-term impacts from COVID-19, the effects of the 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, 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.589 Returnees 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 March 31, 2021, the U.S. government has provided approximately $36.03 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 $18.23 billion has been disbursed. Figure 2.35 shows USAID assistance by sector.590

**ECONOMIC PROFILE**

U.S. efforts to bolster private-sector investment to support sustainable economic growth are part of a broader strategy to transition Afghanistan from being predominately an assistance recipient to becoming a long-term and self-sufficient economic partner.591 Yet, Afghanistan remains poor, aid-dependent, and conflict-affected, with any potential economic growth in the short term further limited by the lingering effects of the COVID-19 pandemic. Donor grants totaling at least $8.6 billion per year (covering both security and civilian assistance) currently finance over half of the government budget—but almost 80% of Afghanistan’s $11 billion in total public expenditures when off-budget assistance is counted along with on-budget aid.592

On February 22, 2021, following weeks of debate in which the draft budget was twice rejected, the Afghan parliament approved a 473 billion afghani (approximately $6 billion) national budget for FY 1400 (December
(2020–December 2021), comprising some $4 billion for the regular budget covering government operations and $2 billion for the development budget. Only 40% of the FY 1400 budget is funded by domestic revenue sources. Increased government service provision and an economy fueled by donor funds rapidly improved many of Afghanistan’s development outcomes through the 2014 drawdown of most international troops after which the Afghan government assumed responsibility for the fight against the Taliban insurgency. But licit annual GDP growth of just under 10% dropped to low-single-digit rates following that drawdown.

Lower GDP, population growth, and returnees from other countries have had an impact on Afghan poverty levels. In early 2020, 55% of Afghans lived below the poverty line (defined as 2,064 afghanis per person per month or around $1 in daily income), according to the most recent household survey data, an increase from 34% in 2008. The International Monetary Fund (IMF) projected that Afghanistan’s GDP would drop by 5% during 2020 in the midst of the pandemic, with country’s unemployment rate rising to 37.9%, up from 23.9% in 2019. The World Bank estimated this quarter that the Afghan economy actually contracted by only 1.9% of GDP, based on preliminary data from Afghanistan’s National Statistics and Information Authority. The World Bank explains that this is due to 5.3% growth in the agricultural sector as a result of COVID-19-related disruptions having a limited impact in rural areas and favorable weather conditions during 2020. However, the lockdowns and border closures severely contracted economic activity within urban and peri-urban areas, leading to a 4.2% contraction in the industry sector and 4.8% contraction in the service sector during 2020. Additionally, while the World Bank had projected that poverty levels would rise as high as 72%, it now estimates that overall poverty levels actually decreased from 55% to 47.1% in 2020, due to a less severe economic impact of the pandemic in rural areas than originally projected. In urban areas, however, the Bank estimated that poverty levels rose from 41.6% to 45.5% in 2020.

If the current security and political conditions hold and international support remains at the levels pledged during the 2020 Geneva Conference, the World Bank projects that Afghanistan’s economy will grow by only 1% of GDP during 2021, as a result of continued weak investor confidence and an anticipated contraction in the agricultural sector due to the effects of drought. Considering normal rates of population growth and the impact of returnees from other countries, the per capita GDP indicator of economic health could actually decline.

The pandemic also contributed to the Afghan government’s inability to generate sufficient domestic revenue and its heavy dependence on international assistance—long-standing challenges stemming from limited capacity, persistent corruption, tax evasion, and the strength of the informal
and illicit economies. In Afghanistan, approximately 90% of the economy is informal and, therefore, largely escapes taxation, further inhibiting the Afghan government’s financial self-sufficiency.\textsuperscript{600}

As the Afghan economy has struggled to find sustainable economic growth, the country has increasingly relied in recent years on remittances from Afghans working abroad, especially in neighboring Iran. By 2019, remittances accounted for the equivalent of 4.3% of Afghanistan’s annual GDP, an increase from 1.2% in 2014, according to World Bank data.\textsuperscript{601} However, officials from the intergovernmental International Organization for Migration (IOM) estimate this figure could be as high as 15–20%, given that many remittances are sent through the informal \textit{hawala} money-transfer system.\textsuperscript{602}

The COVID-19 pandemic has reduced remittances to Afghanistan by a World Bank-estimated 10% in 2020.\textsuperscript{603} Afghans in Iran, for instance, have struggled to find work due to COVID-19 and economic sanctions, forcing many to return to Afghanistan, where they face rising levels of unemployment, poverty, and insecurity. The need for humanitarian assistance has been heightened by the record-breaking number of Afghan migrants returning to Afghanistan. In 2020, the IOM recorded the largest return of Afghan migrants in a single year, approximately one million—almost double the count in 2019.\textsuperscript{604} Over 200,000 returned between January and March 2021, more than double the number from the same periods in 2019 and 2020.\textsuperscript{605}

**Airport Transfer Faces Financial and Operational Hurdles**

On January 10, 2021, NATO’s Resolute Support (RS) Mission handed over full control of Kandahar’s international airport to the Afghanistan Civil Aviation Authority (ACAA).\textsuperscript{606} This transfer is part of NATO’s plan to turn over full responsibility of Afghanistan’s four international airports in Kabul, Kandahar, Herat, and Mazar-e Sharif in 2021. The airports have been under joint control of NATO and the ACAA since 2015. In 2015, the U.S. government transferred control of airspace management to the ACAA. However, NATO RS 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 services; and communication, navigation, and surveillance.\textsuperscript{607}

In 2019, the ACAA director general noted that the ACAA remained roughly two to three years away from achieving the necessary personnel, financial, and regulatory capacity to independently manage all civil-aviation responsibilities within Afghanistan.\textsuperscript{608} Since then, Afghan officials have continued to express concerns over the insufficient number of trained Afghan personnel able to take over functions currently handled by NATO; COVID-19 delays in recent NATO training of local Afghan civil-aviation staff; and the inability to manage the airports without continued international assistance.\textsuperscript{609}
Following the January 10 transfer of the Kandahar airport, the ACAA’s limited capacity has restricted civilian operations to daylight hours. Airlines have complained that this inhibits their ability to satisfy passenger preferences for arrival and departure times. In order to support airport operations, the ACAA issued two calls for proposals for contractors to operate the Kandahar airport, but State said ACAA is still seeking a contractor that can effectively operate the airport within the ACAA’s budget constraints. For information on the military’s use of Afghanistan’s airports and additional updates on the airport transfer, see p. 75.

The COVID-19 pandemic and its impact on international and domestic air travel has led to financial losses for Afghanistan’s civil-aviation sector. By the end of 2020, the revenue generated by the ACAA, largely from fees for the use of Afghan airspace and airports, declined by 28% compared to the previous year.

