

# 3 RECONSTRUCTION UPDATE



# RECONSTRUCTION UPDATE CONTENTS

|  |            |
|--|------------|
| <b>Overview</b>                        | <b>65</b>  |
| <b>Status of Funds</b>                 | <b>68</b>  |
| <b>Security</b>                        | <b>84</b>  |
| <b>Governance</b>                      | <b>118</b> |
| <b>Economic and Social Development</b> | <b>148</b> |
| <b>Counternarcotics</b>                | <b>184</b> |

**Photo on previous page**

An Afghan mason applies a layer of mortar to the brick wall he is building.  
(UN Assistance Mission in Afghanistan photo)

## RECONSTRUCTION UPDATE

### OVERVIEW

According to the United Nations Secretary-General, there was no substantive movement towards peace between the Afghan government and the Taliban this quarter. Taliban leaders reportedly believe that the 2016 fighting season was a success and, for the time being, see no incentive to enter into a strategic negotiation process. On December 23, 2016, the Taliban again publicly rejected peace talks, reiterating their long-held stance that talk of peace and reconciliation is “meaningless” as long as foreign forces remain in Afghanistan.

The same day, President Barack Obama signed the Fiscal Year (FY) 2017 National Defense Authorization Act, authorizing up to \$4.26 billion for the Afghanistan Security Forces Fund (ASFF.) The ASFF is the United States’ principal fund to build, train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF). President Obama pledged to recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020. For its part, the international community pledged at the October 2016 NATO summit in Warsaw to provide more than \$800 million annually for the ANDSF from 2018 to 2020.

SIGAR’s analysis of the most recent data provided by U.S. Forces in Afghanistan (USFOR-A) suggests that the security situation in Afghanistan has not improved this quarter. The numbers of the Afghan security forces are decreasing, while both casualties and the number of districts under insurgent control or influence are increasing.

The Afghan government faced tensions within the executive branch over the actions of First Vice-President Abdul Rashid Dostum and conflict between the executive and parliament over the dismissal of seven government ministers.

In October, First Vice-President Dostum publicly accused President Ashraf Ghani and Chief Executive Abdullah Abdullah of nepotism and ethnic bias in government appointments. Both Ghani and Abdullah’s offices condemned Dostum’s statement.

Then on November 24, Dostum reportedly kidnapped a political rival, a former governor of Jowzjan Province. Once released, the victim accused Dostum on national television of ordering him to be beaten and raped with

# RECONSTRUCTION UPDATE



**Farmland creeps through** the rolling hills of Badakshan Province in northeastern Afghanistan. Only about 12% of the country is suitable for agriculture. (UN Assistance Mission in Afghanistan photo by Fardin Waezi)

the muzzle of a rifle while in Dostum's private custody. The U.S. Embassy and the European Union called for an investigation. On December 17, the Afghan attorney general's office announced it was investigating the matter. As of December 22, Dostum refused an attorney-general summons. Claiming the first vice-president has the same legal standing as the president, Dostum's chief of staff labeled the summons illegal, arguing that allegations of crimes against the president can only be made by a two-thirds vote by parliament. Chief Executive Abdullah's office called the handling of the Dostum investigation a significant test for the unity government.

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers after they were summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). Four of the seven ministers sanctioned by parliament were nominees of President Ghani, while the remaining three had been nominated by Chief Executive Abdullah. Parliament considers those who received votes of no confidence dismissed. On November 14, President Ghani ordered the ministers to continue working, referring the issue of the dismissal's legality to the Afghan Supreme Court.

Afghanistan began FY 1396, which runs from December 21, 2016, through December 20, 2017, without an approved budget. The lower house of parliament rejected the draft budget submitted by the executive twice, arguing

that project funds were not well balanced between provinces. Parliament rejected a draft FY 1395 budget with the same critique. On January 16, 2017, the parliament passed an AFN 429 billion budget (more than \$6.4 billion in current dollars) on its third attempt with only 57% of lower house members participating in the vote. Domestic revenues are to pay for 38% of the budget, with donor assistance covering the rest.

Domestic revenues collected in the first 11 months of FY 1395 rose 32.0% above the same period in the previous year, but still covered only about 46.4% of total government expenditures, leaving a \$2.4 billion fiscal gap. Recurrent revenue streams like taxation and customs revenues increased more modestly. Revenue from the sale of government-owned land and buildings saw the biggest percentage increase compared to the same period last year, but it is questionable whether revenue inflows from such finite sources are sustainable. Increased revenue, while positive in light of Afghanistan's persistent fiscal gap, had no appreciable benefit for Afghanistan's economy.

The World Bank projected Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to grow 1.2% in 2016, marginally higher than 0.8% in 2015. The IMF said current economic growth—which is not keeping pace with the growth in population—remains far below what is necessary to increase employment and improve living standards.

Final approval of the U.S. government's revised counternarcotics strategy has been postponed until the new U.S. Administration takes office. The United States has provided \$8.5 billion for counternarcotic efforts in Afghanistan since 2002, but the area under poppy cultivation this year increased 10% to 201,000 hectares compared to last year's total.

The United Nations also reported that eradication results in 2016 were the lowest this decade at 355 hectares—a 91% decrease from 2015. Though cultivation decreased 7% in Helmand, the country's main opium poppy-cultivating province, it increased significantly in some provinces, such as Badghis (184%), while Jowzjan Province lost the poppy-free status it had regained in 2008. Additionally, Afghanistan has a severe and growing domestic addiction problem, with an estimated 11% of the adult population using drugs.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.3 billion, as of December 31, 2016. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$98.8 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$8.4 billion of this amount remained available for potential disbursement.

## STATUS OF FUNDS CONTENTS

|   |    |
|---|----|
| U.S. Reconstruction Funding for Afghanistan             | 70 |
| Afghanistan Reconstruction Funding Pipeline             | 72 |
| Afghanistan Security Forces Fund                        | 74 |
| ASFF Budget Activities                                  | 75 |
| Commander's Emergency Response Program                  | 76 |
| Afghanistan Infrastructure Fund                         | 77 |
| Task Force for Business and<br>Stability Operations     | 78 |
| DOD Drug Interdiction and<br>Counter-Drug Activities    | 79 |
| Economic Support Fund                                   | 80 |
| International Narcotics Control and<br>Law Enforcement  | 81 |
| International Reconstruction Funding<br>for Afghanistan | 82 |

## STATUS OF FUNDS

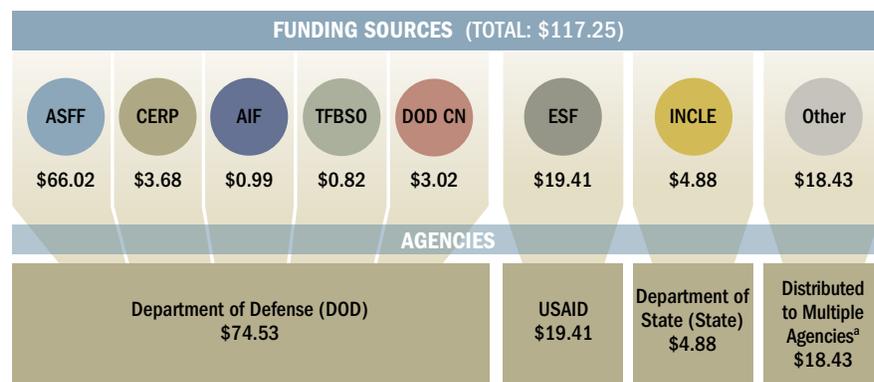
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2016, the United States had appropriated approximately \$117.25 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$70.55 billion for security (\$4.33 billion for counternarcotics initiatives)
- \$32.83 billion for governance and development (\$4.18 billion for counternarcotics initiatives)
- \$3.08 billion for humanitarian aid
- \$10.77 billion for civilian operations

Figure 3.1 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.1

### U.S. FUNDS SUPPORTING AFGHANISTAN RECONSTRUCTION EFFORTS (\$ BILLIONS)



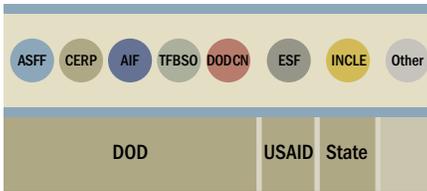
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International Narcotics Control and Law Enforcement
- Other:** Other Funding

Note: Numbers have been rounded.

<sup>a</sup> Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, Broadcasting Board of Governors (BBG), and SIGAR.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016,” 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS



## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2016, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.25 billion, as shown in Figure 3.2. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.50 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.33 billion) and governance and development (\$4.18 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

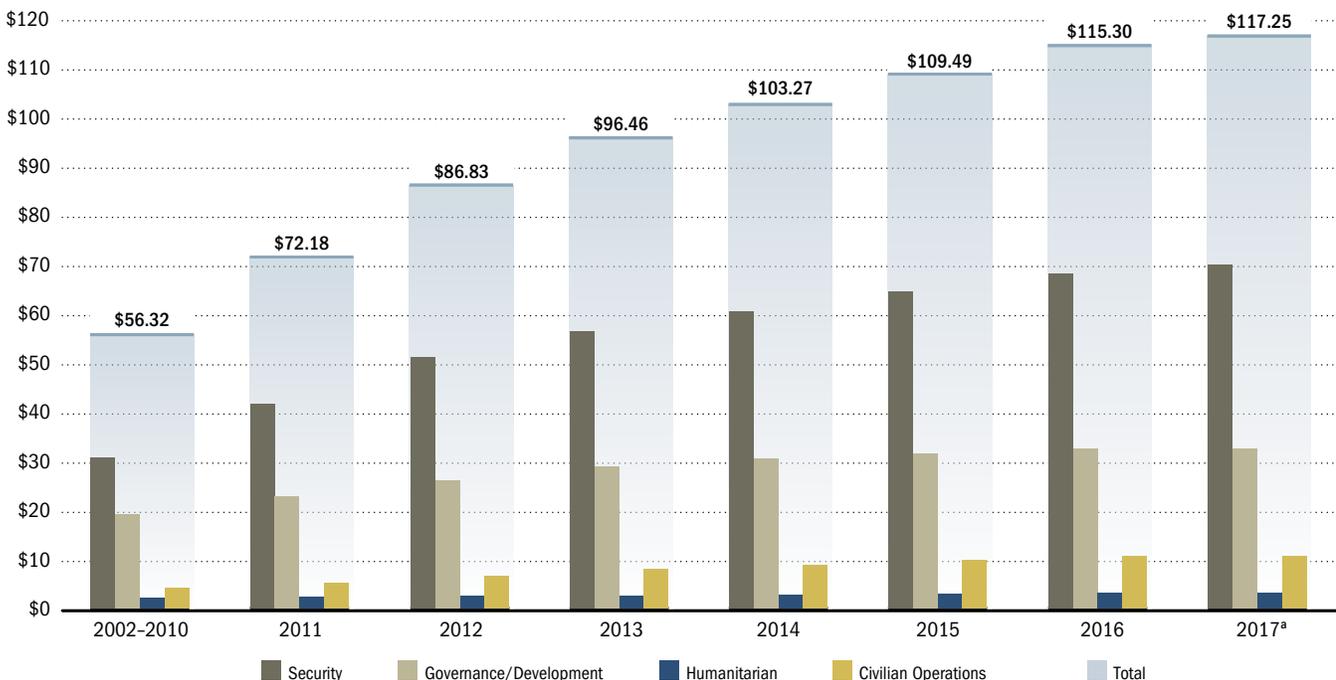
At the end of the fiscal quarter, the U.S. government was operating under a continuing resolution for FY 2017. As a result, Figure 3.3 shows the amount of FY 2017 funding made available for obligation under continuing resolutions, as of December 31, 2016.

On November 10, President Barack Obama released an amended FY 2017 budget for Overseas Contingency Operations (OCO). For Afghanistan, the amendment increases the amount requested for the Afghanistan

The amount provided to the seven major U.S. funds represents nearly 84.3% (over \$98.82 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 92.1% (over \$91.02 billion) has been obligated, and over 86.9% (nearly \$85.92 billion) has been disbursed. An estimated \$4.53 billion of the amount appropriated these funds has expired.

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2016 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID. <sup>a</sup> FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS

Security Forces Fund by \$814.5 million to \$4.26 billion. The additional funding is primarily intended to begin transitioning the Afghan National Defense and Security Forces (ANDSF) from Russian-manufactured to U.S.-manufactured helicopters.<sup>53</sup>

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan.<sup>54</sup> This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.<sup>55</sup> Since 2002, the United States has provided more than \$10.25 billion in on-budget assistance. This includes about \$5.66 billion to Afghan government ministries and institutions, and nearly \$4.60 billion to three multinational trust funds—the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme's Law and Order Trust Fund (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance disbursed to the Afghan government and multilateral trust funds.

TABLE 3.1

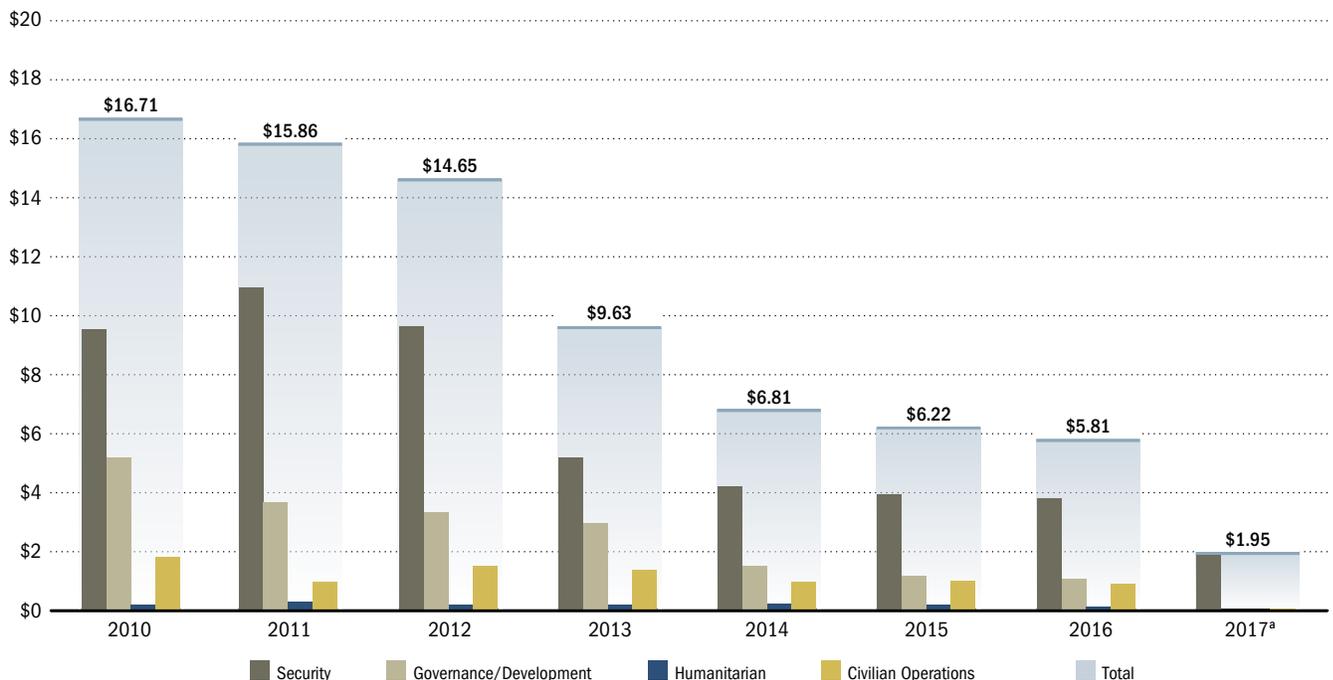
| U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS) |         |
|--|---------|
| <b>Government-to-Government</b>                                    |         |
| DOD  | \$4,946 |
| State  | 92      |
| USAID  | 619     |
| <b>Multilateral Trust Funds</b>                                    |         |
| LOTFA  | \$1,641 |
| ARTF   | 2,842   |
| AITF   | 113     |

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of December 31, 2016, USAID had obligated approximately \$1.3 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 1/18/2017; DOD, response to SIGAR data call, 6/25/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of November 20, 2016 (end of 11th month of FY 1395)", p. 4; UNDP, response to SIGAR data call, 1/19/2017.

FIGURE 3.3

APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID. <sup>a</sup> FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS

## AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated nearly \$117.25 billion for Afghanistan relief and reconstruction. Of this amount, \$98.82 billion (84.3%) was appropriated to the seven major reconstruction funds, as shown in Table 3.3.

FIGURE 3.4

### CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



TABLE 3.3

| CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED<br>FY 2002–2016 (\$ BILLIONS) |                 |                |                |               |
|---|-----------------|----------------|----------------|---------------|
|   | Appropriated    | Obligated      | Disbursed      | Remaining     |
| Afghanistan Security Forces Fund (ASFF)   | \$66.02         | \$61.75        | \$60.71        | \$3.32        |
| Commander's Emergency Response Program (CERP)   | 3.68            | 2.29           | 2.27           | 0.01          |
| Afghanistan Infrastructure Fund (AIF)   | 0.99            | 0.79           | 0.60           | 0.19          |
| Task Force for Business & Stability Operations (TFBSO)                                  | 0.82            | 0.75           | 0.64           | 0.11          |
| DOD Drug Interdiction and Counter-Drug Activities (DOD CN)                              | 3.02            | 3.02           | 3.02           | 0.00          |
| Economic Support Fund (ESF)   | 19.41           | 17.87          | 14.81          | 3.87          |
| International Narcotics Control & Law Enforcement (INCLE)                               | 4.88            | 4.55           | 3.87           | 0.87          |
| <b>Total Major Funds</b>  | <b>\$98.82</b>  | <b>\$91.02</b> | <b>\$85.92</b> | <b>\$8.37</b> |
| Other Reconstruction Funds  | 7.66            |                |                |               |
| Civilian Operations   | 10.77           |                |                |               |
| <b>Total</b>  | <b>\$117.25</b> |                |                |               |

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.5 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

TABLE 3.2

| FY 2016 AMOUNTS APPROPRIATED<br>(\$ MILLIONS) |                   |
|---|-------------------|
|   | Appropriated      |
| ASFF  | \$3,652.26        |
| CERP  | 5.00              |
| DOD CN  | 138.76            |
| ESF   | 812.27            |
| INCLE   | 185.00            |
| <b>Total Major Funds</b>                      | <b>\$4,793.29</b> |

As of December 31, 2016, approximately \$8.37 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.4. These funds will be used to train, equip, and sustain the ANDSF; complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

The major reconstruction accounts were appropriated \$4.79 billion for FY 2016. Of this amount, almost \$3.17 billion had been obligated from ASFF, and \$138.76 million had been transferred from DOD CN to the military services and defense agencies for obligation and disbursement, as of December 31, 2016. Nearly \$1.83 billion remained for possible disbursement. Table 3.2 shows amounts appropriated the major reconstruction funds for FY 2016.

# STATUS OF FUNDS

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$954.65 million remained for possible disbursement, as of December 31, 2016, as shown in Table 3.4 and Figure 3.5.

TABLE 3.4

| FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED<br>(\$ MILLIONS) |                   |                   |                   |                 |
|---|-------------------|-------------------|-------------------|-----------------|
|   | Appropriated      | Obligated         | Disbursed         | Remaining       |
| ASFF  | \$3,962.34        | \$3,947.50        | \$3,860.32        | \$87.17         |
| CERP  | 30.00             | 6.62              | 6.44              | 0.18            |
| AIF   | 144.00            | 130.46            | 15.97             | 114.48          |
| TFBSO   | 122.24            | 106.77            | 85.84             | 20.93           |
| DOD CN  | 238.96            | 238.96            | 238.96            | 0.00            |
| ESF   | 907.00            | 835.71            | 244.20            | 591.51          |
| INCLE   | 225.00            | 224.74            | 84.37             | 140.37          |
| <b>Total Major Funds</b>  | <b>\$5,629.54</b> | <b>\$5,490.75</b> | <b>\$4,536.10</b> | <b>\$954.65</b> |

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$139 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

Congress appropriated more than \$5.03 billion to four of the seven major reconstruction funds for FY 2015. Of that amount, more than \$1.28 billion remained for possible disbursement, as of December 31, 2016, as shown in Table 3.5 and Figure 3.6.

TABLE 3.5

| FY 2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED<br>(\$ MILLIONS) |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Appropriated      | Obligated         | Disbursed         | Remaining         |
| ASFF  | \$3,939.33        | \$3,935.19        | \$3,663.22        | \$271.98          |
| CERP  | 10.00             | 3.37              | 1.60              | 1.77              |
| ESF   | 831.90            | 790.40            | 4.96              | 785.44            |
| INCLE   | 250.00            | 249.95            | 27.30             | 222.66            |
| <b>Total Major Funds</b>  | <b>\$5,031.23</b> | <b>\$4,978.91</b> | <b>\$3,697.07</b> | <b>\$1,281.84</b> |

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$52 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

FIGURE 3.5

FY 2014 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

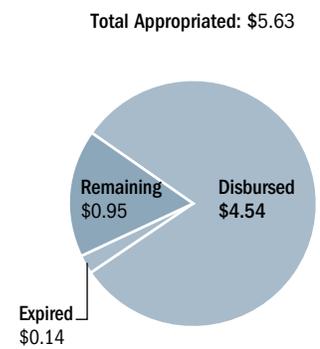
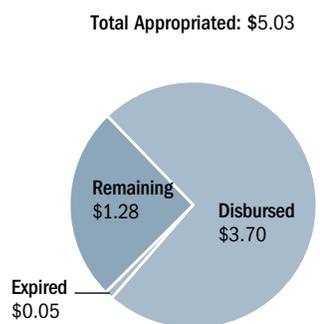
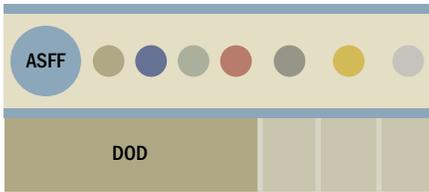


FIGURE 3.6

FY 2015 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



# STATUS OF FUNDS



## ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

## AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.<sup>56</sup> The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.<sup>57</sup>

DOD reported that nearly \$1.87 billion had been made available for obligation under FY 2017 continuing resolutions, as of December 31, 2016, increasing total cumulative funding to more than \$66.02 billion since 2005.<sup>58</sup> On November 10, President Barack Obama released an amended FY 2017 OCO budget request, which sought an additional \$814.5 million for the ASFF, increasing the FY 2017 request from \$3.45 billion to \$4.26 billion. The additional funding is primarily intended to begin transitioning the ANDSF from Russian-manufactured to U.S.-manufactured helicopters.<sup>59</sup>

As of December 31, 2016, more than \$61.75 billion of total ASFF funding had been obligated, of which nearly \$60.71 billion had been disbursed.<sup>60</sup> Figure 3.7 displays the amounts made available for the ASFF by fiscal year, and Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

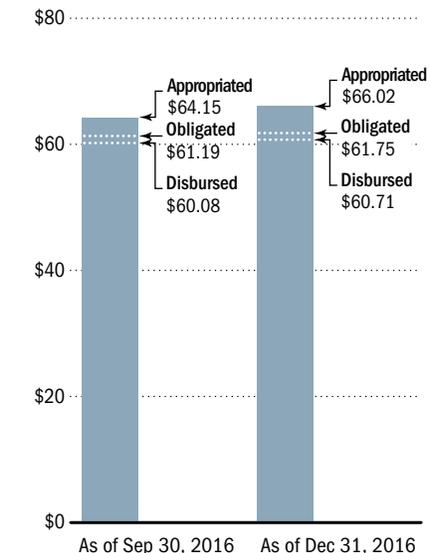
FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR (\$ BILLIONS)



FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers have been rounded. Data reflects reprogramming actions and rescissions. DOD reprogrammed \$1 billion of FY 2011, \$1 billion of FY 2012, and \$178 million of FY 2013 out of the ASFF to fund other DOD requirements. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014. Pub. L. No. 114-113 rescinded \$400 million from FY 2015. DOD reprogrammed \$230 million into FY 2015 ASFF.

<sup>a</sup> FY 2017 appropriation amount has not been determined. Figure reflects amount made available for obligation under continuing resolutions.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/19/2016; Pub. L. Nos. 114-113, 113-235, 113-76, and 113-6; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016.

# STATUS OF FUNDS

## ASFF BUDGET ACTIVITIES

DOD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.<sup>61</sup> The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.<sup>62</sup>

As of December 31, 2016, DOD had disbursed nearly \$60.72 billion for ANDSF initiatives. Of this amount, nearly \$40.55 billion was disbursed for the ANA, and nearly \$19.78 billion was disbursed for the ANP; the remaining \$388.63 million was directed to related activities such as detainee operations. This total is about \$9.34 million higher than the cumulative total disbursed due to an accounting adjustment which arises when there's a difference between the amount of disbursements or collections reported to the Defense Finance and Accounting Service and the Department of the Treasury.<sup>63</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$17.63 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$8.50 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>64</sup>

**Budget Activity Groups:** categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

**Subactivity Groups:** accounting groups that break down the command's disbursements into functional areas

Source: DOD, *Manual 7110.1-M Department of Defense Budget Guidance Manual*, accessed 9/28/2009; Department of the Navy, *Medical Facility Manager Handbook*, p. 5, accessed 10/2/2009.

FIGURE 3.9

**ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2016 (\$ BILLIONS)**

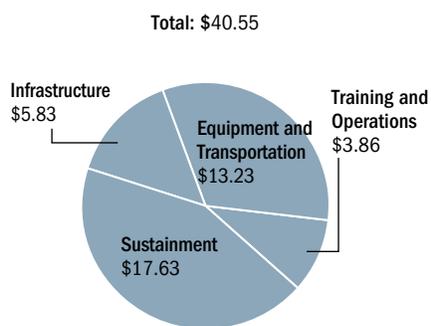
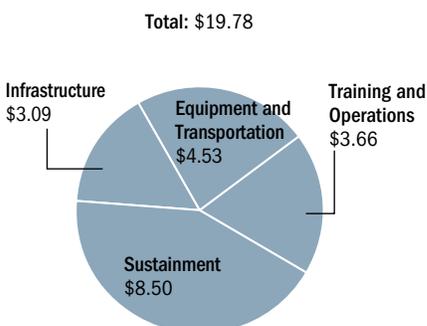


FIGURE 3.10

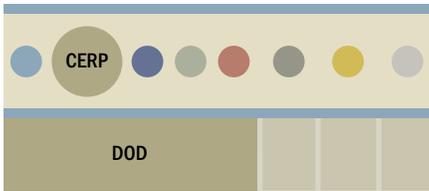
**ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2016 (\$ BILLIONS)**



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.<sup>65</sup> CERP-funded projects may not exceed \$2 million each.<sup>66</sup>

DOD reported that \$500,671 had been obligated from CERP under the FY 2017 continuing resolution, as of December 31, 2016.<sup>67</sup> Figure 3.11 displays the amounts made available for CERP by fiscal year.

Total cumulative funding for CERP amounted to more than \$3.68 billion. Of this amount, nearly \$2.29 billion had been obligated, of which more than \$2.27 billion had been disbursed. DOD reported that cumulative obligations increased by \$320,214 over the quarter, and cumulative disbursements increased by \$946,086.<sup>68</sup> Figure 3.12 provides a cumulative comparison of amounts made available, obligated, and disbursed for CERP.

FIGURE 3.11

**CERP APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

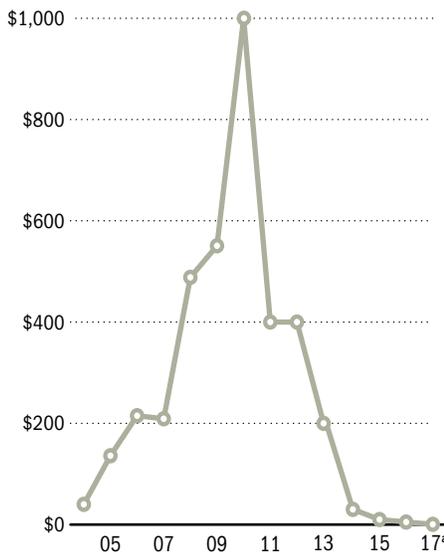


FIGURE 3.12

**CERP FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers.

<sup>a</sup> FY 17 appropriation amount has not been determined. Figure reflects amount obligated under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/12/2017 and 10/18/2016; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

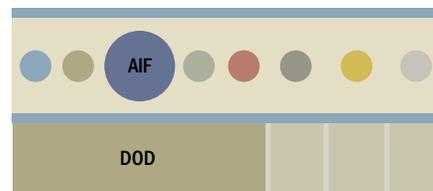
## AFGHANISTAN INFRASTRUCTURE FUND

The AIF was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort.

Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Each AIF-funded project is required to have a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.<sup>69</sup> The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress, and DOD may obligate up to \$50 million from the ASFF to complete existing AIF projects.<sup>70</sup>

The AIF received cumulative appropriations of over \$1.32 billion; however, \$335.50 million of these funds were transferred to the Economic Support Fund (ESF) for USAID's power transmission lines projects, bringing the cumulative amount remaining in the AIF to \$988.50 million.<sup>71</sup> Figure 3.13 shows AIF appropriations by fiscal year. Figure 3.14 shows AIF appropriations by fiscal year.

As of December 31, 2016, nearly \$788.00 million of total AIF funding had been obligated, and more than \$601.87 million had been disbursed, as shown in Figure 3.14.<sup>72</sup>



### AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2012.

FIGURE 3.13

**AIF APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

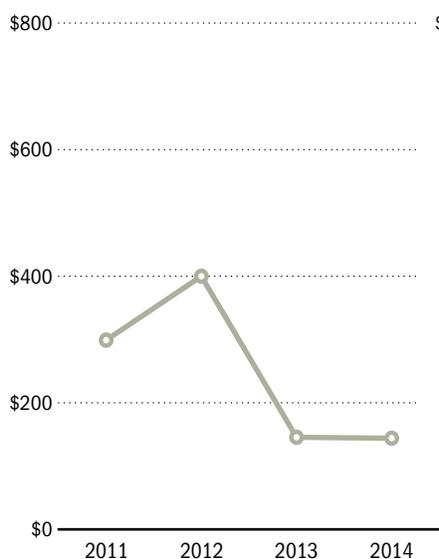
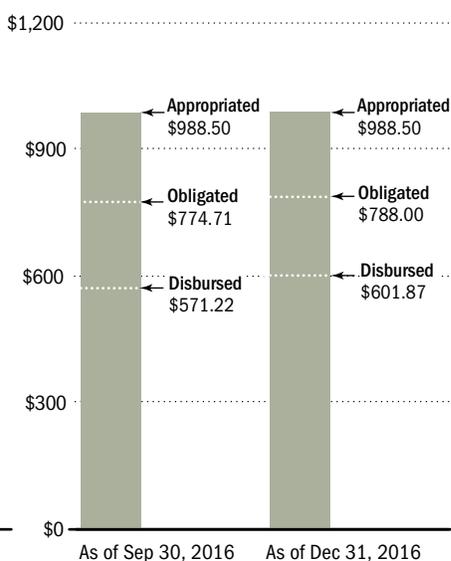


FIGURE 3.14

**AIF FUNDS, CUMULATIVE COMPARISON**  
(\$ MILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to USAID's Economic Support Fund: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/15/2016; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

# STATUS OF FUNDS



## TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

## TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO authorities expired on December 31, 2014, and the TFBSO concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>73</sup>

Through December 31, 2016, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, more than \$754.36 million had been obligated and more than \$640.60 million had been disbursed.<sup>74</sup> Figure 3.15 displays the amounts appropriated for the TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for the TFBSO and its projects.

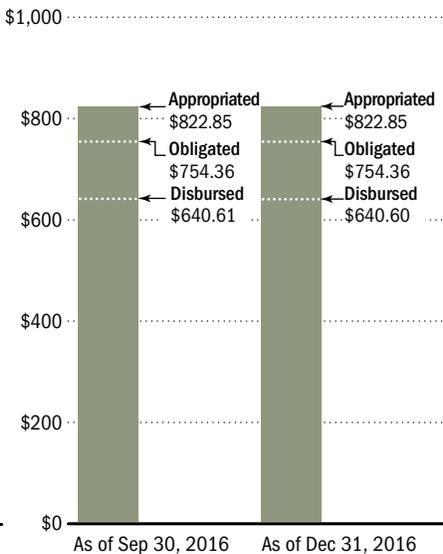
FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR  
(\$ MILLIONS)



FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON  
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower disbursed figure than reported last quarter. Of the \$822.85 million appropriated the TFBSO, \$366.05 million was from the Operations and Maintenance, Army, account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs; all FY 2015 funding was from this account.

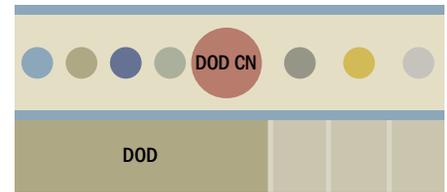
Source: DOD, response to SIGAR data calls, 1/13/2017, 10/11/2016, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, 112-10.

## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

The DOD Drug Interdiction and Counter-drug Activities (DOD CN) fund supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.<sup>75</sup>

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.<sup>76</sup>

DOD reported that nearly \$18.43 billion had been transferred from the DOD CN CTA to the military services and defense agencies for obligation under FY 2017 continuing resolutions, bringing cumulative funding for DOD CN to nearly \$3.02 billion since FY 2004, all of which had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2016.<sup>77</sup> Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



### DOD CN FUNDS TERMINOLOGY

DOD reported DOD CN funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

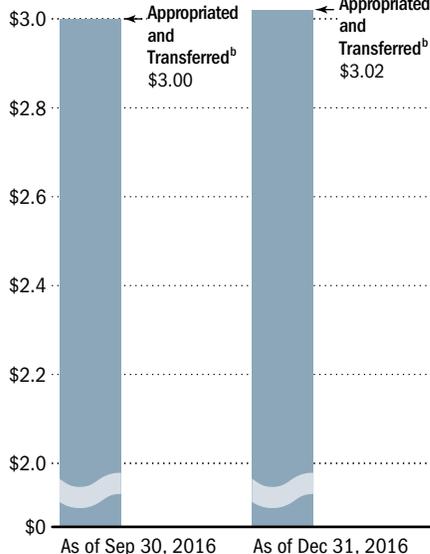
FIGURE 3.17

**DOD CN APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)



FIGURE 3.18

**DOD CN FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



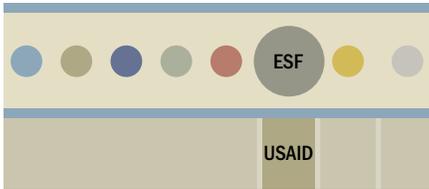
Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

<sup>a</sup> FY 2017 appropriation amount has not been determined. Figure reflects amount transferred to the military services and defense agencies for obligation under continuing resolution.

<sup>b</sup> DOD reprograms all DOD CN funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data calls, 1/13/2017 and 10/12/2016; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

# STATUS OF FUNDS



## ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: USAID, response to SIGAR data call, 4/15/2010.

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>78</sup>

The ESF was appropriated \$812.27 million for FY 2016, and USAID reported no obligations under FY 2017 continuing resolutions, resulting in no change to ESF's cumulative funding of \$19.41 billion, which includes amounts transferred from AIF to ESF for USAID's power transmission lines projects. Of this amount, nearly \$17.87 billion had been obligated, of which more than \$14.81 billion had been disbursed.<sup>79</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2016, decreased by \$993,229 and cumulative disbursements increased by nearly \$246.83 million from the amounts reported last quarter.<sup>80</sup> Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

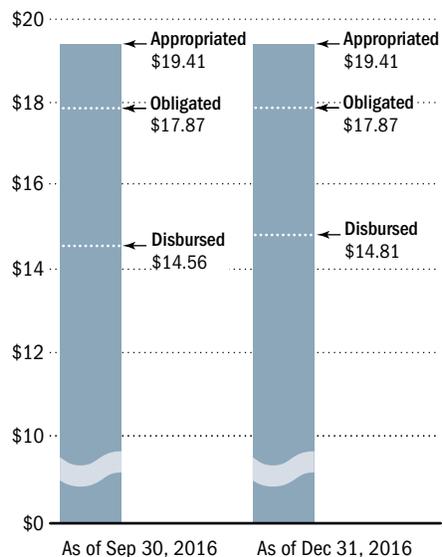
FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR  
(\$ BILLIONS)



FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to the ESF: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

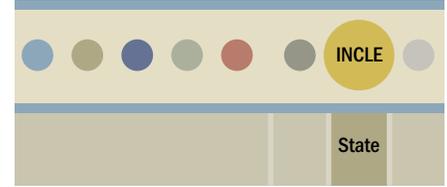
Source: USAID, response to SIGAR data calls, 1/10/2017 and 10/19/2016; State, response to SIGAR data calls, 5/4/2016, 10/20/2015, 4/15/2015 and 4/15/2014.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account which funds projects and programs for advancing rule of law and combating narcotics production and trafficking. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.<sup>81</sup>

State reported that INCLE was appropriated \$185 million for FY 2016 and reported no obligations under FY 2017 continuing resolutions, resulting in no change to INCLE's cumulative funding of \$4.88 billion. Of this amount, more than \$4.55 billion had been obligated, of which, nearly \$3.87 billion had been disbursed.<sup>82</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2016, decreased by roughly \$34,000, and cumulative disbursements increased more than \$35.91 million over amounts reported last quarter.<sup>83</sup> Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



### INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: State, response to SIGAR data call, 4/9/2010.

FIGURE 3.21

**INCLE APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

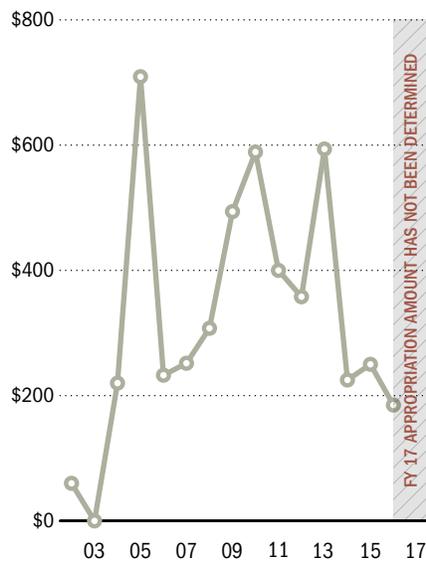
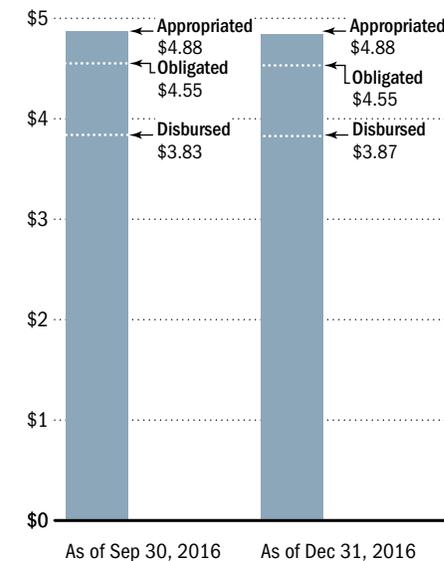


FIGURE 3.22

**INCLE FUNDS, CUMULATIVE COMPARISON**  
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers.  
Source: State, response to SIGAR data calls, 1/6/2017, 10/12/2016, and 4/7/2016.

# STATUS OF FUNDS

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. Most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>84</sup>

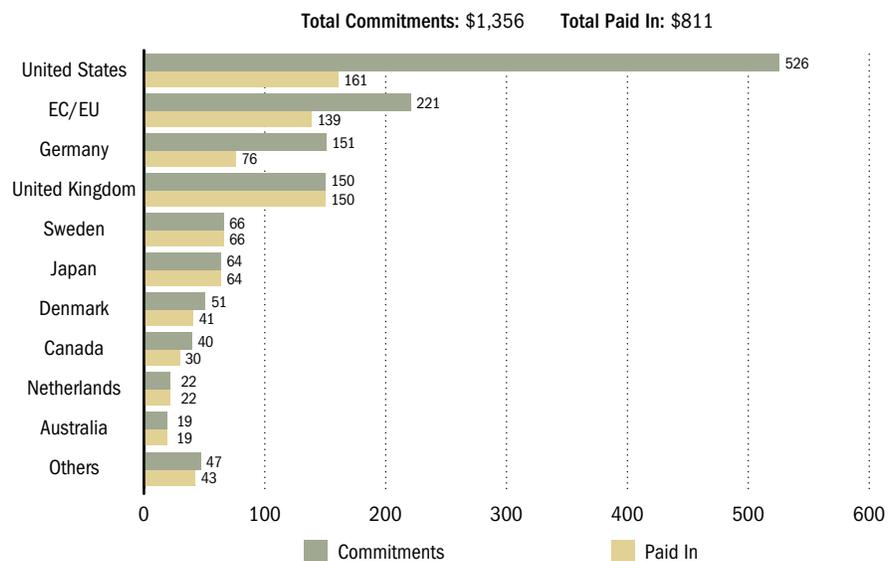
### Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to November 20, 2016, the World Bank reported that 34 donors had pledged more than \$10.01 billion, of which nearly \$9.40 billion had been paid in.<sup>85</sup> According to the World Bank, donors had pledged nearly \$1.36 billion to the ARTF for Afghan fiscal year 1395, which runs from December 22, 2015, to December 21, 2016.<sup>86</sup> Figure 3.23 shows the 10 largest donors to the ARTF for FY 1395.

As of November 20, 2016, the United States had pledged nearly \$3.21 billion and paid in more than \$2.84 billion since 2002.<sup>87</sup> The United States and

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1395 BY DONOR, AS OF NOVEMBER 20, 2016 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1395 = 12/22/2015–12/21/2016.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of November 20, 2016 (end of 11th month of FY1395)," p. 1.