The Afghan government grounded domestic flights on April 21, 2020, and resumed them on June 17. On June 13, however, international airlines had suspended most air travel to Afghanistan due to the spread of COVID-19, following a period of gradual reduction. By the end of 2020, only three airlines had resumed international flights. By March 1, 2021, according to State, the number of airlines operating international flights from Kabul had grown to eight: Pakistan International Airlines, Mahan Air, Emirates, Fly Dubai, Air Arabia, Turkish Airlines, Kam Air, and Ariana Afghan Airlines.

Afghan airlines have been banned from European Union airspace since 2010 due to concerns over Afghanistan failing to implement a proper safety regime. The FAA maintains that U.S. civil aviation faces a number of risks in Afghan airspace, especially at low altitudes, largely due to indirect fire targeting airports and surface-to-air fire targeting aircraft operating at low altitudes, including during the arrival and departure phases of flight.

Trade
In recent months, Afghanistan continued to work to develop regional trading networks and transit routes to further integrate Afghanistan into the regional economy and help generate economic growth, to offset some of the economic downturn caused by the COVID-19 pandemic. These efforts included expanding railway links to neighboring countries to improve access for Afghan goods to international markets.

In December 2020, the first shipment of goods from Iran—500 metric tons of cement—arrived by train using the newly constructed rail line between Khaf in Iran and Herat in western Afghanistan. Construction of the 130-kilometer rail line (around 60 kilometers are in Afghanistan) began in fiscal year 2007–2008 to boost trade between Afghanistan and Iran, with the ultimate goal of connecting Afghanistan by rail with European markets.

On January 14, 2021, President Ashraf Ghani and Turkmenistan President Gurbanguly Berdimuhamedov marked the opening of a 30-kilometer...
railway link between Aqinia, Turkmenistan, and Andkhoy in Afghanistan’s Faryab Province; and the commissioning of a fiber-optic communication system and a new power-transmission line between the two countries.617

In early February 2021, senior officials representing Afghanistan, Uzbekistan, and Pakistan, including Afghan Foreign Minister Mohammad Haneef Atmar, signed an agreement to develop a 573-kilometer railway linking Uzbekistan’s capital Tashkent with Peshawar in northern Pakistan by way of Kabul.618

Afghanistan’s economy also remains highly dependent on imports, generating a severe trade deficit that is almost entirely financed through external aid.619 Afghanistan’s main imports include petroleum, machinery and equipment, food items, and base metals and related articles.620 In 2019, Afghanistan imported goods totaling $7.33 billion while exporting only $975 million worth, according to World Trade Organization (WTO) data; this produced a negative trade balance of $6.36 billion, equivalent to 30.1% of GDP.621

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.622 In late January 2021, in recognition of this challenge, the Afghan government’s National Procurement Authority signed an agreement with the Afghanistan Chamber of Commerce and Industries that all government departments would rely on domestically produced products, despite being on average 25% more expensive than imports.623
**Fire at Border Crossing with Iran Impacts Trade and Prices**

On February 13, 2021, a fire broke out at the Islam Qala customs post at the border crossing between Iran and Afghanistan after a fuel tanker caught fire. The blaze injured 60 people and disrupted power supplies, causing millions of dollars in damages. An Afghan government investigation found 902 trucks were damaged in the incident. Afterwards, hundreds of Afghan trucks, largely carrying food and fuel supplies, were stuck in Iran. As the trucks waited for the border crossing and customs facilities to reopen, investors feared that food cargo could spoil without access to cold storage facilities.

Following the fire, food and fuel prices spiked around Afghanistan, with Kabul markets experiencing a 15-afghani price increase per liter of fuel and a 600 afghani increase per bag of flour. A spokesperson for Afghanistan’s Chamber of Commerce and Investment said Afghan traders' losses from the fire were around $100 million. The spokesperson for Herat’s governor announced that the border crossing and customs facilities reopened to cargo traffic on February 19, 2021, but oil and gas imports had not yet resumed. In early April 2021, truck drivers who had been impacted by the fire blocked two main highways in Herat in protest over claims that the government has been negligent in reimbursing their losses.


**Transit Trade Agreement with Pakistan Temporarily Extended**

In early February 2021, the Afghan and Pakistani governments extended the Afghanistan-Pakistan Transit Trade Agreement (APTTA)—set to expire on February 11, 2021—for three months after being unable to reach a final renewal agreement. Both sides intend to use this extension to continue negotiations.

The key disagreement relates to Afghanistan’s insistence that the revised agreement be signed under international law and the WTO framework, which Afghanistan joined in July 2016. Under the WTO framework, Pakistan would be required to allow the free movement of goods through its territory between India and Afghanistan. Pakistani officials have refused to agree to this point, citing security concerns amid Pakistan’s enduring rivalry with India.

The APTTA was originally signed between Afghanistan and Pakistan on October 28, 2010, replacing an outdated agreement from 1965. The bilateral trade agreement currently allows landlocked Afghanistan access to Pakistani sea and land transit routes for international trade, in particular exporting goods to India, one of Afghanistan’s main trading partners, and allows Pakistan to use Afghan territory to move goods into Central Asia. The current agreement, however, does not allow Pakistani territory to be used for Indian exports to Afghanistan. Afghan trucks that carry Afghan goods to the Wagah border crossing between India and Pakistan are not permitted to return with Indian goods.
FISCAL UPDATE

During the first three months of 2021, the Afghan government’s domestic revenues increased by 1.4%, year-on-year, SIGAR analysis of Afghan government accounting data showed. The increase in domestic revenues was partly fueled by a 10.4% increase in tax revenues during this period, as compared to the previous year, reflecting an increase in economic activity following the lifting of the COVID-19-related lockdown in 2020. However, customs revenues decreased by 6.2% during this period as compared to the previous year.⁶²⁷

In early April 2021, Acting Minister of Finance Khaled Payenda claimed that approximately 50% of Afghanistan’s customs revenues are embezzled, in part due to a lack of reforms in the customs offices over the previous decade. Minister Payenda argued that “some areas were kept weak deliberately” and reforms are needed to boost revenues.⁶²⁸ The minister’s statements have not been verified by SIGAR.