# STATUS OF FUNDS

the United Kingdom are the two biggest donors to the ARTF, together contributing 48% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>88</sup> As of November 20, 2016, according to the World Bank, nearly \$4.08 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>89</sup> The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.<sup>90</sup>

The Investment Window supports the costs of development programs. As of November 20, 2016, according to the World Bank, nearly \$4.54 billion had been committed for projects funded through the Investment Window, of which more than \$3.61 billion had been disbursed. The World Bank reported 26 active projects with a combined commitment value of nearly \$3.20 billion, of which more than \$2.27 billion had been disbursed.<sup>91</sup>

## Contributions to the Law and Order Trust Fund for Afghanistan

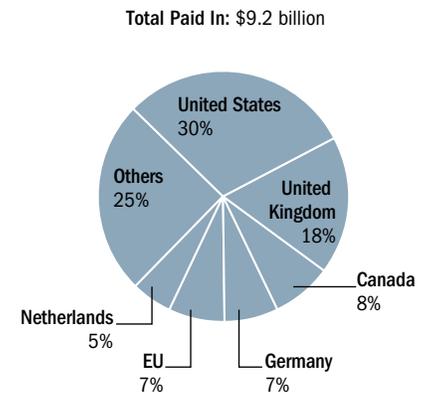
The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior (MOI).<sup>92</sup> Since 2002, donors have pledged nearly \$5.18 billion to the LOTFA, of which nearly \$4.90 billion had been paid in, as of December 31, 2016. UNDP reported that the United States had committed and paid in more than \$1.64 billion since the fund’s inception.<sup>93</sup> Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA’s eighth phase began on July 1, 2015. The phase has an initial estimated budget of \$883.56 million and has been extended past December 31, 2016. The Phase VIII budget is divided between two individual projects. Over \$850.56 million is for the Support to Payroll Management (SPM) project that aims to develop the capacity of the Afghan government to independently manage all non-fiduciary aspects of its pay budget for the ANP and Central Prisons Directorate (CPD) staff by December 31, 2016.<sup>94</sup> While capacity building is an important aspect of the project, most SPM project funding—nearly \$842.44 million—will be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and CPD staff remunerations.<sup>95</sup> The MOI and Police Development (MPD) project is budgeted the remaining \$33 million. The MPD project focuses on institutional development of the MOI and police professionalization of the ANP.<sup>96</sup>

From July 1, 2015, through September 30, 2016, UNDP had expended nearly \$552.88 million on the SPM project for Phase VIII. Of this amount, nearly \$548.04 million was transferred to the MOF to pay for ANP and CPD staff. In addition, nearly \$11.63 million was expended on the MPD project.<sup>97</sup>

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–NOVEMBER 20, 2016

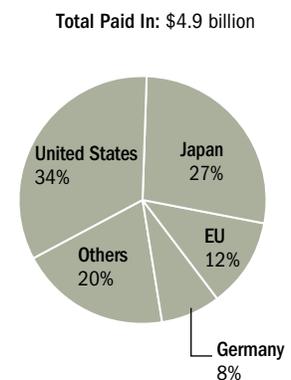


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of November 20, 2016 (end of 11th month of FY1395),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2016



Note: Numbers have been rounded. EU = European Union. “Others” includes 26 donors.

Source: UNDP, response to SIGAR data call, 1/19/2017.

# SECURITY CONTENTS

|   |            |
|---|------------|
| <b>Key Issues and Events</b>                                      | <b>85</b>  |
| <b>U.S. Reconstruction Funding for Security</b>                   | <b>86</b>  |
| <b>District Control Continues to Decline</b>                      | <b>89</b>  |
| <b>U.S. Forces in Afghanistan</b>                                 | <b>91</b>  |
| <b>ANDSF Headquarters Elements<br/>Demonstrated Mixed Results</b> | <b>94</b>  |
| <b>Afghan National Army</b>                                       | <b>102</b> |
| <b>Afghan National Police</b>                                     | <b>110</b> |
| <b>Women Comprise 1.4% of ANDSF Personnel</b>                     | <b>114</b> |
| <b>ANDSF Medical and Health Care</b>                              | <b>115</b> |
| <b>Removing Unexploded Ordnance</b>                               | <b>115</b> |

## SECURITY

### KEY ISSUES AND EVENTS

SIGAR's analysis of the most recent data provided by U.S. Forces in Afghanistan (USFOR-A) suggests that the security situation in Afghanistan has not improved this quarter. The numbers of the Afghan security forces are decreasing, while both casualties and the number of districts under insurgent control or influence are increasing.<sup>98</sup>

During his nomination hearing before the Senate Armed Services Committee in January 2016, then-Lieutenant General John W. Nicholson Jr., commander of U.S. and NATO troops in Afghanistan, said Afghanistan had an air-power shortfall.<sup>99</sup> General Nicholson, in a press conference on December 2, provided details of Department of Defense (DOD) plans to replace Afghanistan's aging Russian-made Mi-17 helicopter fleet with U.S.-made UH-60 "Black Hawk" helicopters.<sup>100</sup> DOD reported that the current Mi-17 fleet in Afghanistan is in a state of steady decline due to higher-than-anticipated utilization rates and accelerating attrition that need to be addressed in the coming years.<sup>101</sup> General Nicholson also stated that Afghan requests for Russian technical assistance for the Mi-17s had not been fruitful.<sup>102</sup>

In November 2016, DOD requested \$814.5 million from Congress as part of an amendment to the fiscal year (FY) 2017 Overseas Contingency Operation Budget to purchase and upgrade obsolete U.S. Army UH-60A Black Hawk helicopters for Afghanistan. The budget request, still awaiting congressional approval, would also fund additional A-29 Super Tucano light attack aircraft, MD-530 helicopters, and an armed variant of the single-turboprop C-208 utility aircraft.<sup>103</sup>

On December 23, 2016, President Obama signed the Fiscal Year (FY) 2017 National Defense Authorization Act, authorizing up to \$4.26 billion for the Afghanistan Security Forces Fund (ASFF). The ASFF is the United States' principal fund to build, train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF). President Obama pledged to recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020. For its part, the international community pledged at the October 2016 NATO summit in Warsaw to provide more than \$800 million annually for the ANDSF from



**General John Nicholson** briefs reporters on the security situation in Afghanistan at the Pentagon in Washington, DC, in December 2016. (DOD photo by U.S. Air Force SSG Jette Carr)

2018 to 2020.<sup>104</sup> NATO's mission in Afghanistan is the largest and longest operation in the alliance's history.<sup>105</sup>

After nearly a decade, the European Union Police Mission in Afghanistan ended on December 31, 2016, in accordance with a December 2014 Council of the European Union decision, as planned for the expected (now extended) end of the Resolute Support (RS) mission. The EU will, however, continue a smaller mission beginning in March 2017 that will have a narrower focus on ministry-level advising.<sup>106</sup>

## U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of December 31, 2016, the U.S. Congress had appropriated nearly \$70.6 billion to support the ANDSF. This accounts for 60% of all U.S. reconstruction funding for Afghanistan since FY 2002.

In 2005, Congress established the ASFF to build, equip, train, and sustain the ANDSF, which comprises all security forces under the Ministry of Defense (MOD) and the Ministry of Interior (MOI). Additionally, ASFF is used to support the Afghan Local Police (ALP), which falls under the authority of the MOI although it is not considered part of the ANDSF. Most U.S.-provided funds were channeled through the ASFF and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. According to DOD, ASFF funds are transferred to Da Afghanistan Bank, similar to the U.S. Federal Reserve, and then the Ministry of Finance sends treasury checks to fund the MOD and MOI based on submitted funding requests.<sup>107</sup> Of the \$66 billion appropriated for the ASFF, \$61.8 billion had been obligated and \$60.7 billion disbursed.<sup>108</sup>

This section discusses assessments of the Afghan National Army (ANA), Afghan National Police (ANP), and the Ministries of Defense and Interior; and gives an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces.

## UN Reports Afghan Security Deteriorating

The United Nations (UN) Secretary-General reported in December that Afghanistan's security situation further deteriorated between January and October 2016, with intensifying armed clashes between the Afghan security forces and the Taliban. Armed clashes reached their highest level since UN reporting began in 2007, and marked a 22% increase over the same period in 2015.<sup>109</sup> The Taliban continued to challenge government control in key districts and attempted to cut off strategically important highways and supply routes.<sup>110</sup>

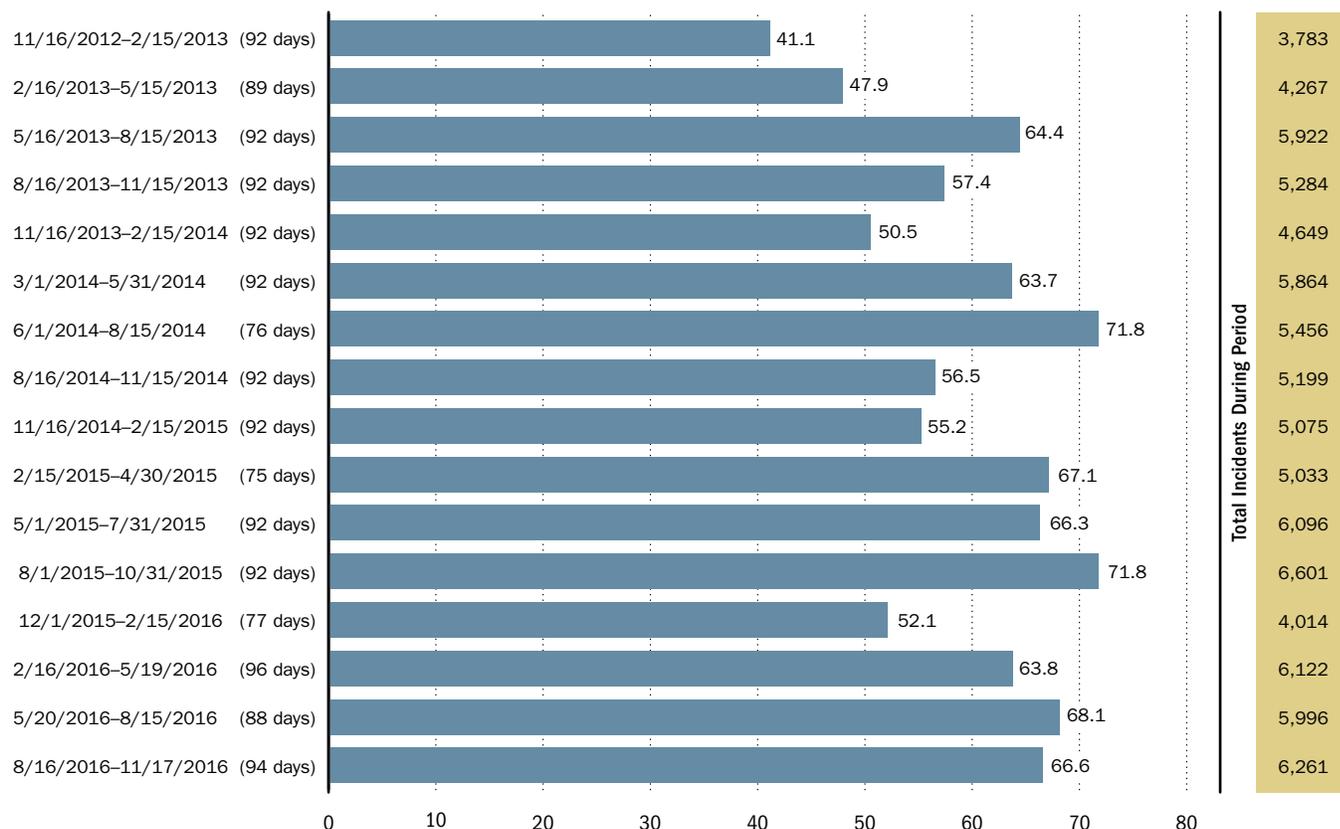
The UN recorded 6,261 **security incidents** between August 16 and November 17, 2016, as reflected in Figure 3.26, representing a 9% increase from the same period in 2015, and an 18% decrease from the same period

**Security incidents:** reported incidents that include armed clashes, improvised-explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

Source: SIGAR, analysis of the United Nations report, 12/9/2014.

FIGURE 3.26

## AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Security incidents were not reported for the month of November 2015.

Source: UN, reports of the Secretary-General, *The situation in Afghanistan and its implications for International peace and security*, 9/7/2016, p. 5; 6/10/2016, p. 4; 3/7/2016, p. 6; 12/10/2015, p. 5; 9/1/2015, p. 4; 6/10/2015, p. 4; 2/27/2015, p. 4; 12/9/2014, p. 5; 9/9/2014, p. 6; 6/18/2014, p. 5; 3/7/2014, p. 5; 12/6/2013, p. 6; 9/6/2013, p. 6; 6/13/2013, p. 5; 3/5/2013, p. 5; and 12/13/2016, p. 4.

in 2014.<sup>111</sup> As in past UN reporting, armed clashes account for the majority of the security incidents (65%), followed by those involving improvised-explosive devices (18%). During the period, the majority of the recorded security incidents (66%) continued to occur in the southern, southeastern, and eastern regions.<sup>112</sup>

According to DOD, there were 5,271 enemy-initiated attacks which resulted in at least one non-insurgent being killed or wounded between June 1 and November 30, 2016, less than the 5,822 during the same period in 2015, for monthly averages of 879 and 971 respectively.<sup>113</sup> Direct fire remains the most common form of effective enemy-initiated attacks, followed by improvised-explosive device (IED) explosions and mine strikes. DOD reported the number of direct-fire attacks has grown dramatically as the Taliban increased attacks on ANA and ANP.<sup>114</sup>

“[ISIL] still poses, obviously, a threat to Afghanistan [and] the people of Afghanistan.

We’ll continue to stay very, very focused on ISIL wherever it rears its head, whether it’s Afghanistan, whether it’s Iraq and Syria, whether it’s other parts of the world.”

– Peter Cook, *Pentagon Press Secretary*

Source: Peter Cook, Department of Defense, in the Pentagon Briefing Room, 11/22/2016.

As the year ended, the ANDSF were fighting insurgents in areas such as Helmand, Uruzgan, Kandahar, Kunduz, Laghman, Zabul, Wardak, and Faryab Provinces.<sup>115</sup>

DOD reported that discord between various political, ethnic, and tribal factions within the Afghan government, as well as delays in or fallouts from potential parliamentary elections, could contribute to a degradation of the security situation.<sup>116</sup> DOD predicted the insurgency will continue to exploit ANDSF vulnerabilities. As Afghan Air Force (AAF) capabilities grow, DOD predicted the Taliban are likely to use smaller groupings of fighters. They will likely use harassing attacks against lightly defended checkpoints, challenge the ANDSF in rural areas, and impede ground lines of communication to isolate district and provincial centers prior to attacking them.<sup>117</sup>

DOD assessed Islamic State of Iraq and the Levant (ISIL) numbers will not present a security impact outside isolated provinces in eastern Afghanistan.<sup>118</sup> Nevertheless, General Nicholson reported a concern that any of the 20 terrorist groups in the Afghanistan-Pakistan region—13 in Afghanistan and seven in Pakistan—could morph into “a more virulent strain” wherein “the whole becomes greater than the sum of the parts.”<sup>119</sup>

## Civilian Casualties

The United Nations Assistance Mission in Afghanistan (UNAMA) reported that 8,397 conflict-related civilian casualties occurred between January 1 and September 30, 2016, a 1% decrease compared to the same period in 2015.<sup>120</sup> UNAMA found that antigovernment elements, responsible for 61% of the civilian casualties, were perpetrating illegal and indiscriminate attacks and were deliberately targeting civilians.<sup>121</sup> A Nangarhar provincial spokesperson reported on December 23, 2016, that ISIL destroyed 230 homes, two mosques, a 10-bed hospital, and three schools during a nearly 45-day period after seizing the Pachir Agam district. In addition, more than 200 acres of farm land were destroyed, about 5,000 livestock were killed, and 63 men were still being held captive.<sup>122</sup>

UNAMA reported a 67% increase in the number of casualties caused by unexploded ordnance; 84% of the 510 casualties were children.<sup>123</sup> On October 18, 2016, UNAMA concluded that a July 23 ISIL attack on ethnic-Hazara demonstrators—the deadliest single incident recorded by the UN in Afghanistan since 2001—deliberately targeted civilians.<sup>124</sup> UNAMA called on all parties to abide by international humanitarian law reiterating that attacks directly targeting civilians may constitute war crimes.<sup>125</sup> Of the civilian casualties, some 23% were attributed to pro-government forces (which includes the ANDSF and Coalition forces).<sup>126</sup> UNAMA also raised concerns about a 72% increase in civilian casualties caused by aerial strikes (292).<sup>127</sup>

On January 12, American and Afghan media outlets reported the results of USFOR-A’s investigation into a joint U.S.-Afghan special forces airstrike against Taliban insurgents in Kunduz Province in early November. The

investigation concluded that 33 civilians were killed, 27 civilians were wounded, and two U.S. military personnel and three Afghan commandos were killed. USFOR-A said the operation was conducted to capture Taliban leaders deemed responsible for violence in Kunduz in October. Their investigation found that U.S. forces used the minimum force necessary to successfully neutralize the threats posed by the enemy from civilian buildings, and the civilian casualties were likely a result of those civilians having been inside buildings the Taliban were occupying. Having determined that U.S. forces were acting in self-defense in accordance with all applicable laws and policies, USFOR-A plans no further action.<sup>128</sup>

High-profile attacks continue. At least six people were killed and 128 wounded when Taliban attackers drove an explosive-laden truck into the German consulate in Mazar-e Sharif on November 10, 2016. The Taliban claimed the attack was retaliation for Germany's support of the above-mentioned airstrike in Kunduz.<sup>129</sup> A Taliban attack on a Helmand parliamentarian's home in Kabul on December 21, 2016, left the MP injured and eight people dead, including the MP's two grandsons and the son of an Uruzgan MP.<sup>130</sup> Two days later, unidentified gunmen fired on the home of a former Taliban leader who had reintegrated into Afghan society and was active in efforts to revive peace talks.<sup>131</sup> On December 28, a Bamiyan parliamentarian was wounded and his bodyguard killed when a roadside bomb detonated.<sup>132</sup>

On January 10, a suicide bomber followed by a vehicle-borne explosion rocked Kabul, killing at least 50 people and wounding 150 near government and legislative offices.<sup>133</sup> Later that day, an explosion in the Kandahar governor's compound killed at least 10 people, including five United Arab Emirates (UAE) diplomats and the deputy governor. The Taliban denied responsibility, saying the blast, which also wounded the governor and the UAE ambassador, stemmed from "internal" local government disputes. The attack was the deadliest on UAE's diplomatic corps in the country's 45-year history.<sup>134</sup>

## DISTRICT CONTROL CONTINUES TO DECLINE

U.S. Forces Afghanistan (USFOR-A) reported that approximately 57.2% of the country's 407 districts are under Afghan government control or influence as of November 15, 2016, a 6.2% decrease from the 63.4% reported last quarter in late August, and a nearly 15% decrease since November 2015.<sup>135</sup> As reflected in Table 3.6 on page 90, of the 407 districts of Afghanistan's 34 provinces, 233 districts were under government control (83 districts) or influence (150), 41 districts (in 15 provinces) were under insurgent control (9) or influence (32), and 133 districts were "contested."<sup>136</sup> According to USFOR-A, the number of districts under insurgent control or influence rose 2% from August 30 to November 15, 2016, to 10.1% of the country's total districts, and the number of

"This is an insurgency that still enjoys sanctuary and support from outside the country; that's very difficult for the Afghans to defeat."

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, Press Briefing in the Pentagon Briefing Room, 12/2/2016.

TABLE 3.6

| <b>DISTRICT CONTROL WITHIN THE 34 AFGHANISTAN PROVINCES AS OF NOVEMBER 26, 2016</b> |            |             |             |             |                |             |
|---|------------|-------------|-------------|-------------|----------------|-------------|
| Control Status  | Districts  |             | Population  |             | Area           |             |
|   | Number     | %           | In millions | %           | Sq Km          | %           |
| GIROA   |            |             | 20.4        | 63.6%       | 367,638        | 57.1%       |
| Control   | 83         | 20.4%       |             |             |                |             |
| Influence   | 150        | 36.9%       |             |             |                |             |
| CONTESTED   | 133        | 32.7%       | 9.2         | 28.7%       | 172,088        | 26.7%       |
| INSURGENT   |            |             | 2.5         | 7.8%        | 104,063        | 16.2%       |
| Control   | 9          | 2.2%        |             |             |                |             |
| Influence   | 32         | 7.9%        |             |             |                |             |
| <b>Total</b>  | <b>407</b> | <b>100%</b> | <b>32.1</b> | <b>100%</b> | <b>643,789</b> | <b>100%</b> |

Note: GIROA = Government of the Islamic Republic of Afghanistan, sq km = square kilometers.

Source: USFOR-A, response to SIGAR data call, 11/26/2016.

contested districts rose 4.2% over the same period to 32.7% of all districts.<sup>137</sup> Previously USFOR-A has described contested districts as having “negligible meaningful impact from insurgents,” contending that neither the insurgency nor the Afghan government maintains significant control over these areas.<sup>138</sup>

USFOR-A identified the regions/provinces with the largest percentage of insurgent-controlled or -influenced districts as Uruzgan Province, with five out of six (83.3%) of its districts under insurgent control or influence, and Helmand with eight out of 14 (57.1%) of its districts under insurgent control or influence.<sup>139</sup> The region with the most districts under insurgent control or influence is centered on northeast Helmand Province and northwestern Kandahar Province, and includes the Helmand/Kandahar border area, Uruzgan Province, and northwestern Zabul. This region alone accounts for 16 of the 41 districts (or 31.7%) under insurgent control or influence.<sup>140</sup> The NATO-led Resolute Support (RS) mission determines district status by assessing five indicators of stability: governance, security, infrastructure, economy, and communications.<sup>141</sup>

USFOR-A attributes the loss of government control or influence over territory to the ANDSF’s strategic approach to security prioritization, identifying the most important areas that the ANDSF must hold to prevent defeat, and focusing less on areas with less strategic importance.<sup>142</sup>

Under its new Sustainable Security Strategy, the ANDSF targets “disrupt” districts for clearance operations when the opportunity arises, but will give first priority to protecting “hold” and “fight” districts under its control.<sup>143</sup> USFOR-A determined that from August to November 2016, all the districts that moved under insurgent control or influence were located in “disrupt” areas and that the ANDSF actually increased the Afghan government’s influence over the population in districts prioritized as “fight” and “hold” areas.<sup>144</sup>

USFOR-A noted that the insurgents failed in their eight attempts to capture a provincial capital this year.<sup>145</sup> Although the insurgents gained some ground,

USFOR-A determined that “the amount of population that the insurgency influences or controls decreased from 2.9 million to 2.5 million (a decrease of 1.2%)” in the last three months.<sup>146</sup> As reflected in Table 3.6, of the 32.1 million people living in Afghanistan, USFOR-A has assessed that the majority, 20.4 million (63.5%), live in areas controlled or influenced by the government, while another 9.2 million people (28.7%) live in areas that are contested.<sup>147</sup>

## U.S. FORCES IN AFGHANISTAN

According to DOD, the RS train, advise, and assist mission consisted of 13,332 U.S. and Coalition personnel as of December 2016. Of that number, 6,941 were U.S. forces and 6,391 were from 26 NATO allies and 12 non-NATO partners. The number of U.S. forces conducting or supporting counterterrorism operations is reported in this report’s classified annex; however, the total number of U.S. forces in Afghanistan was reported to be “approximately 9,000,” decreasing more recently to no more than 8,448.<sup>148</sup>

Between the start of Operation Freedom’s Sentinel (OFS) on January 1, 2015, through December 29, 2016, 19 U.S. military personnel assigned to OFS were killed in action, in addition to 12 non-hostile deaths, for a total of 31 U.S. military deaths. During this period, 145 U.S. military personnel assigned to OFS were wounded in action.<sup>149</sup> Since January 1, 2015, through the last update on March 7, 2016, seven U.S. civilians or contractors were killed due to hostile actions in addition to nine deaths due to non-hostile causes. Nine DOD, U.S. civilian, or contractor personnel were wounded during this period.<sup>150</sup> Last quarter, DOD noted that some of the contractors may have been involved in missions other than Resolute Support’s train, advise, and assist mission.<sup>151</sup> From January 1, 2016, through November 12, 2016, a total of three “insider” attacks—ANDSF personnel turning weapons on U.S. or allied military personnel—were directed against U.S. forces.<sup>152</sup> A suicide-bombing attack on U.S. personnel at Bagram airfield in November killed three people (one U.S. military and two U.S. civilians) and injured 17 U.S. military personnel (one of whom later died).<sup>153</sup>

After the attack at Bagram, General Nicholson said nothing is more important than U.S. force protection, so a complete force-protection review was performed, including re-vetting and rescreening of all local-national contractors.<sup>154</sup> From January 1, 2016, through November 12, 2016, there were 56 insider attacks in which ANDSF personnel turned on fellow ANDSF security forces. These attacks killed 151 Afghan personnel and wounded 79.<sup>155</sup> In one incident, an Afghan policeman killed one person and wounded two, including an Afghan soldier, at a checkpoint for the Karzai International Airport in Kabul on December 14, 2016.<sup>156</sup> USFOR-A warned that their numbers may differ from official Afghan government casualty figures, which could be subject to some degree of error.<sup>157</sup>



**A U.S. Air Force F-16** supports an Operation Freedom’s Sentinel mission over Afghanistan on December 21, 2016. U.S. forces are helping Afghans build close-air-support capability. (U.S. Air Force photo by SSG Matthew B. Fredericks)

## FIVE STRATEGIC GOALS OF THE MINISTER OF INTERIOR AFFAIRS:

Goal 1: Strengthen public order and security and prevent and combat destructive and riotous activities

Goal 2: Enforce the rule of law and fight against crimes including narcotics and corruption

Goal 3: Strengthen strategic management and communications systems through institutional development, respect human rights and gender, and implement structural reforms

Goal 4: Improve professionalism and civilianization in the Ministry of Interior, provide quality security services to the public and strengthen public trust toward the police

Goal 5: Improve the quality and effectiveness of infrastructure, resources, and support services to the MOI

Source: USFOR-A, response to SIGAR data call, 11/26/2016.

The **Common Policy Agreement**, signed by the Afghan Defense Minister on September 16, 2016, is a set of guidelines to help the ANDSF improve internal behaviors, professionalize the force, and generate combat power. Coalition advisors provide monthly reports to Afghan leadership on the policy agreement implementation progress and compliance, which triggers both rewards and penalties.

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2016, p. 47.

## Updates in Developing the Essential Functions of the ANDSF, MOD, and MOI

Key areas of the RS mission are organized under eight Essential Functions (EF). The highlights of each function reported to SIGAR this quarter include:

- **EF-1 (Multi-Year Budgeting and Execution):** While the Afghan ministries' abilities to account for personnel and pay remains a challenge, this quarter the Afghan Human Resources Information Management System (AHRIMS) was integrated with both ministries' identification (ID) card systems, to allow AHRIMS to automatically download personnel ID card information.<sup>158</sup>
- **EF-2 (Transparency, Accountability, and Oversight):** The MOI Inspector General (MOI IG) selected three zone IG officers for each of the seven zones outside Kabul. To maintain independence, the new IG officers report directly to the MOI IG, not to their zone commanders. This quarter 17 of the 21 new officers reported for duty.<sup>159</sup> The MOI IG completed the first monthly plan-of-action priority report, which listed 110 findings.<sup>160</sup>
- **EF-3 (Civilian Governance of Afghan Security Institutions):** This quarter the number of gross violations of human rights (GVHR) cases identified by the MOD increased from four to 16, the number of MOI cases from 24 to 30. Additionally, the investigations were completed for 11 of the MOD cases and 10 of the MOI cases.<sup>161</sup>
- **EF-4 (Force Generation):** EF-4 reported the Afghan Command Staff Academy's plan to increase the number of pre-command courses makes it "more likely" that the ANA will have the required number of kandak (battalion) and brigade commanders trained per the **Common Policy Agreement**. See Table 3.7 for more information about Afghan Army terminology. As of November 2016, six of 36 brigade commanders and 18 of 257 kandak commanders have completed the pre-command course.<sup>162</sup> During testimony to the Senate Armed Services Committee (SASC) in February 2016, then RS and USFOR-A commander General John F. Campbell attributed at least 70% of the Afghan security forces' problems to poor leadership.<sup>163</sup> Officer training such as the pre-command courses attempt to close that critical shortfall. Regular meetings with the MOD General Staff, the ANA Training and Education Directorate, and the Marshal Fahim National Defense University commander were established to address common issues and synchronize efforts.<sup>164</sup>
- **EF-5 (Sustainment):** Over the past several months, EF-5 established an expeditionary sustainment advisory team (eSAT) to assess ANA corps logistics capabilities. In November, in a joint eSAT with the MOD and ANA, the EF-5 conducted an assessment of the 209th Corps focusing on winter requirements and logistics capabilities.<sup>165</sup> EF-5, along with EF-6, is assessing the first use of the Afghan National Tracking

System for the ANA's National Transportation Brigade during a convoy mission to the 209th Corps and what effects having better real-time visibility of the brigade provides.<sup>166</sup> In addition, the MOI was able to cancel a \$16 million annual contract by using existing radio systems to provide a similar service.<sup>167</sup>

- EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** EF-6 has two missions: (1) strategic planning and policy and the (2) execution and employment of the force. For the execution and employment mission, EF-6 oversees execution of operations to ensure forces are used correctly.<sup>168</sup> This quarter EF-6 reported on the efforts to finalize the Afghan winter campaign plan. In November, the ANDSF corps and zone commanders presented their implementation plans to political, military, and police leadership. A week following the conference, the Chief of General Staff met with the commanders to address specific concerns.<sup>169</sup>
- EF-7 (Intelligence):** EF-7 reported on the improvements to battle-damage-assessment reporting into the national intelligence-based system. The AAF submission of battle-damage results into the system allows the ANA to assess the effectiveness of the air strikes and to reattack targets as necessary. ANA corps now submit proposed targets into the system electronically rather than using paper. According to EF-7, the standardized targeting checklist and coordination process is helping to reduce civilian casualties and collateral damage.<sup>170</sup> Under the leadership of the Assistant Minister of Defense for Strategic Intelligence 1,883 persons were identified as being on the MOD and ANA payrolls improperly, 260 vehicles were being illegally used, and ANA personnel were being improperly equipped, paid, or housed.<sup>171</sup>
- EF-8 (Strategic Communications):** Afghan communication capabilities were deemed successful at the European Union's Brussels Conference, according to EF-8.<sup>172</sup> The MOI Media and Public Affairs Directorate partnered with the European Union Police Mission in Afghanistan on a "code of conduct" information-awareness campaign throughout the country to increase Afghan citizens' perceptions of the ANP.<sup>173</sup> EF-8 reported the ANA has improved in the area of conducting media operations independently from the MOD, but some ANA corps commanders are still slow to engage the media without direction from Kabul.<sup>174</sup>
- Gender Office:** While several factors affect EF advisors' ability to promote women, RS reports the most significant factor is Afghan receptivity to and acceptance of more women in the workplace.<sup>175</sup> The Gender Advisor Office noted that collaboration across the EFs helped them achieve several gender-related outcomes this quarter, including appointing six women into new MOD oversight positions and one into a gender-focused subject-matter-expert position at the MOI.<sup>176</sup>

TABLE 3.7

| COMPARISON OF U.S. AND AFGHAN ARMY TERMINOLOGY |           |                         |
|--|-----------|-------------------------|
| United States                                  | Afghan    | Approximate Afghan Size |
| Corps  | Corps     | 14,000–22,000           |
| Division                                       | Division* | 8,500                   |
| Brigade  | Brigade   | 4,000                   |
| Battalion                                      | Kandak    | 670                     |
| Company  | Tolay     | 80                      |

Note: \* The Afghan National Army has one division, the 111th (Capital) Division in the Kabul area; most personnel serve in the six corps organizations, each of which comprises three brigades plus support units. U.S. and Afghan units are not identical in strength or equipment. This table shows the equivalent terms in each organizational hierarchy.

Source: ISAF/SFA, RS Security Force Assistance Guide 3.1, pp. 44, A-5, 7/1/2014; CSTC-A, response to SIGAR data call, 1/13/2016; for division, www.globalsecurity.org, accessed 1/14/2017.

According to Afghan media reports, close to 160 contractors claim the MOI has not paid them nearly 3 billion afghanis for work completed. The ministry is reportedly investigating the claims, some nearly two years old.<sup>177</sup> Shortly after the media reporting, the DOD Inspector General released an audit that found Afghan provincial leaders, though lacking authority to obligate the MOI, were making informal agreements with contractors to provide goods and services. CSTC-A is now working with the MOI to review and either accept or reject the claims from Afghan fiscal year 1394 (2015) valued at approximately \$142 million.<sup>178</sup> For more information, refer to Section 4 of this report.

“When you look at the performance of the Afghan forces this year, it was a tough year. They were tested, but they prevailed.”

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, Press Conference, 12/9/2016.

## ANDSF HEADQUARTERS ELEMENTS DEMONSTRATED MIXED RESULTS

According to DOD, the ANDSF are generally performing better than at the same point last year, although ANP development continues to lag behind the ANA. The Taliban experienced some small-scale success against the ANDSF, but the summer campaign also offered genuine operational-level experience that Afghan forces intend to build upon.<sup>179</sup> In a December 2, 2016, press briefing, General Nicholson reported the ANDSF thwarted eight Taliban attempts to seize key cities during 2016—three times in Kunduz; twice in Lashkar Gar, Helmand; twice in Tarin Kowt, Uruzgan; and Farah City. On October 6, 2016, the ANDSF prevailed against four simultaneous attacks on different cities. General Nicholson said the ANDSF’s ability to deal with simultaneous crises reflects their growing capability and maturity.<sup>180</sup>

However, with the exception of Afghan special-operations and aviation units, DOD says U.S. advisors have little or no direct contact with ANDSF units below ANA corps- and ANP zone-headquarters levels. Figure 3.27 shows the areas of responsibility for the RS train, advise, and assist commands and the ANDSF’s corps and zones. On a case-specific basis, RS will deploy an expeditionary advisory team to work at those lower echelons for a limited period of time.<sup>181</sup> In addition to USFOR-A advisor observations and TAA activities, the advisors rely on data provided by the Afghan ministries to evaluate the operational readiness and effectiveness of the ANDSF. The consistency, comprehensiveness, and credibility of this data varies and cannot be independently verified by U.S. officials.<sup>182</sup>

General Nicholson said a review of the NATO advising mission and its requirements is performed every six months.<sup>183</sup> According to General Nicholson, training and sustainment teams will be added to each of the ANA corps in the American zones of responsibility.<sup>184</sup>

USFOR-A said the ANDSF headquarters elements demonstrated mixed results across the area of operations due to:<sup>185</sup>

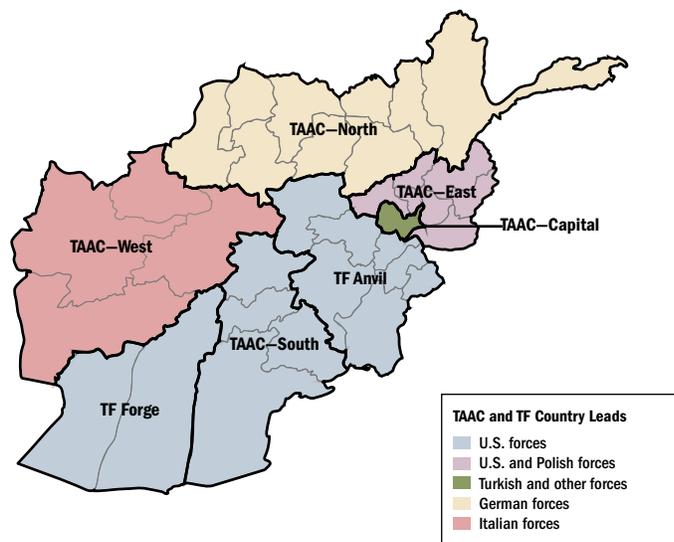
- **Training**—Corps and zones significantly challenged by enemy activity are slow to implement training cycles for their units.
- **Reporting**—The quality of ANP reporting results in zone headquarters rarely having acceptable situational awareness of units’ status.
- **Corruption**—Small but positive steps against corruption have been demonstrated by corps and zone commanders who have initiated investigations of leaders acting suspiciously.
- **Overuse of the Afghan Special Security Forces (ASSF)**—Overuse of the ASSF continues despite both the MOD and MOI having signed a formal agreement to curb such overuse.
- **Operational Planning**—This year’s planning efforts were the best to date, according to ANDSF leaders. The MOD Chief of General Staff requested input on operational designs and objectives and for training and operational priorities after the ANDSF corps and zone



**EF-1 officials train** Afghan MOD employees at a financial management seminar on December 18, 2016. (U.S. Navy photo by LTJG Egdanis Torres Sierra)

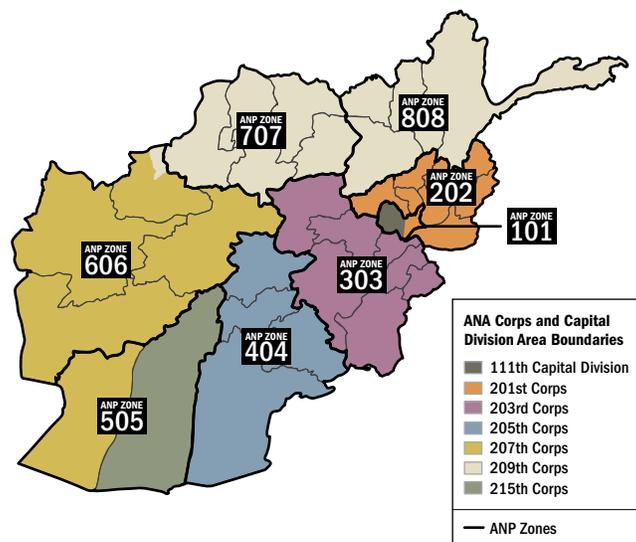
FIGURE 3.27

## RS TRAIN, ADVISE, AND ASSIST COMMANDS (TAAC) AND TASK FORCES (TF)



Source: DOD, *Enhancing Security and Stability in Afghanistan*, December 2016, pp. 15–17; Resolute Support website, "TAAC-East," September 3, 2016.

## ANP ZONES VS. ANA CORPS AREA BOUNDARIES



Source: DOD, *Enhancing Security and Stability in Afghanistan*, June 2016, pp. 63, 95.

commanders' winter campaign implementation plans focused on their limitations and equipment requests.

- **Conduct of operations**—The ANDSF headquarters elements demonstrated improved ability to conduct combined-arms operations, executed several successful summer campaign operations, and prevented the Taliban from achieving any of their stated operational goals.

The Coalition continues to focus train-advise-assist efforts on combat-enabler capabilities such as intelligence, surveillance, and reconnaissance (ISR), artillery, aerial fires, and counter-IED capabilities. DOD reported the ANDSF has demonstrated increased operational capabilities such as independently planning intelligence-driven operations and integrating air power, as they have with the A-29 and the MD-530 aircraft, into operations planning.<sup>186</sup> According to DOD, AAF close air attack and armed overwatch capabilities are still developing; nonetheless, their increasing close-air-attack capability has bolstered ANDSF ground forces' motivation and enhanced their will to fight.<sup>187</sup> DOD attributes the improving integration of ISR and aerial fires as a key factor contributing to ANDSF successes across the country as compared with 2015 when these capabilities were nascent.<sup>188</sup>



**ANA Soldiers** from the 201st Corps return from winter training near Camp Torah in Sarobi District, December 27, 2016. (U.S. Army photo by Capt. Grace Geiger)

## **SIGAR Provides Requestors an Update on its Investigation of Child Sexual Assault Allegations**

In December, SIGAR provided an update to its requestors on the status of its ongoing inquiry into the U.S. government's experience with allegations of sexual abuse of children committed by members of the Afghan security forces. This ongoing work is from a bipartisan, bicameral group led by Senator Patrick Leahy (D-VT) and Representative Thomas J. Rooney (R-FL) and 91 other members of Congress. The inquiry is reviewing the manner in which the Leahy amendment prohibiting DOD and the State Department from providing assistance to units of foreign security forces that have committed gross violations of human rights is implemented in Afghanistan. See *SIGAR Quarterly Report to the United States Congress*, January 2016, page 40, for more information.