On the other hand, Afghan government expenditures decreased by 35.7% during the first quarter of 2021, as compared to the same period last year. The Afghan Ministry of Finance informed SIGAR that the expenditure decline was a result of the delays in the Afghan parliament approving an FY 1400 national budget.⁶²⁹ During the first month of 2021, expenditures were almost 75% below the level of expenditures during the first month of 2020. Expenditures increased during the second and third months of 2021 after approval of the national budget, according to SIGAR analysis of Afghan government accounting data.⁶³⁰

Budget Deficits in 2020 and 2021

A decline in sustainable domestic revenues in 2020 and increased financial demands to manage the COVID-19 crisis led to an increased reliance on international donors. During 2020, the Afghan government received 226.2 billion afghanis (approximately $2.9 billion) in international grants, an increase from the previous year’s grant total of 188.9 billion afghanis (approximately $2.5 billion).⁶³¹

With shortfalls in domestic revenues, the Afghan government also has relied on international loans to address budget deficits. With increased government expenditures paired with a decline in domestic revenues in 2020, Afghanistan’s deficit reached 2.3% of GDP, compared with the original budgeted level of 0.8%. This was financed through concessional loans of 25.4 billion afghanis (approximately $329.9 million) from the IMF as well as through drawing on the government’s cash reserves.⁶³²

For FY 1400, the Afghan government projected a budget deficit of 17.4 billion afghanis (approximately $226 million) and, during the first quarter of this Afghan fiscal year, borrowed that amount from the IMF. According to the Ministry of Finance, the Afghan government currently owes $1.5 billion to international lenders; many of the loans are interest free.⁶³³

Sustainable domestic revenues: According to Afghan Ministry of Finance officials, these are revenues such as customs, taxes, and non-tax fees. Multilateral institutions, including the World Bank and 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.
ECONOMIC AND SOCIAL DEVELOPMENT

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.” Specifically, the strategy aims to:
- strengthen trade connections between Afghanistan and neighboring countries
- increase the competitiveness of Afghan private industry by supporting export-ready firms
- create jobs via that firm-level support and by improving the enabling environment for businesses

However, 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 COVID-19-related economic contraction.

Even before the pandemic, Afghanistan’s licit economic growth was too low to reduce the increasing poverty rates and improve living standards for most Afghans. Additionally, licit export levels stagnated in 2019, despite the Afghan government’s providing a majority of the transit costs for exports through subsidized air corridors to incentivize regional trade. The pandemic exacerbated these economic challenges, adding to existing uncertainties about Afghan peace talks and the level of future donor support.

Many businesses are struggling to overcome losses sustained during the economic downturn caused by the pandemic, and suffer from lack of access to financing and capital. Even after international flights resumed, exports were hindered by high shipping costs and fewer flights. Prices for the DHL freight service from Afghanistan, for example, have risen by approximately 40% compared to prepandemic levels, while other freight services have been suspended. USAID’s active economic-growth programs have a total estimated cost of $230.9 million, as shown in Table 2.20.

USAID Plans New Economic Growth Project
USAID informed SIGAR this quarter that it is planning a new economic-growth program, Community-Based Jobs for Peace (CJP). This project aims to create employment opportunities for marginalized individuals, including former combatants, returnees, and IDPs, in peri-urban, or urban-adjacent, communities, especially in response to economic downturn caused by the COVID-19 pandemic. CJP will initially focus on areas surrounding five major urban centers—Kabul, Kandahar, Jalalabad, Herat, and Mazar-e Sharif—with the potential to expand to other communities given adequate security and economic opportunities. The five-year, $60 million project is currently under the pre-award process and is expected to begin in FY 2022.
ECONOMIC AND SOCIAL DEVELOPMENT

On October 27, 2020, the Board of the Extractive Industries Transparency Initiative (EITI) lifted Afghanistan’s suspension as an EITI-implementing country. The EITI aims to provide international standards of good governance and increase transparency and accountability in the global mining sector, which helps to ensure and improve investor confidence in resource-rich countries.\textsuperscript{642}

Afghanistan has been an EITI member since 2010, but was suspended in January 2019 for poor performance in implementing EITI standards. The U.S. Department of Commerce’s Commercial Law Development Program (CLDP), according to its most recent quarterly report covering October to December 2020, contributed to Afghanistan’s reinstatement by providing technical assistance to make corrective actions identified by the EITI. The actions included improving mining-sector governance through legal and regulatory reforms and improving public access to information on licensing, production, beneficial ownership (the ultimate legal owner of a company), and nontax payments to the government.\textsuperscript{542} Afghanistan’s next EITI validation review for progress on implementing EITI standards will occur on April 28, 2022.\textsuperscript{543}

\begin{table}[h]
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\begin{tabular}{|l|c|c|c|c|}
\hline
\textbf{Project Title} & \textbf{Start Date} & \textbf{End Date} & \textbf{Total Estimated Cost} & \textbf{Cumulative Disbursements, as of 4/10/2021} \\
\hline
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA) & 1/28/2020 & 1/27/2025 & $105,722,822 & $8,919,989 \\
Multi-Dimensional Economic Legal 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 & 9,290,981 \\
INVEST* & 9/28/2017 & 9/27/2021 & 15,000,000 & 9,254,275 \\
Afghanistan Investment Climate Reform Program (AICR) & 3/27/2015 & 3/26/2021 & 13,300,000 & 7,322,436 \\
Carpet and Jewelry Value Chains & 1/31/2019 & 4/30/2023 & 9,941,606 & 4,188,962 \\
Livelihood Advancement for Marginalized Population (LAMP) & 8/1/2018 & 7/31/2022 & 9,491,153 & 4,275,837 \\
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 \\
\hline
\textbf{Total} & & & \textbf{$230,886,135$} & \textbf{$66,376,825$} \\
\hline
\end{tabular}
\caption{USAID ACTIVE ECONOMIC-GROWTH PROGRAMS}

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

The Potential and Pitfalls of Afghanistan’s Extractives Sector

In 2010, the U.S. government estimated the total value of Afghanistan’s mineral and hydrocarbon deposits—a diverse array of metals, rare earths, precious and semiprecious stones, hydrocarbons, and minerals—at more than $1 trillion. The Afghan government and external donors have consistently pointed to its potential to support sustained economic growth. Since 2002, the U.S. government has disbursed approximately $338.4 million for extractives-related projects through USAID and DOD’s Task Force for Business and Stability Operations (which ceased operations in December 2014).

Despite the perceived potential, numerous programs, and the fact that all Afghan mineral resources are legal property of the state, mining revenues account for only around 1% of Afghanistan’s sustainable domestic revenues in recent years, according to Afghan government accounting data.

The U.S. government currently has two active extractives-related projects. One is the $18 million, USAID-funded Extractive Technical Assistance provided by the U.S. Geological Survey, which primarily compiles and analyzes data on the deposit type, infrastructure, resources, and current commodity value of Afghanistan’s mineral resources. The other is the Department of Commerce CLDP’s (described above) five-year, $20 million interagency funding agreement with USAID known as Multi-Dimensional Economic Legal Reform Assistance (MELRA), that provides technical and legal assistance on mining issues to the Afghan government and extractive sector to help build capacity and sustainability, in addition to supporting other sectors of the economy.

The Afghan government continues to work to expand the extractives sector, given its potential as a source of sustainable domestic revenues. The Ministry of Mines and Petroleum (MOMP) in particular is planning to focus on expanding and expediting private-sector investment opportunities. In September 2020, the Afghan government signed a memorandum of understanding (MOU) with the Australia-based Fortescue Metals Group Ltd. offering the company exclusive access to conduct studies of Afghanistan’s mineral resources, and access to the enabling infrastructure required to exploit these resources such as power generation and transportation infrastructure.