In his December 2 press briefing, General Nicholson addressed the tough fight the ANA 215th Corps endured this year in Helmand Province and the process to regenerate the forces over the coming winter months, as occurred last winter. He said six of the 215th's kandaks will be withdrawn from the battlefield, issued new weapons, have equipment refurbished, and receive replacement troops.<sup>189</sup>

DOD reported the inability of ANDSF leaders across the force to effectively command and control operations, coupled with poor discipline of junior leaders in some units, hinders effectiveness in nearly every ministry functional and ANDSF capability area. Leadership at the ANP zone, ANA corps, brigade, and kandak level is a key factor in ANDSF unit success, but it is uneven across the force, according to DOD, and required more robust leadership development to build and retain a professional force.<sup>190</sup> General Nicholson said the ANDSF is making progress transitioning to a merit-based selection process with the selection of the new sergeant major of the army.<sup>191</sup> A senior RS official told SIGAR that President Ashraf Ghani had ordered the entire AAF chain-of-command replaced after learning of corruption and ineffectiveness in the senior leadership ranks and the potential for U.S. funding to halt if more effective AAF leaders were not found.<sup>192</sup> The official also told SIGAR that Ghani had ordered all ANA supply-system personnel currently in position to be replaced over three years. RS predicted this move will significantly reduce the “entrenched criminal patronage networks” within the supply system. CSTC-A will likely train the new personnel.<sup>193</sup>

DOD reported the ASSF in both the MOD and MOI continue to be more proficient than conventional forces, leading the Afghan government to rely heavily on the ASSF for conventional operations where the ANA or ANP would be more appropriate.<sup>194</sup> The 17,000-member special forces currently conducts nearly 70% of the ANA's offensive operations, and it operates independently of U.S. forces about 80% of the time.<sup>195</sup> As they represent only a small fraction of the 300,000-strong ANDSF, General Nicholson expressed concern for the specially selected and trained forces and discussed the plan to regenerate the force over the winter and to increase their numbers. The Afghan Interior minister noted that ANP commandos conducted 1,482 special operations in the past nine months, killing at least 1,551 insurgents (including 400 key commanders), wounding 653, and confiscating 487 kg of explosives and 863 weapons.<sup>196</sup>

The ANDSF's counter-improvised explosive device (C-IED) capability continues to improve, according to the DOD. Since June, more than 500 personnel completed various C-IED courses. The primary ANDSF C-IED training facilities are sufficiently resourced but lack experienced staff, according to the DOD.<sup>197</sup>

DOD assessed in December that the ANSDF are effective when conducting deliberate, offensive operations but are less so when assigned to checkpoints. The smaller ANP checkpoints are vulnerable to attacks, while their large numbers can limit combat maneuverability and create challenges for resupply and troop replacement. Local officials, however, continue to exert political pressure for the ANDSF to maintain a protective presence against insurgents in their area.<sup>198</sup>

The Common Policy Agreement requires the ANA to reduce checkpoints, staff each remaining checkpoint with at least a platoon-sized force, and state the operational purpose of each checkpoint in writing. Under the terms of the agreement, Coalition advisors can use incentives and impose penalties to encourage the ANDSF to reduce checkpoints. In addition, Coalition advisers are training one corps on the use of mobile checkpoints to increase their offensive maneuverability.<sup>199</sup>

Coordination between the MOD and the MOI also remains a challenge, according to DOD. Generally the regional **Operations Coordination Centers (OCC)** are effective at integrating ANA and ANP activities, while the provincial OCCs are not as effective, and a lack of tactical coordination at the district level commonly results in confusion as to which organization is in charge. DOD reported the provincial OCCs suffer from insufficient manning, equipment, and ministerial-level guidance, and from conflicts with existing local and informal command-and-control channels.<sup>200</sup> Additionally, DOD reported MOI senior leaders often bypass the zone-headquarters commanders to contact the provincial level directly.<sup>201</sup> However, in an example of improved cooperation between the ministries, the MOD included the MOI in winter campaign planning.<sup>202</sup>

#### **Operations Coordination Centers**

**(OCCs):** regional and provincial OCCs are responsible for the coordination of both security operations and civil response to developing situations in their respective areas of responsibility. The focus of OCC activities will be coordination of security operations.

Source: ISAF/SFA, *RS Security Force Assistance Guide 3.1*, p. G-6, 7/1/2014.

**SIGAR will report additional ANDSF assessment details in a classified annex to this report.**

Although the ANDSF's strategic communications operations are strong at the national level, DOD reported challenges remain in provincial and local level operations because they do not effectively synchronize and coordinate messages. The MOD and MOI are mitigating this through national-level deployable media centers that travel where needed to manage messaging.<sup>203</sup>

Last quarter, USFOR-A reported the ANDSF lacked a risk-management system and relied heavily on U.S. forces to prevent strategic failure. This quarter USFOR-A explained that risk-management personnel are identifying the risks to the mission and to the force in both current and future operations, as well as identifying mitigating measures. Coalition advisors are instructing ANDSF mission planners to identify and mitigate risks.<sup>204</sup>

## ANDSF Strength

As of November 26, 2016, ANDSF assigned force strength was 315,962 (not including civilians), according to USFOR-A.<sup>205</sup> As reflected in Table 3.8, the ANA is at 86.3% and the ANP at 94% of authorized strength, not including civilian employees.<sup>206</sup> The November 2016 assigned-strength number reflects a decrease of 1,295 personnel over the same period last year.<sup>207</sup>

Compared to last quarter, the ANP had a decrease of 845 personnel, the first time it has decreased in strength in a year. The ANA (including Afghan Air Force and civilians) decreased by 1,108 personnel, as shown in Table 3.9.<sup>208</sup> However, when ANA civilians are excluded, the decrease in ANA military strength was 902 personnel.<sup>209</sup>

According to DOD, attrition remains a larger problem for the ANA than for the ANP, in part because ANA soldiers enlist for limited lengths of duty and have more widespread deployments across the country, while police view their careers as longer-term endeavors.<sup>210</sup> The ANA does not allow soldiers to serve in their home areas to decrease the potential for local influence. DOD observed that the policy results in increased transportation costs and obstacles for soldiers attempting to take leave, contributing to some soldiers going absent without leave. However, the ANP historically suffers significantly more casualties than the ANA.<sup>211</sup>

According to DOD, the Coalition is no longer encouraging pay incentives or salary to address retention, as they have not been shown to be effective.<sup>212</sup> SIGAR has an ongoing Special Project on the Afghan military students who go missing while attending U.S.-funded training in the United States.

## ANDSF Casualties

From January 1, 2016, through November 12, 2016, according to figures provided by the Afghan government to USFOR-A, 6,785 ANDSF service members were killed and an additional 11,777 members were wounded.<sup>213</sup> DOD reported the majority of ANDSF casualties continue to be the result of direct-fire attacks, with IED explosions and mine strikes accounting for much lower levels of casualties.<sup>214</sup>

TABLE 3.8

| <b>ANDSF ASSIGNED FORCE STRENGTH, NOVEMBER 2016</b> |                                   |                    |                                     |                  |   |                       |
|---|-----------------------------------|--------------------|-------------------------------------|------------------|---|-----------------------|
| <b>ANDSF Component</b>                              | <b>Approved End-Strength Goal</b> | <b>Target Date</b> | <b>Assigned as of November 2016</b> | <b>% of Goal</b> | <b>Difference Between Current Assigned Strength and Goals</b> | <b>Difference (%)</b> |
| ANA including AAF                                   | 195,000                           | December 2014      | 168,327                             | 86.3%            | (26,673)  | (13.7%)               |
| ANA Civilians including AAF Civilians               | 8,474                             | -                  | 6,623                               | 78.2%            | (1,851)   | (21.8%)               |
| <b>ANA + AAF Total</b>                              | <b>203,474</b>                    |                    | <b>174,950</b>                      | <b>86.0%</b>     | <b>(28,524)</b>   | <b>(14.0%)</b>        |
| ANP*  | 157,000                           | February 2013      | 147,635                             | 94.0%            | (9,365)   | (6.0%)                |
| <b>ANDSF Total with Civilians</b>                   | <b>360,474</b>                    |                    | <b>322,585</b>                      | <b>89.5%</b>     | <b>(37,889)</b>   | <b>(10.5%)</b>        |

Note: ANDSF = Afghan National Defense and Security Forces; ANA = Afghan National Army; AAF = Afghan Air Force.  
 \*NISTA (Not In Service for Training), generally students, and Standby personnel, generally reservists, are not included in the above "Total ANDSF" figures. The 11/2016 assigned strength does not include the 4,894 NISTA or 2,048 Standby personnel.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 11/20/2016; USFOR-A, response to SIGAR vetting, 1/12/2017.

TABLE 3.9

| <b>ANDSF ASSIGNED FORCE STRENGTH, JANUARY 2016–NOVEMBER 2016</b> |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>1/2016</b>  | <b>5/2016*</b> | <b>7/2016</b>  | <b>11/2016</b> |
| ANA including AAF  | 179,511        | 171,428        | 176,058        | 174,950        |
| ANP*   | 146,304        | 148,167        | 148,480        | 147,635        |
| <b>Total ANDSF*</b>  | <b>325,815</b> | <b>319,595</b> | <b>324,538</b> | <b>322,585</b> |

Note: ANA = Afghan National Army; AAF = Afghan Air Force; ANP = Afghan National Police; ANDSF = Afghan National Defense and Security Forces. ANA and AAF numbers include civilians except for the May 2016 numbers; available data for ANP do not indicate whether civilians are included.

\*ANA data as of 5/20/2016; ANP data as of 4/19/2016.

\*NISTA (Not In Service for Training), generally students, and Standby personnel, generally reservists, are not included in the above "Total ANDSF" figures. The 11/2016 assigned strength does not include the 4,894 NISTA or 2,048 Standby personnel.

Source: CSTC-A response to SIGAR data calls, 3/31/2014, 7/1/2014, and 10/6/2014; RSM, response to SIGAR request for clarification, 3/14/2015; USFOR-A, response to SIGAR vetting, 4/10/2015, 7/12/2015, 1/29/2016, 4/12/2016, 10/9/2016, and 10/11/2016; USFOR-A, response to SIGAR data calls, 12/28/2014, 3/24/2015, 6/29/2015, 9/11/2015, 12/14/2015, 3/4/2016, 6/3/2016, 8/30/2016, and 11/20/2016.

## AHRIMS and APPS

The Afghan Human Resource Information Management system (AHRIMS) contains data that includes the name, rank, education level, identification-card number, and current position of ANDSF personnel. AHRIMS also contains all the approved positions within the MOD and the MOI along with information such as unit, location, and duty title. The Afghan Personnel Pay System (APPS) is under development and when implemented will integrate the data in AHRIMS with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.<sup>215</sup>

Two other systems round out the effort to manage personnel: the Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID). APPS, AABIS, and ID will contain unique biometric-registration numbers. Only those ANDSF members registered in AABIS will be issued an ID, and only those members both registered and with a linked ID will be authorized to have an APPS record. AABIS will

electronically update the ID system and APPS, eliminating the error-prone manual process of inputting 40-digit numbers into the ID system.<sup>216</sup>

CSTC-A is currently overseeing the integration of the biometrically linked ID into the APPS to ensure the employee exists and that payments are sent directly into the employee's bank account.<sup>217</sup> According to CSTC-A, this structure will dramatically reduce the potential for nonexistent personnel to be entered into APPS, although it will not completely eliminate the risk of paying for "ghost" personnel. Routine checks will still be required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.<sup>218</sup>

USFOR-A reported in November that the two ongoing efforts to ensure that accurate personnel data exist in AHRIMS to migrate into APPS are: slotting, matching a person to an authorized position; and data cleansing, correcting and completing key personnel data.<sup>219</sup> A Personnel Asset Inventory (PAI) is also ongoing to correct the employment status of personnel retired, separated, or killed in action.<sup>220</sup> USFOR-A reported that the PAI's review and updating of personnel records for the ANA and ANP will continue until April 2017.<sup>221</sup> MOI leadership has agreed to automate this process where possible, replacing the current paper-based process and reducing the time it takes to slot personnel into assigned positions and the potential for repetitions.<sup>222</sup>

As of January 1, 2017, USFOR-A reported that 80% of ANA personnel (a five percentage-point increase since late August)<sup>223</sup> and 88% of ANP personnel<sup>224</sup> were "slotted" to authorized positions, against a goal of 95% slotted in both forces.<sup>225</sup> A senior CSTC-A official told SIGAR that as of January 1, 2017, ANDSF salaries will be paid only to those MOD and MOI personnel who are correctly registered in AHRIMS.<sup>226</sup> According to the Wall Street Journal, Major General Richard Kaiser of CSTC-A said by mid-January, more than 30,000 names of suspected "ghost" soldiers have been taken off the ANA payroll, and the Afghans have until the summer of 2017 to prove that these names belong to actual soldiers. Top U.S. military officials estimate that this will save the U.S. millions of dollars each month.<sup>227</sup>

## Ministries of Defense and Interior Progress Projections Released for Fiscal Year 2017

The RS Essential Function (EF) directorates and the Gender Advisor Office use the Essential Function Program of Actions and Milestones (POAM) to assess the essential-function capabilities of the offices in the ministries of Defense (MOD) and Interior (MOI).<sup>228</sup> Milestone assessments are combined to determine the overall assessment of a department. Department assessments are then combined to determine the overall assessment of the ministry.<sup>229</sup> The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, "sustaining capability," indicates an Afghan ministry can perform a specific

SIGAR cannot verify the accuracy of ministry-assessment data provided by the RS mission.

function without Coalition advising or involvement.<sup>230</sup> This quarter, RS classified the overall assessments of the MOD and MOI; SIGAR will report on them in a classified annex to this report.

However, this quarter, RS provided projected ratings for each ministry's essential-function achievements by the end of FY 2017. The MOD is estimated to achieve seven POAM at the highest, "sustaining capability" rating, 21 at "fully effective," and 14 at "partially effective" of a total of 44.<sup>231</sup> The MOI is estimated to achieve five POAM at the "sustaining capability" rating, 12 at "fully effective," and seven at "partially effective" of a total of 31.<sup>232</sup> Comparatively, in last year's projected ratings of POAM achieved by the end of FY 2016, both ministries were estimated to have achieved a higher number of "sustaining capability" POAM (nine for MOD and seven for MOI) but a lower number of "fully effective" POAM (19 for MOD and 12 for MOI).<sup>233</sup>

## Afghan Local Police

Afghan Local Police members, known as "guardians," are usually local citizens selected by village elders or local leaders to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.<sup>234</sup> While the ANP is paid via the UN Development Programme's multilateral Law and Order Trust Fund for Afghanistan (LOTFA), the ALP is paid with U.S.-provided ASFF on-budget assistance to the Afghan government.<sup>235</sup> Although the ALP is overseen by the MOI, it is not counted as part of the ANDSF's 352,000 authorized end strength.<sup>236</sup>

As of November 9, 2016, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A), the ALP has 27,623 guardians, 23,865 of whom are trained; 3,557 remain untrained, and 201 are currently in training.<sup>237</sup> The ALP has incurred a 954-person force reduction since late August.<sup>238</sup> Consistent with advising the Afghan security forces at the ANA corps and ANP zone-headquarters level, NSOCC-A advises the ALP at the ALP staff-directorate level; it does not track ALP retention, attrition, or losses.<sup>239</sup> However, the Afghan government reported that 192 ALP guardians were killed in action from September to October 2016, and 550 were wounded between June and October 2016.<sup>240</sup>

NSOCC-A reported the estimated FY 2016 cost to support the ALP at its authorized end strength of 30,000 is \$97.5 million, the same as last quarter. The United States expects to fund approximately \$93 million, with the Afghan government contributing the remaining \$4.5 million.<sup>241</sup>

This quarter, NSOCC-A reported efforts continue to enroll ALP personnel into the Afghan Human Resources Information Management System (AHRIMS), to transition ALP salary payments to an electronic-funds-transfer (EFT) process, and to inventory materiel. These processes are expected to help track and train ALP personnel.<sup>242</sup> According to NSOCC-A, 79.4% of ALP personnel are now enrolled with biometrically linked identification cards, 85% are registered to receive salary payments via EFT, and 57.9% are now "actively

slotted” into AHRIMS, meaning that each ALP guardian has a biometric transaction control number, an ID card number, and an AHRIMS tashkil number.<sup>243</sup>

These reform requirements to identify and pay ALP personnel are intended to eliminate the existence of “ghost,” or nonexistent, personnel within the ALP. The MOI’s 1395 Bilateral Financial Commitment letter laid out clear goals for the completion of ALP registration for biometric IDs (100% of the ALP) and EFT salary payments (90% of the ALP) as well as slotting ALP personnel in AHRIMS (95% of ALP) by December 20, 2016.<sup>244</sup> This quarter, NSOCC-A reported that while the ALP will not reach these goals, NSOCC-A has recommended no penalties given the efforts of the ALP Staff Directorate and the Deputy, Deputy Minister for Security (DDM SEC) to complete the requirements. They noted that from September to October 2016, the DDM SEC dispatched teams to each of the police zones specifically to oversee and assist with biometric and ARHIMS enrollment.<sup>245</sup> For more information about AHRIMS and the Afghan Personnel Payment System (APPS), see pages 99–100 of this section.

NSOCC-A reported this quarter that the new DDM SEC, a former AUP Commander, will maintain supervisory oversight of the ALP and is said to be a major proponent of ALP reform, including reassigning ALP personnel discovered working for local powerbrokers.<sup>246</sup>

## AFGHAN NATIONAL ARMY

As of December 31, 2016, the United States had obligated \$41.1 billion and disbursed \$40.5 billion of ASFF funds to build, train, equip, and sustain the ANA.<sup>247</sup>

### Troop Strength Declined for Third Consecutive Quarter

As of November 20, 2016, the overall assigned strength of the ANA, including the Afghan Air Force (AAF) but not including civilians, was 168,327 personnel.<sup>248</sup> Compared to last quarter, ANA strength including AAF and civilians decreased by 1,108 personnel, as shown in Table 3.9 on page 99 of this section.<sup>249</sup> When ANA civilians are not included, however, the ANA military strength decreased by 902 personnel, an improvement from last quarter’s decrease of 2,199 personnel.<sup>250</sup> ANA assigned military personnel are at 86.3% of the authorized end strength.<sup>251</sup> The number of ANA civilians reported this quarter was 6,623.<sup>252</sup>

USFOR-A reported overall ANA attrition over the autumn months at 2.9% during August, 2.3% during September, and 3.1% during October.<sup>253</sup> Corps-level attrition figures have been classified this quarter and will be reported in the classified annex of this report.

The Ministry of Labor, Social Affairs, Martyrs, and Disabled (MOLSAMD) is responsible for providing services such as pensions and working with other Afghan ministries to distribute land and apartments, healthcare,

international scholarships, and the *hajj* benefit (for an Islamic pilgrimage to Mecca) to wounded ANDSF members and the families of those killed. According to USFOR-A, of the 12,322 ANA killed since 2003, the MOLSAMD has received documentation for only 4,600. While some funding has been provided to those families that have not submitted the proper documentation, that practice may soon end without an extension of the MOD agreement to continue benefits for those without documentation. According to USFOR-A, although insufficient to meet the entire martyr and disabled requirements, international donations have provided funding indirectly to the MOLSAMD (via the Ministry of Finance).<sup>254</sup>

DOD reported on the establishment of the National Mission Brigade, scheduled to be fully operational in 2018. The brigade will provide ASSF with command-and-control capabilities for contingency operations.<sup>255</sup> According to DOD, the ANA have created reserve kandaks for the 201st and 209th Corps, and for the 111th Capital Division, within the authorized 195,000 ANA tashkil level. Former ANA soldiers have been brought back to man the reserve kandaks and will serve in support functions such as providing base security and manning checkpoints. A reserve kandak for the 207th Corps is planned.<sup>256</sup>

### **ANA Sustainment, Salaries, and Incentives**

As of December 31, 2016, the United States had obligated \$18 billion and disbursed \$17.6 billion of ASFF funds for ANA sustainment.<sup>257</sup> The majority of ASFF sustainment funding is for salaries and incentive payments, but other uses include procuring items such as fuel, ammunition, organizational clothing and individual equipment, aviation sustainment, and vehicle maintenance.<sup>258</sup>

CSTC-A reported the total amount expended for all payroll and non-payroll sustainment requirements in Afghan FY 1395 (2016) was \$595.3 million through September 19, 2016.<sup>259</sup> Aside from salaries and incentives, the largest uses of sustainment funding were for fuel (\$93.1 million), energy operating equipment (\$10.5 million), and building sustainment (\$6.2 million).<sup>260</sup>

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives will average \$544.1 million annually over the next five years.<sup>261</sup> In vetting comments, DOD noted that these forecasted numbers are for planning purposes only and are not definitive indicators of future DOD support, which will depend on Afghan progress toward reconciliation and reducing corruption, security conditions, and other factors.<sup>262</sup>

Of the \$595.3 million spent on ANA sustainment in FY 1395 through September 19, 2016, \$191.4 million was spent on salaries and incentives for ANA (MOD) officers, noncommissioned officers and soldiers, civilians, and contractors.<sup>263</sup> According to CSTC-A, there has been no significant change in the funding provided for ANA (MOD) salaries and incentives from last fiscal year to this fiscal year.<sup>264</sup>

## ANA Equipment and Transportation

As of December 31, 2016, the United States had obligated \$13.3 billion and disbursed \$13.2 billion of ASFF funds for ANA equipment and transportation.<sup>265</sup> Most of these funds were used to purchase vehicles, aircraft, ammunition, communication equipment, weapons, and other related equipment. Approximately 48.1% of U.S. funding in this category was for vehicles and related parts, as shown in Table 3.10.<sup>266</sup>

Since last quarter, the total cost of equipment and related services procured for the ANA increased by over \$52.3 million.<sup>267</sup> The majority of the increase was from \$23 million in aircraft and related equipment procurements, followed by \$15.9 million in communication equipment and \$13.5 million in transportation-services equipment procurements.<sup>268</sup> Additionally, CSTC-A reported increases of \$41.9 million for vehicles and related equipment, and \$43.1 million for ammunition procured and fielded to the ANA. CSTC-A is coordinating with the ANA Trust Fund to procure approximately \$9 million in C-IED equipment for the ANA, which will fulfill 100% of the ANA's C-IED organizational equipment requirements.<sup>269</sup> According to CSTC-A, this quarter the MOD also established 26 radio-repair workshops.<sup>270</sup>

As of October 31, 2016, CSTC-A reported the ANA's corps-level equipment operational readiness rates (OR) as 64% for the 201st, 62% for the 203rd, 63% for the 205th, 80% for the 207th, 53% for the 209th, and 34% for the 215th.<sup>271</sup> CSTC-A calculates OR by determining the ratio of fully mission-capable equipment against total authorization. However, some equipment categorized as non-mission capable may still be serviceable for a static location or checkpoint.<sup>272</sup> The OR ratings for this quarter show an average 2% decline across all ANA corps when compared to July 2016, which CSTC-A has previously attributed to heavy fighting and the demanding operational tempo of the summer fighting season.<sup>273</sup> However, CSTC-A expects a steady rise in OR across all ANA corps throughout the winter campaign as the ANA focuses on implementing an operational-readiness cycle in order to prepare for spring 2017 operations.<sup>274</sup>

According to CSTC-A, if the contracting officer representative concurs with an ANA Technical Equipment Maintenance Program maintenance-site determination that a vehicle cannot be economically repaired, the usable parts can be removed before the vehicle is demilitarized (removing functional capabilities or removing and destroying inherently military features). After that, the ANDSF sends unusable armored and unarmored vehicles provided by the United States to a U.S. Defense Logistics Agency disposition facility.<sup>275</sup>

## Core Information Management System

CSTC-A also provided an update on the implementation status of the Core Information Management System (CoreIMS). CoreIMS is part of

TABLE 3.10

| <b>COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF NOVEMBER 20, 2016</b> |                         |                                 |  |
|---|-------------------------|---------------------------------|--|
| <b>Type of Equipment</b>  | <b>Procured</b>         | <b>Remaining to be Procured</b> | <b>Procured and Fielded to the ANA</b> |
| Vehicles  | \$7,360,979,333         | \$530,527,599                   | \$6,690,648,928                        |
| Aircraft  | 2,477,929,896           | 312,253,892                     | 1,526,849,750                          |
| Ammunition  | 2,469,192,205           | 272,551,597                     | 2,267,087,634                          |
| Communications  | 886,857,106             | 62,334,497                      | 745,480,497                            |
| Other   | 884,304,375             | 0                               | 801,295,177                            |
| Weapons   | 642,851,434             | 30,824,415                      | 545,320,095                            |
| C-IEDs  | 455,211,247             | 128,411,186                     | 354,772,214                            |
| Transportation Services   | 134,262,169             | 0                               | 13,459,569                             |
| <b>Total</b>  | <b>\$15,311,587,765</b> | <b>\$1,336,903,186</b>          | <b>\$12,944,913,864</b>                |

Note: C-IED = Counter-improvised-explosive devices. Equipment category amounts include the cost of related spare parts. Procured and Fielded to the ANA = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOD/ANA.

Source: CSTC-A, response to SIGAR data call, 11/20/2016.

the solution to address the Afghan supply-chain logistical capability gap. Since 2012, efforts have been under way to develop and implement an automated system within both ministries to replace their paper-based process.

CoreIMS is a proprietary inventory-management system that is being enhanced to provide visibility of basic items like vehicles, weapons, night-vision devices, and repair parts, both in stock and on order. The system will provide information to help allocate material and analyze usage to predict future item and budget requirements, while reducing opportunities for fraud.<sup>276</sup> The Web-based CoreIMS is available at MOD and MOI national logistic locations, forward-support depots, and regional logistic centers.<sup>277</sup> The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with the current status of assets.<sup>278</sup> In addition, CSTC-A has provided advanced CoreIMS training for Afghan logistic specialists who are posted throughout the country to train, mentor, and assist other ANA and ANP personnel in logistics operations and CoreIMS functionality.<sup>279</sup>

As of January 2017, DOD reports that the effort to record the repair parts (Class IX) inventory for the ANDSF is well under way, with all major commodities loaded into CoreIMS.<sup>280</sup> With this task completed, CSTC-A said the focus will shift to reconciling the ANDSF's physical inventory with CoreIMS inventory, as well as managing incoming and outgoing transactional capabilities of CoreIMS such as tracking requested parts, completed orders, and time to fulfill a supply request.<sup>281</sup> Using this data, CoreIMS will provide a predictive analysis capability to identify parts for re-order.<sup>282</sup> Future modules of CoreIMS will account for serial-numbered items and their maintenance records.<sup>283</sup>



**A demilitarized ANDSF vehicle** is lifted with a forklift at Bagram Airfield in Afghanistan. (U.S. Army photo by Cpl. Michael Smith)

Part of this analytical capability will include integrating CoreIMS with the Security Cooperation Information Portal (SCIP), a database of information about the sale and provision of U.S. military materiel, services, and training to foreign countries and international organizations.<sup>284</sup> According to CSTC-A, their trainers and ANDSF personnel have begun that process by auto-populating the SCIP's foreign military sales (FMS) materiel into CoreIMS.<sup>285</sup> CSTC-A believes that SCIP integration is vital for improved asset visibility.<sup>286</sup>

CSTC-A reports that the SCIP integration began on September 29, 2016, and thus far, the process has achieved auto-population of 98% of the materiel coming into Afghanistan as FMS. CSTC-A explained that this decreases the time and labor required for ANDSF personnel to manually input materiel receipts into CoreIMS, decreases the chance of human error, and ensures incoming orders that are due are visible in CoreIMS 90 days prior to their arrival.<sup>287</sup>

The SCIP-integration process improvement was initiated in conjunction with CSTC-A mandating on October 8, 2016, that the ANDSF use a Transfer Functionality, another process which provides material visibility through its distribution to the ANDSF. CSTC-A believes that SCIP integration of weapons and ammunition data into a "virtual depot" on CoreIMS while leveraging the Transfer Functionality to transfer weapons and ammunition to Afghanistan's national storage depots will provide 100% visibility of weapons and ammunition being provided to the ANA and ANP.<sup>288</sup> The CoreIMS Transfer Functionality allows for the recording of materiel transferred between the warehouses and depots and creates a notice for the receiving site to expect the materiel.<sup>289</sup>

## ANA Infrastructure

As of December 31, 2016, the United States had obligated \$5.9 billion and disbursed \$5.8 billion of ASFF funds for ANA infrastructure such as military-headquarter facilities, schoolhouses, barracks, maintenance facilities, air fields, and roads.<sup>290</sup>

As of November 30, 2016, the United States had completed 390 infrastructure projects valued at \$5.2 billion, with another 24 ongoing projects valued at \$136.3 million, according to CSTC-A.<sup>291</sup> The largest ongoing ANA infrastructure projects this quarter are: the second phase of the Marshal Fahim National Defense University (MFNDU) in Kabul (with an estimated cost of \$72.5 million) to be completed in December 2017, a Northern Electrical Interconnect (NEI) substation project in Balkh Province (\$27.7 million), and an NEI substation in Kunduz (\$9.5 million).<sup>292</sup>

Four projects valued at \$4.7 million were completed, the three largest of which are a hangar for AAF aircraft in Kabul (\$3.8 million), an ANA Regional Logistics Supply Center in Herat Province (\$436,776), and upgrades to the Presidential Information Coordination Center (PICC)

Utility in Kabul (\$314,325).<sup>293</sup> The PICC, started in 2014, is a central operations hub on the presidential palace grounds housing Afghanistan's national intelligence functions (ANA, ANP, National Directorate of Security, and the Independent Directorate of Local Governance) that enables the Afghan government to provide coordinated responses to special national security events.<sup>294</sup>

Four contracts with a total value of \$6.8 million were awarded this quarter. They included the \$3.5 million gym complex at MFNDU in Kabul, a \$2.5 million sprung-fabric shelter for AAF aircraft maintenance in Kabul, and a munitions storage facility for the AAF's A-29 Super Tucano aircraft (\$474,951).<sup>295</sup> Among the 19 projects (\$217 million) in the planning phase, six projects worth \$48.1 million are part of the construction of the Kabul National Military Hospital, four valued at \$28.1 million are part of the projects building the Afghan Electrical Interconnect, six are ANA Special Operations Command projects costing around \$19.3 million, two are AAF projects at \$2.7 million, and the remaining five projects valued at \$119.3M are a combination of other ANA sustainment projects supporting the new MOD headquarters and other security facilities.<sup>296</sup>

CSTC-A reported that several infrastructure-related train, advise, and assist activities are ongoing. CSTC-A engineering advisors mentor the MOD's Construction and Property Management Department (CPMD) leadership and ANA facility engineers to increase their ability to operate, sustain, and maintain their infrastructure. CSTC-A also assisted and advised CPMD specifically on developing requirements packages for generators and facilities-repair task orders. In addition, they advised CPMD leadership on developing procurement packages to ensure proper awarding of repair contracts. CSTC-A is focused on pursuing regional level facility-sustainment issues for the ANA with the CPMD. Advisors provide substantial training and mentorship to the CPMD leadership and engineers during three to four advising engagements per week focused on operations and maintenance, sustainment, and construction-program-management issues.<sup>297</sup>

In October, CSTC-A began executing a facility-maintenance training program, under the National Operations and Maintenance Contract, to train ANDSF facility engineers in the skills and trades needed to operate and maintain power plants, HVAC systems, water treatment plants, and waste-water treatment plants, as well as to perform adequate quality control and quality assurance in their work. These training courses are offered at the MOD and MOI headquarters facilities. The program is set to continue to March 2017.<sup>298</sup>

## ANA and MOD Training and Operations

As of December 31, 2016, the United States had obligated and disbursed \$3.9 billion of ASFF funds for ANA and MOD training and operations.<sup>299</sup>



**The new IT building**, part of the second phase of Marshal Fahim National Defense University in Kabul. (U.S. Army Corps of Engineers photo)

In addition to directly contracting for specialized training, DOD reported on the use of open-ended training agreements with the U.S. military to provide Afghan training or professional development.<sup>300</sup> According to DOD, FY 2016 funding was used mainly for pilot, special forces, and MOD training and advisors, alongside these open-ended training agreements.<sup>301</sup> The largest of these projects are multiyear contracts that include an \$80.9 million project to train Afghan Air Force pilots, another \$41.8 million project for out-of-country training for AAF pilots, and a \$65.3 million project to train Afghan special forces. A recently completed \$30.5 million project trained MOD advisors.<sup>302</sup>

During this quarter, MOD train-the-trainers completed radio encryption training.<sup>303</sup> According to Afghan media, 1,200 cadets graduated from a 10-month program at the Kabul Military Training Academy.<sup>304</sup> According to CSTC-A, for every month of International Military Education Training funded training, the ANA cadet is required to complete three months of extra service.<sup>305</sup>

## Afghan Air Force and the Special Mission Wing

As of November 20, 2016, the overall assigned strength of the Afghan Air Force (AAF) including civilians was 7,912 personnel.<sup>306</sup> Compared to the same reporting period last year, AAF strength has increased by 11.6%, or 820 personnel.<sup>307</sup>

As of November 15, 2016, the United States has appropriated more than \$4.2 billion to support and develop the AAF since FY 2010. Additionally, DOD requested over \$508 million—mostly for AAF sustainment costs—in the FY 2017 budget justification document.<sup>308</sup> Since FY 2010, just over \$3 billion has been obligated for the AAF, with roughly \$26.6 million of FY 2017 funds obligated as of November 15, 2016. The majority of the funding since FY 2010 has been dedicated to sustainment items, which account for 46.8% of obligated funds, followed by equipment and aircraft at 36.5%.<sup>309</sup> However, with the exception of FY 2015, training costs in recent years have exceeded or been similar to the equipment and aircraft costs.<sup>310</sup>

The AAF's current inventory of aircraft includes:<sup>311</sup>

- 3 Mi-35 helicopters
- 46 Mi-17 helicopters
- 27 MD-350 helicopters
- 24 C-208 utility airplanes
- 4 C-130 transport airplanes
- 20 A-29 light attack airplanes (12 are in the United States supporting AAF pilot training)<sup>312</sup>

This quarter, USFOR-A reported two Mi-17 helicopters had been lost in combat: one, attributed to technical problems, occurred on November 29 in Badghis and killed the 207th Corps commander; and the other, on



**An AAF specialist** adjusts a bomb on an A-29 Super Tucano with U.S. advisors present in Mazar-e Sharif. (U.S. Air Force photo by Tech. Sgt. Christopher Holmes)

December 26, happened during a landing attempt at Shindand Airport, with the cause still under investigation.<sup>313</sup>

Ten Mi-17s are currently in for overhaul or heavy repair; five Mi-17s are awaiting extraction for heavy repair or overhaul; and one C-130 is in depot.<sup>314</sup> As Mi-17 availability declines, DOD reports some Mi-17s are flying over 80 hours monthly versus the 25 hours they are programmed to fly. In addition, C-208 and C-130 aircraft are increasingly carrying more cargo than before.<sup>315</sup>

The eight A-29 Super Tucano light attack aircraft are the newest addition to the AAF and have already proven to be valuable assets.<sup>316</sup> Over the next two years, the AAF will receive 12 more A-29s once their pilots complete their training at Moody AFB in the United States and operational weapons testing and cockpit upgrades are completed.<sup>317</sup> According to DOD, the second class of eight A-29 pilots is scheduled to complete training by March 2017.<sup>318</sup>

General Nicholson praised the Afghan special forces and the Afghan Air Force in his December 2 press briefing.<sup>319</sup> The AAF are now conducting most of the ANA escort and resupply missions that U.S. or Coalition forces once performed exclusively. Since April 2016, the AAF has added nearly 20 air crews and 120 tactical air controllers.<sup>320</sup> General Nicholson predicted the nature of the fight will “really begin to change” with a combination of additional special forces and with growth in AAF size and capability.<sup>321</sup>

The Special Missions Wing (SMW) is the aviation branch of the MOD’s Afghan Special Security Forces (ASSF) alongside the special operations command ANASOC and the Ktah Khas (KKA) counterterrorism unit. Two SMW squadrons are located in Kabul, one in Kandahar Airfield, and one in Mazar-e Sharif, providing the ASSF with operational reach



**ANP Staff** at the National Logistics Center in Wardak hosted Maj. Gen. Richard Kaiser, commander of CSTC-A, as he reviewed the facility and supply levels in preparation for the winter season. (CSTC-A photo)

across Afghanistan.<sup>322</sup> The night-vision capable SMW provides all the Afghan special forces helicopter support.<sup>323</sup>

SIGAR will report on the details of the SMW budget, manpower, and capabilities in a classified annex to this report.

## AFGHAN NATIONAL POLICE

As of December 31, 2016, the United States had obligated \$20.2 billion and disbursed \$19.8 billion of ASFF funds to build, train, equip, and sustain the ANP.<sup>324</sup>

### ANP Strength Decreases for the First Time in a Year

As of November 20, 2016, the overall assigned end strength of the ANP, including the Afghan Uniform Police (AUP), Afghan Border Police (ABP), Afghan National Civil Order Police (ANCOP), and MOI Headquarters and Institutional Support (MOI HQ & IS), was 147,635, according to USFOR-A.<sup>325</sup> This is a decrease of 845 ANP personnel since last quarter, which marks the first time in a year that ANP end strength has decreased.<sup>326</sup> However, this quarter's figure is 1,609 personnel more than at this time in 2015, and the ANP are currently at 94% of their authorized end strength.<sup>327</sup>

Patrol personnel represent the largest subset of the ANP this quarter with 69,749 members; noncommissioned officers numbered 50,551, while officer ranks stood at 27,335.<sup>328</sup> Notably, the largest decrease in personnel this quarter occurred within the smallest subset of the ANP, 395 fewer officers, followed by 346 fewer patrol personnel.<sup>329</sup>

Table 3.11 provides the six-month change in the strength of the ANP's components (e.g. AUP, ABP, ANCOP) from April 2016 to October 2016. During that time, the ANP suffered a loss of 1,578 personnel.<sup>330</sup>

TABLE 3.11

| ANP Component                                  | Authorized     |                | 6-Month Change | Assigned       |                | 6-Month Change |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Q2 2016        | Q4 2016        |                | Q2 2016        | Q4 2016        |                |
|  | AUP            | 88,031         | 88,014         | (17)           | 86,234         | 85,188         |
| ABP  | 25,015         | 23,322         | (1,693)        | 21,654         | 20,982         | (672)          |
| ANCOP  | 17,061         | 17,060         | (1)            | 15,458         | 15,460         | 2              |
| MOI HQs & IS                                   | 28,593         | 28,604         | 11             | 25,867         | 26,005         | 138            |
| <b>ANP Total<sup>1</sup><br/>(as reported)</b> | <b>158,700</b> | <b>157,000</b> | <b>(1,700)</b> | <b>149,213</b> | <b>147,635</b> | <b>(1,578)</b> |

Note: Quarters are calendar-year; Q2 2016 data as of 6/2016; Q1 2016 data as of 11/2016. AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; IS = Institutional Support personnel. \*NISTA (Not In Service for Training), generally students, and standby personnel, generally reservists, are not included in the above "ANP Total" figures. The Q4 2016 assigned strength does not include the 4,894 NISTA or 2,048 standby personnel.

Source: USFOR-A, response to SIGAR data calls, 6/3/2016 and 11/20/2016.

According to USFOR-A, the overall ANP monthly attrition rate for the last quarter was:<sup>331</sup>

- August 2016           2.34%
- September 2016      2.32%
- October 2016         2.5%

Without replacement of losses, 12 months of 2% attrition would reduce a unit to less than 79% of its original strength.

## ANP Sustainment

As of December 31, 2016, the United States had obligated \$8.8 billion and disbursed \$8.5 billion of ASFF funds for ANP sustainment.<sup>332</sup> This includes ASFF contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries, the largest use of sustainment funding. Other uses include ammunition and ordnance, information technology, organizational clothing and individual equipment, electricity, and fuel.<sup>333</sup>

According to CSTC-A, \$470.5 million has been provided for ANP sustainment during Afghan FY 1395 (which began in December 2015) through November 20, 2016.<sup>334</sup> Of that amount, \$340.3 million was expended on ANP payroll and incentives.<sup>335</sup> Of the payroll amount, \$85.8 million represents the U.S. contribution to LOTFA to fund salaries and the United Nations Development Programme management fee.<sup>336</sup> In addition to LOTFA, CSTC-A has provided \$155.7 million for ANP incentives and \$43.8 million for ANP salaries and incentives (an increase from the \$32 million reported last quarter) as of late November.<sup>337</sup> CSTC-A reported that aside from salaries, the majority of ASFF ANP sustainment funding for Afghan FY1395 (nearly \$78 million) has been used for vehicle fuel, which comprises 60% of expenditures.<sup>338</sup>

Last quarter, CSTC-A reported that ANP sustainment expenditure estimates were \$611.9 million for FY 2017 and \$614.3 million for FY 2018. This was consistent with their earlier projected FY 2016–2020 annual average of \$613.2 million. Future U.S. contributions to LOTFA remain to be determined.<sup>339</sup>

## ANP Equipment and Transportation

As of December 31, 2016, the United States had obligated and disbursed \$4.5 billion of ASFF funds for ANP equipment and transportation.<sup>340</sup> Most of these funds were used to purchase vehicles, ammunition, weapons, and communication equipment, as shown in Table 3.12 on the following page, with approximately 67% going to purchase vehicles and vehicle-related equipment.<sup>341</sup>

Since last quarter, the total cost of equipment procured for the ANP increased by over \$18.7 million, approximately 41.5% of which was for transportation services, followed by 35.4% for C-IEDs and related

### SIGAR AUDIT

An ongoing SIGAR audit will review DOD's procurement, maintenance, and oversight of organizational clothing and individual-equipment purchases for the ANDSF.

TABLE 3.12

| <b>COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF NOVEMBER 20, 2016</b> |                        |                                 |  |
|---|------------------------|---------------------------------|--|
| <b>Type of Equipment</b>  | <b>Procured</b>        | <b>Remaining to be Procured</b> | <b>Procured and Fielded to the ANP</b> |
| Vehicles <sup>a</sup>   | \$3,582,760,677        | \$377,477,433                   | \$3,309,262,242                        |
| Ammunition  | 738,345,136            | 35,579,885                      | 473,454,971                            |
| Weapons   | 309,685,463            | 85,598,839                      | 220,924,486                            |
| Communications  | 249,464,891            | 2,370,956                       | 231,735,291                            |
| Other   | 243,097,382            | 0                               | 91,438,300                             |
| C-IEDs  | 131,840,216            | 51,483,982                      | 118,418,138                            |
| Transportation Services   | 80,598,054             | 54,354,329                      | 7,770,471                              |
| <b>Total</b>  | <b>\$5,335,791,819</b> | <b>\$606,865,424</b>            | <b>\$4,453,003,899</b>                 |

Note: C-IED = Counter-improvised explosive devices. Procured and Fielded to the ANP = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOI/ANP

<sup>a</sup> Vehicle costs include vehicles and parts.

Source: CSTC-A, response to SIGAR data call, 11/20/2016.

equipment, followed by 23.1% for communications equipment.<sup>342</sup> The amount remaining to be procured for weapons increased by \$45.2 million, and there was a \$99.4 million increase in vehicles and related equipment procured and fielded to the ANP.<sup>343</sup> CSTC-A is coordinating with the ANA Trust Fund to procure approximately \$13 million in C-IED equipment for the ANP, which will fulfill 100% of the ANP's C-IED organizational equipment requirements.<sup>344</sup>

This quarter, the General Command of Police Special Unit (GCPSU), a major directorate in the MOI that oversees all MOI special police units as well as serving as a rapid-response force, failed to submit a serialized equipment inventory as required by the MOI.<sup>345</sup> NSOCC-A reported that even though the GCPSU made a genuine attempt to complete their inventory, they failed to do so, even with a 30-day extension. NSOCC-A recommended that CSTC-A impose a penalty and withhold up to 5% of GCPSU's annual operation and maintenance budget. However, following discussions between MOI and CSTC-A, as of November 20, 2016, no penalty had been imposed on GCPSU for its lack of equipment accountability.<sup>346</sup>

**Women's Participation Program:** An initiative which seeks to advance and promote women's participation in Afghan security institutions. The program promotes safe and secure facilities, proper equipment, training, and opportunities for women to increase female membership within the ANSDF.

## ANP Infrastructure

As of December 31, 2016, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF funds for ANP infrastructure.<sup>347</sup>

According to CSTC-A, as of November 30, 2016, the United States had completed 741 infrastructure projects valued at \$3.6 billion, with another 23 ongoing projects valued at roughly \$75.4 million ongoing.<sup>348</sup> The largest ongoing ANP infrastructure project this quarter is the installation of an information-technology server at the MOI Headquarters Network Operations Center in Kabul (with an estimated cost of \$34 million). This is followed by two **Women's Participation Program** projects: compounds for

Source: OSD-Policy, response to SIGAR vetting, 4/15/2016.



**A Women's Participation Program compound** is near completion at ANA Camp Shaheen in Mazar-e Sharif. (U.S. Army Corps of Engineers photo)

women at the Regional Training Center in Jalalabad (\$7.8 million, a \$1.4 million cost increase from last quarter) and compounds for women at the Kabul Police Academy (\$6.7 million).<sup>349</sup>

The one infrastructure project completed this quarter was a warehouse and gas-station project at the Regional Logistics Center at Jalalabad (\$283,896).<sup>350</sup> Additionally, 13 contracts were awarded at a total of \$25.6 million, the majority and largest of which are Women's Participation Program projects: the previously mentioned \$6.7 million project for women's compounds at Kabul Police Academy, a training building for women in Police District 9 in Kabul (\$3.8 million), and women's facilities at the Paktiya Regional Training Center (\$3.7 million).<sup>351</sup>

## ANP Training and Operations

As of December 31, 2016, the United States had obligated and disbursed \$3.7 billion of ASFF funds for ANP and MOI training and operations.<sup>352</sup> According to DOD, FY 2016 funding is used to provide advisors to assist with MOI and police development.<sup>353</sup>

The largest U.S.-funded training projects in FY 2016 focused on the AAF and special forces. The largest MOI contract, a \$33.5 million, multi-year project to train advisors in the MOI (under which the ANP falls) recently ended in September. In October 2016, the United States began an \$18.3 million project for ANP training.<sup>354</sup> Other new projects include \$11.7 million project to develop the ANP's human intelligence-gathering capacity,<sup>355</sup> and a \$10.8 million contract for training MOI advisors and mentors.<sup>356</sup>

## WOMEN COMPRISE 1.4% OF ANDSF PERSONNEL

This quarter, the RS Headquarters Gender Affairs Office reported 4,406 women serving in the ANDSF, 461 more than last quarter.<sup>357</sup> Despite these gains in female recruits, the overall percentage of women in the ANDSF remains at only 1.4%.<sup>358</sup> Of the 4,406 women, 3,130 were in the ANP, 1,065 were in the ANA, 139 were in the ASSF, and 72 were in the AAF.<sup>359</sup> Of the women in the ANP, ANA, and AAF, 1,289 were officers, 1,387 were noncommissioned officers, 1,241 were enlisted, and 489 were cadets.<sup>360</sup> While the ANP has come more than half-way toward reaching its goal of 5,000 women, the ANA is still far from reaching the same goal.<sup>361</sup>

With the help of the eight Essential Function (EF) components of RS, Gender Affairs Office accomplishments in the past quarter included ensuring that incentive payments were made to women in the ANA and ANP. The Gender Affairs Office also conducted training, advising, and assisting (TAA) for the MOD to hire subject-matter experts on gender issues and worked with CSTC-A's engineers to ensure that all building projects for the ANDSF factor in gender considerations, such as including female bathrooms, changing rooms and separate accommodation, as well as other amenities like childcare facilities and gyms.<sup>362</sup>

The Gender Affairs Office worked with the EF office responsible for rule-of-law issues to develop and implement a training program on gender equality and gender-based violence that is ongoing for both male and female MOD and MOI personnel. They are also conducting TAA to deliver a training video for MOD and MOI on human rights violations and unacceptable workplace behavior that includes guidance on the respectful treatment of women at work.<sup>363</sup> With the assistance of the EF focused on force sustainment, equipment, and logistics, the Gender Affairs Office continued developing and implementing radio-maintenance training courses this quarter for ANA and ANP women, an area RS thinks could become an "important niche role" for women in the security forces.<sup>364</sup>

With the EF overseeing strategic communications, the Gender Affairs Office also provided MOI with a gender public affairs subject-matter expert, conducted ongoing TAA to ensure Afghan media covered key activities involving female soldiers and police, and developed marketing tools for recruiting women into the ANA that provide public awareness about gender equality and respect between genders in the MOD.<sup>365</sup> To develop a career path to the 83 MOD Intelligence positions open to women, junior-grade positions are being created.<sup>366</sup>

In late December, Captain Niloofar Rahmani, the first Afghan woman to become a fixed-wing pilot in the AAF, announced upon finishing training at various U.S. Air Force bases that she had applied for asylum in the United States and did not intend to return to Afghanistan. Captain Rahmani cited longstanding death threats and the contempt of male AAF colleagues due to her heightened notoriety as key reasons for seeking asylum.<sup>367</sup> Her

**Five female security screeners and their male driver, en route to Kandahar airport, were killed on December 17, 2016, by unidentified assailants. The airport director reported the contractors were concerned for their safety after receiving death threats. The Taliban denied any involvement in the killings.**

Source: *The Indian Awaaz*, "Afghanistan: 5 female security staff killed at Kandahar airport," 12/18/2016; *New York Times*, "Gunmen in Afghanistan Kill 5 Female Airport Employees," 12/17/2016.

announcement has provoked a strong backlash by Afghan officials and civil society alike. General Mohammad Radmanish, an MOD spokesman, accused Captain Rahmani of lying just to win her asylum case, saying that her “life isn’t at risk at all,” and entreating U.S. officials to reject her case.<sup>368</sup> Similarly, a group of Afghan activists called the White Assembly—self-described as a group of educated youths, policy makers, human-rights activists, and others across Afghanistan—wrote a letter to then-President Obama expressing outrage about Rahmani’s asylum request, asking him to deny it and deport her back to Afghanistan.<sup>369</sup>

In previous quarters, SIGAR has drawn attention to related issues facing the ANDSF. As a result of a fact-finding mission to Kabul, SIGAR reported on the challenges facing women in the ANDSF, which include sexual harassment and assault by their male colleagues, lack of equal pay and benefits, and gender-biased preclusion from promotions and other opportunities.<sup>370</sup> Additionally, MOD is reassessing its process for selecting personnel to train in the United States following several instances of trainees going missing.<sup>371</sup>

For more information, see pages 3–25 and 121–122 of SIGAR’s October 2016 *Quarterly Report*.

## ANDSF MEDICAL AND HEALTH CARE

There was no significant change in the number of medical personnel in the ANDSF since last quarter. As of November 21, 2016, there were 1,009 physicians and 2,734 other medical staff within the ANDSF healthcare system; 265 physician positions (20.8% of those required) and 465 other medical positions (14.5%) are vacant, according to CSTC-A.<sup>372</sup>

In December, CSTC-A’s Expeditionary Medical Advising Teams (eMAT) conducted site visits and reviewed ANDSF medical capabilities alongside the ANA’s Medical Logistics Command and the Afghan National Army Medical Command (MEDCOM) in Herat, Gamberi, Kandahar, and Mazar-e Sharif. Each visit included a joint medical logistic systems review and a warehouse inspection. In addition, both ANA medical personnel and eMATs taught classes in four areas: ANA medics taught classes on self-aid and combat lifesaving while eMATs taught damage-control surgery and trauma/ICU-stabilization care.<sup>373</sup>

## REMOVING UNEXPLODED ORDNANCE

The Department of State’s (State) Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA) manages the conventional-weapons destruction program in Afghanistan. Since FY 2002, State has provided \$341.3 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has obligated approximately \$13 million of FY 2016 funds.<sup>374</sup>

# SECURITY

TABLE 3.13

| CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2016 |                                      |                 |                  |                  |                   |  |
|--|--------------------------------------|-----------------|------------------|------------------|-------------------|--|
| Fiscal Year  | Minefields Cleared (m <sup>2</sup> ) | AT/AP Destroyed | UXO Destroyed    | SAA Destroyed    | Fragments Cleared | Estimated Contaminated Area Remaining (m <sup>2</sup> )* |
| 2010   | 39,337,557                           | 13,879          | 663,162          | 1,602,267        | 4,339,235         | 650,662,000  |
| 2011   | 31,644,360                           | 10,504          | 345,029          | 2,393,725        | 21,966,347        | 602,000,000  |
| 2012   | 46,783,527                           | 11,830          | 344,363          | 1,058,760        | 22,912,702        | 550,000,000  |
| 2013   | 25,059,918                           | 6,431           | 203,024          | 275,697          | 10,148,683        | 521,000,000  |
| 2014   | 22,071,212                           | 12,397          | 287,331          | 346,484          | 9,415,712         | 511,600,000  |
| 2015   | 12,101,386                           | 2,134           | 33,078           | 88,798           | 4,062,478         | 570,800,000  |
| 2016   | 27,856,346                           | 6,493           | 6,289            | 91,563           | 9,616,485         | 607,600,000  |
| <b>TOTAL</b>   | <b>204,854,306</b>                   | <b>63,668</b>   | <b>1,882,276</b> | <b>5,857,294</b> | <b>82,461,642</b> | <b>607,600,000</b>                                       |

Note: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined. There are about 4,047 square meters (m<sup>2</sup>) to an acre.

\* Total area of contaminated land fluctuates as clearance activities reduce hazardous areas while ongoing survey identifies and adds new contaminated land in the Information Management System for Mine Action (IMSMA) database.

Source: PM/WRA, response to SIGAR data call, 12/27/2016; PM/WRA, response to SIGAR vetting, 1/6/2017.

State directly funds five Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearing areas contaminated by explosive remnants of war (ERW) and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices.

As of September 30, 2016, State-funded implementing partners have cleared approximately 205 million square meters of land (approximately 79 square miles) and removed or destroyed approximately 7.8 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.13).<sup>375</sup> In addition, survey and clearance are still needed on 63 firing ranges belonging to ISAF/NATO covering an area of 162.3 square kilometers (62.7 square miles). From December 2012 to June 2016, 40 hazards and a total area of 1,109 square kilometers (428.2 square miles) were cleared on ISAF/NATO firing ranges.<sup>376</sup>

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 598 square kilometers (231 square miles) of contaminated minefields and battlefields. During the quarter, six square kilometers (2.3 square miles) were cleared though the discovery of additional hazardous areas brought the known contaminated area to 607 square kilometers (234.4 square miles) by the end of the quarter. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.<sup>377</sup>

USAID, in partnership with the UN Mine Action Centre for Afghanistan (UNMACA), provides services for victims and survivors of mines and ERW,

as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP). The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians, including victims of mines and ERW.<sup>378</sup>

UNMACA draws on its wider network under the Mine Action Programme of Afghanistan (MAPA), which consists of 50 international and national organizations, to access beneficiaries and communities. One of those organizations, the Mine Action Coordination Centre of Afghanistan (MACCA), collects casualty data on mine/ERW victims to help prioritize its clearance activities. According to USAID, ACAP funding will allow MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families.<sup>379</sup>

The number of deminers working in MAPA total around 9,700, of which 99% are Afghan nationals. The high number of individuals involved with demining makes Afghanistan one of the world's largest mine action programs, with the most coverage on the ground. Less than 1% of all security-related incidents targeted the demining community since 2009.<sup>380</sup>

Between July and September 2016, MAPA reports the over 5,300 civilian victims received assistance and disability support services. The total number of beneficiaries since 2007 is 421,856.<sup>381</sup> Since January, the UN and mine action partners have provided risk education regarding mines and ERW to over 466,000 returnees from Pakistan.<sup>382</sup> The \$30.2 million ACAP program has expended \$19.6 million to date and will conclude in February 2018.<sup>383</sup>

According to the UN, the security situation deteriorated significantly between January and October 2016, with incidents reaching the highest level since reporting began in 2007. Of nearly 6,300 security incidents between August 16 and November 17, 2016, 18% were improvised explosive devices (IEDs)—the second most prevalent form of attack after armed attacks.<sup>384</sup> Many of the IEDs used by today's insurgents are much more powerful and cause greater bodily harm than previous IEDs. Disabled war victims are more often double rather than single amputees, as was more common a decade ago.<sup>385</sup>

# GOVERNANCE CONTENTS

|  |     |
|--|-----|
| Key Issues and Events                              | 119 |
| U.S. Reconstruction Funding for Governance         | 121 |
| Mutual Accountability Updates                      | 121 |
| U.S. Assistance to the Afghan<br>Government Budget | 122 |
| National Governance                                | 128 |
| Subnational Governance                             | 132 |
| Reconciliation and Reintegration                   | 133 |
| Rule of Law and Anticorruption                     | 135 |
| Human Rights                                       | 144 |
| Gender   | 145 |

## GOVERNANCE

### KEY ISSUES AND EVENTS

This quarter, the Afghan national government faced tensions within the executive branch over the actions of First Vice President Abdul Rashid Dostum and conflict between the executive and parliament over the dismissal of seven government ministers.

In October, First Vice President Dostum publicly accused President Ashraf Ghani and Chief Executive Abdullah Abdullah of nepotism and ethnic bias in government appointments. Both Ghani's and Abdullah's offices condemned Dostum's statement.<sup>386</sup>

On November 24, Dostum reportedly kidnapped a political rival, a former governor of Jowzjan Province. Once released, the victim accused Dostum on national television of ordering him to be beaten and raped with the muzzle of a rifle while in Dostum's private custody.<sup>387</sup> The U.S. Embassy and the European Union called for an investigation.<sup>388</sup> On December 17, the Afghan attorney general's office announced it was investigating the matter.<sup>389</sup> As of December 22, Dostum refused an attorney-general summons. Claiming the first vice president has the same legal standing as the president, Dostum's chief of staff labeled the summons illegal, arguing that allegations of crimes against the president can only be made by a two-thirds vote by parliament.<sup>390</sup> Chief Executive Abdullah's office called the handling of the Dostum investigation a significant test for the unity government.<sup>391</sup>

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers after they were summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). Four of the seven ministers sanctioned by parliament were Ghani nominees, while the remaining three had been nominated by Abdullah. Parliament considers those who received votes of no confidence dismissed. The Minister of Foreign Affairs, an Abdullah nominee and head of a major political party that backed Abdullah in the presidential election, was among those who received a vote of no confidence; however, the Ministry of Foreign Affairs insists it spent 73% of its development budget.<sup>392</sup>

In December, the Asia Foundation released their 2016 *Survey of the Afghan People*. The survey found that in 2016, 29.3% of respondents nationwide say their country is moving in the right direction, down from 36.7% in 2015. This represents the lowest level of optimism recorded since the survey began in 2004. Of the 65.9% of Afghans who say their country is moving in the wrong direction, the most frequently cited reason is insecurity (48.8%), followed by unemployment (27.5%), corruption (14.6%), a bad economy (10.4%), and bad government (8.7%).<sup>393</sup>

Despite government efforts to curb corruption, 89.2% of Afghans say that corruption is a problem in their daily lives, with 61% saying it is a major problem and 28.2% saying it is a minor problem. Among Afghans who had contact with police within the past year, 48% say they paid a bribe, down from 53% in 2015. Instances of respondents paying bribes to officials in the municipality/district office (59%), judiciary and courts (60%), customs office (55%), provincial governor's office (55%), state electricity supply (50%), public health services (46%), and the Afghan National Army (38%); when applying for a job (56%); and for admissions to school/university (39%) all decreased compared to the 2015 responses, but were higher than the results from 2014.<sup>394</sup>

Respondents who reported frequent bribe paying did not always rate the offending government authority poorly. For example, of the 604 respondents (representing 19% of those asked the question) who reported that in their interactions with municipal officials they had to pay a bribe all or most of the time, 43% rated the municipal officials as either very good or somewhat good at their job, while 44.4% rated municipal officials as either very bad or somewhat bad. Similarly, of the 1,631 respondents (representing 12.9% of those surveyed) who reported that in their interactions with Afghan police they had to pay a bribe all or most of the time, 75.5% strongly or somewhat agreed that the police are honest and fair, while only 24.3% strongly or somewhat disagreed.<sup>395</sup>

Also in December, Integrity Watch Afghanistan (IWA) issued the results of their biennial national corruption survey, funded in part by SIGAR. The majority of those surveyed (71%) felt corruption has worsened in the past two years. More than 26% of those interviewed reported having paid a bribe in the previous 12 months, an increase from the 21% who reported having paid a bribe in 2014. Extrapolating from the survey findings, IWA estimated that Afghans paid \$2.9 billion in bribes in 2016, an increase from the \$1.9 billion estimate for 2014. While a majority (51%) of IWA respondents nationwide agreed with the statement that corruption facilitates the expansion of the Taliban, majorities in the south (63%) and northeast (53%) disagreed with this statement, an interesting result given the strength of the insurgency in these regions.<sup>396</sup>

## U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of December 31, 2016, the United States had provided nearly \$32.8 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$19.4 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).

## MUTUAL ACCOUNTABILITY UPDATES

At the Senior Officials Meeting (SOM) in September 2015, the international community and the Afghan government agreed to the Self-Reliance through Mutual Accountability Framework (SMAF) to guide their activities at least to the end of the present government's term.<sup>397</sup>

The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens' development rights (three indicators); (5) private-sector development and inclusive growth and development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).<sup>398</sup> At the October 2016 Brussels Conference, international donors and the Afghan government also agreed to 24 new "SMART" (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.<sup>399</sup>

According to USAID, there were no notable updates for SMAF deliverable progress this quarter.<sup>400</sup>

## Electoral Reform Challenges

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, now Chief Executive Abdullah, after the troubled 2014 presidential elections. The September 2014 agreement that led to forming the national-unity government called for immediate establishment of a special commission for election reform. The intent was to implement reform before the 2015 parliamentary elections and to distribute electronic identity cards to all Afghan citizens as quickly as possible.<sup>401</sup>

At the October Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.<sup>402</sup>

In November, the chief justice of the Afghan Supreme Court swore in a new slate of election commissioners including seven Independent Election Commission (IEC) commissioners—down from the previous nine commissioners—and five Independent Election Complaints Commission (IECC) commissioners. According to State, replacing the discredited incumbent commissioners is seen as the first step toward

electoral reform. The new election commissioners will be responsible for determining election schedules, identifying and implementing necessary reforms, and overseeing the hiring processes for hundreds of vacant electoral commission positions.<sup>403</sup>

On December 5, the IEC held its first working meeting following the new commissioners' short meeting to select their administrative board members on November 27. In a press statement, the IEC said it discussed expanding the number of polling centers, preventing the use of personal property as polling sites, ensuring equal voting rights, and other election-related issues.<sup>404</sup> In late December, an IEC commissioner told local media that the IEC had budget difficulties while donors continue to suspend their funding.<sup>405</sup> State reported last quarter that donors are waiting for a realistic elections timeline and Afghan government budget before making any determinations regarding election support.<sup>406</sup>

## U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

### Summary of Assistance Agreements

At the Brussels Conference in October 2016, the United States and other international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.<sup>407</sup> Although the United States did not commit to a specific amount, then-Secretary of State John Kerry promised to work with Congress to provide civilian assistance at or near the 2016 levels through 2020.<sup>408</sup>

At the 2010 Kabul Conference, the United States and other international donors supported an increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government to improve governance, cut costs, and align development efforts with Afghan priorities.<sup>409</sup> Donors, including the United States, reaffirmed this commitment at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.<sup>410</sup> As of December 2016, USAID had not yet achieved the 50% on-budget target.<sup>411</sup> At the October 2016 Brussels Conference, the United States and other donors committed to channel a "higher share" of their development assistance via on-budget modalities in 2017 and 2018, but did not commit to a particular percentage of their overall assistance.<sup>412</sup> As shown in Table 3.14, USAID expected to spend \$842 million on direct bilateral-assistance programs that were active during the quarter. It also expects to contribute \$2.7 billion to the Afghanistan Reconstruction Trust Fund (ARTF) through 2020, in addition to \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank. USAID has disbursed \$113 million to the Afghanistan Infrastructure Trust Fund (AITF).<sup>413</sup>

**On-budget assistance:** encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and included in the budget approved by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

**Off-budget assistance:** encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8; State, response to SIGAR vetting, 1/14/2016.

# GOVERNANCE

TABLE 3.14

| USAID ON-BUDGET PROGRAMS  |   |                       |            |            |                           |   |
|---|---|-----------------------|------------|------------|---------------------------|---|
| Project/Trust Fund Title  | Afghan Government On-Budget Partner                           | Special Bank Account? | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| <b>Bilateral Government-to-Government Projects</b>  |   |                       |            |            |                           |   |
| Power Transmission Expansion and Connectivity Project (PTEC)                                    | Da Afghanistan Breshna Sherkat (DABS)                         | Yes                   | 1/1/2013   | 12/31/2018 | \$725,000,000             | \$124,878,220                                   |
| Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant) | DABS  | Yes                   | 4/22/2013  | 12/31/2016 | 75,000,000                | 56,714,535                                      |
| Afghanistan Workforce Development Project (AWDP)  | Ministry of Education (MOE)                                   | Yes                   | 9/18/2013  | 12/31/2016 | 11,500,000                | 4,832,843                                       |
| Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution            | MOE   | Yes                   | 11/16/2011 | 12/31/2016 | 26,996,813                | 24,970,742                                      |
| E-Government Resource Center (EGRC)   | Ministry of Communications and Information Technology (MOCIT) | Yes                   | 8/28/2013  | 12/1/2017  | 3,900,000                 | 1,205,000                                       |
| <b>Multi-Donor Trust Funds</b>  |   |                       |            |            |                           |   |
| Afghanistan Reconstruction Trust Fund (ARTF) (current award)*                                   | Multiple  | No                    | 3/31/2012  | 3/31/2017  | 2,700,000,000             | 1,470,169,080                                   |
| Afghanistan Infrastructure Trust Fund (AITF)  | Multiple  | No                    | 3/7/2013   | 3/6/2018   | 153,670,184               | 113,000,000                                     |

Note: \* USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards is currently \$2,842,160,275.

Source: USAID, response to SIGAR data calls, 1/17/2017, and 1/18/2017.

The U.S. government announced in March 2015 that it intended to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including the army and police, at the level of 352,000 personnel through at least 2017.<sup>414</sup> The Department of Defense (DOD) was authorized \$4.26 billion to support the ANDSF for fiscal year (FY) 2017 (though the appropriation was not finalized before this report went to press).<sup>415</sup>

At the 2012 Chicago Conference, the United States and its allies affirmed commitments to support the Afghan security forces with an estimated annual budget of \$4.1 billion, to be reviewed regularly against the changing security environment.<sup>416</sup> At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to financial sustainment of the ANDSF through the end of 2017. The international community pledged an additional amount of almost €1 billion, or approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.<sup>417</sup>

In July 2016, NATO allies and partners met in Warsaw and committed to extend the financial commitments made at the 2012 NATO Summit in Chicago. Some 30 nations renewed pledges to sustain the Afghan security forces through 2020 at or near current levels. The international community has so far pledged more than \$800 million annually for 2018–2020. President Obama also pledged that he would recommend to his successor that the



**USAID Mission Director** Herbie Smith and the Afghan Minister of Finance discuss continued U.S. civilian assistance to Afghanistan. (USAID photo)

United States continue to seek funding for the ANDSF at or near current levels through 2020.<sup>418</sup>

As of mid-January, DOD had not yet finalized the agreements governing their Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) on-budget contributions for police salaries to the Ministry of Interior (MOI) through the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), nor their direct on-budget contributions to the Ministry of Defense (MOD) or MOI.<sup>419</sup>

## SIGAR AUDIT

SIGAR has an ongoing audit of the ARTF. In July 2011, SIGAR found that the World Bank and the Afghan government had established mechanisms to monitor and account for ARTF contributions, but that several limitations and challenges should be addressed. This new audit will assess the extent to which the World Bank and the Afghan government (1) monitor and account for U.S. contributions to the ARTF, (2) evaluate whether ARTF-funded projects have achieved their stated goals and objectives, and (3) utilize and enforce any conditionality on ARTF funding.

## Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.<sup>420</sup> According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.<sup>421</sup>

The ARTF, administered by the World Bank, provides funds to both the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.<sup>422</sup> The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.<sup>423</sup> According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.<sup>424</sup>

As of November, the United States remains the largest donor to the ARTF (30.2% in actual contributions) with the next largest donor being the United Kingdom (17.8% in actual contributions).<sup>425</sup> According to the World Bank,

the ARTF is the largest single source of support for the Afghan government budget at \$9.1 billion as of September 2016.<sup>426</sup> The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. The recurrent-cost window pays 16–20% of the Afghan government's non-security operating budget.<sup>427</sup>

## On-Budget Assistance to the ANDSF

A large portion of total U.S. on-budget assistance goes toward the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor LOTFA.<sup>428</sup> Administered by the UNDP, LOTFA primarily funds Afghan National Police salaries and incentives.<sup>429</sup> Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.<sup>430</sup>

In February 2011, the Under Secretary of Defense Comptroller authorized the U.S. military's Combined Security Transition Command–Afghanistan (CSTC-A) to provide direct contributions to the Afghanistan government from ASFF to develop ministerial capacity and capability in the areas of budget development and execution, acquisition planning, and procurement. CSTC-A administers all contributions of ASFF resources to the Afghan government to fund MOD and MOI requirements, subject to certain conditions that the ministries must meet for the use of the funds.<sup>431</sup> CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.<sup>432</sup> Most of the on-budget funds provided by CSTC-A support salaries, with most of the limited amounts for local procurement used for services such as facility-maintenance contracts.<sup>433</sup>

As of November 2016, CSTC-A provided \$1 billion to the MOD, \$278 million to the MOI, and \$85.8 million to LOTFA for the current Afghan fiscal year.<sup>434</sup>

In December 2015, the UNDP planned to support Afghan police salary payments using LOTFA through December 31, 2016. After this date, it was planned for the Afghan government to take responsibility for Afghan police payroll.<sup>435</sup> This quarter, a public accounting firm found that the MOI is expected to meet only 50% of the conditions necessary to transition Afghan police payroll management from UNDP to MOI.<sup>436</sup> In December 2016, the LOTFA project board approved a one-year extension of LOTFA's support for MOI payroll.<sup>437</sup>

In September 2016, CSTC-A approved a change in the use of \$233 million in ASFF originally intended as on-budget contributions for MOD to instead pay for priority unfunded requirements, including an aviation maintenance



**NATO partner countries** approved about \$390 million for projects to support Afghan forces in December. (DOD photo)

contract, 453 High-Mobility Multipurpose Wheeled Vehicles, medical consumables, and communications equipment.<sup>438</sup>

According to CSTC-A, the Afghan government's procurement process is hindering the execution of ASFF funds provided as direct contributions. As of September 2016, the execution rate was only 37%.<sup>439</sup> DOD has observed the Afghan government making changes to their process that will hopefully increase the execution rate. CSTC-A officials believe Afghan government procurement reforms—particularly the establishment of the National Procurement Commission that is chaired by President Ghani and reviews all operations and maintenance contracts above \$300,000 and construction contracts over \$1.5 million before contract award—has enforced contracting standards and reduced corruption. However, the Department of Defense Inspector General (DOD IG) found that CSTC-A does not have any metrics to determine the National Planning Commission's effectiveness in this regard.<sup>440</sup>

A senior CSTC-A official told SIGAR that CSTC-A has decided to conduct future fuel procurements for the ANDSF off-budget. CSTC-A concluded that poor Afghan government fuel-contract administration created opportunities for contractors to substitute lower-quality fuel and sell fuel meant for the security forces on the open market. CSTC-A plans to administer the fuel procurements off-budget and conduct spot checks of fuel delivery.<sup>441</sup>

## **MOD and MOI Had Mixed Results in Meeting Conditions for U.S. Funding**

In November, DOD found that while the MOD and MOI made satisfactory progress in meeting the majority of agreed-upon conditions for U.S. funding assistance, both ministries had a significant number of deficiencies.

Of 59 conditions defined in the commitment letter, CSTC-A determined that the MOD made satisfactory progress toward meeting 35 conditions and insufficient progress toward meeting 24. This quarter, CSTC-A provided no incentive funding to the MOD for satisfactory progress. CSTC-A determined that the MOD failed to conduct capital asset inventory assessments for 10 MOD installations, prompting CSTC-A to withhold 20% of conditional funds available for construction of MOD buildings. CSTC-A also found that the MOD failed to provide the required 100% accounting of night-vision devices, prompting CSTC-A to continue withholding future deliveries of night-vision devices to three mobile strike force battalions that were deficient. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOD has yet to provide such a list.<sup>442</sup>

Additionally, the MOD reported 835 lost weapons but provided insufficient documentation for these losses. Because of this, CSTC-A will not issue small arms until MOD provides a full accounting by unit. CSTC-A will also not replace any lost weapons until sufficient documentation is received. CSTC-A stopped penalizing the MOD for ammunition accountability deficiencies following MOD-implemented corrective actions including the suspension of 111th Capital Division's ammunition officer, the submittal of missing ammunition consumption data by 215th Corps, and the uploading of ammunition data by 111th Capital Division and the Afghan Air Force. While the two mobile strike force brigades were delinquent in ammunition reporting, CSTC-A decided to provide additional capacity assistance in lieu of applying penalties since these brigades are fairly new organizations. CSTC-A identified a further 16 conditions with insufficient progress, but imposed no additional penalties on the MOD; however, DOD says that penalties may be assessed following the next quarterly review.<sup>443</sup>

Of 74 MOI conditions defined in the commitment letter, CSTC-A determined that the MOI made satisfactory progress on 37 conditions, while 37 had insufficient progress. This quarter, CSTC-A provided no incentive funding to the MOI for satisfactory progress. CSTC-A found that the MOI has not sufficiently investigated cases of gross violation of human rights (GVHR). In response, CSTC-A will continue to withhold MOI's travel budget for all but gender-related trainings and deny raises to the MOI offices that compose the MOI's GVHR Committee.<sup>444</sup>

The MOI was required to provide a 100% inventory of Afghan Local Police equipment by July 31, 2016. However, CSTC-A found that only 123 of 179 ALP districts met this goal. As a result, CSTC-A withheld \$833,000 for military tools and equipment as a one-time penalty. The MOI had a similar problem with providing a 100% inventory of General Command Police Support Unit (GCPSU) equipment. As of the June 30, 2016, deadline, 80% of GCPSU units reported their full inventories. In response, CSTC-A levied a

one-time penalty of \$833,000 from the MOI's budget for items such as mattresses, pillows, and laundry.<sup>445</sup>

The MOI also failed to fully account for night-vision devices, prompting CSTC-A to withhold future deliveries to two Afghan National Civil Order Police brigades. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOI has yet to provide such a list. Because of this, CSTC-A will not issue small arms or replace lost weapons until MOI provides a full accounting of small arms by police zone. CSTC-A identified a further 30 conditions with insufficient progress but imposed no additional penalties on the MOI; however, DOD says that penalties may be assessed following the next quarterly review.<sup>446</sup>

In December, DOD IG found that while CSTC-A did begin imposing limited penalties on the Afghan government for failure to comply with commitment letters, CSTC-A did not impose these penalties consistently. DOD IG concluded that CSTC-A does not have a formal process in place to determine and enforce penalties for violations. According to CSTC-A officials, they were reluctant to assess penalties because the excess enforcement of penalties could inhibit the Afghans' ability to conduct security operations. DOD, however, disagrees with DOD IG's finding, arguing that Resolute Support advisors assess conditions either monthly or quarterly and make recommendations to either impose or waive penalties.<sup>447</sup>

CSTC-A commented that the current Afghan fiscal year commitment letters had only mixed success in achieving conditions. According to CSTC-A, some of the lessons learned include: conditions must be enforceable, unachievable conditions can be counterproductive, overlooking missed conditions undermines credibility, and strategic patience is required to see sustainable effects. As CSTC-A develops the next fiscal year commitment letters, they will focus on the highest-priority conditions, plan to impose fines rather than percentage decreases for specific budget lines, look to provide more incentive clauses rather than penalties, and reduce the overall number of conditions.<sup>448</sup>

## NATIONAL GOVERNANCE

### Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity building of Afghan government entities.<sup>449</sup> USAID also seeks to increase civil-society capacity through the Afghan Civic Engagement Program (ACEP). As shown in Table 3.15, active programs include the Ministry of Women's Affairs' Organizational Restructuring and

# GOVERNANCE

TABLE 3.15

| USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL                          |                             |            |            |                           |   |
|---|-----------------------------|------------|------------|---------------------------|---|
| Project Title   | Afghan Government Partner   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Afghan Civic Engagement Program (ACEP)  | N/A                         | 12/4/2013  | 12/3/2018  | \$70,000,000              | \$40,226,038                                    |
| Assistance to Legislative Bodies of Afghanistan (ALBA)                          | Parliament                  | 3/28/2013  | 3/27/2018  | 24,990,827                | 18,710,629                                      |
| Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE) | Ministry of Women's Affairs | 12/20/2012 | 12/19/2016 | 14,182,944                | 10,576,100                                      |

Source: USAID, response to SIGAR data call, 1/18/2017.

Empowerment (MORE) project, a \$14 million project that, among other things, helps the ministry improve its financial management, as required for future on-budget assistance.<sup>450</sup>

MORE closed in December. Before closing, MORE processed one-off payments to enable MORE-supported scholarship recipients to continue their studies beyond the end of the program. MORE staff finalized 10 provincial gender profiles to serve as templates for the Ministry of Women's Affairs in developing profiles for the remaining 24 provinces. These profiles summarize province-level statistics including population estimates, the number of female legal and police personnel, female voter turnout, and the number of violence against women cases.<sup>451</sup>

USAID has also provided \$5 million for the \$150 million, ARTF-managed Capacity Building for Results (CBR) program. CBR aims to improve the capacity and performance of Afghan government ministries by providing skilled civil servants to implement ministries' reform programs. CBR provides Afghan government ministries with the opportunity to recruit high-capacity staff into critical posts at salaries closer to market rates. The aim is to increase on-budget service delivery and reduce reliance upon the so-called "second civil service" wherein Afghan consultants, instead of civil servants, perform government functions.<sup>452</sup>

At the October 2016 Brussels Conference, the Afghan government committed to recruit 1,200 government personnel by December 2017 and to fill the remaining positions by 2018. Previously, the Afghan government had committed to recruit at least 800 of 2,400 planned CBR positions by December 2016. As of September 2016, the Afghan government had issued contracts to 196 persons.<sup>453</sup>

## National Assembly

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). The parliament considers the following ministers to be dismissed following the no-confidence votes: the Minister of Foreign Affairs; Minister of Public

Works; Minister of Labor, Social Affairs, Martyrs and Disabled; Minister of Education, Minister of Transport and Civil Aviation; Minister of Higher Education; and Minister of Communications and Information Technology.<sup>454</sup> On November 14, President Ghani ordered the ministers to continue working, referring the legality of the dismissals to the Supreme Court.<sup>455</sup>

On December 22, the start of the new Afghan fiscal year, the lower house of parliament rejected the draft budget submitted by the executive. Among the reasons cited, parliament argued that project funds were not well balanced between provinces.<sup>456</sup> On the same day last year, parliament rejected the draft budget with the same critique.<sup>457</sup> On January 15, 2017, the parliament passed the budget on its third attempt with only 57% of lower house members participating in the vote.<sup>458</sup>

According to State, the parliament continues to face difficulties achieving quorum, though this occurs less often when sessions relate to the elections, official nominations, or key legislation with broad constituent interest. Parliament suspended six members for being absent and threatened to suspend an additional three members. Parliament has also been declaring sessions quorate despite having only a minority of members present.<sup>459</sup>

USAID funds the \$25 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.<sup>460</sup> In December, the parliament approved an anti-harassment bill that had received ALBA support since its inception as a member-proposed bill. The new law defines jail terms and cash fines for those convicted of harassing women and children. Following the bill's passage, ALBA supported a press conference on the bill and briefed the audience on its main themes.<sup>461</sup>

Following the publication of an ALBA mid-year report that found low development-budget execution by the Afghan government, ALBA has received regular requests from parliamentary commissions for regular budget updates. In November, the lower house of parliament held hearings for—officially—low execution of ministry development budgets. Following parliament's votes of no confidence for seven ministers, the Parliamentary Anti-Corruption Caucus requested that ALBA prepare information on the laws and regulations that relate to the dismissal of ministers.<sup>462</sup>

## Civil Society

The Afghan Civic Engagement Program's goal is to promote civil-society and media engagement that enables Afghan citizens to influence policy, monitor government accountability, and serve as advocates for political reform. ACEP aims to achieve this goal through five program areas: (1) regular civil-society organization (CSO) engagement with the Afghan government, (2) increased CSO and media expertise in democracy and governance, (3) expanded civic engagement, (4) improved access to

independent news and public affairs information, and (5) increased CSO organizational capacity.<sup>463</sup>

This quarter, ACEP sponsored a two-day conference that brought together over 400 civil-society, media, and government representatives from all 34 Afghan provinces. According to USAID, the conference was an opportunity to discuss current engagement among CSOs, media organizations, and government agencies, and foster improved future coordination and cooperation. ACEP also sponsored 34 emerging Afghan civil-society leaders for a 10-day study tour to Sri Lanka to expose the participants to youth activities carried out by other organizations and governments. ACEP sponsored a three-day training for ACEP-supported CSOs that focused on results-based monitoring, management, and development of logical frameworks to assist with reporting outcomes.<sup>464</sup>

ACEP recently released a baseline study on the enabling environment for CSOs in Afghanistan. The study focused on the legal framework, the socio-cultural environment, governance, and financial viability that influence CSO development and activities. Using interviews and case studies, the data were used to generate factor-specific scores between -1 (wholly un-supportive of CSO activity) and 1 (wholly supportive). Overall, the baseline study found an overall enabling environment score of 0.33 (somewhat supportive). Corruption, insufficient CSO and government capacity and technical expertise, poor CSO interactions with government, rule of law challenges, access to funding, and the tying of donor-driven priorities to funding were cited as the main obstacles to CSO activities. On the positive side, CSOs report they increasingly coordinate with each other (in line with donor priorities) and are able to attract more volunteer support.<sup>465</sup>

The scores for the four main factors were: legal framework (0.31) with ease of CSO registration the highest sub-factor and the extent to which taxes are fair, efficient, and transparent the lowest sub-factor; social-cultural environment (0.65) with the extent to which CSOs successfully influence government the highest sub-factor and the extent to which CSOs are seen as independent and professional the lowest sub-factor; governance (0.17) with the extent to which CSOs collaborate with each other and the government the highest sub-factor and the extent to which the environment supports CSO involvement in service provision and the extent to which corruption does not affect the work of CSOs the lowest sub-factors; and financial viability (0.2) with the extent to which CSOs are financially independent the highest sub-factor and the extent to which CSOs are able to access funding the lowest sub-factor.<sup>466</sup>

There were some discrepancies between quantitative survey results and qualitative data gathered through in-depth interviews and focus group discussions. For example, while CSO respondents gave community support a high score in the survey, CSO members spoke of the hostility they experienced from more conservative elements in society that regarded civil

society as not in line with Islam or as an “imported” Western concept. Many CSOs have, consequently, felt the need to incorporate Islamic rhetoric in order to align their operations with prevalent cultural paradigms.<sup>467</sup>

## SUBNATIONAL GOVERNANCE

### Provincial and Municipal Programs

USAID has two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.16 summarizes total program costs and disbursements to date.

TABLE 3.16

| USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS |            |            |                           |   |
|---|------------|------------|---------------------------|---|
| Project Title   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Strong Hubs for Afghan Hope and Resilience (SHAHAR)   | 11/30/2014 | 11/29/2017 | \$73,499,999              | \$29,441,104                                    |
| Initiative to Strengthen Local Administrations (ISLA) | 2/1/2015   | 1/31/2020  | 62,364,687                | 13,468,975                                      |

Source: USAID, response to SIGAR data call, 1/18/2017.