The Afghanistan Chamber of Commerce and Industry criticized the agreement, claiming the agreement violates the country’s mining laws related to the procurement process, including requirements for proper bidding, assessment, and competition. However, the Afghan government claims the MOU with Fortescue is nonbinding and that the company will need to submit proposals to the government for developing these sites.

Other new initiatives by the Afghan government include the announcement of 17 new, small-scale extractives-related projects, retendering the gold and copper mine in Badakhshan, and establishing a new mining
institute within MOMP to address capacity issues. In addition, the MOMP marketed new extractives-related projects at a March 2021 mining convention in Canada and will be presenting at the Dubai World Expo in December 2021. Nevertheless, the challenging business and security environment in Afghanistan means that few serious deals have been proposed.

As in other areas of reconstruction, efforts to develop the extractives sector have been hindered by unrealistic timelines for project implementation and by inflated expectations, sometimes shaped by an overestimation of the Afghan government’s capacity to provide critical enabling support. In December 2020, 1,209 of MOMP’s 2,666 employees were fired in an effort to introduce a series of reforms and structural changes to make the administration more “effective, efficient and with capacity to mobilize economic change in people’s lives,” according to a ministry spokesperson. However, a number of fired employees, while protesting outside of the MOMP headquarters, said they lost their jobs without being given convincing reasons. The removal of nearly half of the ministry’s workforce could have implications for the ministry’s near-term technical expertise and capacity as it works to refill necessary positions.

Afghanistan’s formal extractives sector has also been limited by low product-processing capacity, lack of reliable energy sources, and poor transportation infrastructure that raises mining costs compared to regional markets. Processing companies also have expressed concerns that, with no additional quarry sites announced for tender, mining businesses facing problems renewing their current quarry licenses, and long delays in developing and announcing mining-sector policies and procedures, they will run out of product to process and lose revenue streams that are already “at a trickle,” further limiting Afghanistan’s domestic supply chain.

The potential for profitable mining operations, even in the formal economy, is further weakened by the lack of security and widespread corruption, which acts as an additional deterrent to investors in capital-intensive mining operations. Moreover, poor security conditions have severely limited the ability to develop licit supply chains within the formalized extractives sector regulated by the state.

Thus, a large percentage of mining activity in Afghanistan is conducted by informal or illegal small-scale operations in both government-controlled and insurgent-controlled territory, with their products smuggled out of the country. In March 2021, the Afghanistan Precious Stones Association claimed that around $1 billion in precious stones is smuggled out of Afghanistan each year. As a result, the formalized extractives sector has failed to materialize as a driver of economic growth and a source of sustainable domestic revenues for the Afghan government.

In contrast, illegal mining has increasingly become a key source of revenue for the Taliban, second only to narcotics. In areas under its control, the Taliban issues mining licenses, collects taxes and protection money from SIGAR OVERSIGHT OF AFGHANISTAN’S EXTRACTIVES SECTOR

As Afghan officials highlight the potential of extractives to support domestic revenue generation and with on-going U.S. support to develop the country’s mining capacity, SIGAR remains concerned with the prevalence of corruption, illicit activities, and mismanagement within the extractives sector. In particular, SIGAR’s Investigations Directorate is reviewing the recent agreement between the Afghan government and Fortescue Metals Group. SIGAR special agents and criminal investigators in the United States and Afghanistan are attempting to identify any examples of corruption, criminal activity or other wrongdoing related to the aforementioned agreement. These efforts include numerous contacts and interviews of witnesses, Afghan government officials, confidential human sources, and other sensitive sources of information, and businessmen involved in the Afghan extractives sector to gather information and evidence that may document corruption or illicit activities.
mining operations, and controls the smuggling of quarried minerals and gems abroad, in particular to Pakistan. Estimates of the extractives-sector revenue obtained by the Taliban and the scope of their operations vary widely and are difficult to verify. In 2014, the United Nations Analytical Support and Sanctions Monitoring Team estimated the Taliban received over $10 million per year from 25 to 30 illegal mining operations. By late 2018, according to the BBC, this number had climbed to $50 million a year, with the Taliban subsequently claiming it generates as much as $400 million annually in revenue from illegal mining. In late January 2021, Minister of Mines and Petroleum Mohammad Haroon Chakhansuri added, “The Taliban are currently mining in 750 areas. This group is using the money [made from] mining against the government.” State informed SIGAR that Chakhansuri told the U.S. Embassy in Kabul that his ministry is currently working with Afghan security forces to identify and form a plan to retake illegal mines.

AGRICULTURE

Licit agriculture has served as the foundation for Afghanistan’s formal economy and one of its primary 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. The service sector has risen in prominence, but agriculture remains a key driver of GDP growth and developing that sector remains a priority for external donors.

In recent years, however, Afghan farmers and agribusinesses have struggled with the effects of nearly four decades of conflict, poor market conditions, the lack of cold-storage facilities for their products, and the increasing prevalence of extreme weather such as droughts and flash floods, making Afghanistan increasingly reliant on agricultural imports to meet rising domestic demand for key crops.

With a drop in snow and rainfall through recent winter months, many farmers fear the impact of drought on their livelihoods in 2021. A lack of snowmelt from the Hindu Kush mountains, for instance, has led to low water levels in the Panjshir River, making it unable to provide adequate irrigation for crops in Parwan Province. In other parts of the country, the absence of late-winter rains has negatively impacted the wheat harvest, driving up wheat prices in some areas by as much as one-third. In February 2021, the International Organization for Migration warned that as many as 17 million Afghans, or approximately 42% of the estimated population, will likely face famine conditions during the upcoming year as a result of drought.

In 2018, Afghanistan experienced a devastating drought, decreasing agricultural output by 45%. It pushed an additional two million people into food...
insecurity and displaced more people than the fighting between security forces and the Taliban, according to Ministry of Agriculture officials.\textsuperscript{670}

Farmers in Uruzgan Province said the recent lack of water for their wheat crop has forced them to cultivate poppy instead.\textsuperscript{671} The illicit poppy crop requires only one-fifth to one-sixth of the water required for many licit crops such as wheat and is thus more resistant to drought conditions.\textsuperscript{672} Poppy remains one of the country’s primary cash crops despite past U.S. counternarcotic efforts to eradicate the crop and provide incentives to engage in licit agricultural production. For more information on opium-poppoppy cultivation, opium production, and U.S. counternarcotic efforts, see pp. 113–120.

Since 2002, USAID has disbursed approximately $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.\textsuperscript{673} USAID’s active agriculture programs have a total estimated cost of $315.7 million and can be found in Table 2.21, on the following page. Total disbursements for State’s active alternative-livelihood programs (Table 2.22, on the following page)—which aim to transition opium-poppoppy farmers into licit agriculture—were $109.2 million, as of March 17, 2021.