### Initiative to Strengthen Local Administrations

The \$62 million ISLA program is meant to enable the Afghan government to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services. ISLA aims to strengthen subnational systems of planning, operations, communication, representation, and citizen engagement, leading to services that more closely respond to all citizens’ needs in health, education, security, justice, and urban services.<sup>468</sup>

During the quarter, ISLA conducted provincial budget training for 45 public financial management committee participants from nine provinces. ISLA advisors finished drafting provincial-governor office guidelines and submitted the draft for review. ISLA also supported a town hall meeting in Badghis Province to discuss the Brussels Conference and the Afghan government’s Citizen Charter. Approximately 204 participants—including 32 women—attended the meeting.<sup>469</sup>

### Strong Hubs for Afghan Hope and Resilience

The objective of the \$73 million SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population. The urban portion of Afghanistan’s population has risen from 22% in 2004 to an estimated 25% in 2016/2017. Targeted support to municipal governments, as well as to the deputy

ministry of municipal affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation.<sup>470</sup>

As of the end of October, SHAHAR-supported municipalities collected \$27,073,939 in revenues for the current Afghan fiscal year. This represents an 8% increase in revenues collected in the previous year, but only 42% of the expected revenue for the current fiscal year that ends December 21. Only two SHAHAR-supported municipalities are on track to achieve their revenue targets. SHAHAR-supported municipalities executed \$22,301,207 of their budgets, representing 77% of expenditures compared to the previous fiscal year, but only 30% of the current fiscal year's budget.<sup>471</sup> As of December 31, 2016, SHAHAR-supported municipalities collected an additional \$5 million in revenue for 2016 as compared to 2015, a 21% increase.<sup>472</sup>

## RECONCILIATION AND REINTEGRATION

The U.S. and Afghan governments agree that the best way to ensure lasting peace and security in Afghanistan is reconciliation and a political settlement with the Taliban.<sup>473</sup>

According to the United Nations Secretary-General, there was no substantive movement towards a peace process between the Afghan government and the Taliban this quarter.<sup>474</sup> Taliban leaders reportedly believe that the 2016 fighting season was a success and, for the time being, there is no incentive to enter into a strategic negotiation process.<sup>475</sup> On December 23, the Taliban again publicly rejected peace talks, reiterating their long-held stance that talk of peace and reconciliation is “meaningless” as long as foreign forces remain in Afghanistan.<sup>476</sup>

On December 2, General John Nicholson, the commander of U.S. and NATO forces in Afghanistan, labeled Russia, Pakistan, and Iran as malign actors that enable insurgent or terrorist groups in Afghanistan. Nicholson said that Russia lends public legitimacy to the Taliban, which undermines the Afghan government and NATO efforts to stabilize Afghanistan.<sup>477</sup> On December 10, Russia's ambassador to Afghanistan testified before Afghanistan's upper house of parliament that Russia maintained contact with the Taliban to ensure the safety of Russian nationals and encourage the Taliban to engage in peace talks with the Afghan government. He expressed annoyance with Afghanistan's critique of Russia's approach, arguing that other countries have similar relations with the Taliban.<sup>478</sup> The Afghan government maintains that any outside contact with the Taliban, without the prior knowledge and approval of the Afghan government, is a legitimization of terror and a breach of Afghanistan's sovereignty.<sup>479</sup>

On December 27, the governments of Russia, China, and Pakistan met in Moscow to discuss the security situation in Afghanistan. The three countries agreed to a “flexible approach” to remove certain Taliban members

from sanctions lists to foster dialogue between the Afghan government and the Taliban. This is contrary to Afghanistan's recent request to include more Taliban leaders on international sanctions lists. The Afghan government expressed its displeasure at not being invited to the meeting.<sup>480</sup> A representative of the Taliban's political office in Qatar welcomed the suggestion to remove Taliban members from sanctions lists.<sup>481</sup>

During a Heart of Asia Conference held in December, President Ghani accused Pakistan of not doing enough to help stabilize Afghanistan, saying, "As a Taliban figure said recently, if they had no sanctuary in Pakistan, they wouldn't last a month." The Heart of Asia process was established in November 2011 to provide a platform to strengthen security and economic and political cooperation among Afghanistan and its neighbors. Pakistan responded that Afghanistan should avoid blaming Pakistan for its domestic problems.<sup>482</sup>

After the conference, the Pakistani foreign secretary said in a television interview that some Taliban and Haqqani members reside in Pakistan. He insisted, however, that the Pakistan government has told these militants that they are not allowed to attack Afghanistan and that Pakistan is applying "incremental pressure" to persuade these groups to participate in peace talks. He also said that Pakistan has told Afghan authorities that Pakistan will not use its military to fight these insurgents for fear that this would bring Afghanistan's conflict to Pakistan.<sup>483</sup>

In what DOD sees as a potential sign of rapprochement, the powerful Kandahar police chief General Abdul Raziq—who in 2014 said that he ordered his troops to kill militants rather than refer them to potentially corrupt courts—suggested in December that an area be designated where Taliban fighters and their families can live in Afghanistan, calling the Taliban "sons of the country."<sup>484</sup>

Last quarter, the Afghan government finalized a peace agreement with the Hezb-e Islami Gulbuddin (HIG) insurgent group.<sup>485</sup> In the peace deal, the Afghan government committed to several actions, including requesting the removal of HIG leaders from UN and other sanctions lists.<sup>486</sup> According to the UN Secretary-General, as of December 13, the United Nations has yet to receive a formal request for the removal of HIG's leader—Gulbuddin Hekmatyar—from the sanctions list of either Afghanistan or the United States (as the original listing state).<sup>487</sup> The day prior, a spokesman for the Afghan National Security Council said that Afghanistan's Ministry of Foreign Affairs submitted a request to the UN to remove Hekmatyar from the sanctions list.<sup>488</sup>

In December, the United Kingdom deported Faryadi Sarwar Zardad, who was convicted of torture in 2005 for his actions while a Hezb-e Islami commander in the 1990s.<sup>489</sup> The Afghanistan Independent Human Rights Commission called for the prosecution of war criminals, including Faryadi, and warned of a culture of impunity in Afghanistan.<sup>490</sup>

In January, the *Wall Street Journal* reported that Russia was hindering the removal of Hekmatyar's name from the UN sanctions list. As of early January, a Russian spokesperson confirmed that Russia had put a hold on the delisting but not blocked it.<sup>491</sup> By mid-January, however, it was DOD's understanding that the delisting request was being processed.<sup>492</sup>

## Afghanistan Peace and Reintegration Program

On March 31, 2016, the Afghanistan Peace and Reintegration Program (APRP) closed following a decision by APRP donors, the Afghan government, and UNDP.<sup>493</sup> The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.<sup>494</sup> The APRP was the only institutional mechanism within the Afghan government with the capacity to pursue both high-level reconciliation negotiations and provincial-level reintegration of insurgent fighters.<sup>495</sup>

In early 2017, the Afghan government plans to launch a successor to the APRP in the form of a five-year Afghanistan National Peace and Reconciliation (ANPR) strategy, pending approval from President Ghani. According to State, the ANPR is expected to shift from the disarmament, demobilization, and reintegration focus of the APRP to negotiating political settlements with armed opposition groups, forging national and international consensus on a peace process, and promoting and institutionalizing a culture of peace.<sup>496</sup>

In December 2016, State provided \$1.1 million to support the ANPR. State intends to disburse another \$3.9 million in early 2017. The ANPR process has not yet launched as the Afghan government is in the process of finalizing the ANPR strategy.<sup>497</sup>

## RULE OF LAW AND ANTICORRUPTION

In late October, the World Justice Project released its 2016 *Rule of Law Index*. This year, Afghanistan was ranked 111 out of 113 countries assessed. Overall, Afghanistan scored 0.35 (on a scale of 0 to 1 with one being the highest possible score). Afghanistan scored the highest on constraints on government powers (0.43) and open government and fundamental rights (both 0.40). Afghanistan's worst scores were in absence of corruption (0.23) and criminal justice (0.28). The scores are derived from a poll of 1,000 respondents in the country's three largest cities (Kabul, Kandahar, and Herat in Afghanistan's case) and a questionnaire of legal and public-health experts.<sup>498</sup>

On January 2, 2017, President Ghani suspended the Minister of Communications and Information Technology following an audit into the collection of a 10% tax on mobile phone minute top-ups. Ghani reportedly was not satisfied with the level of cooperation the ministry provided during an investigation into alleged corruption associated with the tax.<sup>499</sup>

## Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include State's Justice Sector Support Program (JSSP) and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.17.

USAID has a cooperation arrangement with the United Kingdom's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID support funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.<sup>500</sup> This quarter, USAID provided the MEC an additional \$500,000 to fund a ministry-wide vulnerability-to-corruption assessment of the Ministry of Education (MOE), follow-up activities for both this assessment, and follow-up activities for a previously completed Ministry of Public Health assessment. The MOE, recognizing the political imperative to address corruption challenges in their ministry, requested the assessment.<sup>501</sup>

USAID aims to improve public services by reducing corruption opportunities in the Afghan government's administrative and business processes. In November 2015, USAID modified the existing Advancing Effective Reforms for Civic Accountability (AERCA) project—previously the Afghanistan Electoral Reform and Civic Advocacy project—to address immediately identifiable corrupt practices.<sup>502</sup>

AERCA had identified 10 services that are important to Afghans but are perceived as not working as well as expected: (1, 2) disability and martyr payments by the Ministry of Labor, Social Affairs, Martyrs and Disabled; (3, 4, 5) driver's license issuance, vehicle registration, and national identification by the MOI; (6, 7) issuance of diplomas and transcripts by the Ministry of Higher Education; (8) small business license registration by the Kabul Municipality; (9) property registration by the Supreme Court; and (10) high-school diploma issuance by the MOE.<sup>503</sup> In August, USAID and AERCA decided to suspend AERCA's assistance to the driver's license service after determining that there was insufficient political will for reform in the MOI's traffic department to enable worthwhile collaboration.<sup>504</sup>

This quarter, USAID signed a memorandum of understanding with the MOE to support the MOE's ability to issue high school certificates. USAID, via AERCA, intends to equip all 35 MOE provincial certification units with information technology infrastructure and training to facilitate remote data entry of student performance records into the MOE's Certificate Management Information System. The system intends to assure compliance with graduation procedures, print high school certificates centrally, and allow for efficient distribution.<sup>505</sup> AERCA's service reform efforts, other than the new high school diploma initiative, are largely restricted to Kabul.<sup>506</sup>

In November, AERCA reported that the Kabul Municipality approved AERCA's proposed business license simplification and improvement

**At the October Brussels Conference, the Afghan government committed to simplify 15 to 25 public services, integrate these services into a one-stop shop by 2017, and expand this model to three additional locations in Kabul by 2018.**

Source: Brussels Conference on Afghanistan, "Self-Reliance through Mutual Accountability Framework: SMART Deliverables 2017/2018," 10/5/2016, p. 2.

# GOVERNANCE

TABLE 3.17

| RULE OF LAW AND ANTICORRUPTION PROGRAMS   |            |            |                           |   |
|---|------------|------------|---------------------------|---|
| Project Title   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Justice System Support Program II (JSSP II)   | 6/16/2010  | 2/28/2017  | \$270,142,052             | \$265,694,800                                   |
| Assistance for Development of Afghan Legal Access and Transparency (ADALAT)   | 4/15/2016  | 4/14/2021  | 68,163,468                | 2,808,579                                       |
| Electoral Reform and Civic Advocacy (AERCA)*  | 7/13/2009  | 6/30/2017  | 51,302,682                | 43,401,166                                      |
| Corrections System Support Program (CSSP IV)**  | 3/1/2016   | 2/28/2017  | 15,000,000                | 10,358,392                                      |
| Justice Training Transition Program (JTTP) Follow On***   | 4/1/2016   | 11/30/2017 | 47,759,796                | 47,759,796                                      |
| Delegated Cooperation Agreement (DCAR) with the Department for International Development (DFID) for Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) | 5/19/2015  | 8/31/2020  | 3,000,000                 | 2,000,000                                       |

Note:

\*On November 1, 2015, USAID extended the AERCA award beyond the planned December 31, 2015 end date, added \$12.6 million in estimated costs, and incorporated additional anticorruption activities into the program description. The information in the table refers to the entire award, not simply the new anticorruption portion covered by the modification.

\*\*Disbursements as of 11/30/2016

\*\*\*The follow on project is a no-cost extension with funds having already been disbursed.

Source: State, INL, response to SIGAR data call, 12/20/2016; USAID, response to SIGAR data call, 1/18/2017.

process. AERCA plans to conduct a census and registration of businesses in Kabul's 22 municipal districts. AERCA's surveyors will present themselves to the surveyed businesses as Kabul Municipality staff.<sup>507</sup>

AERCA has awarded grants to a number of civil-society organizations for public accountability and outreach efforts to support Afghan government service reforms. This quarter, AERCA grantees held outreach events in Kabul, Kunduz, Wardak, Nangarhar, and Logar Provinces encouraging participants to use the *GovMeter* website which tracks President Ghani's pre-election commitments and the Afghan government's post-election commitments.<sup>508</sup> Managed by ToloNews, this website showed the Afghan government as having achieved 8% of their total commitments in December. Additionally, 32% of commitments were registered as being under way, 2% were not achieved, and 58% were inactive.<sup>509</sup>

State's JSSP objectives include continuing to develop a case-management system (CMS) to track cases throughout Afghanistan's justice system and to build the capacity and administrative skills of ministry officials.<sup>510</sup> As of November 25, 2016, 22,070 civil cases have been entered into CMS since implementation began in 2014, and 261,653 criminal cases have been entered since 2011.<sup>511</sup>

This quarter, JSSP participated in a joint meeting of the **Criminal Law Reform Working Group (CLRWG)** and Criminal Procedure Code Working Group (CPCWG) to propose two major changes to current law involving misdemeanor cases where the accused is facing imprisonment of less than five years. JSSP advised that prosecutors should have authority to suspend prosecution upon court approval. Under this JSSP proposal, proceedings will be suspended if the accused agrees in writing to certain conditions

The **Criminal Law Reform Working Group (CLRWG)** assists the Ministry of Justice's Taqin Department to draft and review criminal legislation. The Taqin Department serves as the primary link between the Council of Ministers (COM) and parliament on the implementation of the government legislative work plan. CLRWG membership includes representatives from the MOI, Supreme Court, AGO, and other national and international institutions.

Source: JSSP "Legislative Support," <http://jsspafghanistan.com/index.php/wwork/sections/legislativesupport.html>, accessed 12/29/2016; JSSP JSSP Activity Report, 11/25/2016, p. 7.

imposed by the prosecutor, such as completion of drug treatment in a misdemeanor drug case. If the accused commits no additional offenses and completes all conditions, the case will be dismissed. In response to the proposal, a majority of the participants agreed to authorize prosecutors to suspend prosecution in unintentional misdemeanor cases (such as car accidents), but not in other misdemeanor cases. Participants argued that prosecutors can be entrusted with authority to suspend only cases involving minor crimes. JSSP also proposed to allow courts the authority to suspend trial, but this proposal was not taken up.<sup>512</sup>

CLRWG and CPCWG members also agreed that an accused acquitted by the trial court shall be released immediately from pretrial detention, except in cases of terrorism or crimes against internal or external security. This decision, if approved by parliament, will substantially eliminate the practice of holding an acquitted person in detention while the prosecutor appeals the verdict of acquittal.<sup>513</sup>

This quarter, State's \$48 million Justice Training Transition Program, in partnership with the Supreme Court, conducted data collection for an institution-wide learning needs assessment to identify the most prevalent learning needs among judges. The assessment, which will include interviews from a sample of more than 260 judges, was conducted through key informant interviews and self-assessment questionnaires with judges and their supervisors. The results of this assessment should be available next quarter.<sup>514</sup>

In April, USAID launched the \$68 million Assistance for the Development of Afghan Legal Access and Transparency (ADALAT) program. ADALAT aims to (1) increase the effectiveness and reach of the formal justice sector, (2) strengthen the linkages between the formal and traditional justice sectors, and (3) increase citizen demand for quality legal services. ADALAT ("justice" in Dari and Pashto) will work closely with Afghan justice institutions to increase the professionalism of justice-sector actors, to improve judicial administrative and management systems, and to strengthen the Ministry of Justice (MOJ) Department of the **Huquq** ("rights") and its interaction with traditional justice on civil-related matters. It also will develop the technical, organizational, and management capacity of USAID civil-society partners operating in the formal and traditional justice sectors, and will support their missions to eliminate practices that violate human rights in traditional dispute resolution within the informal justice sector and to increase citizen awareness of and demand for fair and accessible justice services.<sup>515</sup> This quarter, ADALAT finalized human and institutional capacity-development assessments of the Afghanistan Independent Bar Association, the **Huquq** Department, and the Supreme Court's general directorates of administration/finance and human resources. USAID will conduct follow-up meetings with the assessed organizations to discuss the types of assistance USAID will support.<sup>516</sup>

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**Huquq** offices provide an opportunity for citizens to settle civil cases within the formal system before being brought into the court system

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Source: Afghanistan Justice Sector Support Program, "Ministry of Justice," 2016.

ADALAT found in the course of their training-needs assessment for sitting judges that the Supreme Court does not have reliable data on the types of cases being heard by judges across the country, including data contained in the Afghanistan Court Administration System (ACAS). In 2012, a previous USAID project reported that ACAS—a paper-based, manual case-management system that enables court personnel to effectively and efficiently track cases—had been extended to 514 of 551 courts. Because of incomplete data, ADALAT will rely on data collected in its review of judicial caseload statistics in the provinces, as well as review the Justice Training Transition Program’s judicial training-needs survey results, to prepare their training needs assessment.<sup>517</sup>

## Afghan Correctional System

According to State, the inmate population of Afghanistan’s prisons, managed by the General Directorate of Prisons and Detention Centers (GDPDC), increased by an average of 6.15% annually over the past 5 years. As of October 31, the GDPDC incarcerated 26,914 males and 876 females, while the MOJ’s Juvenile Rehabilitation Directorate (JRD) incarcerated 695 male juveniles and 100 female juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to their data.<sup>518</sup>

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite presidential amnesty decrees and the transfer of National Security Threat inmates to the MOD that have reduced the prison population significantly. As of October 31, the total male provincial-prison population was at 186% of capacity, as defined by the International Committee of the Red Cross’s (ICRC) minimum standard of 3.4 square meters per inmate. The total female provincial-prison population was at 127% of the ICRC-recommended capacity. The JRD’s juvenile-rehabilitation centers’ population was at 57% of ICRC-recommended capacity.<sup>519</sup>

In December, the UN Assistance Mission in Afghanistan (UNAMA) released an assessment of Afghanistan’s juvenile rehabilitation centers. UNAMA surveyed 31 facilities to ascertain detention conditions. INL’s Corrections System Support Program (CSSP) was named multiple times as a key player in helping to ensure that juveniles were treated humanely and in compliance with the minimum standards for juvenile detention. Seven of the surveyed facilities reported that CSSP provided incarcerated juveniles with winter clothing (additional facilities were serviced by the ICRC).<sup>520</sup>

One gap noted by UNAMA was the relative scarcity of assistance aimed at prisoner rehabilitation and reintegration, such as vocational programming, shelter assistance, and career assistance. UNAMA highlighted an INL-supported vocation training program in Herat Province and recommended that this assistance be expanded across the country. According

to INL, the report found that the Afghan government was compliant with administrative procedures, accommodation, and other basic needs, a key INL priority.<sup>521</sup>

## Anticorruption

At the October 2016 Brussels Conference, the Afghan government agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. Implementation of this strategy is to occur by the second half of 2017. Additionally, five revenue-generating ministries are to publicly report on implementation progress of their anticorruption action plans in 2017.<sup>522</sup>

## Anti-Corruption Justice Center

On May 5, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).<sup>523</sup> The ACJC brings together Major Crimes Task Force (MCTF) investigators, Afghan Attorney General's Office (AGO) prosecutors, and judges to combat serious corruption.<sup>524</sup> The ACJC's jurisdiction covers major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of 5 million afghanis (approximately \$73,000).<sup>525</sup>

As of December 13, 55 cases have been referred to the ACJC with eight cases that met the ACJC's criteria having been assessed for prosecution. The first ACJC trial was held on November 12 and resulted in the conviction of a bank branch manager for embezzlement of \$152,500. The second trial was completed on November 19 and resulted in a bribery conviction with a two-and-a-half-year sentence with a fine for a high-ranking AGO prosecutor.<sup>526</sup> The convicted AGO prosecutor was caught demanding a \$760 bribe to secure the release of a prisoner at the end of his sentence.<sup>527</sup> Additionally, on January 9, 2017, the ACJC sentenced an MOI major general—formerly the MOI deputy minister for strategy and planning—to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for accepting a \$150,000 bribe in exchange for awarding a fuel contract. This case was a result of a joint SIGAR/Major Crimes Task Force investigation. For more information about this investigation and conviction, see page 44 in Section 2 of this report.

In January 2017, the ACJC announced that it had finalized investigations into nine MOD generals and four Ministry of Urban Development officials. The nine generals are accused of collectively embezzling approximately \$1.4 million.<sup>528</sup>

According to Resolute Support, the international community has demanded that ACJC investigators, prosecutors, and judges be vetted and polygraphed. While the MCTF has complied with this requirement, the AGO and Supreme Court have resisted or refused. Resolute Support fears that

without proper vetting of ACJC personnel, there is a strong likelihood that the ACJC could be captured by corrupt elements due to institutional corruption within the AGO and court system.<sup>529</sup>

According to State, senior Afghan government officials including President Ghani, Chief Executive Abdullah, the chief justice, and the attorney general have fully endorsed an anticorruption agenda, with the centerpiece being the ACJC.<sup>530</sup>

### **Afghan Attorney General's Office**

According to Resolute Support, other anticorruption bodies, in particular the MCTF, continue to lack faith in the AGO as they continue to observe anticorruption cases being stymied by the AGO. Resolute Support reports that the AGO suffers from institutional corruption and is not transparent in tracking cases post-investigation into prosecution.<sup>531</sup> According to State, the anticorruption unit of the AGO continues to face political interference in prosecuting corruption cases. Since April 2016, the anticorruption unit reportedly had 22 prosecutions of low-level corruption.<sup>532</sup>

### **Independent Joint Anti-Corruption Monitoring and Evaluation Committee**

A presidential decree established the MEC in March 2010. Its mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts to fight corruption, and to report on these efforts. Its board includes three Afghan members and three international members, and is led by an Afghan executive director. The MEC has approximately 20 staff. USAID notes that the MEC may increase its staff since President Ghani has increasingly sought analytical products from it.<sup>533</sup>

This quarter, the MEC published its first quarterly monitoring report on implementation of recommendations contained in their June 2016 vulnerabilities-to-corruption report on the Ministry of Public Health (MOPH). The MEC found that the MOPH was particularly active responding to the recommendations in August and September, but that momentum has dissipated. The MEC reports that a complete implementation plan is still outstanding.<sup>534</sup>

The MEC also released a pilot report seeking to estimate the relative amount of merit- versus patronage-based appointments to the top 100 government positions in Badakhshan Province. The MEC estimated that 31% of these appointments were based on competence whereas 69% were based on patronage.<sup>535</sup>

### **High Office of Oversight and Anticorruption**

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. The HOO collects

corruption complaints through a hotline and complaint boxes installed in several ministries and other public-service delivery institutions, and conducts the initial investigation of corruption allegations that it receives before referring allegations to the AGO for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOO is common.<sup>536</sup> The HOO is also charged with collection and verification of asset declarations submitted by Afghan government officials.<sup>537</sup>

This quarter, the HOO director said that at least 15 of 34 provincial governors have not registered their assets with the HOO. Additionally, the first vice president, the first deputy chief executive, the chief of the National Directorate of Security, the Minister of Defense, the Minister for Disaster Management and Humanitarian Affairs, two deputies of the land authority, and eight deputy ministers have also not registered their assets.<sup>538</sup>

Last quarter, SIGAR released a follow-up to a 2009 SIGAR report on the HOO. SIGAR found that the asset declarations that were verified by the HOO contained errors and omissions that would have hindered robust verification efforts. Because the HOO was unable to provide SIGAR with supporting documentation showing how it verified asset declarations and the outcomes of verification efforts, those errors in and omissions from verified declaration forms raised questions regarding the efficacy of the process. Further, SIGAR found there were still no penalties for failing to comply with HOO requests, and that the office lacked authority and enforcement power.<sup>539</sup>

## **Security Services**

According to Resolute Support, the MOD and MOI have shown increased will to respond to corruption following an October 9, 2016, meeting in which President Ghani demanded action. Shortly after this meeting, the MOD ordered the establishment of corps-, brigade-, and independent-command-level Transparency and Accountability Committees (TAC). These TACs are expected to meet bimonthly and send monthly reports to the General Staff Inspector General (GS IG). The GS IG, in turn, is to analyze these reports and brief the results to a General Staff-level TAC.<sup>540</sup>

In the past, the GS IG would receive and forward reports to the MOD Inspector General without additional action. Resolute Support sees the increased role of the GS IG as a sign of MOD demonstrating greater political will to deal with corruption. However, Resolute Support says it cannot yet assess the effectiveness of this new process.<sup>541</sup>

The MOI Inspector General recently established 21 multi-province zonal-level inspector general positions. Of these positions, 19 personnel have deployed but have yet to produce any reports.<sup>542</sup> While the MOI approved a Counter Administrative Corruption Policy in April 2016, implementation has not yet started. According to Resolute Support, the delay is partially due

to the absence of designated MOI leadership to coordinate the various MOI offices with responsibilities to implement the policy.<sup>543</sup>

## **Major Crimes Task Force**

Since a January 2016 change in MCTF leadership, the MCTF has opened 276 cases (including 112 corruption investigations), and arrested 148 suspects. This is a significant increase in MCTF efforts compared to the previous seven-month period that saw the MCTF open 25 cases and arrest 36 lower-level personnel.<sup>544</sup>

According to Resolute Support, despite supportive MOI leadership in the form of the MCTF director and his superior, the chief of Afghan Anti-Crime Police, the MCTF continues to face challenges from the broader MOI. For example, the MOI reduced the MCTF operational budget to half of its previous amount. According to Resolute Support, this budget cut appears to coincide with the increase in corruption cases and arrests of significant government officials.<sup>545</sup> Additionally, the MCTF lacks hiring authority and, in general, must accept inexperienced or brand-new officers assigned by the MOI. The MCTF is more closely reviewing personnel applications and transfer requests to (1) ensure minimum qualification standards are met and (2) guard against potential spies or “plants” being sent to the MCTF by corrupt officials.<sup>546</sup>

The MCTF is currently partnering with SIGAR on several investigations. One recent case resulted in the arrest of a major general for his role in a fuel contract bid-rigging scheme. In late August 2016, SIGAR received information relating to allegations of bid rigging and collusion involving the owners of fuel and logistics companies and MOI Major General Abdul Wase Raoufi, formerly the MOI deputy minister for strategy and planning. The bid rigging was related to the MOI fuel procurement bidding process. At the time, Raoufi was the chair of the fuel evaluation committee charged with the oversight of the fuel bidding and procurement process at MOI. SIGAR initiated an investigation into these allegations in conjunction with the MCTF. Raoufi was arrested for accepting a \$150,000 bribe. The MCTF made this arrest despite political pressure by Afghan government and AGO officials. On January 9, 2017, the ACJC sentenced the major general to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for forging documents.<sup>547</sup> For more information about this investigation and conviction, see page 44 in Section 2 of this report.

Despite recent progress, Resolute Support reports that the MCTF’s effectiveness against high-level corruption continues to be limited by external factors, such as a lack of AGO transparency and political pressure. Among the pressures, Resolute Support cited the numerous summonses issued by the lower house of parliament for MCTF staff and investigators to respond to allegations against the MCTF. In another instance, a recent MCTF case summary was leaked to the high-profile subject of the investigation.

Additionally, the MCTF continues to face interference in favor of defendants by the chief of military prosecution at the AGO.<sup>548</sup>

## HUMAN RIGHTS

### Refugees and Internal Displacement

There have been significant changes in refugee movements during the quarter. According to State, there was a rapid increase in Afghan refugees returning to Afghanistan. From January through June, only 7,804 Afghans holding Pakistani Proof of Residency (POR) cards returned to Afghanistan. As of December 23, over 372,000 registered Afghan refugees have repatriated. State sees five primary factors for this increase in returns: (1) Pakistani authorities introduced tighter border controls, especially at the Torkham border crossing, that separated families and negatively affected cross-border commerce for Afghans; (2) Pakistan has issued multiple short-term extensions of the POR cards that have generated concern among the Afghan refugee population about their long-term prospects in Pakistan, especially amid instances of harassment and anti-Afghan rhetoric; (3) the political and social climate in Pakistan has put pressure on Afghans, with many having lost their livelihoods as a result; (4) Afghan officials met with Afghans in Pakistan and promised assistance, such as land allocation, upon their return to Afghanistan; and (5) the UN High Commissioner for Refugees (UNHCR) doubled the repatriation grant on June 25, 2016.<sup>549</sup> UNHCR had offered a \$400 aid package to returning Afghan families; however, after refugee returns increased to 10 times more than planned, UNHCR had to stop giving the packages until March 2017.<sup>550</sup>

Undocumented Afghan migrants are also returning in large numbers in recent months. These returnees leave Pakistan for the same reasons POR card holders leave, but they are also subject to deportation because of their undocumented status. The International Organization for Migration reports that 220,000 undocumented Afghan migrants have returned from Pakistan in 2016. While Pakistan had previously announced that deportations of undocumented Afghans would begin in earnest on November 15, 2016, State did not observe an increase in Pakistani deportations after the deadline.<sup>551</sup>

There has also been an increase in internal displacement. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), 583,000 people in Afghanistan fled their homes due to conflict in 2016—the highest number of displacements since record keeping started in 2008. OCHA reported in August 2016 (the most recent reporting) that the total number of internally displaced persons (IDP) in Afghanistan stands at 1.2 million. UNHCR reported that in 2016, the top three destinations for IDPs in 2016 were Kunduz, Kabul, and Nangarhar Provinces. Most IDPs

# GOVERNANCE

TABLE 3.18

| USAID GENDER PROGRAMS                                 |            |           |                           |   |
|---|------------|-----------|---------------------------|---|
| Project Title   | Start Date | End Date  | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Afghan Women's Leadership in the Economy              | 7/1/2015   | 6/30/2020 | \$71,571,543              | \$12,233,322                                    |
| Women's Leadership Development                        | 9/23/2014  | 9/22/2019 | 41,959,377                | 16,123,722                                      |
| Promote: Women in Government                          | 4/21/2015  | 4/20/2020 | 37,997,644                | 7,417,855                                       |
| Promote: Women's Rights Groups and Coalitions         | 9/2/2015   | 9/1/2020  | 29,534,401                | 4,608,254                                       |
| Promote: Economic Empowerment of Women in Afghanistan | 5/8/2015   | 5/7/2018  | 1,500,000                 | 300,000   |
| Promote: Scholarships                                 | 3/4/2015   | 3/3/2020  | 1,247,522                 | 1,247,522                                       |

Source: USAID, response to SIGAR data call, 1/18/2017.

leave insecure rural areas and small towns seeking relative safety and government services in larger towns and cities in the same province.<sup>552</sup>

Eurostat—the statistical office of the EU—reported 147,130 first-time asylum seekers from Afghans in the EU during the first three quarters of 2016. The number of asylum applications from July to September was 7% higher compared to the same period in 2015.<sup>553</sup> A Ministry of Refugees and Repatriation spokesman said in December that approximately 10,000 Afghans have returned from Europe this year.<sup>554</sup>

## GENDER

The largest gender-focused initiative in USAID's history is the Promote partnership that aims to assist over 75,000 Afghan women in achieving leadership roles over five years in all parts of society, including business, academia, politics, and public policy.<sup>555</sup>

USAID has committed \$280 million to Promote and hopes to raise an additional \$200 million from other international donors.<sup>556</sup> No other donors have committed to contribute funds to Promote; however, USAID reports that Promote was designed to achieve the project targets with or without additional funding.<sup>557</sup> Table 3.18 shows the current Promote programs.

According to USAID, as of September 2016, Promote programs have benefited 7,804 individuals, 118 civil-society organizations, and 178 businesses.<sup>558</sup> Of the Promote beneficiaries, 15 have been hired by the Afghan government (with support from the Women in Government program), 300 have been hired by private-sector employers (with support from the Women in the Economy program), and 1,841 are involved in internships or apprenticeships (616 with the Women in Government program and 1,498 with the Women in the Economy program).<sup>559</sup>

As of October, 6,631 women have enrolled in Promote's Women in the Economy (WIE) internship and apprenticeship program. Internships give beneficiaries an opportunity to put skills learned in school (e.g., accounting, journalism, computer skills) to practical application, and to gain work

This quarter, SIGAR wrote to USAID regarding USAID's implementation and oversight of the Promoting Gender Equity in National Priority Programs (Promote). See Section 2 for details.



**Promote launched a mobile application** to help combat street harassment in October. (USAID photo)

experience. Apprenticeship is a system of training new workers in a trade or profession on the job. Apprenticeships are most commonly used in professions where formal classroom training is not available or not sufficient to prepare a worker for a specific job.<sup>560</sup>

WIE assists women-owned businesses and businesses that hire women to perform better, increasing the income growth and sustainability of these businesses. WIE facilitates loans for women-owned businesses; to date, four such businesses have secured loans. A woman-owned beauty parlor in Mazar-e Sharif that employs two other women is a recent beneficiary of a 50,000 afghani (approximately \$760) WIE-facilitated loan.<sup>561</sup>

WIE supported the development and launch of a mobile application—developed by three women—to help combat street harassment, which several leading Afghan women last quarter told SIGAR was an impediment to employment. WIE representatives also met with the MOI's cyber security and mobile crime departments to discuss collaboration opportunities including information sharing to prevent future occurrences of street harassment.<sup>562</sup>

Promote's Women in Government (WIG) program continued the training of 106 interns in a civil-service curriculum. WIG recently launched the training for the second cohort of 360 interns. As of October 2016, 10 out of the 16 interns from the pilot cohort are going through the application process for positions with the Ministry of Public Works and the Administrative Office of the President. Five out of the 16 pilot interns were employed in the civil service—one has since resigned for family reasons—at grades 5 and 6 (the civil

service is organized on an eight-point scale with grade 1 being the highest rank). WIG has received 6,000 applications for a new tranche of internships. Recently, a WIG-partner ministry was unable to provide adequate security for two WIG-sponsored interns, prompting WIG itself to provide security support until the Afghan ministry finalizes its own security contract.<sup>563</sup>

The SMAF includes several short-term deliverables related to women's rights, including the requirement for an implementation and financing plan for the National Action Plan for Women, Peace, and Security approved at the end of 2015, with implementation starting by mid-2016; an anti-harassment regulation for improving working environments for public-sector women, to be issued by mid-2016; and dedicated violence-against-women prosecution units established in 26 provinces by December 2016.<sup>564</sup> The Afghan government reported that it achieved the deliverable related to the implementation of the National Action Plan for Women, Peace, and Security. The budget for the first phase of the action plan, scheduled to run from 2016 to 2020, has been approved at \$51.5 million. The Afghan government, however, committed only \$11 million, leaving a \$39.5 million funding gap.<sup>565</sup>

At the October 2016 Brussels Conference, the Afghan government agreed to demonstrate progress in its National Action Plan for Women through annual reports in 2017 and 2018. Within this deliverable, Afghanistan committed to increase the percentage of female civil servants from the current level (using a 2015 baseline) by two percentage points in 2017 and an additional two percentage points in 2018. The Afghan government also agreed to establish special courts on violence against women in 15 provinces by December 2017 and the remaining provinces by December 2018.<sup>566</sup>

Dedicated violence-against-women prosecution units are also to be established and functional, including adequate staffing, in all 34 provinces by December 2017. The Afghan government committed to incrementally increasing the percentage of women serving as judges and prosecutors in these special courts and prosecution units. Finally, Afghanistan committed to launch a women's economic-empowerment plan by the first half of 2017 and produce an implementation report by 2018.<sup>567</sup>

## ECONOMIC CONTENTS

|  |            |
|--|------------|
| <b>Key Issues and Events</b>   | <b>149</b> |
| <b>U.S. Reconstruction Funding for Economic and Social Development</b> | <b>150</b> |
| <b>Economic Profile</b>  | <b>150</b> |
| <b>Banking and Finance</b>   | <b>156</b> |
| <b>U.S. Economic and Development Support</b>                           | <b>162</b> |
| <b>Essential Services and Development</b>                              | <b>167</b> |
| <b>Economic Growth</b>   | <b>174</b> |
| <b>Education</b>   | <b>177</b> |
| <b>Health</b>  | <b>180</b> |

## ECONOMIC AND SOCIAL DEVELOPMENT

### KEY ISSUES AND EVENTS

Afghanistan began Fiscal Year (FY) 1396, which runs from December 21, 2016, through December 20, 2017, without an approved budget.<sup>568</sup> The lower house of parliament twice rejected the draft budget submitted by the executive, arguing that project funds were not well balanced between provinces.<sup>569</sup> Parliament rejected a draft FY 1395 budget with the same critique.<sup>570</sup> On January 16, 2017, the parliament passed a AFN 429 billion budget (more than \$6.4 billion in current dollars) on its third attempt with only 57% of lower house members participating in the vote. Domestic revenues are to pay for 38% of the budget with donor assistance covering the rest.<sup>571</sup>

Domestic revenues collected in the first 11 months of FY 1395 rose 32.0% above the same period in the previous year, but still covered only about 46.4% of total government expenditures.<sup>572</sup>

The World Bank projected Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to grow 1.2% in 2016, marginally higher than 0.8% in 2015.<sup>573</sup> In contrast, Afghanistan's FY 1395 (December 21, 2015 through December 20, 2016) budget estimated GDP growth at 4.4% and its target growth rate is 4.0% for the next three years.<sup>574</sup>

Current economic growth remains far below what is necessary to increase employment and improve living standards, according to the IMF.<sup>575</sup> It is being outpaced by Afghanistan's rapid population growth, estimated at 3% per year. As a result, per capita GDP is falling, employment opportunities are limited, and the budget is pressured. Afghanistan's labor market is unable to absorb what the World Bank estimates are 400,000 people entering the work force every year. Nearly 23% of Afghanistan's labor force was unemployed in 2013–2014, almost triple the level of the 2011–2012 years of the Coalition surge with its accompanying spending.<sup>576</sup>

## U.S. RECONSTRUCTION FUNDING FOR ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2016, the U.S. government has provided approximately \$32.8 billion to support governance and economic and social development in Afghanistan. Most of these funds—more than \$19.4 billion—were appropriated to the U.S. Agency for International Development’s (USAID) Economic Support Fund (ESF). Of this amount, \$17.9 billion has been obligated, and \$14.8 billion has been disbursed.<sup>577</sup>

U.S.-funded civilian-assistance programs in Afghanistan focus on the country’s long-term development, self-reliance, and sustainability. They aim to bolster gains in health, education, and gender equality. They also seek to increase government revenue through private-sector-led investment and growth, and stronger regional market connectivity.<sup>578</sup> Increased revenues would mitigate Afghanistan’s heavy reliance on foreign aid donors.

ESF investments are made in key sectors like agriculture, extractives, and information technology. ESF programs promote improved governance, rule of law, anticorruption initiatives, and alternatives to illicit narcotics production. The ESF is also being used to help the Afghan government finish and maintain major infrastructure investments to build electric-power grids in the north and south, which are critical components of the United States’ economic-growth strategy for Afghanistan.<sup>579</sup>

## ECONOMIC PROFILE

The World Bank reported that past gains are eroding: poverty, unemployment, underemployment, violence, out-migration, internal displacement, and the education-gender gap have all increased, while services and private investment have decreased. High levels of crime and corruption undermine Afghanistan’s delivery of public services, deter private investment, and reflect weak institutions.<sup>580</sup> The IMF added that Afghanistan’s inadequate infrastructure and human capital, and a large illicit narcotics sector were also notable elements preventing robust and inclusive economic development.<sup>581</sup> The World Bank said Afghanistan will remain dependent on aid beyond 2030.<sup>582</sup>

The Afghan government acknowledged that lower foreign-military spending since the drawdown of the Coalition in 2014 has reduced demand for goods and services, causing large-scale job loss. Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments.<sup>583</sup> The World Bank said Afghanistan’s deteriorating security environment has resulted in weak confidence as demonstrated by lower new-business and new-vehicle registrations in the first half of 2016, and weak demand reflected by a decline in imports.<sup>584</sup> Insecurity also enters into foreigners’ decision making about new or expanded business investments in Afghanistan.

Agriculture has the potential to drive strong economic growth and improve livelihoods, according to the World Bank, and the Afghan government acknowledged that the country's GDP rises and falls with it.<sup>585</sup> Agricultural output and income fluctuate with the weather, so economic growth based on this sector is necessarily volatile.<sup>586</sup> Agricultural growth continued to decline in 2016 at a projected rate of -0.5%.<sup>587</sup>

Industry and services, which benefited from the Coalition's large presence, security spending, and aid flows prior to 2015, have grown much more slowly than historical average.<sup>588</sup> Weak human capital has limited this kind of labor-productivity-driven growth. Therefore, the World Bank predicts that natural resources will continue to play a key role in the economy with new production geographically concentrated around resource locations rather than in cities.<sup>589</sup>

## Afghanistan's Fiscal Outlook

Improving Afghanistan's fiscal position, according to the World Bank, will require a large increase in revenues, which is plausible only with mining development and sustained levels of aid. While domestic revenues have increased, the World Bank said, so have Afghanistan's security costs.<sup>590</sup>

According to DOD, the Afghan National Defense and Security Forces (ANDSF) costs in FY 2016 were \$5.01 billion, of which the United States paid \$3.65 billion. Afghanistan budgeted AFN 158.1 billion (roughly \$2.3 billion) for the Ministry of Interior and Ministry of Defense. Of that, Afghanistan planned to contribute AFN 23.0 billion (\$336 million), which would amount to 17% of Afghanistan's total estimated domestic revenues for the year. DOD expects the FY 2017 ANDSF requirement to cost \$4.9 billion.<sup>591</sup> The World Bank said the government's non-security spending will need to increase rapidly just to sustain current service levels due to population growth, operations-and-maintenance requirements on existing assets, and civil service salaries.<sup>592</sup>

Afghanistan's currency has also depreciated significantly, which the World Bank attributes to a decline in aid, the preference of Afghan consumers for the U.S. dollar, and possibly capital outflows associated with emigration. The main causes of the out-migration are lack of employment opportunities, increasing poverty, and the deteriorating security environment.<sup>593</sup>

## FY 1395 Revenues and Expenditures—First 11 Months

According to Afghan treasury department data, domestic revenues and expenditures both increased on paper in the first 11 months of FY 1395 compared to the same period in FY 1394. Total domestic revenues—a figure that excludes donor grants—stood at AFN 140.9 billion (\$2.1 billion in current dollars), about 32.0% above the same period last year. Afghan government expenditures, AFN 303.4 billion (\$4.6 billion), grew by about 13.7%,

**While opium is not counted in official GDP estimates, its earnings boost domestic demand and are a significant source of foreign exchange. The 2016 farm-gate value of opium production was almost \$900 million, roughly 5% of GDP, and a 57% increase over 2015.**

Source: Asian Development Bank, *Outlook 2015*, 3/2015, p. 167; UNODC, *Afghanistan Opium Survey 2016, Cultivation and Production*, 12/2016, pp. 7, 9.

with big increases in student and other social benefits, employee benefits, subsidies, and cultural-heritage-preservation costs.<sup>594</sup>

While domestic revenues increased by 32.0% year-on-year, recurrent revenue streams like taxation and customs revenues increased by a more modest, yet still respectable, 9.7%. According to an Afghanistan Analysts Network (AAN) report, this is partially due to stronger revenue-collection efforts and the impact of new taxes at higher rates implemented in the latter part of 2015. As shown in Table 3.19, sales-tax revenues increased about 39.5%, while income-tax revenue increased more than 10%. Revenue from administrative fees increased nearly 75%. Administrative fees are levied on passports and visas, vehicle registrations, professional and commercial licenses, and airspace-overflight charges, among other items.<sup>595</sup> Customs duties and fees made up 18% of the government's total domestic revenues in the first 11 months of 2016. However, customs revenue dropped 4.8% compared to the same period last year.<sup>596</sup> It is unclear whether this is due to lower imports or reduced collections.<sup>597</sup>

Revenues from natural resources almost doubled to AFN 1.2 billion (\$18.3 million) from the same period last year—largely due to royalty fees and the sale of minerals—an unexpected gain given the ongoing constraints in that sector. The Afghan government also received an AFN 10.3 billion (\$153.8 million) revenue boost from what appears to be a one-time receipt from an unspecified sale of government property. Additionally, revenue from the sale of land and buildings was substantially higher than the prior period.<sup>598</sup>

### **Are Revenue Increases Sustainable?**

Afghanistan's fiscal sustainability is at risk, according to the World Bank.<sup>599</sup> Monetary depreciation of the afghani against the U.S. dollar may affect the government's purchasing power and reduce the impact of the improved revenue collection to the extent the government makes dollar-denominated purchases or disbursements.