**USAID Agriculture Programs Continue To Address COVID-19-Related Challenges**

The agricultural sector was severely impacted by Afghan government actions intended to limit the spread of COVID-19, particularly the closing of the international borders in March–June 2020, halting agricultural exports.
This caused the loss of approximately $40 million in produce, 3,000 non-farm jobs in agro-processing, and the collapse of 10% of export firms. USAID-funded agriculture programs continue to support the recovery of the agricultural sector from COVID-19-related losses amid the broader economic contraction, including facilitating exports and access to financing.

For instance, USAID’s $55 million Agricultural Value Chains-High Value Crops (AVC-HVC) provided technical assistance for its clients to access financing from the Agricultural Development Fund (ADF), originally created in 2010 with a $100 million USAID grant to Afghanistan’s Ministry of
Agriculture, Irrigation and Livestock to increase access to credit for small and commercial farmers and agribusinesses.⁶⁷⁵ During the first quarter of FY 2021, according to the AVC-HVC’s most recent quarterly report, AVC-HVC received 22 new applications (seven from women-owned firms) for technical assistance to access ADF loans, totaling approximately $6 million. During the same period, ADF approved five loans (one for a women-owned firm) worth a combined $3.2 million and disbursed another four loans, including three to women-owned firms, totaling $1.1 million to AVC-HVC clients.⁶⁷⁶ To facilitate the export of agricultural products, AVC-HVC also developed an online dashboard to monitor bilateral transit trade between Afghanistan and Pakistan and identify challenges Afghan traders and exporters face at the five border crossings between the two countries.⁶⁷⁷

**USAID Subsidized Agricultural Exports by Air**

During the first quarter of FY 2021, the USAID-funded Agriculture Marketing Program (AMP) continued a pilot Air Cargo Program. AMP is a three-year, $33.8 million program focused on supporting Afghanistan’s agricultural sector through improving agricultural exports through five strategies:⁶⁷⁸

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-add of agriculture exports
5. develop remote rural areas to support the peace effort

Subsidizing the costs of air-exporting agricultural products to the UAE and India amid the COVID-induced economic downturn, this program was intended as a test case to examine the technical and financial feasibility of operating charter cargo flights for agricultural exports. The Afghan government’s current air-corridor exports largely rely upon available cargo space on passenger flights, which prioritize passenger baggage, limiting the capacity (and thus predictability) for each shipment.

The AMP contracted dedicated charter flights for agricultural exports, allowing participating agribusinesses to bypass space constraints on passenger flights and avoid spreading their export shipments over several flights.⁶⁷⁹ The first flight departed Kabul for Sharjah, UAE, on September 27, 2020, carrying 37 metric tons of various horticultural products from three agribusinesses.⁶⁸⁰ This was followed by three flights (one to Mumbai and two to Sharjah) in October 2020 with combined total exports from nine Afghan exporters adding up to 108 metric tons of products worth $290,000, according to AMP’s most recent quarterly report. AMP covered 92–96% of the total charter costs.⁶⁸¹

However, given the currently high shipping costs and COVID-19-related restrictions, the total cost of the four charter flights, over $300,000, exceeded
the value of the cargo they carried, bringing into question the sustainability of such a program.682 USAID informed SIGAR that it does not anticipate continuing this program.683

USAID Wheat Research Program Funding Reduced
In November 2020, USAID informed the Grain and Research Innovation (GRAIN) project’s implementing partner that it would be unable to provide the final tranche of the project’s funding ($4.35 million) due to funding constraints within USAID’s mission in Afghanistan, according to the project’s most recent quarterly report. USAID informed SIGAR that the funding constraints were due to reduced operating year budgets allocated to USAID’s Office of Agriculture.684

The five-year GRAIN project was launched in March 2017 to support the capacity of the Ministry of Agriculture, Irrigation and Livestock and the Agricultural Research Institute of Afghanistan to conduct wheat research and identify and disseminate technologies and practices with the potential to improve productivity in the wheat sector.685

The decision to withhold the final tranche of funding reduces the actual funding level of the project from $19.5 million to $15.5 million. With no further funding obligated to GRAIN, project implementers are forced to cancel or scale back a number of activities planned during 2021 and 2022, including trainings, research conferences, working groups, and production of booklets on best practices in wheat production.686

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 supporting economic development, and bolstering stability in the country and confidence in the government. Since 2002, the U.S. government has built and expanded electricity infrastructure, roads, and education and health facilities.687 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.688

While Afghans’ access to the power grid has increased since 2002, only approximately 30% of the population currently has access to grid-based power.689 Limited access to reliable, grid-based power remains a contributing 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 counterpart, the Southeast Power System (SEPS). An
approximately 500-kilometer transmission line constructed by USAID is planned to 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 more recent years, however, the U.S. reconstruction focus 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 and support their ongoing operations and maintenance costs. With the Afghan government heavily reliant on international aid, 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.

Some USAID Power-Infrastructure Projects Face Continuing Delays

USAID has five ongoing power-infrastructure projects. Current USAID projects include constructing:

1. a transmission line between Ghazni and Kandahar Provinces (87.9% complete as of January 31, 2021, with an expected completion date of September 7, 2021)
2. substations along the transmission line from Ghazni to Kandahar (53% complete as of December 31, 2020, with an expected completion date of July 30, 2023)
3. transmission lines and substations in SEPS (37% complete as of December 31, 2020, expected completion date of July 30, 2023)
4. a wind farm in Herat Province (the notice to proceed was issued on October 28, 2020, with mobilization work beginning in March 2021 and an expected completion date of November 7, 2022)

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 electric generation, transmission, and distribution.
• a floating solar-power plant to be constructed on the Naghlu Dam Reservoir in Kabul Province (the notice to proceed was issued on January 4, 2021; USAID is currently awaiting the design package from the contractor, Phelan Energy Group, for approval, with the project having an expected completion date of July 4, 2022)

Three of USAID’s five active projects are delayed. The NEPS-SEPS connecting transmission lines and substations between Ghazni and Kandahar were originally to be completed by the end of 2016—meaning they are over four years behind schedule. Construction on the Ghazni-to-Kandahar transmission line was halted in May 2020 as a result of the demining and re-clearance contract expiring. This contract is still under procurement with DABS, having been delayed due to the COVID-19 pandemic. As of January 4, 2021, work along the line was still halted due to the demining and re-clearance issues. As a result of these delays, USAID and DABS extended the completion date from December 31, 2020, to September 7, 2021.