The AAN report said depreciation caused the afghani value of customs duties on imports and other taxes levied on foreign-exchange flows to increase artificially. As a result, billions of AFN-denominated revenue in FY 1395 (2016) consisted of a central bank transfer of paper profits from exchange-rate changes to the budget. It was not a result of any substantial improvement in the economy, greater revenue collection, or recurrent revenue streams like new or higher tax rates. The report also said one-time revenue injections from public enterprises such as the sale of state-owned land and buildings, passport fees, and Kabul Bank recoveries are likely unsustainable.<sup>600</sup>

The Afghan fiscal gap—the difference between domestic revenues and expenditures—is large.<sup>601</sup> Domestic revenues paid for only 46.4% of Afghanistan's total budget expenditures through month 11 in FY 1395,

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.19

| <b>DOMESTIC REVENUES, AS OF DECEMBER 4, 2016</b> (AFN) |                                    |                                |                                |                 |
|--|------------------------------------|--------------------------------|--------------------------------|-----------------|
|  | <b>Category</b>                    | <b>1394 (Through Month 11)</b> | <b>1395 (Through Month 11)</b> | <b>% Change</b> |
| Taxation & Customs Revenues                            | Fixed Taxes                        | 8,943,235,446                  | 8,843,374,290                  | -1.12%          |
|  | Income Taxes                       | 17,964,460,569                 | 19,812,428,104                 | 10.29%          |
|  | Property Taxes                     | 686,367,455                    | 335,257,974                    | -51.15%         |
|  | Sales Taxes                        | 17,683,886,523                 | 24,667,010,361                 | 39.49%          |
|  | Excise Taxes                       | 0                              | 0                              | —               |
|  | Other Taxes                        | 3,950,685,838                  | 4,175,776,238                  | 5.70%           |
|  | Tax Penalties and Fines            | 0                              | 0                              | —               |
|  | Customs duties                     | 26,655,714,979                 | 25,374,861,269                 | -4.81%          |
| Social Contributions                                   | Retirement contributions           | 3,690,559,940                  | 3,713,929,234                  | 0.63%           |
| Other Revenue  | Income from Capital Property       | 2,369,104,650                  | 1,534,228,279                  | -35.24%         |
|  | Sales of Goods and Services        | 3,870,931,051                  | 5,251,631,827                  | 35.67%          |
|  | Administrative Fees                | 11,721,186,846                 | 20,291,590,029                 | 73.12%          |
|  | Royalties                          | 141,523,405                    | 215,072,276                    | 51.97%          |
|  | Non-Tax Fines and Penalties        | 750,118,729                    | 915,449,439                    | 22.04%          |
|  | Extractive Industry                | 471,600,579                    | 1,001,855,537                  | 112.44%         |
|  | Miscellaneous Revenue              | 7,814,762,204                  | 13,402,415,719                 | 71.50%          |
|  | Sale of Land and Buildings         | 22,714,059                     | 1,096,934,939                  | 4729.32%        |
|  | Major One of Revenue/Dorment [sic] | —                              | 10,256,709,000                 | —               |

Note: The exchange rate on the date the MOF pulled financial data for FY 1395, month 11 was AFN 66.68 to one U.S. dollar. The exchange rate on the date the MOF pulled financial data for FY 1394, month 11 was AFN 66.88 to one U.S. dollar. The other-revenue statement line "Major One of Revenue Dorment" was unexplained, but appears to refer to a one-off revenue gain from sale of a government asset.

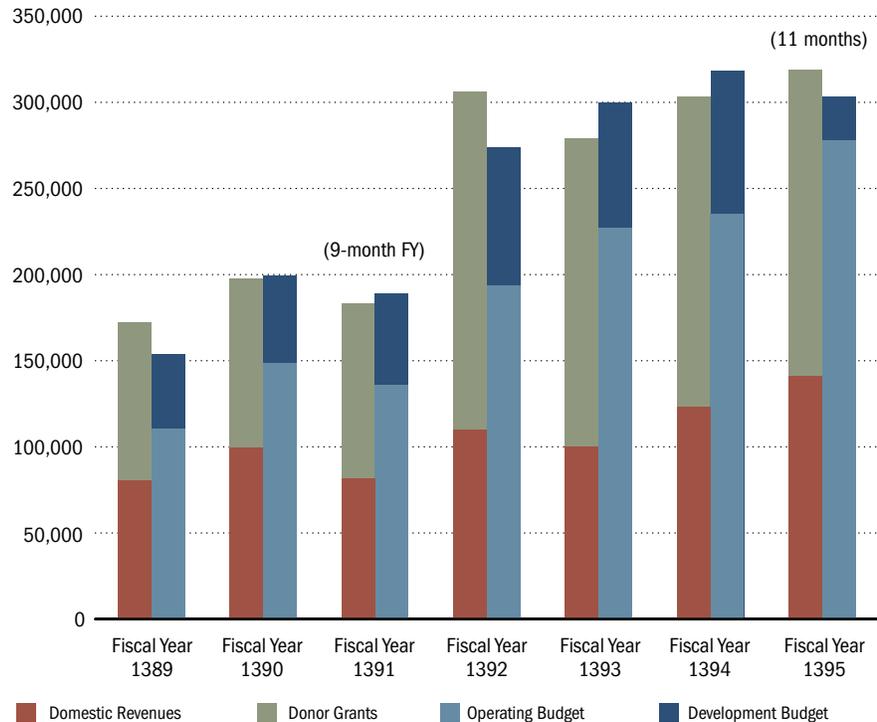
Source: MOF, Aqrab Financial Statements FY1395, 12/4/2016; MOF, Aqrab Financial Statements FY1394, 12/3/2015; Da Afghanistan Bank, Exchange Rates, 12/4/2016 and 12/3/2015.

representing a net deficit of AFN 162.5 billion (\$2.4 billion). Donor assistance reduces or closes the gap, as depicted in Figure 3.28. Afghanistan's fiscal gap of 53.6% rose sharply from the 48.1% reported last quarter, but narrowed compared to 60.0% for the same period in FY 1394. With donor contributions included, the budget showed an AFN 15.5 billion (\$231.9 million) surplus.<sup>602</sup> Other factors that can widen or shrink the fiscal gap include budget-execution rates, qualification for donor incentive funds, revenue collection, and changing expenditures.<sup>603</sup>

In October 2016, the World Bank projected Afghanistan's revenue potential to increase from 10.2% of GDP in 2015 to 14.5% by 2030 under its baseline assumption.<sup>604</sup> In April 2016, the Bank projected expenditures to rise to 36% of GDP by 2020.<sup>605</sup> Even with a 23% improvement in actual

FIGURE 3.28

## AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (AFN MILLIONS)



Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1389 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. AFN yearly average exchange rates versus one U.S. dollar: FY 1389: 46.63, FY 1390: 47.76, FY 1391: 51.68, FY 1392: 56.53, FY1393: 57.48, FY 1394: 63.91, FY 1395: 67.61.

Source: MOF, *Aqrab Financial Statements FY 1395*, 12/4/2016; MOF, *Qaws Financial Statements FY 1394*, 2/27/2016; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Currency Hijri Monthly Average USD," accessed 1/10/2017.

revenue collections in FY 1394 (2015) compared to the previous year, and a 32.0% revenue increase in the first 11 months of FY 1395 (year-on-year), the Bank said that it would be unrealistic to expect Afghanistan to cover the current level of expenditures, even if its revenue potential were realized in all sectors. Therefore, the World Bank said the government must also reduce expenditures, especially in the security sector.<sup>606</sup> This would be a difficult feat, given the continuing insurgency.

## Trade

Afghanistan's trade balance was an IMF-estimated negative \$7.2 billion (equivalent to 36.6% of GDP) in 2015 and is projected to be negative

\$7.3 billion (equivalent to 39.6% of GDP) in 2016. Afghanistan's legal exports consist of goods (31.6%) and services (68.4%).<sup>607</sup> However, about 15–20% of the total value of Afghanistan's trade is said to be unrecorded, generally involving smuggled goods, according to the World Bank.<sup>608</sup>

## Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus equivalent to 4.7% of GDP (\$925 million) in 2015. This is projected to fall to 4.5% of GDP (\$825 million) in 2016. Without donor assistance, the IMF estimated Afghanistan to have a current-account deficit equivalent to 33.5% of its GDP in 2015 (\$6.6 billion) and projected it to grow to the equivalent of 36.6% of GDP in 2016 (\$6.7 billion).<sup>609</sup>

During 2013–2015, Afghanistan exported \$2.1 billion to \$4.0 billion worth of goods and services annually, compared to imports ranging between \$8.9 billion and \$11.3 billion a year. The IMF projected Afghanistan's 2016 exports at \$2.1 billion, not including illicit narcotics (valued at \$2.7 billion in 2014). Afghanistan's 2016 imports were projected to be around \$9.0 billion, with more than \$6.7 billion paid for by official donor grants.<sup>610</sup>

IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.<sup>611</sup> The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.<sup>612</sup> Exports are heavily dependent on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. However, this will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.<sup>613</sup> Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

## Afghanistan Trade and Revenue Project

USAID's four-year, \$78 million Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade-liberalization policies, including support for Afghanistan in implementing its World Trade Organization (WTO) commitments; (2) improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional-trade agreements.<sup>614</sup>

This quarter, ATAR helped develop a draft post-WTO-accession strategy framework for interministerial discussion and completed a needs assessment for establishing the Afghan WTO representative office in Geneva. Concurrently, ATAR continued to help the Afghan government amend and draft laws to comply with WTO rules and commitments, including on income tax, consumer protection, customs valuation, anti-dumping,

and anti-subsidies. ATAR also supported the Ministries of Commerce and Industry (MOCI), Agriculture, Irrigation, and Livestock (MAIL), and Public Health (MOPH) in developing procedures and regulations to implement trade laws that have already been enacted. In addition, ATAR is providing technical support to parliament as it considers three WTO-required intellectual-property-rights conventions—the Madrid Protocol, the Paris Convention, and the Singapore Treaty.<sup>615</sup>

While no specific progress in modernizing Afghanistan’s customs administration was reported this quarter, ATAR facilitated Afghan industry access to regional markets. It helped about 60 Afghan exporters participate in the annual India International Trade Fair; helped promote high-end Afghan products at an exhibition in the UAE; and worked to organize participation of 10 Afghan marble producers at India Stone Mart 2017 in February.<sup>616</sup>

## **BANKING AND FINANCE**

The World Bank said Afghanistan’s financial sector is challenged by the country’s security environment<sup>617</sup> and remains vulnerable with what the IMF called “lingering governance concerns, deteriorating asset quality, and weak profitability.”<sup>618</sup> The banking sector is dominated by 15 banks—three state-owned, nine private-sector-owned, and three foreign-owned branch banks.<sup>619</sup> However, public confidence has not been fully restored in the wake of the 2010 Kabul Bank crisis. Use of bank financing remains low with an average loan-to-deposit ratio of 19.2%. For Afghanistan’s three state-owned banks, that ratio was only 4.6% at the end of 2015.<sup>620</sup> In comparison, Pakistan’s commercial loan-to-deposit ratio was 58.7% and India’s was 78.7% (January 2016); the United States’ was 107.3% (February 2016).<sup>621</sup>

According to the IMF, state-owned banks remain strategically and operationally deficient, contributing to significant fiscal risk. While the fiscal positions of these banks are improving, IMF staff noted that Afghanistan must urgently implement a public-policy framework for them, including enhanced governance and regulatory enforcement.<sup>622</sup>

In October 2016, the World Bank reported that the quality of commercial and state-owned bank assets continued to deteriorate in the first half of 2016. Commercial-bank loans to the private sector were valued at \$740 million in June 2016, about 8.5% higher than in December 2015. Most loans were U.S. dollar-denominated, largely due to the effect of afghani currency depreciation that inflated the value of assets held by commercial banks.

Net profits of the banking sector increased by AFN 4 billion (about \$60 million in current dollars) from the same period last year, but were derived primarily from customer banking fees.<sup>623</sup> The World Bank previously attributed Afghanistan’s weak commercial lending to its overall economic slowdown, low investor confidence, stricter implementations of

regulations governing foreign-exchange-denominated loans, and banks' risk aversion following the Kabul Bank crisis.<sup>624</sup>

In 2016, the Afghan government declared a dual strategy for financial sector reform by addressing weaknesses and providing for more robust banking regulation and oversight. This is to include risk-based audits and reviews, establishing a unit to monitor risks from state-owned banks, ensuring government oversight regulations are appropriate and not duplicative, providing incentives for banks to lend to private enterprises, and a financial inclusion strategy to improve customer access to banking services.<sup>625</sup>

## Financial Action Task Force Compliance Update

At its most recent plenary session in Paris, France, on October 19–21, 2016, the **Financial Action Task Force (FATF)** chose to keep Afghanistan on its “Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance” document, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, made a high-level political commitment to address those deficiencies, and is making progress.<sup>626</sup> This is the eighth consecutive FATF review in which Afghanistan has maintained this status since being downgraded to the “dark gray” list in February 2014.<sup>627</sup>

FATF said Afghanistan has improved its AML/CFT administration, and “nearly addressed the technical requirements of its action plan,” but still needs to show progress by providing additional information on its legal framework for identifying, tracing, and freezing terrorist assets. The U.S. Department of Treasury (Treasury) said this includes information on the compliance of Afghanistan's AML/CFT laws by private sector financial institutions. FATF encouraged Afghanistan to further implement its action plan. Treasury said it remains concerned about the government's ability to implement AML/CFT laws and reform, but reported that Afghanistan's financial intelligence unit revoked the licenses of 95 money-service providers in Kabul and imposed \$45,000 in fines for failure to comply with AML laws.<sup>628</sup>

## Kabul Bank Theft Accountability—Reality Check

As of December 19, 2016, Afghanistan's Attorney General's Office (AGO) has not acted on the 114 Kabul Bank-related cases currently referred to it. In a meeting with the U.S. Department of Justice (DOJ), the Afghan attorney general said he was disinclined to enforce or pursue current judgments or investigate the Kabul Bank case any further.<sup>629</sup> That statement directly contravened President Ghani's October 2014 decree requiring the AGO to indict and prosecute all those involved in the approximately \$987 million stolen from Kabul Bank, and to monitor enforcement of the courts' decisions.<sup>630</sup>

The Kabul Bank Receivership (KBR), which is responsible for managing the bad assets (for example, loans that are not being repaid), said that the vague language used in the Special Appellate Court's decision in

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**Financial Action Task Force:** an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. Its 36 members include the United States, United Kingdom, Switzerland, and the European Union; observers include the United Nations and the Asian Development Bank.

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Source: Financial Action Task Force website, “Who We Are,” and “Members and Observers,” accessed 1/3/2016.

“Pursuing recovery of Kabul Bank assets and holding perpetrators accountable is a critical priority. This would signal a shift in governance and accountability of the banking sector.”

Source: World Bank, *Afghanistan Country Snapshot*, 10/2016, p. 1.

November 2014 and the Supreme Court's final judgment in December 2014 make enforcement problematic. Much of the property and assets purchased with the stolen Kabul Bank funds are located in the United Arab Emirates (UAE), but the Dubai courts view the language—particularly regarding the identification and seizure of properties and assets—as “conditional” and lacking “legal certainty or legitimacy.” A KBR representative said the entire judgment/decision is not legally enforceable in Afghanistan either. It is therefore unclear how the Afghan government should address violations.<sup>631</sup>

“Sincere efforts to recover funds continue to be impeded by intimidation of those attempting to do their jobs,” according to a U.S. Institute of Peace report.<sup>632</sup> In at least one instance this quarter, debt-collection efforts were directly hindered. According to DOJ, the Kabul Bank Court of First Instance, created to address the cases of individuals involved in the scandal, undermined an order of the higher court and tried to preclude attempts to collect assets from identified companies and individuals. DOJ said this will encourage other debtors to also try to undermine their existing judgments by appealing their assessed liabilities to the Special Court.<sup>633</sup>

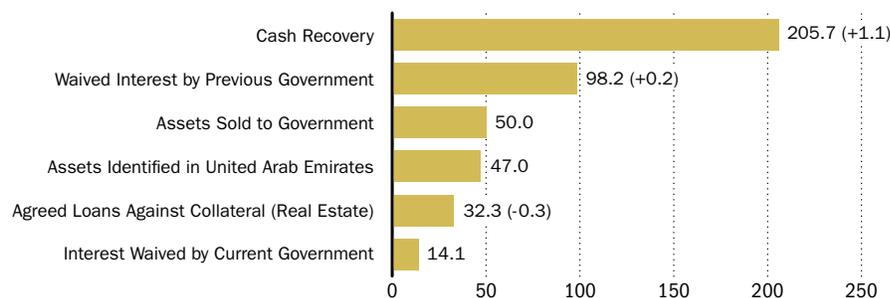
Although President Ghani has asked SIGAR to help detect and retrieve Kabul Bank assets in foreign countries,<sup>634</sup> Afghan authorities have not pursued all options for international assistance in their Kabul Bank recovery effort. In April 2015, DOJ received a one-page diplomatic note from the Afghan government requesting its assistance in seizing the U.S. bank accounts of two Afghan debtors. The accounts presumably belonged to ex-Kabul Bank chairman Sherkhani Farnood and CEO Khalilullah Ferozi. In its May 2015 response, DOJ noted several deficiencies in the request, along with the corrective actions needed to move forward. As of December 2016, the Afghan government has not responded or corrected the deficiencies.<sup>635</sup>

Additionally, since much of the stolen money was laundered to Dubai and subsequently invested in real estate there, the Afghan government prepared and signed an official request to United Arab Emirate authorities in June 2016 to “identify, locate, provide documents and records, and conduct a search and seizure of any and all records and balances associated with the bank accounts listed.” However, it was not delivered until August 2016. It was resubmitted in September 2016 after the UAE said it could not read the original copy. The UAE has not responded to the request, as of November 2016.<sup>636</sup>

The Afghan government's approach so far has had no apparent consequences, even though the current basis of donor support, the Self-Reliance through Mutual Accountability Framework (SMAF), includes a general “zero-tolerance” corruption policy and calls for transparent and accountable governance.<sup>637</sup> Meanwhile, U.S. government officials have said in meetings with Afghan officials that the United States will hold the Kabul government to its promises to address endemic corruption, including taking action against those responsible for Kabul Bank's near collapse.<sup>638</sup>

FIGURE 3.29

KABUL BANK DEBT RECOVERIES, AS OF DECEMBER 17, 2016 (\$ MILLIONS)



Note: Figures in parentheses represent the change from reported amounts last quarter.

Source: Kabul Bank Receivership, "Kabul Bank's Assets Recovery Brief Report," 12/17/2016 and 9/18/2016.

## Cash and Asset Recoveries—A Closer Look

The Kabul Bank Receivership (KBR) informed the State Department that as of December 17, 2016, "total recoveries"—a category introduced in the last quarter of 2015—stand at \$447.3 million, as shown in Figure 3.29. The reported recoveries comprise cash, waived interest, and assets recovered or seized (but not necessarily liquidated), and collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements.<sup>639</sup> Amounts owed by 283 debtors have been paid off. Arrangements have yet to be reached with 114 others (individuals and corporations). The KBR reported \$539.7 million remains outstanding from the original theft. Including interest, the total is approximately \$597.1 million.<sup>640</sup> However, no U.S. government agency has been able to verify these figures.<sup>641</sup>

Until October 2014, soon after President Ghani's presidential decree to hold accountable and recover stolen public money from those responsible for the Kabul Bank theft, a total of \$225.4 million had been recovered or obtained as assets. Since then, only an additional \$30.3 million has been recovered in cash; another \$32.3 million worth of loan-repayment plans have been agreed to.<sup>642</sup>

If the reported figures are accurate, only \$205.7 million of the \$447.3 million has been truly recovered so far, according to the State Department (State). Upon further examination,

- The \$50 million in bank "assets sold to government entities" that was originally recovered by the KBR were transferred or "loaned" by the Karzai government to various ministries and agencies, but not paid for. The KBR has been unable to reclaim the value of these assets from the government, despite numerous requests.

- The “agreed loans against collateral” merely represents an agreement by an identified group of debtors to repay their loans. Actual repayments have been limited and many have not kept to the agreed-upon schedule. Of the 34 signed repayment agreements, only \$13.3 million of \$45.6 million has been repaid; \$32.3 million remains outstanding.
- “Interest waived” by the previous and current governments (\$112.3 million collectively) represent accounted-for losses, not recoveries. Waivers were given as incentive to enter repayment agreements.
- The \$47 million in total “assets in the United Arab Emirates” were only identified, not recovered. The Dubai courts deem Afghanistan’s court decisions on the Kabul Bank case to have no legal merit.<sup>643</sup>

No money has been recovered this quarter from convicted ex-Kabul Bank chairman Sherkhan Farnood and CEO Khalilullah Ferozi. Their assets are hidden under other people’s names, according to the DOJ. This follows a pattern of the Afghan government’s being unable to compel full repayment from the main architects of the fraud, both of whom are in jail, as of December 2016. According to the KBR, Farnood still owes \$336.2 million; Ferozi owes \$175.9 million. Both amounts include principle and interest.<sup>644</sup>

The KBR found an increasing number of debtors defaulting on their required payments in 2016, with collections declining significantly.<sup>645</sup> The IMF recently reported that the collections process was “losing steam” with diminishing chances of success for claims against assets located in foreign jurisdictions.<sup>646</sup> In December 2016, the KBR reported that 10 major debtors with combined debts of almost \$7.9 million have defaulted on their repayment plans. Four minor debtors owing \$182,142 combined have also defaulted. The cases of these 14 debtors have been referred to the AGO, but again, no action has been taken.<sup>647</sup>

## U.S. Treasury Assistance

The U.S. Treasury’s Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan’s Ministry of Finance (MOF) to develop technical-assistance and capacity-building programs.<sup>648</sup>

OTA assistance is focusing on:<sup>649</sup>

- **Budgeting:** developing baseline budgets and out-year estimates, and reviewing fiscal performance-management-improvement plans. In November, OTA completed an in-depth peer review of the MOF’s biannual fiscal performance- and management-improvement plans. As a result, OTA has been asked to organize a meeting with key donors to present its findings and encourage similarly constructive feedback to the MOF’s public financial-management team. There was no technical assistance in developing baseline budgets and forward estimates this

**OTA Funding: USAID provided \$2 million in April 2016 to support OTA assistance in budget, banking, and revenue through September 30, 2019. State provided \$178,437 in September 2016 to help combat economic crimes through May 30, 2017.**

Source: Treasury, response to SIGAR data call, 12/30/2016.

quarter, but a joint work plan was to be finalized by OTA leadership and Minister of Finance Hakimi in December 2016.

- **Economic crimes:** developing the capacity and effectiveness of Afghanistan's financial-intelligence unit and evaluating the central bank's capability to supervise money-service providers for compliance with measures against money laundering and terror financing. An initial assessment mission took place in March 2015, but technical assistance has not yet begun. OTA plans on-site evaluations of these Afghan entities and subsequent assistance to strengthen analytic capacities, standard operating procedures, and outreach to stakeholders.
- **Banking:** electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely). The assessment mission of September 2015 has not yet been followed by technical assistance.
- **Revenue:** collaborating with the new customs and tax academy in curriculum design, course delivery, and supplying course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.

OTA has carried out six program-assessment missions to Afghanistan, but has been unable to conduct any new missions since March 2016 due to security concerns. OTA assistance to the MOF since then has been carried out remotely. Treasury reported that security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan. However, once security conditions in Afghanistan allow OTA to reengage in-country, Treasury said the ultimate effectiveness of their efforts will largely depend on a strong and sustained political commitment to reform by those Afghan government entities responsible for public financial management, financial-sector strength, and oversight.

Source: Treasury, response to SIGAR data calls, 4/5/2016, 6/29/2016, 9/27/2016, and 12/30/2016.

## Afghanistan Public Financial Management Assistance

USAID's three-year, \$22 million, Afghanistan Public Financial Management (APFM) program is the United States' principal off-budget effort to help strengthen the Afghan government's ability to generate and collect domestic revenue, manage its budget, and become more fiscally sustainable. The program aims to build the government's capacity for forecasting revenue, increasing payment compliance, collection, and transfers to the treasury, as well as budget planning, execution, monitoring, reporting, and coordination.<sup>650</sup>

This quarter, APFM provided training to Afghanistan's revenue department in tax-dispute resolution, and to the MOF budget directorate in government-finance statistics and classification of government functions. APFM began a quantitative assessment of the socioeconomic impact of proposed amendments to the income-tax law, and continued its efforts to

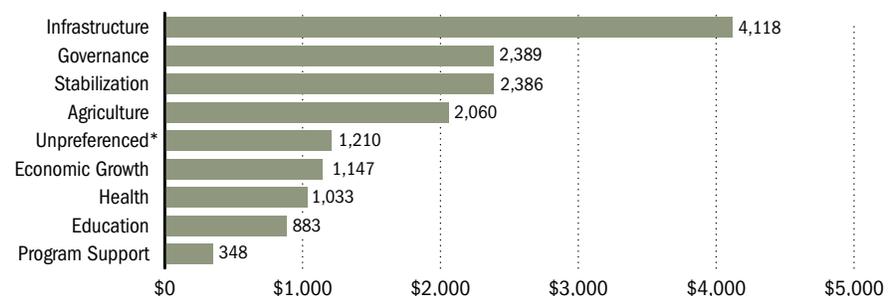
help increase revenues from existing non-tax revenue streams as well as identify new sources of non-tax revenue. APFM managers and advisors also embedded at several Afghan ministries, including the MOF’s provincial-budget unit, where they helped guide the FY 1396 (2017) operations and maintenance (O&M) budget process; the Ministry of Public Health, where they helped expand O&M reform from 13 to 24 provincial hospitals to increase health-service delivery in an additional 21 provinces; and at the Ministry of Agriculture and Livestock, where they helped draft a report used to determine staff levels and resources needed for disaster support for six insecure provinces, and provided technical input for “emergency development packages.”<sup>651</sup>

## U.S. ECONOMIC AND DEVELOPMENT SUPPORT

Most assistance from the Economic Support Fund goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan to guide and measure its development objectives, and to articulate its development strategy through 2018. The plan will be reviewed at least annually and updated as necessary.<sup>652</sup> Figure 3.30 shows USAID assistance by sector.

FIGURE 3.30

**USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF DECEMBER 31, 2016**  
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other programs that build health and education facilities. \*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, 1/18/2017; SIGAR analysis of World Bank, *ARTF Administrator’s Report on Financial Status*, as of November 20, 2016, accessed 1/15/2017.

## Development of Natural Resources

Developing Afghanistan’s natural-resources sector and reforming the fiscal administration for its extractives industries are essential to strengthening domestic revenue collection. However, the security environment,

insufficient infrastructure, declining global commodities prices, and inadequate capacity at the Ministry of Mines and Petroleum (MOMP) have all hampered the development of this sector.<sup>653</sup> Additionally, the MOMP has lacked a permanent minister since March 2016, leading some to suggest that the national unity government has not prioritized this industry.<sup>654</sup>

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law passed in November 2014 are still being developed; amendments to the law and several mineral tenders agreed to in 2010 and 2011 remain unsigned by President Ghani; and a combination of corporate income taxes, export and import duties, production royalties, and other charges that constitute an uncompetitive levy of about 80% on mineral production.<sup>655</sup>

Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.<sup>656</sup> Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.<sup>657</sup> In the first 11 months of FY 1395, actual receipts were AFN 1.2 billion (approximately \$18.3 million) largely due to royalty fees and the sale of minerals. This is a 98.5% increase compared to the same period last year.<sup>658</sup> The Afghan government, however, had set a \$400 million revenue target for the MOMP in 2016.<sup>659</sup>

## Illegal Mining

The MOMP contends illegal extraction is taking place at 1,400 mining sites across Afghanistan, but others estimate the country has 2,000–3,000 illegal sites.<sup>660</sup> Illegal mining steals non-renewable natural resources, damaging Afghanistan's economic development.<sup>661</sup> The Afghan government estimates \$300 million in revenues is lost annually by illegal mining, which not only denies Kabul much-needed funds, but also fuels the insurgency and drives criminality.<sup>662</sup> This quarter, the UN reported that the Taliban controls many illegal mining sites, particularly those located in Afghanistan's south and east, which provides them a significant income stream. The Taliban are involved in illegal mining in three ways: extraction (control of mining operations), extortion (threatening or committing violence if not paid off), and as service providers (transport and smuggling).<sup>663</sup>

## Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.<sup>664</sup> Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on fuel imports.<sup>665</sup> Oil and gas represent roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.<sup>666</sup>

USAID's implementing partner for the now-completed Sheberghan gas-development project reported that "sufficient levels of proven reserves

will likely not be available to allow moving forward with large scale power production for at least five to seven years.”<sup>667</sup> USAID is exploring a follow-on program to help the MOMP develop and exploit Afghanistan’s petroleum and gas resources.<sup>668</sup>

## **Mining Investment and Development for Afghan Sustainability**

USAID’s, four-year, \$38.7 million Mining Investment and Development for Afghan Sustainability (MIDAS) program aims to strengthen the MOMP’s capacity to develop Afghanistan’s natural resources in accordance with international standards. It focuses on legal and policy frameworks for the sector as well as mineral exploration.<sup>669</sup> USAID said the MOMP currently cannot administer the approximately 488 existing extractives contracts. This caused MIDAS to be rescoped to provide technical assistance and transaction-advisory services to the MOMP in its effort to either cancel or renegotiate some or all of these contracts.<sup>670</sup>

### **Activities This Quarter**

MIDAS consultants provided technical and legal support to help the MOMP move forward on the multi-billion-dollar oil and gas contracts: Amu Darya (signed December 2011), Afghan-Tajik (phase I signed October 2013; phase II awarded March 2014), and Totimaidan (awarded September 2014). Negotiations on Amu Darya and Afghan Tajik are ongoing, but no exploration or production work is taking place. The bidders chosen for the Totimaidan block of the Amu Darya Basin have walked away from negotiations.<sup>671</sup>

In addition, MIDAS advisors also completed a rapid assessment of the Afghanistan Petroleum Authority’s (APA) structure, staffing, and roles to help inform two new directorates created by the interim MOMP administration—the General Directorate of Petroleum and the Petroleum Support Unit—that will take over APA responsibilities plus hydrocarbon exploration. MIDAS reported that the General Directorate of Petroleum’s organizational structure is currently flawed, has limited capacity, and inadequate staffing to manage exploration contracts.<sup>672</sup>

Also this quarter, MIDAS advisors helped draft procedures to help the ministry collect outstanding financial obligations owed to it by mineral-rights owners; continued to draft and revise amendments to the Minerals Law; and helped develop technical, financial, bidding, and contract-oversight regulations.<sup>673</sup> MIDAS has disbursed \$32.5 million, as of December 31, 2016.<sup>674</sup>

### **MOMP Capacity Challenges Remain**

USAID’s implementing partner reported “extremely low levels of capacity and motivation of MOMP and Afghan Geological Survey employees.” There

are also over 250 vacant positions in the ministry, with many key departments understaffed by at least half. Twenty-three of 26 director positions were either unfilled or staffed by lower-level employees, as of November 2016. Additionally, there have been two permanent and three acting ministers of mines and petroleum since the MIDAS program began in 2013, each bringing their own sets of policy and priority changes. MOMP efforts and MIDAS programmatic activities are negatively affected absent a permanent minister. USAID said Acting Minister Ghazaal Habiby does not have the authority to set the long-term strategic direction for minerals and natural gas.<sup>675</sup>

## Agriculture

Agriculture continues to be the main source of real GDP growth, employment, and subsistence for the Afghan population. It accounts for about 22% of GDP, employs 44% of the population, and affects the 61% of Afghans who depend on agricultural activities for their livelihoods.<sup>676</sup>

The Afghan government said that aside from weather volatility, agricultural growth has been hampered by underinvestment in developing water resources, poor-quality inputs such as seeds and fertilizer, degrading natural resources, and weak domestic- and export-product marketing. It wants to move from an agrarian-subsistent and importing nation to an agro-industrial exporting one. The government said it will focus on promoting agro-industry, increasing quality control, expanding cold-storage facilities, and introducing better packaging to reduce waste and spoilage—areas that show the largest potential to improve economic growth.<sup>677</sup>

USAID's agricultural projects are designed to enhance food security, create jobs and export markets, increase incomes and productivity, and strengthen the government's ability to promote broad-based growth. USAID aims to bolster the Ministry of Agriculture, Irrigation, and Livestock's (MAIL) "farmer-focused" approach through the production and marketing of high-value horticultural crops and livestock products, the rehabilitation of irrigation and drainage systems, and the greater use of new technologies.<sup>678</sup>

Since 2002, USAID has disbursed more than \$2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.<sup>679</sup> USAID reported \$157.6 million worth of various Afghan agricultural commodities were sold in FY 2016, and \$531.9 million cumulatively from 2008 to September 2016.<sup>680</sup> Pages 193–199 of this quarterly report discuss USAID's agriculture alternative-development programs. A list of active USAID agriculture programs is found in Table 3.20 on the next page.

## Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based Agricultural

TABLE 3.20

| <b>USAID ACTIVE AGRICULTURE PROGRAMS</b>                      |                   |                 |                                  |  |
|---|-------------------|-----------------|----------------------------------|--|
| <b>Project Title</b>  | <b>Start Date</b> | <b>End Date</b> | <b>Total Estimated Cost (\$)</b> | <b>Cumulative Disbursements, as of 12/31/2016 (\$)</b> |
| Strengthening Watershed and Irrigation Management (SWIM)      | 11/15/2016        | 11/14/2021      | \$87,905,437                     | \$0  |
| Capacity Building and Change Management Program II (CBCMP II) | 7/10/2014         | 7/9/2017        | 20,874,464                       | 18,079,729   |
| Afghanistan Agriculture Extension Project II (AAEP-II)        | 10/1/2014         | 9/30/2017       | 20,229,771                       | 15,115,537   |
| Agriculture Credit Enhancement II (ACE II)                    | 6/24/2015         | 6/23/2018       | 18,234,849                       | 5,761,252  |
| Strengthening Afghan Agricultural Faculties (SAAF)            | 3/25/2011         | 8/31/2017       | 7,824,209                        | 6,812,590  |
| SERVIR  | 9/14/2015         | 9/30/2020       | 3,100,000                        | 100,000  |
| Texas A&M University's Agrilife Conflict Development          | 11/8/2012         | 11/7/2017       | 133,976                          | 133,976  |

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pages 193–199 of this report.

Source: USAID, response to SIGAR data call, 1/18/2017.

Development Fund (ADF) administered by the Ministry of Agriculture, Irrigation, and Livestock. ADF extends agriculture-related credit access to small- and medium-sized farms and agribusinesses in all regional economic zones, particularly to those that add value to agricultural products, such as distributors, producers, processors, and exporters.<sup>681</sup> USAID reported that with ACE II help, ADF has cumulatively provided more than \$82.7 million in credit to over 36,401 beneficiaries.<sup>682</sup> However, ACE II implementers reported that the continuing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.<sup>683</sup>

This quarter, ACE II began preparations for a national survey of agricultural financial services and began baseline data collection for a loans-impact assessment. ACE II also submitted a plan to reshape the ADF to broaden credit access to more borrowers, which will require a number of strategic and operational changes, including additional credit-delivery channels, and accompanying technical support to stakeholders within each channel. Additionally, ACE II helped identify areas of training to strengthen the capacity of ADF's management team, including executive skills courses, advanced agricultural-credit skills, and loan arrears and collections.<sup>684</sup>

ACE II also continued to engage financial institutions to provide credit financing to the agricultural sector, in part through an Innovation Grant Fund, which supports developing and testing new ways to facilitate agriculture-related financial services. Last quarter, ACE II awarded its first grant under the Innovation Grant Fund to OXUS Afghanistan, a microfinance organization, to support lending to borrowers in remote districts. The AFN 10.5 million grant (approximately \$160,000 in current dollars) will be used to develop 10 OXUS cashless branches inside Roshan provincial offices using the telecommunications provider's mobile-money platform for loan disbursements and repayments.<sup>685</sup> As of October 2016, 1,450 loan

disbursements and 2,841 loan repayments have been made; 27 new loans worth \$30,984 were initiated, including three loans to women totaling \$1,700.<sup>686</sup> Two new grant packages were being finalized this quarter for USAID's evaluation.<sup>687</sup>

## ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase the electricity supply, build roads and bridges, and improve health and education in Afghanistan. This section addresses key developments in U.S. efforts to improve the government's ability to deliver these essential services.

### Power Supply

Afghanistan has one of the lowest rates of electrification in the world, with only an estimated 25–33% of Afghans connected to the power grid.<sup>688</sup> Most parts of urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif have 24-hour power, although power outages are not uncommon, but only 10% of the rural population have access to grid-connected power.<sup>689</sup>

Afghanistan's limited domestic electric capacity consists of hydropower and thermal sources, plus diesel generators. It therefore imports 77% of its total electricity. Of that imported energy, Uzbekistan provides 35.2%, Tajikistan 30.5%, Iran 20.9%, and Turkmenistan 13.4%.<sup>690</sup> The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.<sup>691</sup> Afghanistan will need regional cooperation to meet its energy demands.<sup>692</sup>

### U.S. Power Sector Assistance

USAID believes that economic expansion and increased employment depend on maintaining and improving Afghanistan's electrical infrastructure. Since 2002, USAID disbursed more than \$1.5 billion in Economic Support Funds to build power plants, substations, and transmission lines, and provide technical assistance in the sector.<sup>693</sup> It is also helping Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to increase electricity supply and revenue generation by improving sustainability, management, and commercial viability.<sup>694</sup> For its part, the Department of Defense (DOD) has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program, as of July 2015, and roughly \$390.4 million through the Afghanistan Infrastructure Fund (AIF), jointly managed by DOD and State.<sup>695</sup>

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID's ongoing effort to connect and increase the electricity supply in both systems is its

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**NEPS:** imports electricity from the Central Asian Republics 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.

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

Power Transmission Expansion and Connectivity (PTEC) project, which aims to construct a transmission line connecting Kabul with Kandahar and build the capacity of DABS to sustain energy-infrastructure investments.<sup>696</sup> USAID’s active power-infrastructure projects are listed in Table 3.21.

## SIGAR AUDIT

A SIGAR audit is examining U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam.

## Kajaki Dam–Unit 2 Turbine Installation

After years of effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 1, 2016. The installation represented a major advance in DABS’s efforts to increase long-term, sustainable hydropower from Kajaki Dam to Kandahar and Helmand Provinces.<sup>697</sup>

Unit 2 is operational and has a power-generating capacity of 18.8 MW. Combined with the other two turbines, the powerhouse has a maximum generating capacity of 51.5 MW. Unit 2 was generating power up to 15MW, and all three turbines were online this quarter supplying up to 28MW of power into the 110kV and 12MW into the 13.8kV SEPS transmission lines. This power, combined with DABS’ upgrades, increased the 110kV system’s transmission capacity by 50%, according to USAID.<sup>698</sup> It is not known how long this level of power generation will last in the short term. The Kajaki Dam reservoir was entering its seasonal low point this quarter, and coupled with chronic reservoir mismanagement, all three turbine units will be unable to stay online for more than a few weeks.<sup>699</sup> Unit 3 is also scheduled to go offline for repairs in 2017,<sup>700</sup> though no timeline for the work was provided. However, USAID said once upgrades to the 110kV system are completed in about two years through its SEPS Completion, Phase 2 project, transmission capacity will exceed Kajaki Dam’s power generating capacity.<sup>701</sup>

USAID was funding \$22.9 million for technical support, site security, life-support services, and helicopter support to DABS through March 2017. More than \$13.8 million has been disbursed, as of January 8, 2017.<sup>702</sup> DABS is to assume full responsibility for the Kajaki power plant, including operations and maintenance (O&M), in April 2017.<sup>703</sup>

TABLE 3.21

| USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS                        |            |            |                           |   |
|---|------------|------------|---------------------------|---|
| Project Title   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Power Transmission Expansion and Connectivity (PTEC)              | 1/1/2013   | 12/31/2018 | \$725,000,000             | \$124,878,220                                   |
| Contributions to the Afghanistan Infrastructure Trust Fund (AITF) | 3/7/2013   | 3/6/2018   | 153,670,184               | 113,000,000                                     |
| Engineering Support Program                                       | 7/23/2016  | 7/22/2019  | 125,000,000               | 6,448,390                                       |
| Utility Executive Exchange  | 9/30/2007  | 9/30/2017  | 698,555                   | 698,555   |
| Kajaki Energy Outage Public Relations Campaign                    | 8/22/2016  | 11/15/2016 | 55,288                    | 55,288  |

Source: USAID, response to SIGAR data call, 1/18/2017.

## Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand Afghanistan's power-generation, transmission, and distribution systems, including funding the 320-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.<sup>704</sup> PTEC's DABS commercialization and capacity-building components aim to help the utility become financially sustainable by increasing revenues using utility-management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.<sup>705</sup> Technical losses include line heating and current leakage; commercial losses include nonpayment of bills and energy theft.