USAID also informed SIGAR this quarter that the contract for NEPS-SEPS Connector substations and SEPS completion is being modified to include the construction of new perimeter security fences around five substations on government-acquired land and changes to the Kandahar-area transmission line due to right of way issues. These modifications

<table>
<thead>
<tr>
<th>USAID ACTIVE ENERGY PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Title</strong></td>
</tr>
<tr>
<td>Power Transmission Expansion and Connectivity (PTEC)</td>
</tr>
<tr>
<td>Design and Construct of SEPS Completion and NEPS-SEPS Connector Substations</td>
</tr>
<tr>
<td>Contribution to AITF (Afghanistan Infrastructure Trust Fund)</td>
</tr>
<tr>
<td>Engineering Support Program</td>
</tr>
<tr>
<td>25 MW Wind Farm in Herat Province</td>
</tr>
<tr>
<td>Design and Acquisition of SEPS Completion and NEPS-SEPS Connector</td>
</tr>
<tr>
<td>20 MW Floating Solar Installation-Naghlu</td>
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<tr>
<td>Partnerships for Enhanced Engagement in Research (PEER) grants</td>
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<tr>
<td>Energy Loss Management Visualization Platform Activity</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

increase the total contract price by $15.7 million, from $159.8 million to $175.5 million.\textsuperscript{700} Cumulatively, USAID has disbursed approximately $2 billion since 2002 to build power plants, substations, and transmission lines, and to provide technical assistance in the power sector.\textsuperscript{701} USAID’s active power-infrastructure projects have a total estimated cost of $837.2 million and are presented in Table 2.23.

**USAID Expands Support for Renewable Energy**

USAID has increasingly focused in the past two years on supporting the development of renewable-energy resources in Afghanistan,\textsuperscript{702} and told SIGAR this quarter that it is planning two new renewable-energy activities there.\textsuperscript{703}

The first project is a 40 megawatt “bifacial” solar plant (consisting of solar modules which produce power from both sides, increasing total energy generation) in Balkh Province with a total estimated cost of $42.9 million; USAID’s contribution is $24 million. The project is currently in the pre-award stage with an anticipated award date in April 2021.\textsuperscript{704} The second project is a 25 megawatt sun-tracking solar plant in Herat with a total estimated cost of $33.5 million; USAID’s contribution is $17.9 million. The project is currently in the final pre-award stage with an anticipated award date in April 2021. The contractor, Phelan Energy Group, signed power-purchase agreements for both power plants with DABS in September 2020.\textsuperscript{705}

**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. The premise of USAID’s strategy is that gains in social development, including a strong education system, will help to bolster Afghan confidence in the government, improve the overall “stability and inclusivity” of the country, expand “civic participation,” and “create the conditions necessary for peace.”\textsuperscript{706}

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 serves as a long-term investment in human capital for the Afghan economy and for a democratic system of government.\textsuperscript{707}

Despite donor assistance, Afghanistan has struggled to improve its education outcomes in recent years in the face of MOE’s capacity issues and continued insecurity; many students, particularly girls, remain out of school. Reports indicate that the Taliban have threatened people within areas under their control, saying girls should not attend school beyond the seventh grade, which limits their prospects.\textsuperscript{708} During 2020, UNAMA also
identified 62 violent incidents, including direct attacks, incidental violence, and threats of violence, which impacted children’s access to education.  

Since 2002, USAID has disbursed approximately $1.3 billion for education programs, as of April 10, 2021. The agency’s active education programs have a total estimated cost of $271.4 million and can be found in Table 2.24.

Afghan Schools Reopen Following Second Wave of COVID-19

To reduce the spread of COVID-19, the Afghan government initially closed schools on March 14, 2020. Schools had a phased reopening from August to October 2020, but as Afghanistan faced a second wave of COVID-19, the Afghan government announced in late November 2020 that schools would once again close with final exams postponed until the following year.  

Afghan schools reopened and held their postponed exams this quarter. Beginning on February 28, 2021, grades 4–12 held their end-of-year exams and, on March 10, grade 1–3 exams were held. In some highly populated cities like Kabul, schools opened on February 28, 2021; in colder areas, the new school year began on March 23, 2021. Universities resumed classes on March 6, 2021. Following the reopening of schools, there were reports that many students were not observing health-care guidelines regarding wearing masks and social distancing. In late March 2021, the MOE announced it was launching an awareness program among teachers to ensure these guidelines are followed.

Despite the MOE working to ensure students had remote access to educational material and coursework during the school closures, such efforts were hampered by lack of electricity, electrical load shedding, and

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**TABLE 2.24**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 4/10/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advancing Higher Education for Afghanistan Develop (AHEAD)</td>
<td>8/5/2020</td>
<td>8/4/2025</td>
<td>$49,999,917</td>
<td>1,565,463</td>
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<tr>
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<td>9/30/2021</td>
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<td>Textbook Printing and Distribution II</td>
<td>9/15/2017</td>
<td>12/31/2021</td>
<td>$35,000,000</td>
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<td>Let Girls Learn Initiative and Girls’ Education Challenge Programme (GEC)</td>
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<td>6/28/2021</td>
<td>$25,000,000</td>
<td>25,000,000</td>
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<tr>
<td>Capacity Building Activity at the Ministry of Education</td>
<td>2/1/2017</td>
<td>1/31/2022</td>
<td>$23,042,634</td>
<td>20,229,422</td>
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<tr>
<td>Technical Capacity Building for AUAF</td>
<td>2/1/2021</td>
<td>1/31/2022</td>
<td>$18,947,149</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$271,366,452</strong></td>
<td><strong>$147,825,462</strong></td>
</tr>
</tbody>
</table>

limited access to the internet, with only 14% of Afghans using the internet, according to World Bank data. In September 2020, the nongovernmental organization Save the Children found that 64% of children had no contact with teachers during the school closures and eight in 10 children believed that they had learned little or nothing during school closures.

Save the Children further reported that with limited access to remote-learning options, only 28.6% of enrolled students were able to access distance-learning programs through television, 13.8% through radio, and just 0.2% through the internet. Given the worsening economy and the pressure on students to find work to help support their families, among other challenges, many students may not find their way back into school.

To better understand the impact of the pandemic on the education sector, USAID informed SIGAR this quarter that USAID’s mission in Afghanistan will conduct a Loss of Learning and Associated Factors assessment to gauge the impact of COVID-19 on students in Afghanistan, at a total estimated cost of $450,000.

The assessment will look at how severely different subgroups of children experienced the impact of lost time in school and how likely those different subgroups are to return to school. The assessment will also look at the associated factors that may help or hinder students’ return to school. Results will be used to formulate recommendations for the Afghan government and its development partners to consider and adequately support student learning following the protracted disruptions caused by the global pandemic. The tentative timeline for the assessment is May–July 2021.

USAID’s Afghan Children Read Program Unable to Complete Final Reading Assessment

USAID’s five-year $70 million Afghan Children Read (ACR) Program concluded in early April 2021. The program had two primary objectives:

1. to build the capacity of the MOE to develop, implement, and scale up a nationwide early grade reading curriculum and instruction program in public and community-based schools; and

2. to pilot evidence-based early-grade reading curricula and instruction programs to improve reading outcomes for children in grades one through three in public and community-based schools

With recent school closures due to the COVID-19 pandemic, ACR’s activities were restricted or delayed, making it “impossible for the [implementing partner] to meet the contractual obligations,” according to USAID. In particular, ACR was unable to conduct its end-line Early Grade Reading Assessment (EGRA), which USAID referred to as “a crucial component of the project’s Monitoring and Evaluation Plan” and “required to assess the impact of the intervention and ensure the [Early Grade Reading] curriculum and instructional program is implemented.”
USAID informed SIGAR that ACR’s EGRA would be incorporated into a follow-up USAID education project, which is currently in the design stage. The new project will focus on early-grade learning outcomes and system strengthening. It will take into account the findings of USAID/Afghanistan’s Loss of Learning and Associated Factors Assessment studying the impact of COVID-19 on the education sector.724

**USAID Supports Afghanistan’s Higher Education**

The USAID-funded Advancing Higher Education for Afghanistan’s Development (AHEAD) launched in September 2020. This five-year, $50 million education project supports the quality and relevance of higher education in Afghanistan through strengthening linkages with the public and private sectors and improving students’ employability, as well as increasing access to higher education for vulnerable populations such as women.725

Despite COVID-19-related difficulties, the project hired 20 local and four international staff and held a series of introductory meetings with the Ministry of Higher Education (MOHE), higher-education institutions, and other stakeholders in Kabul by the end of December 2020. However, as a result of differences with the MOHE concerning the goals of the program over several rounds of discussions, full agreement on a work plan was not reached until the end of March 2021. The project was only able to begin specific activities within Afghan universities following the review and concurrence of the MOHE.726
On February 1, 2021, USAID also launched a one-year, $18.9 million technical capacity-building project for the American University of Afghanistan (AUAF) in Kabul, originally established in 2006 with U.S. government support. USAID informed SIGAR this quarter that the project has submitted its work and monitoring-and-evaluation plans to USAID for review and approval. The purpose of this project is to support AUAF’s institutional management capacity and improve higher education services with a directed focus towards programmatic accreditation.727

In February 2018, AUAF received full accreditation from MOHE for five years. In recent years, AUAF has also sought international accreditation. However, during the fourth quarter of FY 2020, accreditation bodies in the United States approached by AUAF—the New England Commission of Higher Education and the Accreditation Board for Engineering and Technology— informs the Afghan university that security conditions prevented the site visits necessary as part of the accreditation process and, as a result, they were unable to move forward with the process until security improved.728

In an April 2020 report, SIGAR found that for over a decade AUAF had experienced persistent problems with its financial reporting, management responsiveness, and staffing, and that AUAF officials had failed to take adequate corrective action. While SIGAR found that AUAF had made some progress in achieving several goals, most notably expanding education access for women, the university had not yet achieved the goal of self-sufficiency and remained dependent on U.S. funding to sustain operations.729

**HEALTH**

Afghanistan’s struggle with the COVID-19 pandemic since late February 2020 has demonstrated the many limitations and inadequacies of the country’s public-health sector. USAID-funded health programs have helped to address many of the deficiencies of Afghanistan’s public-health sector, in support of the U.S. government’s broader goals to bolster stability and sustainability.730 As USAID told SIGAR when it was developing the strategy in December 2017, “healthy people and healthy communities are the bedrock of a peaceful and stable nation.”731

Even before the COVID-19 pandemic, Afghanistan struggled to contain outbreaks of treatable diseases due to poor access to health-care services stemming from continued insecurity, repeated population displacement, and insufficient resources.732 Health-care services are increasingly affected by the rising levels of violence. During 2020, UNAMA verified 90 attacks which impacted health-care service delivery, comprising direct attacks against health-care facilities and providers, and indiscriminate attacks causing incidental damage to health-care facilities and their personnel. This figure was a 20% increase from the previous year.733
Of the 73 attacks committed by antigovernment forces, 71 were attributed to the Taliban. Additionally, the Taliban continue to threaten health-care facilities and abduct health-care workers to force them to provide medical care to its fighters, provide medicines, pay special taxes, or to close down and relocate to other areas. Due to the security-related closure of health facilities, UNAMA estimates that up to three million Afghans were deprived of essential health-care services.\textsuperscript{734}

U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than $1.6 billion as of April 10, 2021.\textsuperscript{735} USAID’s active health programs have a total estimated cost of $304.7 million, and are listed in Table 2.25.

### Afghanistan Begins COVID-19 Vaccine Drive

On February 7, 2021, Afghanistan received 500,000 doses (enough for 250,000 people) of the AstraZeneca COVID-19 vaccine as a donation from the Indian government. This vaccine can be stored and transported at normal refrigeration temperatures (35.6 to 46.4 degrees Fahrenheit) as opposed to the deep cold storage required for other vaccines. The Afghan government launched its vaccination campaign on February 23 in a ceremony at the presidential palace.\textsuperscript{736} On March 8, Afghanistan received a second shipment of 468,000 doses (enough for 234,000 people) of the AstraZeneca vaccine through the COVAX program; this shipment also included 470,000 syringes and 4,700 safety boxes to safely dispose of used needles.\textsuperscript{737}

In early March 2021, China promised to provide 400,000 doses (enough for 200,000 people) of its Sinopharm vaccine; it is unclear when those doses will arrive.\textsuperscript{738} Foreign Minister Mohammad Haneef Atmar also announced that Afghan health officials are in discussions with the Russian government to distribute the Russian-produced Sputnik V vaccine in Afghanistan.\textsuperscript{739} On March 19, 2021, the World Bank pledged $60 million as part of a funding

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**TABLE 2.25**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
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<th>Total Estimated Cost</th>
<th>Cumulative Disbursements, as of 4/10/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Health Technical Assistance Program (NHTAP)</td>
<td>7/10/2020</td>
<td>7/9/2025</td>
<td>$117,000,000</td>
<td>$4,913,789</td>
</tr>
<tr>
<td>Urban Health Initiative (UHI)</td>
<td>10/14/2020</td>
<td>10/13/2025</td>
<td>104,000,000</td>
<td>2,332,969</td>
</tr>
<tr>
<td>Sustaining Health Outcomes through the Private Sector (SHOPs) Plus</td>
<td>10/11/2015</td>
<td>09/30/2021</td>
<td>12,500,000</td>
<td>11,870,646</td>
</tr>
<tr>
<td>Disease Early Warning System Plus (DEWS Plus)</td>
<td>7/1/2014</td>
<td>6/30/2022</td>
<td>54,288,615</td>
<td>34,588,615</td>
</tr>
<tr>
<td>Afghanistan Demographic and Health Survey (ADHS) Follow-On</td>
<td>10/9/2018</td>
<td>9/9/2023</td>
<td>10,500,000</td>
<td>3,793,537</td>
</tr>
<tr>
<td>Central Contraceptive Procurement (CCP)</td>
<td>4/20/2015</td>
<td>11/28/2023</td>
<td>3,599,998</td>
<td>1,350,309</td>
</tr>
<tr>
<td>Sustaining Technical and Analytic Resources (STAR)</td>
<td>5/1/2018</td>
<td>9/30/2023</td>
<td>2,186,357</td>
<td>943,339</td>
</tr>
<tr>
<td>TB Data, Impact Assessment and Communications Hub (TB DIAH)</td>
<td>9/24/2018</td>
<td>9/24/2023</td>
<td>600,000</td>
<td>460,391</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$304,674,970</strong></td>
<td><strong>$60,253,595</strong></td>
</tr>
</tbody>
</table>