Construction on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, continued this quarter. As of January 8, 2017, 98% of the transmission lines and 93% of the substations were completed. However, damage caused by fighting between Afghan security forces and the Taliban, as well as lags in equipment ordering and shipping times, have impacted completion deadlines by six months. Construction is now scheduled to be completed by July 31, 2017, at a cost of \$104 million. Approximately \$80.4 million has been disbursed as of December 15, 2016.<sup>706</sup> The Arghandi connector substation that will feed this line will not be ready until after December 2017. Alternatives to power the Arghandi-Ghazni project are under consideration.<sup>707</sup>

USAID is providing \$350 million in direct assistance to DABS in support of the second segment of the NEPS-SEPS connector, Ghazni to Kandahar—\$179.5 million was transferred to USAID through the Afghanistan Infrastructure Fund. DABS issued two requests for proposals to construct one transmission line and five substations with winning bidders selected last quarter. Awards were still pending a decision by the National Procurement Authority as of December 2016. USAID said security will be a major challenge to implementing this project.<sup>708</sup>

For the SEPS Completion, Phase 2, \$55 million was transferred to USAID through the Afghanistan Infrastructure Fund to design and construct a transmission line from Tangi to Sangin North and from Maiwand to Kandahar, install electrical equipment, and commission three substations. Funding will be provided on-budget and implemented by DABS.<sup>709</sup> Bid evaluations and document verification, which began last quarter, are now complete. USAID was in the process of issuing its consent to execute the award, as of January 8, 2017.<sup>710</sup>

## Power Availability in Kandahar

U.S. fuel subsidies totaling \$141.7 million for power generation at two industrial parks in Kandahar City ceased at the end of September 2015.<sup>711</sup> USAID reported that since then, power output has fallen from the diesel generators in Shorandam and Bagh-e Pol industrial parks. Five generators

This quarter, DABS announced that it compiled a list of 73 major debtors—including top government officials—who have not paid their electricity bills. These reportedly include First Vice President General Abdul Rashid Dostum, Mohammad Karim Khalili, (former vice president to then-President Hamid Karzai), former Jihadi commander Abdul Rab Rassoul Sayaf, and a number parliamentarians.

The largest delinquents were government agencies, which owed AFN 1.6 billion (\$24.3 million)—representing 48.2% of all amounts due the utility—followed by commercial institutions at AFN 773 million (\$11.7 million), and residential customers at AFN 700 million (\$10.6 million). Another outstanding AFN 247 million (\$3.8 million) was for residential properties that were relocated for roads construction.

Source: DABS, “DABS Reveals the Names of Major Electricity Bill Defaulters in Kabul,” 10/17/2016; Tolo News, “DABS Says Top Govt Officials Not Paying Electricity Bills,” 11/16/2016.

at Bagh-e Pol in need of major overhauls and shipments of critical spare parts have stopped altogether, while three generators were transferred to Shorandam to replace units needing scheduled maintenance.<sup>712</sup>

The Shorandam generators are currently producing between 40,000 and 48,000 kilowatt-hours (kWh) daily, running 16 hours a day, six days a week, which USAID said is insufficient to provide full electrical service to the industrial park’s commercial customers. For other commercial and residential customers in Kandahar, electricity supply is also inadequate. Some additional power can be supplied from Kajaki Dam in Helmand Province and diesel generators in Breshna Kot in Kabul, but USAID said the cost per kilowatt-hour is unaffordable for most customers. USAID added that DABS has no business incentive to generate the necessary power if it cannot recover the costs of doing so. This results in significant load shedding—the deliberate interruption of power supply to certain areas.<sup>713</sup>

To help bridge the gap between Kandahar’s electric-generation capacities and demand until the NEPS-SEPS transmission line is completed, PTEC funded a reverse auction held on July 11, 2016, whereby independent power producers competed to construct and sell power to DABS from a solar-power plant that may be able to operate at an installed capacity of 10 MW. A bidder was chosen and has successfully concluded negotiations with DABS and USAID on the provisions of the incentive contract and power-purchase agreement. The contract signing was still pending as of December 22, 2016.<sup>714</sup>

## Afghanistan Infrastructure Fund Power Programs

Afghanistan Infrastructure Fund (AIF) projects were initiated to support critical counterinsurgency and economic-development objectives in Afghanistan. Although DOD’s mission has since evolved to advising and assisting Afghan security forces and ministries, as well as counterterrorism operations, it is still focused on implementing AIF power projects to complete its portion of the NEPS and SEPS.<sup>715</sup>

Ongoing fighting in Helmand Province, as well as bureaucratic delays in getting right-of-way approvals for NEPS and SEPS transmission lines, continued to challenge AIF contractors and some project-completion schedules.<sup>716</sup> This quarter, President Ghani charged his ministers with ensuring a quick resolution to right-of-way land issues and was formulating a presidential decree to streamline the process by which the Ministry of Energy and Water (MEW), the Afghanistan Independent Land Authority, and the MOF secure agreements with landowners. U.S. Forces-Afghanistan (USFOR-A) said multiple NEPS and SEPS contract-completion times are coming due, and it anticipates receiving requests for extensions.<sup>717</sup>

USFOR-A has completed four AIF power projects so far. All were phases of the now-concluded Kandahar Power Bridging Solution, which provided fuel and technical support for diesel power-generation plants in Kandahar

## SIGAR AUDIT

An ongoing SIGAR audit focuses on DOD and State Department progress in completing FY 2011 Afghanistan Infrastructure Fund projects, the impact on other infrastructure priorities and counterinsurgency objectives, and sustainment challenges.

City while turbine-installation work at Kajaki Dam was under way. USFOR-A has six other ongoing power projects, while USAID has three, as shown in Table 3.22 on page 172.<sup>718</sup>

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was requested or appropriated, but up to \$50 million from the FY 2016 Afghanistan Security Forces Fund may be used under limited circumstances to help finish existing projects.<sup>719</sup>

## Transportation

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said Afghanistan's transportation-infrastructure shortcomings constrain the service and agriculture sectors, which have typically been the leading drivers of the economy. They also hold back the mining industry, future revenues from which the Afghan government and international donor community are hoping will offset declining international aid.<sup>720</sup>

This quarter, the Afghan government made additional progress in establishing regional connectivity. On October 30, 2016, Turkmenistan and Afghanistan inaugurated a rail line connecting the Atamyrat-Imamnazar railway in Turkmenistan to Aqina in Afghanistan.<sup>721</sup>

## Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.<sup>722</sup> Last quarter SIGAR auditors assessed the conditions of approximately 1,020 miles of Afghanistan's U.S.-funded national and regional highways, and found that most were in need of repair and maintenance.<sup>723</sup> The World Bank similarly reported that 85% of Afghanistan's roads are in poor shape; the majority cannot be used year-round.<sup>724</sup>

Since 2002, USAID has provided more than \$2 billion for more than 1,240 miles of road construction, operations and maintenance (O&M), and capacity-building activities.<sup>725</sup> For its part, DOD provided at least \$847 million on 4,687 road-related projects under the Commander's Emergency Response Program. Despite this investment, SIGAR auditors determined that USAID and DOD have had only limited success in ensuring the long-term sustainability of those roads.<sup>726</sup>

Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID. Afghanistan is estimated to spend \$17 million annually for O&M, but that is \$100 million less than the Asian Development Bank says is needed.<sup>727</sup> USAID told SIGAR it would cost an estimated \$8.3 billion to replace Afghanistan's roads if they were not maintained.<sup>728</sup>

Money aside, a USAID assessment from May 2015 found that the Ministry of Public Works needed structural reform, citing ongoing critical weaknesses, including a lack of skilled staff, poor communication, antiquated

**The United Nations reported that the Taliban is increasingly using improvised explosive devices to disrupt economic and social activity in Afghanistan, not only beyond areas of direct conflict, but also on economically important roads.**

Source: UN, *Report of the Analytical Support and Sanctions Monitoring Team*, 10/5/2016, pp. 3, 7.

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.22

| AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF NOVEMBER 23, 2016 (\$ MILLIONS) |   |   |                    |                    |  |  |
|---|---|---|--------------------|--------------------|--|--|
| AIF Project   | Description   | Notified Amount   | Obligated          | Disbursed          | Status   |  |
| AIF FY 2011   | Kandahar Power Bridging Solution  | Provides fuel and O&M for diesel generators in Kandahar City  | \$40.5             | \$39.1             | \$39.1   | Complete   |
|   | SEPS - Kajaki Dam to Lashkar Gah  | Repair, install transmission lines; rebuild, construct power substations  | 130.0              | 58.9               | 51.0   | Terminated due to out-of-scope security cost increases   |
|   | NEPS - SEPS Connector, Arghandi to Ghazni   | Design, construct transmission lines and substations (first segment of NEPS-SEPS connection)<br>USAID: PTEC project | 101.0              | 104.0 <sup>e</sup> | 80.4   | Transmission lines 97% complete; substations 90.5% complete. Six-month extension requested due to damage from ANDSF-Taliban fighting and ordering/shipping lags (completion: 7/2017)   |
|   | NEPS - Arghandi to Pul-e Alam   | Design, construct transmission line, towers, and power substation   | 93.7               | 50.3               | 27.2   | Transmission line, towers, and substation under construction; community land issues affecting some tower locations (completion: 12/2016 delayed) <sup>a</sup>  |
| AIF FY 2012   | Kandahar Power Bridging Solution  | Provides fuel and O&M for diesel generators in Kandahar City  | 67.0               | 64.7               | 64.7   | Complete   |
|   | SEPS - Maiwand to Durai Junction  | Design, construct transmission line; rebuild and construct substations  | 40.0               | 28.7               | 13.9   | Under construction; tower excavation, tower erection, civil work ongoing; security challenges (completion: 9/2017) <sup>b</sup>  |
|   | NEPS - Pul-e Alam to Gardez   | Design, construct transmission line and power substation  | 77.5               | 69.2               | 60.6   | Transmission line completed (55 km); substation under construction; security and land issues affecting schedule (completion: 2017) <sup>c</sup>  |
|   | NEPS - Charikar to Gul Bahar and Nejrab   | Design, construct transmission lines and power substation   | 42.5               | 39.1               | 33.8   | Transmission line and substation under construction; security and land issues affecting schedule (completion: 12/2016 delayed) <sup>d</sup>  |
| AIF FY 2013   | Kandahar Power Bridging Solution  | Provides fuel and O&M for diesel generators in Kandahar City  | 37.0               | 34.0               | 34.0   | Complete   |
|   | NEPS - Charikar to Gul Bahar and Nejrab   | Design, construct transmission lines and power substation   | 33.0               | 24.1               | 22.3   | Transmission line and substation under construction; security and land issues affecting schedule (completion: 12/2016 delayed) <sup>d</sup>  |
|   | SEPS Completion - Phase 1   | Civil, structural, architectural improvements to substations in Tangi, Sangin North and South                       | 75.0               | 63.1               | 26.0   | Civil work ongoing (continued delays); major security challenges (completion: 6/2017) <sup>e</sup>   |
|   |   | Design, construct, transmission lines from Sangin North to Lashkar Gah  |                    |                    |  | Civil work ongoing; transmission towers under construction; community issues affecting some tower locations; rerouting and schedule modifications under review; security challenges (completion: 12/2016 delayed) <sup>f</sup> |
| NEPS - SEPS Connector, Ghazni to Kandahar   | Design, construct transmission line and substations. Final phase of NEPS-SEPS connector.<br>USAID: PTEC project | 179.5   | 350.0 <sup>e</sup> | 0.0                | Final stages of procurement process; contract awards pending National Procurement Authority approval (completion: 12/2018) |  |
| AIF FY 2014   | Kandahar Power Bridging Solution  | Provides fuel and O&M for diesel generators in Kandahar City  | 4.0                | 3.9                | 3.9  | Complete   |
|   | SEPS Completion - Phase 2   | Design, construct transmission line, and install equipment and commission substations<br>USAID: PTEC project        | 55.0               | 55.0               | 0.0  | Transferred to USAID for on-budget implementation through DABS; bid certificate verification under evaluation; contract awards pending National Procurement Authority approval.  |
|   | NEPS - Gardez to Khowst   | Design, construct transmission line and substation. DOD's final contribution to NEPS.                               | 130.0              | 121.3              | 9.9  | Distribution-line design descoped; transmission-line design, route approved; partial substation designs require resubmission for review; right of way under review (completion: 12/2017) <sup>h</sup>                          |

Note: Project completion dates in parentheses reflect the most recent information provided to SIGAR by USFOR-A and USAID, and are subject to change. In some cases, updated completion dates have not been determined. All AIF power projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national electric utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 10/31/2016. All other information is as of 11/23/2016.

<sup>a</sup>177 of 247 towers completed. Another 60 tower excavations and 1 foundation complete. Pul-e Alam substation 48% complete. Two of four transformers descoped based on estimated electricity demand and being transferred to Gardez substation. Community land issues stalled 11 towers (4.5%). The U.S. Army Corps of Engineers (USACE) is working on schedule adjustments.

<sup>b</sup>105 of 114 towers completed. Another 4 tower excavations and 4 foundations complete. Pushmol and Maiwand substations 50% and 51% complete, respectively. Recommended completion date change to 9/2017 under review.

<sup>c</sup>Gardez substation 85% complete. Cannot test/commission this segment until NEPS, phase 1 segment is energized to Pul-e Alam. Completion date pushed into 2017. USACE working on schedule adjustments.

<sup>d</sup>41 of 44 towers completed. Another 1 tower excavation and 1 foundation complete from Charikar to Gul Bahar; Conductor lines 50% strung. 100% of transmission towers erected from Gul Bahar to Nejrab; Conductor lines 87.5% strung. Gul Bahar substation 98% complete. Community land issues affecting 2 tower locations and conductor or ground wire stringing across 59 towers. USACE working on schedule adjustments.

<sup>e</sup>Tangi substation 55% complete. Sangin North substation 71% complete. Sangin South substation 64% complete. Contract modification to replace Sangin North living quarters will require revised completion date schedule.

<sup>f</sup>Sangin to Durai Junction segment: 22 of 205 towers completed. Another 120 tower excavations and 77 foundations complete. Durai Junction to Lashkar Gah segment: 55 of 212 towers completed. Another 120 tower excavations and 55 foundations complete. Community land issues affecting 22.6% of tower locations; Security issues. USACE working on schedule adjustments.

<sup>g</sup>Includes additional, non-AIF USAID funding.

<sup>h</sup>Clearance issued to begin tower construction on government-owned land.

Source: DOD, OSD-P response to SIGAR data call, 12/28/2015, 6/29/2016 and 9/29/2016; DOD, OSD-P response to SIGAR vetting, 7/16/2016 and 1/4/2017; USFOR-A, response to SIGAR data call, 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 9/15/2016 and 11/23/2016; USAID, OI, response to SIGAR data calls, 9/23/2016 and 12/22/2016; USAID, OI, response to SIGAR vetting, 10/11/2016.



**Workers grade an Afghan roadbed** for a USAID-funded project. (USAID photo)

systems and processes, and a lack of will to implement necessary reforms. SIGAR recommended that USAID condition future roads-related funding on the successful creation of an independent road authority, road fund, and transportation institute in order to boost MOPW's capacity. USAID concurred.<sup>729</sup>

### **Technical Assistance for the Ministry of Public Works Project**

USAID's three-year, \$25.5 million, Technical Assistance for the Ministry of Public Works (TA-MOPW) project, a component of the Road Sector Sustainability Project (RSSP), aims to improve the capacity and effectiveness of the Ministry of Public Works (MOPW) to manage Afghanistan's road network. TA-MOPW is working with Afghan authorities in establishing a road authority, road fund, and transportation institute.<sup>730</sup> USAID approved a final transition plan on October 11, 2016.<sup>731</sup> This quarter, TA-MOPW reviewed the first draft of laws to govern the road authority and road fund. Changes to the roads-authority law were proposed to bring it in line with international best practices. TA-MOPW completed its short- and long-term plans for road-maintenance funding, and designs for the road fund. It also completed its targets to finish designs for the transportation institute study.<sup>732</sup> Approximately \$19.1 million has been disbursed for this program, as of December 31, 2016.<sup>733</sup>

### **Afghanistan Infrastructure Fund Road Projects**

DOD has obligated \$62.2 million and disbursed \$59.2 million for five road projects under the AIF, as of October 31, 2016. Four road projects, some consisting of multiple phases, have been completed. Only the final 7 km of the Ghulam Khan Transportation Corridor, Phase II remains, as shown in Table 3.23 on the following page.<sup>734</sup>

TABLE 3.23

| AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF NOVEMBER 23, 2016 (\$ MILLIONS) |  |   |           |           |          |   |
|--|--|---|-----------|-----------|----------|---|
| AIF Project  | Description  | Notified Amount   | Obligated | Disbursed | Status   |   |
| AIF FY 11  | Lashkar Gah to Nawar Road                              | Design, construct 22.5 km road in Helmand Province  | \$22.0    | \$20.5    | \$20.5   | Complete  |
|  | RC-East Border Transportation Corridor                 | Saracha Bridge  | 35.6      | 6.8       | 6.8      | Complete  |
| Ghulam Khan Corridor   |  | 12.7  |           | 11.8      | Complete |   |
| AIF FY 12  | Parwan to Bamyan Road - Section 6                      | Section 6.1   | 10.0      | 3.0       | 3.0      | Complete  |
|  |  | Section 6.2   |           | 7.0       | 7.0      | Complete  |
|  | Dahla Dam Phase 2 - Site Preparation (Route Bear Road) | Realign 4.7 km road along NW shore of Dahla Dam   | 11.2      | 7.2       | 7.2      | Complete  |
| AIF FY 14  | Ghulam Khan Corridor - Phase 2                         | Design, construct remaining 7 km road to Khowst city and 1 bridge to complete Ghulam Khan Transportation Corridor | 10.0      | 5.0       | 2.0      | 8 of 28 culverts placed; bridge pile foundations, post-tension beam forming in progress; road work under way; addressing right-of-way issue at north end of construction (Completion: 9/2017) |

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 10/31/2016. All other information is as of 11/23/2016.

Source: DOD, OSD-P response to SIGAR data calls 12/28/2015, 9/29/2016, and 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 11/23/2016. Source: DOD, OSD-P response to SIGAR data calls 12/28/2015, 9/29/2016, and 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 11/23/2016.

## ECONOMIC GROWTH

Afghanistan ranked 183rd of 190 countries in the World Bank's *Doing Business 2017* report on regulatory quality and efficiency—a six-place fall from 2016.<sup>735</sup> While Afghanistan ranks high in starting a business (42nd), a doubling of the business-receipts tax rate from 2% to 4% in the latter part of 2015 made it more costly to do so. Afghanistan is nearly last in dealing with construction permits (186), getting electricity (159), registering property (186), trading across borders (175), and enforcing contracts (180). It is considered the second-to-worst country in protecting minority investors, partly a reflection of the country's corporate-governance rules and the weakness of its legal institutions.<sup>736</sup>

Although Afghanistan's rank for trading across borders stayed about the same, the World Bank reported that the government made exporting and importing easier by introducing a number of technical, human, and infrastructure improvements as well as ASYCUDA WORLD, a computerized customs-management system. Traders spent fewer hours and less money complying with Afghan documentary and border requirements.<sup>737</sup>



**A speaker discusses** USAID's Access to Finance program for conference attendees. (USAID photo)

Beyond security challenges that make it difficult to ignite private-sector-led and inclusive growth, the IMF recommended the government eliminate regulatory and administrative barriers for businesses, improve infrastructure, and provide key business services while simultaneously strengthening structures for macroeconomic management, the financial sector, and economic governance, not all of which require major funding to carry out.<sup>738</sup>

USAID has cumulatively disbursed more than \$1.1 billion for economic-growth programs in Afghanistan.<sup>739</sup> USAID active economic-growth programs have a total estimated cost of \$531.4 million and can be found in Table 3.24 on page 176.

## Financial Access for Investing in the Development of Afghanistan

USAID's 66-month, \$108.3 million, Financial Access for Investing in the Development of Afghanistan (FAIDA) program aims to promote an inclusive, diverse, and sustainable financial sector that generates jobs and provides a range of services for micro, small, and medium enterprises. FAIDA helps Afghan partners build capacity to deliver financial services, develop a legal framework and market infrastructure, provide technical assistance to mobile network operators for mobile-money services, and assist female Afghan entrepreneurs with business-development training so they can gain access to financing and opportunities for economic and professional growth.<sup>740</sup>

In FY 2016, FAIDA reported that it facilitated the approval of 211 loans worth \$7,185,417 for Afghan enterprises, created 1,086 full-time-equivalent jobs, and helped 59,179 people find either new or better employment as a result of participating in U.S.-funded workforce-development programs.<sup>741</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.24

| USAID ACTIVE ECONOMIC-GROWTH PROGRAMS   |            |            |                           |   |
|---|------------|------------|---------------------------|---|
| Project Title   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Financial Access for Investing in the Development of Afghanistan (FAIDA)          | 2/7/2011   | 2/5/2017   | \$113,981,225             | \$107,693,355                                   |
| Assistance in Building Afghanistan by Developing Enterprise (ABADE)               | 10/16/2012 | 4/15/2017  | 104,997,656               | 95,564,285                                      |
| Afghanistan Trade and Revenue Project (ATAR)                                      | 11/7/2013  | 11/6/2017  | 77,754,267                | 55,361,043                                      |
| Women in the Economy (WIE)  | 7/1/2015   | 6/30/2020  | 71,571,543                | 12,233,322                                      |
| Afghanistan Workforce Development Program (AWDP) Off Budget                       | 4/5/2012   | 6/30/2018  | 44,919,458                | 33,273,995                                      |
| Multi-Input Area Development-Global Development Alliance                          | 3/23/2013  | 3/22/2018  | 30,481,436                | 13,953,990                                      |
| Afghanistan Public Financial Management (APFM)                                    | 7/27/2015  | 7/26/2018  | 22,130,033                | 8,425,654                                       |
| Afghanistan Investment Climate Program  | 3/27/2015  | 3/26/2020  | 13,300,000                | 580,192   |
| Afghanistan Workforce Development Program (AWDP) On Budget                        | 9/18/2013  | 12/31/2016 | 11,500,000                | 4,832,843                                       |
| Commercial Law Development Program  | 3/1/2014   | 9/30/2019  | 10,000,000                | 5,301,676                                       |
| Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women     | 11/2/2015  | 11/1/2018  | 4,800,000                 | 2,100,000                                       |
| IFC PIO Grant - Support of Business Environment Reform                            | 10/15/2010 | 10/30/2017 | 4,030,000                 | 4,030,000                                       |
| Strengthening the Revenue Collection Capacity of GIROA                            | 11/30/2014 | 12/30/2018 | 4,000,000                 | 1,308,132                                       |
| E-Government Resource Center II   | 8/28/2013  | 12/1/2017  | 3,900,000                 | 1,205,000                                       |
| Afghanistan International Bank Guarantee Agreement                                | 9/27/2012  | 9/27/2020  | 2,000,000                 | 520,800   |
| Development Credit Authority (DCA) with FINCA, OXUS, and First Microfinance Banks | 9/25/2014  | 9/24/2020  | 1,953,875                 | 0   |
| Turquoise Mountain Smithsonian Exhibition   | 3/9/2015   | 3/31/2017  | 535,055                   | 485,494   |
| Mobile-izing Saving Study   | 9/11/2012  | 9/30/2018  | 50,022                    | 50,022  |

Note: The Mobile-izing Saving Study explores financial inclusion products to encourage Afghans to build savings. USAID's Development Credit Authority (DCA) provides partial credit guarantees to mobilize local financing. FINCA, OXUS, and First Microfinance Banks are to use these guarantees to secure loans from larger lenders, and in turn lend to micro and small businesses in Afghanistan. Afghanistan International Bank is to use the DCA guarantee to mitigate its lending risk and facilitate lending to small and medium-size enterprises.

Source: USAID, response to SIGAR data call, 1/18/2017; Innovations for Poverty Action, "Mobile-izing Savings with Defaults in Afghanistan," 12/8/2015; USAID, Development Credit Authority, "Overview," 2/2/2015.

Between January and March 2016, FAIDA grants facilitated the installation of dozens of kiosks in Kabul for banking customers to repay loans and for mobile-network customers to receive telecom services.<sup>742</sup> As of September 30, FAIDA reported that 1,105 loans were repaid through these kiosks, totaling \$58,130, and recorded another 162,680 electronic transactions worth \$213,600 to replenish mobile-money accounts. Additionally, almost 26,000 DABS (electricity utility) customers have paid their electricity bills using mobile-money services, totaling almost \$3.2 million.<sup>743</sup>

This quarter, FAIDA reviewed the new banking law on behalf of the central bank and suggested changes for improvement. Pending approval by parliament, the law will provide the legal framework for a dual system of conventional and Islamic banking. FAIDA's regulatory team also began

to review, align, and suggest revisions to strengthen the country's deposit-insurance program as it relates to mobile-money banking. Also this quarter, FAIDA and Roshan Telecommunication Company helped the Ministry of Labor, Social Affairs, Martyred, and Disabled launch mobile-money payments of 4,500 employee salaries.<sup>744</sup>

## **Assistance in Building Afghanistan by Developing Enterprises**

USAID's \$105 million, Assistance in Building Afghanistan by Developing Enterprises (ABADE) program aims to help small-to-medium enterprises (SMEs) add jobs, increase investment, and improve sales of domestic products and services through public-private alliances (PPAs). ABADE has two components: implementing approved PPAs and identifying, selecting, and supporting the alliances with technical assistance and business advisory services; and working with the government to improve the environment for business.<sup>745</sup>

In FY 2016, ABADE reported 49 PPAs were formed worth \$85.5 million, more than 85% of which was invested by private-sector partners. Of the 116 PPAs whose deliverables were completed, ABADE contributed \$10.2 million of USAID funds (including \$4.5 million worth of equipment transferred to alliance partners), while more than \$77.5 million was invested by the SMEs—more than a 7-to-1 ratio. Also during this time, ABADE provided technical assistance and nine training programs. Five aimed to improved women's skills in the information and communication technology, and health sectors. The others focused on food safety, marble cutting and polishing, and new construction materials and technologies. Cumulatively in FY 2016, ABADE trained 174 people and 105 SMEs.<sup>746</sup>

## **EDUCATION**

After suffering decades of upheaval in the 1980s and 1990s, Afghanistan's public education system has since 2002 become one of Afghanistan's success stories, according to the World Bank. The number of boys and girls enrolled in school has increased dramatically, as have the numbers of teachers and schools. However, the education sector faces many challenges. The World Bank reported that only about half of all registered schools in Afghanistan have proper buildings, and only 55% of teachers meet the minimum requirements with the rest receiving in-service training. While the sector is growing steadily, the quality of education and administration remains weak.<sup>747</sup>

In a December 18, 2016, interview, Minister of Education Assadullah Hanif Balkhi said that after adjusting numbers for more than three million permanently absent registered students from school records, only six million students were actually attending classes in Afghanistan. Former Deputy Minister of Education Sediq Patman added that the numbers touted by the

Karzai administration added two million students, including those whose schools had been closed.<sup>748</sup> On January 1, 2017, acting Minister of Education Assadullah Mohaqiq (Minister Balkhi lost a vote of confidence in the lower house of parliament on November 13), told the upper house of parliament that more than 1,000 schools across the country were closed because of security issues.<sup>749</sup>

## Education Management Information System Data

The Ministry of Education (MOE) had previously acknowledged a large number of children are out of school, but was unaware of how many, who or where they are, or their backgrounds.<sup>750</sup>

To better help the MOE gather school data to guide their decision making—and indirectly understand how donor funding is benefiting Afghanistan’s education system—donors funded the **Education Management Information System (EMIS)**, which tracks critical educational statistics such as the numbers of teachers working and students enrolled. Barriers to data collection have resulted in imprecise and inaccurate EMIS data, prompting further concern from donors. To understand the scope of the problem, USAID funded an assessment of the data-quality in EMIS to identify and address gaps in the system.<sup>751</sup>

Despite its shortcomings and inability to answer key questions, the initial assessment found that EMIS has developed the capacity to manage a nationwide information system. However, there remains a gap between its actual capacity and what is needed to ensure the information is accurate and reliable. Key weaknesses were identified, including lack of oversight, inconsistent monitoring at schools, insufficient capacity and training on EMIS forms and procedures, inadequate financing and overreliance on donor-funded assistance, and lack of coordination resulting in duplicative data collection and inefficiencies.<sup>752</sup> USAID reported that the second round of assessment results is expected to be released next quarter.<sup>753</sup>

## USAID Programs

USAID aims to improve equitable access to quality education in Afghanistan through community-based classes in remote regions. USAID also seeks to develop relevant, in-demand technical skills to better prepare Afghans for employment. Its programs focus on early-grade reading, textbooks and other learning materials, and raising literacy rates through teacher and educator training.<sup>754</sup> USAID had disbursed approximately \$883 million for education programs in Afghanistan, as of December 31, 2016.<sup>755</sup> USAID’s active education programs have a total estimated cost of \$403.1 million and can be found in Table 3.25.

USAID also funds other donor-administered education programs. On October 24, 2016, USAID approved the disbursement of \$5 million to the Afghanistan Reconstruction Trust Fund for the World Bank’s Higher

### Education Management Information

**System:** a centralized, computerized network system used to gather school data to support decision making in the Ministry of Education.

Source: USAID, *Data Quality Assessment of the Ministry of Education’s Education Management Information System*, 7/2016, p. 1.

TABLE 3.25

| USAID ACTIVE EDUCATION PROGRAMS   |            |            |                           |   |
|---|------------|------------|---------------------------|---|
| Project Title   | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursements, as of 12/31/2016 (\$) |
| Afghanistan University Support and Workforce Development Program                | 1/1/2014   | 12/31/2018 | \$91,927,769              | \$39,686,575                                    |
| Increasing Access to Basic Education and Gender Equality                        | 9/17/2014  | 12/31/2019 | 77,402,457                | 77,402,457                                      |
| Afghans Read Program (ARP)  | 4/4/2016   | 4/3/2021   | 69,547,810                | 3,394,637                                       |
| Support to American University of Afghanistan                                   | 8/1/2013   | 11/29/2019 | 45,902,538                | 27,109,261                                      |
| Strengthening Education in Afghanistan (SEA II)                                 | 5/19/2014  | 9/30/2020  | 44,835,920                | 12,739,126                                      |
| Basic Education, Literacy, and Technical-Vocational Education (BELT), Textbooks | 11/16/2011 | 12/31/2016 | 26,996,813                | 24,970,742                                      |
| Let Girls Learn Initiative and Girls' Education Challenge Program (GEC)         | 6/29/2016  | 6/28/2021  | 25,000,000                | 0   |
| Early Grade Reading Survey  | 7/27/2015  | 3/27/2017  | 12,487,469                | 8,899,407                                       |
| Assessment of Learning Outcomes and Social Effects in Community-Based Education | 1/1/2014   | 12/31/2017 | 7,262,016                 | 3,188,796                                       |
| PROMOTE Scholarships  | 3/4/2015   | 3/3/2020   | 1,247,522                 | 1,247,522                                       |
| BELT/All Children Reading and Improved Access                                   | 7/27/2015  | 3/27/2017  | 472,585                   | 450,326   |

Source: USAID, response to SIGAR data call, 1/18/2017.

Education Development Project (HEDP). This money, to be disbursed incrementally, will fund 200 additional graduate-degree scholarships to the 300 already approved under the project. HEDP aims to increase the number of graduate-degree recipients and significantly improve the quality of teaching in the public university system. With this disbursement, combined with prior contributions, USAID will cover \$22 million of the \$50 million project cost (44%) and plans to contribute another \$10 million by December 2017.<sup>756</sup>

## Basic Education, Learning, and Training (BELT)/Education Quality Improvement Project (EQUIP) II

Basic Education, Learning, and Training (BELT) aims to expand and improve basic-education access and quality. BELT activities include a national early-grade reading program and textbook printing and distribution, covering Afghanistan's entire primary-school population.<sup>757</sup> BELT also does capacity building at the MOE, and pre- and in-service teacher training through the World Bank-administered Education Quality Improvement Project (EQUIP) II program, which has trained 154,811 educators and awarded 11,436 female students scholarships to attend teacher-training colleges.<sup>758</sup>

EQUIP II administrators undertook two missions—in May and September 2016—to review teacher activities and discuss upcoming observation studies, to design EMIS-technology evaluations, update EQUIP II-performance indicators, and to assess progress in implementing civil

**An Independent Joint Anti-Corruption Monitoring and Evaluation Committee assessment found that despite some successes, EQUIP has failed to meet its overall goals since it began in 2004. The program suffers from poor planning, weak monitoring, and ineffective coordination among implementers that has caused 30–40% of funds to be misused, schools to be poorly constructed, and students to be inadequately educated.**

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Vulnerability to Corruption Assessment of the Education Quality Improvement Program in the Ministry of Education*, 11/2015, p. 3.

works for 110 stopped and 415 incomplete construction for 525 schools. Overall, it found that considerable progress has been made in the number of teachers trained, the provisions given to schools, and the establishment of electronic data-collection systems for schools and provincial directorates of the MOE. However, with 3.4 million girls enrolled, the program has not yet reached its targets of 3.8 million girls enrolled by December 2016 or its girl-boy student ratio targets (68% achieved versus 79% target for grades 1–3; 66% achieved versus 69% target for grades 4–6; 57% achieved versus 62% target for grades 7–9; and 52% achieved versus 57% target for grades 10–12. Substantial progress has been made in all but one of these indicators compared to their corresponding baselines in 2008.<sup>759</sup>

EQUIP II also agreed to finance 83 of 110 schools where construction has stopped provided there is no evidence of the misuse of funds or construction cost overruns. The remaining 27 stopped schools will be not be rehabilitated due to their locations in very insecure areas, and because the poor quality of existing work has deteriorated over time. Once security improves in their respective areas, new school construction will commence. For the 415 incomplete schools (down from around 900 schools in 2012), the MOE will pursue legal remedies for all cases of misuse of funds and corruption and reach out to those communities that did not adhere to their 10% required cost-share to try to mobilize funding. In addition, the government will make available either its own or donor funds to complete construction.<sup>760</sup>

## HEALTH

Afghanistan's health indicators have improved since 2002, though they remain below average among low-income countries. Afghanistan's public health is beset by many challenges: tuberculosis, polio, poor maternal health, and one of the world's highest levels of child malnutrition, according to the World Bank.<sup>761</sup>

### USAID Funding and Health Programs

U.S.-funded health-sector programs aim to preserve and enhance gains made since 2002. USAID assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over healthcare delivery across Afghanistan.<sup>762</sup> U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of December 31, 2016.<sup>763</sup>

On-budget assistance to the MOPH provides basic health care and essential hospital services. Off-budget assistance includes activities to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child

TABLE 3.26

| USAID ACTIVE HEALTH PROGRAMS   |            |            |                           |  |
|--|------------|------------|---------------------------|--|
| Project Title  | Start Date | End Date   | Total Estimated Cost (\$) | Cumulative Disbursement, as of 12/31/2016 (\$) |
| Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)  | 5/11/2016  | 5/10/2021  | \$75,503,848              | \$553,175                                      |
| Helping Mother and Children Thrive (HEMAYAT)   | 1/7/2015   | 1/6/2020   | 60,000,000                | 20,820,048                                     |
| Health Sector Resiliency (HRS)   | 9/28/2015  | 9/27/2020  | 37,936,471                | 5,693,512                                      |
| Strengthening Pharmaceutical System  | 8/28/2011  | 7/10/2017  | 34,399,936                | 31,722,233                                     |
| Disease Early Warning System Plus (DEWS Plus)  | 1/1/2015   | 12/30/2020 | 32,728,000                | 19,788,615                                     |
| Central Contraceptive Procurement  | 3/11/2009  | 9/8/2022   | 25,000,000                | 13,035,571                                     |
| Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea | 7/21/2015  | 7/7/2020   | 15,002,610                | 4,400,000                                      |
| Challenge Tuberculosis   | 1/1/2015   | 9/29/2019  | 15,000,000                | 3,699,334                                      |
| Demographic and Health Surveys   | 9/9/2013   | 9/8/2018   | 6,699,863                 | 5,453,731                                      |
| Sustaining Health Outcomes through the Private Sector (SHOPS Plus)                                 | 1/1/2016   | 9/30/2017  | 6,000,000                 | 2,927,320                                      |
| Weekly Iron Folic Acid Supplementation   | 11/7/2014  | 12/31/2017 | 5,610,012                 | 5,408,826                                      |
| Mothers and Under-Five Nutrition and Child Health (MUNCH)  | 12/16/2014 | 12/31/2016 | 5,000,000                 | 5,000,000                                      |
| Global Health Supply Chain Quality Assessment  | 1/2/2015   | 1/1/2020   | 1,500,000                 | 1,500,000                                      |
| Family Planning and Assessment   | 5/16/2015  | 12/31/2016 | 634,833                   | 634,833  |
| Coordinating Comprehensive Care for Children (4 Children)  | 9/15/2014  | 9/16/2019  | 20,000                    | 20,000   |

Note: The Regional Fortification in the Central Asian Republics and Afghanistan project aims to increase iron, zinc, folic acid and vitamin A nutrient intake by 20% through distribution of fortified wheat and edible oil.

Source: USAID, response to SIGAR data call, 1/18/2017; Global Alliance for Improved Nutrition, "Regional Fortification in the Central Asian Republics," accessed 1/15/2016.

undernutrition, improve the use of modern family-planning methods, and eliminate polio.<sup>764</sup>

USAID believes that the MOPH's ability to deliver quality health care through the **Basic Package of Health Services (BPHS)** and **Essential Package of Hospital Services (EPHS)**—the cornerstone of health-service delivery in Afghanistan—is critical to improve health outcomes.<sup>765</sup> USAID's active health programs have a total estimated cost of \$321.0 million, and are listed in Table 3.26.

### Helping Mothers and Children Thrive

USAID's Helping Mothers and Children Thrive (HEMAYAT) program aims to increase access to and utilization of family-planning and maternal-health services through BPHS and the private sector, and also strengthen referral systems to hospitals through EPHS at the provincial level.<sup>766</sup>

In FY 2016, HEMAYAT exceeded performance targets against several indicators, including the percentage of BPHS facilities that provide modern

**BPHS:** provides primary healthcare services—such as immunizations and prenatal care—at small and rural health clinics, and forms the core of health-service delivery for all primary-care facilities in Afghanistan.

**EPHS:** outlines the medical services each type of hospital in the Afghan healthcare system should provide in terms of general services, staff, equipment, vices, and medications while promoting a health-referral system that integrates the BPHS with hospitals.

Source: SIGAR 13-9-AR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not be Sustainable and Existing Hospitals are Facing Shortages in Some Key Medical Positions*, 4/2013, p. 1.

## SIGAR AUDIT

A SIGAR audit published this quarter focused on USAID's efforts to support and improve Afghanistan's health-care services, the extent to which USAID assessed the overall impact of its efforts, and the extent to which USAID collects, verifies, and reconciles healthcare data to determine its accuracy. It found that USAID did not disclose data-quality limitations when citing numerous achievements in Afghan health metrics; USAID's project evaluations and performance reports were not linked to the broader healthcare-assistance objectives included in its performance-monitoring plan for Afghanistan; USAID's performance-monitoring effort lacked the information needed to prove that its efforts helped achieve its objectives; and USAID does not require a final, independent project evaluation. For more information, see Section 2.

contraceptives; the percentage of BPHS facilities that are implementing harmonized quality-improvement methods; the number of health workers trained through HEMAYAT's family planning project support; the percentage of U.S. government-assisted community health workers (CHWs) that provide family-planning information, referrals or services; the percentage of health workers that counsel on the correct use and distribution of misoprostol (to prevent postpartum bleeding); the percentage of women giving birth at home who receive misoprostol in the third stage of labor; and the percent of provinces with active maternal-death surveillance and review systems.<sup>767</sup>

HEMAYAT narrowly missed planned performance targets, but maintained the baseline levels found in the 2015 Demographic Health Survey, in the following areas: modern contraceptive use; the percent of births by mothers receiving at least four antenatal care visits during pregnancy; percent of births attended by a skilled doctor, nurse or midwife; and the percent of children who received the third and final dose of the diphtheria, pertussis (whooping cough) and tetanus vaccine by 12 months. HEMAYAT also slightly missed its goal in the percentage of U.S.-assisted health-service-delivery sites that provide family planning (compared to the MOPH's baseline metric).<sup>768</sup>

In addition to deteriorating security conditions that affected several programmatic efforts in FY 2016, there was an insufficient supply of misoprostol due to a lack of dedicated funding and institutionalized MOPH procurement of the drug. While a temporary solution was found, HEMAYAT was working with Ministry of Public Health directorates to buy a sustainable supply through existing contracts with the World Bank-administered System Enhancement for Health Action in Transition national health program.<sup>769</sup>

### Initiative for Hygiene, Sanitation, and Nutrition

USAID's five-year, \$75.5 million, Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) project aims to improve nutrition for women and children less than five years old, with a focus on the first 1,000 days—from conception to age 24 months. The goal is to decrease stunting by at least 5% and reduce anemia among reproductive-age women by 10% over five years. To accomplish this, IHSAN is working with the Afghan government, civil society, and the private sector to implement nutrition and water, and sanitation and hygiene interventions beginning in 10 priority provinces—Badakhshan, Badghis, Bamyan, Farah, Ghor, Kunar, Nangarhar, Nuristan, Paktiya, and Samangan.<sup>770</sup>

Since project implementation in May 2016, IHSAN began developing a work plan, drafting contractual documents for its implementing partners, and hiring staff. IHSAN representatives also met with departments in the Ministry of Public Health, Ministry of Agriculture, Irrigation, and Livestock, Ministry of Rural Rehabilitation and Development. Meetings also took place

with relevant international organization stakeholders to understand existing nutritional improvement efforts, avoid duplication, and identify gaps that IHSAN could fill.<sup>771</sup>

## **Polio**

Afghanistan and Pakistan are two of only three countries where polio is still endemic.<sup>772</sup> Both countries, which share a 1,500-mile border, suffer from the Taliban's opposition to vaccination campaigns.<sup>773</sup> USAID said the Taliban, and those living in Taliban strongholds in Afghanistan and Pakistan, have spread misinformation that polio-immunization campaigns are American conspiracies, that their volunteer workers are spies, and that the polio vaccine is an anti-fertility drug or that it has side effects.<sup>774</sup>

Afghanistan reported 12 new polio cases in 2016, as of December 28, down from 17 cases at this point last year. The most recent case was on October 12 in Paktika Province, close to the Pakistan border. Half of Afghanistan's polio cases in 2016 came from Paktika.<sup>775</sup> The United Nations estimates that 600,000 children in Afghanistan—up from 320,000 reported last quarter—have not been vaccinated, mostly due to fighting and insurgents' blocking access to children. Almost half the children are from Farah Province and southern Afghanistan.<sup>776</sup> USAID obligated more than \$25.7 million for polio eradication in Afghanistan since FY 2003.<sup>777</sup>

# COUNTERNARCOTICS CONTENTS

|   |     |
|---|-----|
| Key Issues and Events                               | 185 |
| U.S. Reconstruction Funding<br>for Counternarcotics | 186 |
| Alternative Development/Alternative Livelihood      | 193 |
| Interdiction Operations and Results                 | 200 |

## COUNTERNARCOTICS

### KEY ISSUES AND EVENTS

The United Nations Office of Drugs and Crime (UNODC) reported that approximately 201,000 hectares of land in Afghanistan were under poppy cultivation in 2016—an increase of 10% over the previous year's total. According to UNODC, poppy eradication results were the lowest this decade at 355 hectares—a 91% decrease from 2015. Though cultivation decreased by 7% in Helmand—the country's main opium poppy-cultivating province—and 3% in Kandahar, it increased significantly in others, notably 184% in Badghis. The number of poppy-free provinces decreased from 14 to 13, with Jowzjan losing the poppy-free status it regained in 2008.<sup>778</sup> Moreover, final approval of the U.S. government's revised counternarcotics strategy has been postponed until the new Administration endorses the new strategy.