package that includes $50 million from the Afghanistan Reconstruction Trust Fund and $3 million from the Energy Sector Management Program. The funds will support Afghanistan’s ability to purchase and deploy COVID-19 vaccines, improve essential medical services, and support Afghanistan’s recovery from the pandemic. The funding package is expected to provide enough vaccine doses for more than 17% of Afghanistan’s estimated population.740

In the February ceremony launching the vaccination campaign, Acting Health Minister Waheed Majroh announced that the initial doses would be provided largely to members of the security forces and workers in health care, education, and media, with the vaccine doses distributed at health centers. The first two shipments of the AstraZeneca vaccine were provided as part of the WHO-led COVAX program, a vaccine sharing effort intended to improve access to COVID-19 vaccines for developing countries.741

In March 2021, ahead of the reopening of Afghanistan’s schools and universities, the Ministry of Public Health announced that it would prioritize vaccinating teachers to ensure that schools remain open and teachers stay safe.742 By the end of March 2021, the MOE announced that 30% of teachers in Kabul, Herat, and Nangarhar had been vaccinated.743 According to USAID, Afghanistan’s national plan for disseminating the COVID-19 vaccine also includes provisions for providing it to people living in Taliban-controlled areas.744

On April 7, 2021, the Afghan Ministry of Public Health announced that over 100,000 individuals, over 67,000 of whom are public health workers, had received the vaccine since the beginning of the vaccination campaign.
in late February 2021. Some skeptical Afghans said they do not intend to take the vaccine even if doses are available. Others questioned whether it would even be equitably distributed or only provided to “high status people,” given the prevalence of corruption within the government.

**USAID Continues Support for Treatment of COVID-19 Patients**

On October 1, 2020, the U.S. government provided 100 ventilators to Afghanistan to treat COVID-19 patients. Soon after, the Bureau of 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 were expected to last only a few months and Afghanistan cannot procure replacement parts. USAID informed SIGAR this quarter that the Bureau of Global Health is still working to procure the additional consumables and to finalize the requisition order for in-country delivery, with an anticipated delivery date of September 2021. USAID informed SIGAR that, at the current rate of admissions to the hospitals, the current stock of consumables is expected to last until June 2021.

USAID’s mission in Afghanistan is also coordinating with the Bureau of Global Health to install oxygen plants in four hospitals in Kabul, Kandahar, Mazar-e Sharif, and Jalalabad with a total estimated cost of $3 million to help with the treatment of COVID-19 patients. USAID originally intended to have the installation completed by spring 2021. However, due to planning for oceanic freight shipment, the in-country installation and operationalization of the four oxygen plants has been shifted to late fourth quarter of FY 2021.

**Afghanistan Works to Balance COVID-19 Interventions with Other Public-Health Demands**

Given the limited capacity of Afghanistan’s public-health sector, much of the country’s resources were redirected toward addressing the COVID-19 pandemic, causing a disruption of health-care service delivery in other health areas, including maternal care, child immunizations, and tuberculosis. As a result of measures put into place to ensure access to maternal care, including maintaining 2,400 facilities for basic maternal health services, “the impact was minimal,” according to USAID.

The United Nations Children’s Fund (UNICEF) estimated that child-mortality rates increased by 1.4%, neonatal mortality by 1.3%, stillbirths by 1.3%, and maternal deaths by 1.7% in 2020 as compared to 2019. In the first two quarters of 2021, however, these rates more than doubled; child mortality rates increased by 2.7%, neonatal mortality by 3.6%, stillbirths by 3.6%, and maternal deaths by 3.6%, as compared to 2019.

Afghanistan and Pakistan are the only two countries in the world where polio remains endemic. The COVID-19 pandemic, however, halted Afghanistan’s polio-vaccination programs in March–August 2020 over fears of contamination.
of spreading the disease among vaccinators and recipient families. Polio vaccinations resumed in September 2020.\textsuperscript{753}

WHO and 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. The Global Polio Eradication Initiative reported 56 polio cases in Afghanistan in 2020, compared to 29 total cases in 2019 and 21 total cases in 2018. Development agencies have reported seven cases of polio in 2021, as of March 2021.\textsuperscript{754}

On January 17, 2021, the Afghan Ministry of Public Health launched a new nationwide polio-vaccination campaign to provide vaccines to children under the age of five.\textsuperscript{755} However, the continued Taliban ban on polio vaccinations in areas under their control resulted in approximately 2.5 million to 3 million children being missed in each of the vaccination campaigns conducted in December 2020 and January 2021.\textsuperscript{756} As the Afghan government expanded its polio-vaccination program, which involves door-to-door travel, health workers also faced threats to their security. In late March 2021, gunmen killed three female polio-vaccination health workers in Jalalabad, while a bombing at the health department of Nangarhar Province caused no casualties.\textsuperscript{757}

Health services are beginning to be redirected away from COVID-19 interventions and back to their original purpose. For instance, the tuberculosis infrastructure used for COVID-19 response and case management has been reassigned to handling tuberculosis this quarter, with a steady uptake in other key health services, according to the Ministry of Public Health’s Health Management Information System.\textsuperscript{758} During 2020, as a result of health resources for the treatment of tuberculosis being redirected to COVID-19 interventions, public-health officials stated that nearly 10,000 people died from tuberculosis after they were unable to be diagnosed and treated.\textsuperscript{759}

However, future challenges may arise. The United Nations’ Office of the Coordination of Humanitarian Affairs (UN OCHA) anticipates that the roll-out of the COVID-19 vaccination campaign, which requires approximately 3,000 workers to implement, may further divert health-care workers and resources from dealing with other diseases and public health issues.\textsuperscript{760} USAID informed SIGAR that World Bank funding approved in late March 2021 should help mitigate this challenge as it includes provisions for hiring 2,000 additional workers.\textsuperscript{761} UN OCHA also warned that as a “water scarcity crisis is unfolding,” it could have implications for sanitation and hygiene in affected areas, increasing the risk of infectious and waterborne diseases, including COVID-19. These risks are compounded by the emergence of new variants of the disease.\textsuperscript{762}