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) implemented a new alternative-livelihood program through UNODC and United Nations Development Programme (UNDP). The Community-Based Agriculture and Rural Development (CBARD) project aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Badghis and Farah Provinces. The \$61.3 million USAID Commercial Horticulture and Agricultural Marketing (CHAMP) program was extended during the quarter. Under the three-year extension, CHAMP will focus on supply chain marketing and promoting the export of Afghan fresh and dried fruits to international markets. CHAMP was conceived to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production.

Mentoring of the specialized units of the Counternarcotics Police of Afghanistan (CNPA) by a Resolute Support advisory team has produced positive results. The first Afghan operation in more than four years took place in the Sarobi District, a major opium production area in Kabul Province. According to U.S. Forces-Afghanistan (USFOR-A), the CNPA conducted a seizure valued at over \$60 million in October 2016. In addition, this quarter, Afghan law enforcement conducted operations in the capital

and eastern regions. Despite the increased number of interdictions and seizures, the results had little effect on the country's opium production, which increased to 4,800 tons in 2016—a 43% increase from 2015. UNODC estimates its total farmgate value at \$900 million, a 57% increase from the 2015's \$570 million estimate for 3,300 tons.<sup>779</sup>

## **U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS**

As of December 31, 2016, the United States has provided \$8.5 billion for counternarcotics efforts in Afghanistan since 2002. Nonetheless, Afghanistan remains the world's leading producer of opium, providing 80% of the global output over the past decade, according to the United Nations.<sup>780</sup>

The country also has a growing domestic addiction problem and one of the highest substance abuse-rates in the world. The 2012 National Urban Drug Use Survey and 2014 National Rural Drug Use Survey estimate that 11% of the adult population (2.5–3 million Afghans) use drugs, compared with the 0.3% global average.<sup>781</sup>

Congress appropriated most counternarcotics (CN) funds for Afghanistan through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3 billion), the Afghan Security Forces Fund (ASFF) (\$1.3 billion), the Economic Support Fund (ESF) (\$1.6 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.2 billion). ASFF is primarily used to develop the Afghan National Army and Police, including the Counternarcotics Police and Special Mission Wing who support the efforts of the Ministries of Defense (MOD) and Interior (MOI) to address the narcotics trade.<sup>782</sup>

USAID's alternative-development programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. In addition to reconstruction funding, the DEA receives funds through direct appropriations to operate in Afghanistan. See Appendix B for additional funding information.<sup>783</sup>

SIGAR will issue a Lessons Learned Program report later this year that will examine counternarcotics efforts since the U.S. reconstruction began. This comprehensive review will incorporate satellite-imagery data analysis and provide recommendations to policymakers to improve future strategies and programs.

## **Opium Cultivation on the Rise, Eradication Results Negligible**

UNODC issued its latest opium survey on cultivation and production in December 2016. The survey said the area of Afghanistan under

opium-poppy cultivation increased 10% from 2015, to 201,000 hectares (nearly half a million acres).

The southern region, which includes Daykundi, Helmand, Kandahar, Uruzgan, and Zabul Provinces, accounted for 59% of total cultivation. Helmand remained the country's largest poppy-cultivating province, followed by Badghis and Kandahar.<sup>784</sup> Jowzjan lost the poppy-free designation it had regained in 2008, reducing the number of poppy-free provinces to 13.<sup>785</sup>

Afghan opium production rose 43% over 2015's levels, to an estimated 4,800 tons. The reported production increase reflected the larger area under cultivation, higher yields, and lower eradication results.<sup>786</sup> The opium produced is exported as either raw opium or heroin/morphine, consumed domestically in different forms, seized, stored, or lost.<sup>787</sup>

However, UNODC suggests it may have underestimated national opium production in 2016.<sup>788</sup> Although UNODC conducted yield surveys, they were not implemented in all provinces for security reasons. Regional averages were used in those instances, but they may not represent an accurate picture. For example, no field measurement took place in Badghis, the second largest opium-cultivating province in 2016, but satellite imagery indicated a higher potential yield than in the other western provinces used to calculate the regional average.<sup>789</sup>

According to UNODC, opium yield was the most important driver in opium production in 2016. The largest increase in yield per hectare took place in the western region (which covers Badghis, Farah, Ghor, Herat, and Nimroz Provinces). Potential production is the total production if all the cultivated opium in Afghanistan were transformed into products in the same year. It is not an estimate of actual opium or morphine/heroin production.<sup>790</sup>

UNODC delivers estimates for only a single harvest, yet credible reports indicate that Afghan farmers have been reaping multiple harvests in recent years. In Helmand, for instance, farmers had two additional harvests in 2016. David Mansfield, an expert on Afghanistan opium, estimates the second crop to be less than 10,000 hectares (24,710 acres) and reports that little information is available on the third Helmand crop.<sup>791</sup> Moreover, farmers in Nangarhar have used technological improvements such as solar-powered **tube wells** to irrigate a second opium crop.<sup>792</sup> UNODC's cultivation totals also are probably undervalued. In response to SIGAR's query on the impact of the multiple harvests on the implementation of alternative livelihood programs, INL stated that alternative-development efforts focus on developing perennial and high-value crops and off-farm employment opportunities. These interventions reduce the attractiveness of engaging in opium production and provide viable alternatives to illicit cultivation year-round.<sup>793</sup>

Eradication decreased 91% to 355 hectares (877 acres).<sup>794</sup> No eradication took place in the biggest opium-growing provinces because of the grave



**A tube well:** is a pipe with a solid steel point and lateral perforations near the end that is driven into the earth until water is reached. A suction pump is applied to the upper end, and it can be solar- or diesel-powered.

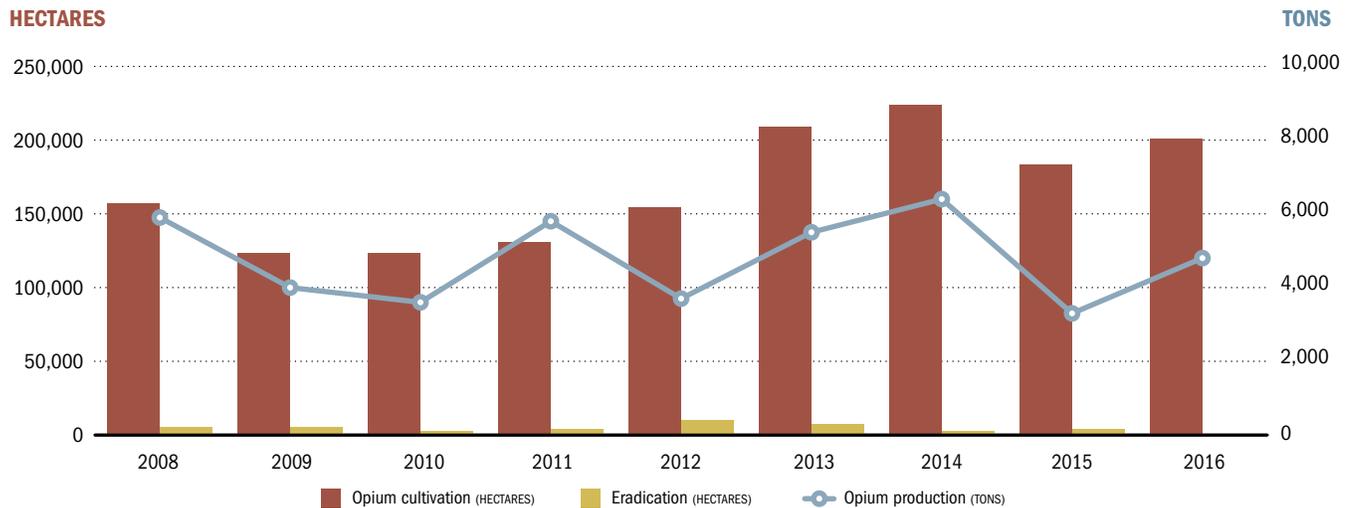
(U.S. Geological Survey Image)

Source: *English Oxford Dictionary Website*, en.oxforddictionaries.com/definition/tube\_well, accessed 1/5/2017; David Mansfield, Paul Fishstein and OSDR, "Time to Move on: Developing an Informed Development Response to Opium Cultivation in Afghanistan," *Afghanistan Research Evaluation Unit*, 10/2016, p. 38.

# COUNTERNARCOTICS

FIGURE 3.31

## AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



Source: UNODC, *World Drug Report 2016, Annex, 6/2016, vii, ix, xii*; UNODC, *Afghanistan Opium Survey 2016: Cultivation and Production, 12/2016, p. 6*.

“Drugs have direct links with corruption, terrorism and development. Without tackling [the] drug problem and illicit economy, in general, it will not be possible to solve other problems facing Afghanistan.”

—*Andrey Avetisyan, Regional Representative of the United Nations Office on Drugs and Crime*

Source: Andrey Avetisyan, regional representative of the United Nations Office on Drugs and Crime, speaking at a joint press conference in Kabul, 10/23/2016.

security situation.<sup>795</sup> Production and cultivation results had been rising for the past decade, as illustrated in Figure 3.31. Eradication efforts have had minimal impact on the rise in illicit opium cultivation.<sup>796</sup>

### Revised U.S. Counternarcotics Strategy Postponed

The Afghan government rolled out its national counternarcotics strategy, the National Drug Action Plan (NDAP), in 2015.<sup>797</sup> The Afghan government completed its first annual review of its counternarcotics strategy this quarter; however, an English translation of the review was not available for this report.<sup>798</sup>

The U.S. government had planned to support the Afghan strategy with its own strategy. Last quarter, INL informed SIGAR that the new strategy—completed in late 2016 in coordination with other U.S. agencies—was making its way through the approval process and that the November U.S. elections would not impact its rollout.<sup>799</sup> However, this quarter INL informed SIGAR that at State’s direction, final approval was postponed until the new U.S. administration endorses the new strategy.<sup>800</sup>

INL notes that the United States continues to implement comprehensive counternarcotics programming within the framework of the U.S. government counternarcotics strategy approved in 2012, taking into account the current operating environment in Afghanistan and the United States’ support of Afghanistan’s 2015 NDAP.<sup>801</sup>

UNODC estimates that Afghanistan accounts for two-thirds of the global area under illicit opium cultivation.<sup>802</sup> SIGAR noted in its October 2014 report that counternarcotics has largely fallen off the Afghan agenda of both the U.S. government and the international community. At the Brussels Conference in October, counternarcotics was barely addressed, though it is mentioned near the end of the Joint Communiqué where the international community reaffirms its commitment to reducing illegal production and trafficking of narcotics. The topic did not feature prominently in conference events, though it was a topic of the National Peace and Development Framework presented there.<sup>803</sup>

During the quarter, INL participated in three international working group meetings under the **Paris Pact** framework on regional cooperation, drug demand reduction and interdiction of **precursor chemicals**.<sup>804</sup> During the meetings, Paris Pact partner countries updated the international community on trafficking matters and changes in their domestic drug markets, and discussed a number of challenges and best practices in counternarcotics efforts, particularly in developing and implementing cross-border law enforcement training programs.<sup>805</sup>

## Drug-Demand Reduction

U.S.-funded national surveys on urban and rural drug use, conducted in 2012 and 2014 respectively, estimate that 2.5–3 million Afghans—nearly 11% of the country's population—are drug users.<sup>806</sup> The country lacks sufficient treatment centers to address the growing drug-abuse problem, particularly for women and children. The first drug treatment center in Kabul for women and children opened this quarter and it can house 120 patients. This center is unique in treating women and children with psychologists working alongside doctors. The Ministry of Public Health (MOPH) estimates that of the three million addicts, one million are women and more than 100,000 are children.<sup>807</sup>

Since 2015, INL has transitioned 28 of the 86 U.S.-funded drug treatment centers to the responsibility of the MOPH. Transition of 21 treatment centers for women and children scheduled for January 2017 has been suspended while INL, the MOPH, the Ministry of Counter Narcotics (MCN), and the NGOs renegotiate the transition plan.<sup>808</sup> INL held meetings with stakeholders in December 2016 to revise the transition plan based on issues raised at the May drug-demand reduction working group meeting. MOPH raised concerns about their ability to contract with the NGOs currently running the centers in the initial timeframe set out in the transition plan. INL also had concerns about the firing of clinical staff from transitioned centers.<sup>809</sup> The remaining treatment centers will transition by the end of 2019. INL reduced funding to all facilities (including the MOPH portfolio of 28 centers) by approximately 20% in 2015, another 15% in 2016 and another 25% in 2017.<sup>810</sup>

**The Paris Pact:** The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated at a ministers' meeting in Paris in 2003 on Central Asian drug routes. The pact aims to reduce opium-poppy cultivation, production and global consumption of heroin and other opiates, and to establish a broad international coalition to combat illicit traffic in opiates.

**Precursor chemical:** a substance that may be used in the production, manufacture, and/or preparation of narcotic drugs and psychotropic substances.

Source: Paris Pact website, "What is it?" [www.paris-pact.net](http://www.paris-pact.net), accessed 7/16/2014; UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, viii.

To address the growing drug problem in rural areas, which studies indicate is worse than in urban areas, INL has developed a nearly \$500,000 rural pilot program training curriculum for treatment planned for launch in mid-2017. In addition, the translation of training manuals into Dari and Pashto, which should have been completed in December 2016 but was unconfirmed by INL in time for this report, is expected to enable training of local health-care workers as well as coordination of community preparations.<sup>811</sup> INL has also implemented an antidrug curriculum in Afghan schools that has trained more than 1,600 teachers and reached more than 400,000 students.<sup>812</sup> INL is preparing to conduct another drug-use survey in Afghanistan.<sup>813</sup>

INL has been working with the Afghan government and the **Colombo Plan Drug Advisory Programme (DAP)** since 2003 to develop and sustain the country's drug-treatment system. Between October 1, 2015, and June 30, 2016, INL has provided \$5.1 million in funding for operational costs for all 86 facilities.<sup>814</sup>

INL contributed \$12.9 million during 2015 for drug-treatment and education programs.<sup>815</sup> It has not yet obligated FY 2016 funds to the Colombo Plan.<sup>816</sup>

The joint monitoring visits by MCN, MOPH, UNODC, and DAP officials undertaken in 2016 led to recommendations to implement changes to drug-dependency programs. Those include an increase in available home-based treatment, an adjustment in treatment duration (45 days for women and children and 90 days for men), and an increase in the number of significant therapeutic activities (e.g., group counseling and/or integration of family therapy and psychoeducational sessions).<sup>817</sup>

INL and DAP only support treatment with a minimum duration of 90 days. The treatment duration is divided into three phases:

- pre-treatment or motivation
- inpatient/residential or active treatment
- continuum of care/follow-up

For clients who have residential/active treatment phases that are shorter than 90 days, more extensive follow-up care is provided.<sup>818</sup>

INL informed SIGAR that the Colombo Plan has different durations for the inpatient/active treatment phase based on gender or age, due to cultural and other factors. These factors were established with INL, UNODC, Colombo Plan, MOPH, and MCN.<sup>819</sup>

## Counter Narcotics Community Engagement

INL funds the nationwide Counter Narcotics Community Engagement (CNCE) program, which focuses on discouraging poppy cultivation, preventing drug use by raising public awareness, and encouraging licit crop production. Since 2013, INL has obligated \$12.7 million and spent \$9.8 million on the program.<sup>820</sup> CNCE is in its third phase, which began May 2016 and ends November 2017.<sup>821</sup>

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

Source: *The Colombo Plan Secretariat Website, "History,"* www.colombo-plan.org, accessed 4/7/2014; State, INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 3/2016, pp. 23–24.

The program pays an Afghan company, Sayara Strategies (Sayara), to place reporters in Afghan provinces, which are ranked in three categories based on MCN's official objectives and the results from the UNODC opium surveys from 2013 to 2015.<sup>822</sup> Reporters assess the reach of media campaigns on local audiences (for instance, the number of individuals who heard a particular message). Sayara uses this information to update current media campaigns in order to ensure the highest audience numbers possible.<sup>823</sup> INL provided \$900,866 to Sayara in support of program activities for the coming quarter.<sup>824</sup>

INL realizes reducing opium poppy cultivation does not merely depend on crop substitution, eradication, or public messaging. Based on UNODC's 2015 Opium Survey Socioeconomic Analysis, farmers' dependence on opium cultivation is not simply income-related, but also due to the lack of reliable and sustainable access to markets for selling alternative products.<sup>825</sup>

## Ministry of Counter Narcotics Capacity Building

INL has obligated \$35.2 million on MCN capacity building and spent \$26 million to date since 2008.<sup>826</sup> INL also launched four new programs in October 2016:

- skills-based grant of approximately \$150,000
- financial remediation plan contract worth more than \$400,000
- letter of agreement with the Colombo Plan valued at over \$6 million
- follow-on program to the Asian University for Women (AUW) fellowship<sup>827</sup>

Six AUW fellows are currently at the MCN for the 2016–2017 academic year. Twenty-five fellows will have gone through the fellowship by its conclusion in April 2017. INL will expand the AUW fellowship under the Colombo Plan to support an additional 25 fellows at the MCN over four years.<sup>828</sup> INL has obligated \$1.1 million on the current AUW fellowship, funded from the overall \$35.2 million capacity-building obligations.<sup>829</sup>

The letter of agreement under the Colombo Plan will support placing subject-matter experts at the MCN to assist with institution and capacity building as well as a follow-on to the AUW fellowship.<sup>830</sup> The Colombo Plan will conduct a needs-assessment to target capacity-building needs. Though INL conducts yearly needs-assessments and the MCN has performed one, INL told SIGAR the one conducted by the Colombo Plan will bring all stakeholders into the process and enable the development of specific capacity objectives that will allow each advisor to more accurately measure effectiveness.<sup>831</sup>

INL also said one drug-demand reduction advisor from the Colombo Plan is already in place at the MCN. As an international organization, the Colombo Plan's security protocols allow greater freedom of movement than INL's. Access to the MCN would therefore not be as difficult as for

## SIGAR AUDIT

This quarter, SIGAR released a financial audit report on Sayara Media Communications. Financial Audit 17-24-FA: *Department of State's Afghanistan Counternarcotics Program, Audit of Costs Incurred by Sayara Media Communications*, identified three deficiencies in Sayara's internal controls and three instances of noncompliance with the cooperative agreement terms and conditions, as well as applicable regulations. Crowe Horwath LLP performed the audit on the \$12.7 million cooperative agreement and reviewed \$9.7 million in expenditures charged to the agreement between April 2013 and April 2016. See Section 2, p. 29 for more information.

U.S. citizens or third-party contractors. INL expects that the advisors will be recruited from candidates already living in Afghanistan.<sup>832</sup>

The financial-remediation plan contract stems from INL's 2015 review of the MCN's public financial-management system which identified certain deficiencies (see SIGAR's July 30, 2015, *Quarterly Report to the United States Congress*). A remediation plan was created and the contract was awarded in September 2016.<sup>833</sup> The contractor, Afghan Holding Group (AHG), signed a memorandum of understanding with the MCN and is developing a training manual of standard operating procedures in consultation with MCN staff.<sup>834</sup> AHG will develop databases and training services for the financial management system of the MCN. The databases should be compatible with the Ministry of Finance (MOF)'s Afghanistan financial management information system.<sup>835</sup> AHG completed a needs-assessment at the end of December 2016. AHG has also engaged with other implementers to ensure that the financial system installed at the MCN will be compatible with the systems at the MOF and other relevant government agencies.<sup>836</sup>

INL informed SIGAR it measures the capacity-building program's effectiveness in multiple ways. First, INL conducts biannual program reviews; the most recent one was in June 2016. With the launch of multiple capacity-building programs in October 2016 (the financial remediation plan, the skills-based training grant, the two capacity-building initiatives through the Colombo Plan) INL anticipates receiving quarterly reporting from each program that will be used to analyze each one's effectiveness. These data requirements are outlined in the MCN capacity building program performance-measurement plan, and they include the number of standard operating procedures for administrative and financial systems and processes developed, the number of trainings conducted, and the pre- and post-test scores of trained MCN staff. Lastly, INL believes monitoring by a third-party remote monitoring team will enable its program officers to better assess the implementation and effectiveness of capacity-building efforts at the MCN.<sup>837</sup>

## Governor-Led Eradication Program

INL funds the Governor-Led Eradication (GLE) program, which reimburses provinces for the cost of eradicating poppies. Between 2008 and 2016, INL disbursed \$4.6 million towards the GLE program. Annually, reimbursements account for less than 2% of INL's counternarcotics budget for Afghanistan. Since its inception, INL received a total allotment of \$10.9 million in GLE funds.<sup>838</sup>

The MCN tracks cumulative results that are verified by UNODC.<sup>839</sup> According to UNODC, a total of 355 hectares (1 hectare is slightly less than 2.5 acres) were eradicated in 2016, a 90.6% decrease from 2015. UNODC reports little eradication took place this year due to security and financial challenges in the important poppy-growing areas. Helmand

remained the top opium-cultivating province, followed by Badghis, Kandahar, Uruzgan, and Nangarhar.<sup>840</sup> The verification process for several years has included comparing satellite imagery against data provided on the ground.

For 2016, UNODC reports that most provinces claimed results greater than the amount of eradicated fields on the ground. Moreover, the majority of fields were poorly eradicated. In Badakhshan Province (where over-reporting was confirmed and the final eradication figure corrected), satellite imagery confirmed that 78% of the fields were less than 20% eradicated, followed by 13% percent of the fields that were less than 30% eradicated. Only 20 fields were more than 80% eradicated.<sup>841</sup>

Eradication results for 2016 were the lowest reported in the past decade, and when compared with cultivation and production totals in Table 3.31 on page 188, they illustrate current levels of eradication have not succeeded in discouraging farmers from growing the crop.<sup>842</sup> UNODC reports that eradication needs to be adequately complemented by programs that provide alternative livelihoods.<sup>843</sup>

## Good Performers Initiative

INL suspended the \$143 million Good Performers Initiative (GPI) last year due to the MCN's inability to implement the program properly. GPI was a program implemented by the MCN that sought to incentivize provincial counternarcotics performance. No new GPI projects have been approved since April 30, 2016, but funding will continue until current projects are completed.

INL and UNODC negotiated two new alternative-development programs that launched in October to supplement activities performed under GPI. Moreover, INL is independently developing a post-GPI alternative-development, **food-zone based program**.<sup>844</sup> The letters of agreement for these programs were signed in August and September 2016.<sup>845</sup>

As of October 31, 2016, there have been 286 GPI projects worth \$126.2 million: 214 projects have been completed; 69 projects are ongoing including three near completion.<sup>846</sup>

## ALTERNATIVE DEVELOPMENT/ALTERNATIVE LIVELIHOOD

USAID's alternative-development (AD) programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. INL funding supports supply-reduction and AD programs. INL told SIGAR it coordinates regularly with USAID to ensure that INL-supported AD efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan.<sup>847</sup> INL AD programs align with the AD objectives of the U.S. government's counternarcotics strategy, in support of Afghanistan's NDAP goals. INL AD

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**A food-zone based program:** is designed to transition an area dependent on opium agriculture to a licit agricultural economy. Poppy-free zones are created throughout the program's duration. The program strategy involves a public information campaign, alternative livelihood inputs, law enforcement, and a drug demand reduction program. It is based on the Helmand Food Zone program which ran with assistance from the British and Danish governments from 2008 to 2012.

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Source: USAID website, "Hilmand Food Zone Project (HFZP) Factsheet," [www.usaid.gov/node/51021](http://www.usaid.gov/node/51021) accessed 1/5/2017; Ministry of Counter Narcotics website, Food Zone, <http://mcn.gov.af/en/page/5138/5141> accessed 1/7/2017; Victoria A. Greenfield, Keith Crane, et al., *Reducing the Cultivation of Opium Poppies in Southern Afghanistan*, 6/2015, pp. 181–182; SIGAR, *Quarterly Report to the United States Congress*, 10/30/2015, p. 119.

## SIGAR AUDIT

This quarter, SIGAR released a financial audit report on the \$11.9 million Aga Khan Foundation grant to support the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) program. Financial Audit 17-23-FA Department of State's Strengthening Afghan Governance and Alternative Livelihoods Program: Audit of Costs Incurred by the Aga Khan Foundation USA, identified two material weaknesses and one deficiency. Based on the results of the audit performed by Crowe Horwath LLP, over a \$1 million was deemed unsupported. See Section 2; p. 28 for more information.

programs target high poppy-cultivating areas, including Badghis, which experienced a cultivation increase of more than 180% in 2016.<sup>848</sup>

INL has been implementing AD programming in Afghanistan since 2007 through the Good Performers Initiative and a series of grants with the Aga Khan Foundation to strengthen subnational governance and alternative livelihoods. INL alternative-development programs target high poppy-cultivating areas, in line with Afghan government priorities laid out in Afghanistan's National Drug Action Plan.<sup>849</sup> According to INL, its latest AD programs take a targeted approach that generally supplements USAID's work in AD and agriculture, and combines AD with the core INL competencies of law enforcement, public information, and demand reduction.

INL told SIGAR it can work in more remote areas where USAID does not work, which has an economic growth mandate. USAID is also driven by economic imperatives, and does not make poppy cultivation a primary criterion for intervention. INL has turned to UNODC and UNDP to implement its latest programs.<sup>850</sup>

Opium cultivation may continue to rise because international funding has decreased for certain sectors of the Afghan economy based on commitments announced at the Brussels Conference. According to the last United Nations secretary general report on the situation in Afghanistan, "[t]he agriculture sector was the most affected, with an 85 per cent decline in investments." The World Bank and the Afghan government have announced funding for community-based initiatives to offset the drop in financial support.<sup>851</sup>

## Strengthen and Diversify Licit Livelihoods Through Alternative Development Interventions

This is one of the two projects designed to supplement activities under the defunct Good Performers Initiative. INL informed SIGAR that UNODC is well-positioned to implement the "Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions" project because of its worldwide alternative-development expertise. In Afghanistan, UNODC says its capacity extends to the provincial level with technically qualified and experienced staff, and it can make use of its strong working relations with Afghan government counterparts and other stakeholders to achieve measurable results.<sup>852</sup>

The project will support and strengthen selected value chains in production, processing, quality control, and market linkages across 14 target provinces which were most impacted by the loss of GPI award funds or had very high levels of poppy cultivation. The \$20 million program has a 4-year period of performance ending in August 2020. INL is exploring adopting a simpler project name which it believes will facilitate project branding.<sup>853</sup> INL has already transferred the \$20 million to UNODC.<sup>854</sup>

## Community Based Agriculture and Rural Development

INL's other alternative-livelihood project—the Community-Based Agriculture and Rural Development (CBARD) project—aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Farah and Badghis Provinces, the second and third highest poppy-cultivating provinces in western Afghanistan in 2015, according to UNODC.<sup>855</sup>

According to INL, CBARD will improve the local production and marketing of high-value crops. The project will also develop and strengthen community-based business infrastructures, such as irrigation, transportation, and facilities. The \$15.2 million program is implemented by UNDP with additional monitoring and evaluation conducted by UNODC. The project has a 44-month period of performance and is scheduled to end in 2020.<sup>856</sup> The first six months are defined as the project inception phase, to be followed by three years of project implementation. The inception phase will be dedicated to staff recruiting and building consensus among stakeholders regarding project objectives.<sup>857</sup>

INL informed SIGAR that all project funds have been disbursed: \$14.6 million were transferred to UNDP and \$570,000 to UNODC.<sup>858</sup>

## Kandahar Food Zone

Implemented in 2013, the Kandahar Food Zone (KFZ) is a five-year, \$45.4 million USAID project, implemented by International Relief and Development Inc. (IRD) under a joint strategy and in close coordination with INL.<sup>859</sup> KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar Province through grants for activities that improve community infrastructure, strengthen alternative livelihoods, and support small businesses.

The Ministry of Counter Narcotics' KFZ has four pillars: public outreach, eradication, drug-demand reduction, and alternative livelihoods.<sup>860</sup> USAID implements the alternative-livelihoods pillar and approved a two-year extension last August, extending the program through the end of August 2018.<sup>861</sup>

KFZ expended \$9.7 million between July and October 2016. During the program's second year, KFZ renovated more than 168 kilometers of 12 canals in two districts and implemented alternative-development activities such as vineyard trellising, solar drying, greenhouse installation and management, and vocational training. During its third year, ending on September 30, 2016, KFZ renovated 50.5 kilometers of five canals, trained people responsible for distributing water to farms and canal tributaries in canal maintenance, and introduced vineyard trellising and **intercropping**. KFZ also developed a management-information system that combines a geographic information system (GIS) with field inspection and survey data. Several Afghan ministries want to use this system to monitor field



**RADP-South demonstration farm** in Qalat, Zabul Province. (USAID photo)

**Intercropping:** growing two or more crops simultaneously on the same field. Crop intensification is in both time and space dimensions.

Source: Food and Agriculture Organization of the United Nations Website, accessed 1/3/2017.



**RADP-South training women** to collect cashmere. (USAID Photo)

**Value chain:** the range of goods and services necessary for an agricultural product to move from the farm to the final customer or consumer. It encompasses the provision of inputs, actual on-farm production, post-harvest storage and processing, marketing and transportation, and wholesale and retail sales.

Source: USAID, response to SIGAR vetting, 4/12/2015.

**Cold chain:** the supply chain for temperature-sensitive frozen food products like vegetables, fruits, milk products, meat and fish.

Source: Jitendra Rathore, "Cold Chain Management for Perishable Food: Issues and Scope for India," *IUP Journal of Supply Chain Management*, vol. 10 (1), 3/20/13, p. 7.

operations and link data to maps to anticipate crop production, prices, food security conditions and infrastructure requirements.<sup>862</sup>

According to USAID, the area of poppy cultivation in 2015 decreased by 49% in the two (Zheray and Panjwayi) target districts. Though UNODC reported that opium cultivation increased 10% nationwide in 2016, it declined 3% in Kandahar.<sup>863</sup>

As of December 31, 2016, USAID has disbursed \$30.5 million since the program's launch.<sup>864</sup>

## Regional Agricultural Development Program

The Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. RADP projects are under way in the southern, western, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to produce more high-value crops and livestock. Using a **value-chain** approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales, and overall development of agricultural value chains.

The RADP programs represent approximately 57% of USAID's implementing partner level of effort dedicated to alternative development (only KFZ personnel are 100% dedicated to AD). According to USAID, implementing partner staff dedicated only 35% of their effort to AD on other USAID programs.<sup>865</sup>

USAID awarded the \$28.1 million, five-year contract for RADP-East in July 2016. The targeted provinces are Ghazni, Kabul, Kapisa, Laghman, Logar, Nangarhar, Parwan, and Wardak.<sup>866</sup> RADP-East performed start-up activities and has hired 50% of total project staff. Inaugural meetings were held with the Ministry of Agriculture, Irrigation and Livestock (MAIL) representatives and their provincial and district representatives from all target provinces.<sup>867</sup> Program expenditures to date total more than \$850,000.<sup>868</sup>

RADPs require a minimum of 15% female beneficiaries in value-chain interventions.<sup>869</sup> RADP-East considered gender-based constraints to identify important issues, opportunities, strengths, and imbalances in order to fully integrate and empower women into the program's targeted value chains and provinces.<sup>870</sup>

The five-year RADP-North is a \$78.4 million project scheduled to end in May 2019. RADP-North advances food and economic security in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces. Throughout October 2016, RADP-North facilitated trade relationships between seed companies, mills, and manufacturers, which led to a contract signing and the introduction of improved wheat varieties to 18 agribusinesses. Nearly 1,600 women were trained on kitchen gardening and another 500 on hygiene and nutrition. RADP-North also trained nearly 100 individuals on **cold chain** management and 29 on food safety. Other

# COUNTERNARCOTICS

activities included the renovation of 65 out of the 100 selected butcher shops in all six provinces. A hundred female beneficiaries were chosen for a livestock holding-pen project.<sup>871</sup> As of December 31, 2016, USAID has made cumulative disbursements of \$29.1 million.<sup>872</sup>

The purpose of RADP-South is to improve food and economic security for rural Afghans in Helmand, Kandahar, Uruzgan, and Zabul Provinces. It began in October 2013 and is scheduled to end in October 2018 at an estimated cost of \$125 million.<sup>873</sup>

In October 2016, RADP-South provided wheat crop nutrition, harvest, and post-harvest management training to 1,190 wheat farmers. Implementation began on wheat model farms in Kandahar and Zabul once the provincial agriculture, irrigation, and livestock agents and governors provided their approval. More than 1,500 farmers, including 55 women, have increased their vegetable, orchard, and vineyard cultivation and nearly 1,660 farmers acquired knowledge on high-value crop harvest and post-harvest techniques. Four Afghan producers exported over 950 metric tons of fresh fruit (pomegranates, grapes, and red apples) to India. RADP-South continued bringing together Afghan producers with Indian buyers and providing export-readiness assistance to producers. More than 350 women began the women's agribusiness empowerment program, which provides courses in entrepreneurship, high-value crop cultivation, basic nutrition, and access to finance and saving.<sup>874</sup>

As of December 31, 2016, USAID has made cumulative disbursements of \$76.3 million for RADP-South.<sup>875</sup>

The \$70 million RADP-West program focused on helping rural Afghans in the western provinces of Herat, Farah, and Badghis to improve food and economic security. The project supported the Ministry of Agriculture, Irrigation, and Livestock in its efforts to enhance the productivity and profitability of wheat, high-value crops, and livestock. It concluded in September 2016.<sup>876</sup>

RADP-West was initially a five-year program, but USAID issued a termination for convenience last May. According to USAID, the termination was for the convenience of the Afghan government so it could better align its remaining resources with the MAIL's new strategic plans for the western region. Given the prolonged startup process and through the end of activities, the active implementation period only lasted approximately 15 months, from April 2015 to July 2016.<sup>877</sup>

Some of RADP-West's major accomplishments include the following:

- Over 12,900 households benefitted from agriculture and alternative-development interventions in the areas of wheat (more than 6,000 households), high-value crop (nearly 5,000 households) and livestock (more than 1,900 households).
- Some 10,460 households benefitted from nutrition-sensitive agricultural activities.



**RADP-North Paravet trainees** receiving hands-on training in Balkh Province. (USAID photo)

# COUNTERNARCOTICS



**RADP-South livestock-vaccination training** in Kandahar City. (USAID photo)

- Some 9,029 (more than 7,500 male and nearly 1,500 female) farmers were trained on new technologies and management practices for wheat, high-value crops, and livestock.
- The project engaged the private sector by awarding nine grants to private seed enterprises, and reaching more than 4,200 farmers through a seed multiplication program in which 113 metric tons of improved/certified wheat seed and 170 metric tons of fertilizer were distributed. Farmers who received seed harvested and sold over 3,000 metric tons of seed valued at \$882,126 to flour mills and seed companies.
- Some 1,776 hectares of land were cultivated by program beneficiaries, with reported sales of \$2.8 million.
- The project promoted the inclusion of women across all program components (18% of beneficiaries were women), and 53.5% of female trainees reported increased self-sufficiency.<sup>878</sup>

The deteriorating security situation hindered RADP-West's ability to rapidly implement activities notably in Herat, previously considered one of the country's safer cities, and contributed to the prolonged startup period. By March 2015, the security challenges affected several districts in all three provinces, predominantly along the roads. National elections and cabinet vacancies postponed the signature of a memorandum of understanding with MAIL, which contributed to further extend the program's startup period. This also limited the program's ability to collaborate with authorities at the district and village level.<sup>879</sup>

The delay of business and weapons licenses from the Afghanistan Investment Support Agency resulted in the delay of a security contract being signed with the Afghan Public Protection Force (APPF), the Afghan government's security services provider.<sup>880</sup> Since 2010, the Afghan government requires that the APPF provide security services for reconstruction activities after a presidential decree stopped all domestic and foreign private security companies from operating in Afghanistan.<sup>881</sup> The licenses were eventually issued after involvement of the U.S. Embassy.<sup>882</sup>

As of December 31, 2016, USAID has disbursed \$27.1 million since the beginning of the program.<sup>883</sup>

USAID is considering a new agricultural program called "Promoting Value Chains-West" with an estimated budget of \$19 million and a three-year performance period. The program will work in the four western provinces of Herat, Farah, Nimroz, and Badghis; it is currently under procurement.<sup>884</sup>

## Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a \$61.3 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production.<sup>885</sup> USAID extended the program an additional three years

in 2016 at an additional estimated cost of \$16.0 million (included in the total project cost of \$61.3 million). Under this extension, CHAMP will focus on supply chain marketing and export promotion of Afghan fresh and dried fruits to international markets.

The program will continue to support traders and the trade offices in New Delhi, India and Dubai, UAE, as well as marketing of other high-value crops targeted by the RADP programs. Work on the new components of supply-chain improvement, export-market development and gender integration began January 2017.<sup>886</sup> USAID has disbursed \$46.7 million as of December 31, 2016.<sup>887</sup>

See the October 2016 SIGAR *Quarterly Report to the United States Congress* for more information.

## INTERDICTION OPERATIONS AND RESULTS

The Counternarcotics Police of Afghanistan (CNPA) consists of regular narcotics police and specialized units in all 34 provinces. The specialized units include the Sensitive Investigation Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit (IIU). Nearly half of the CNPA's 2,000 personnel are assigned to Kabul. In addition to the CNPA, law-enforcement elements contributing to interdiction activities include members of the Afghan National Police, Afghan Border Police, and Afghan Uniform Police.<sup>888</sup> INL provides funding for the NIU; DEA funds the SIU.<sup>889</sup>

Since 2004, DOD's counternarcotics (CN) requirements for Afghanistan have been funded mostly through supplemental and Overseas Contingency Operations appropriations. These train-and-equip programs aim to support U.S. regional goals and reduce CN-related terrorism and financing. The majority of funding is for special-purpose vetted units such as the Special Mission Wing (SMW) and the CNPA.<sup>890</sup>

According to DOD, a poor security environment has impeded counternarcotics operations in the south and southwest. Nonetheless, the number of interdiction operations for the first quarter of FY 2017 rose from 21 to 24 due to mentoring from U.S. special forces, access to Resolute Support mission assets and partnership with wider Afghan military operations.<sup>891</sup> Furthermore, the drawdown of Coalition forces has negatively affected the CNPA and other Afghan counternarcotics agencies, particularly in Helmand and Kandahar Provinces, where the Coalition surge and subsequent withdrawal was focused.<sup>892</sup> Less frequent partnering of Resolute Support mission and Afghan forces has reduced available transportation, particularly helicopters, and the use of some counternarcotics forces for general security in areas where the drug trade and anti-government forces are concentrated in southern, southwestern, and northern Afghanistan has resulted in fewer counterdrug missions.<sup>893</sup>

“Because they [the Taliban] receive much of their funding from the narcotics trafficking that occurs out of Helmand. As you know, Helmand produces a significant amount of the opium globally that turns into heroin and this provides about 60 percent of the Taliban funding, we believe.”

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces Afghanistan

Source: General John Nicholson, Department of Defense Pentagon press briefing, 12/2/2016.

# COUNTERNARCOTICS

Since February 2016, Coalition advisors have provided train, advise, and assist support to the CNPA. Recent emphasis has been on improving CNPA coordination with the SMW. The SMW is an aviation wing that enables the ANDSF to conduct counterterrorism and counternarcotics missions and to disrupt insurgent and drug-smuggling networks in Afghanistan. The SMW has night-vision, rotary-wing air assault and fixed-wing intelligence, and surveillance and reconnaissance capabilities.<sup>894</sup>

The Resolute Support mission (RS) advisory team at the NIU compound has facilitated a major increase in NIU access to rotary-wing aircrafts and significantly increased operations with missions in Nangarhar, Helmand, and Farah Provinces.<sup>895</sup> INL's ability to support tactical operations in the south and southwest regions of the country has been constrained since the June 2015 closure of INL's base at Kandahar Air Field.<sup>896</sup> INL continues to support NIU troop rotations to Kandahar but has discontinued rotation support for Herat.<sup>897</sup>

During August, the Afghan special narcotics units (NIU/SIU) performed three airmobile operations in Sarobi and Nangarhar, arrested one major heroin trafficker, and seized over three tons of morphine and opium.<sup>898</sup>

The assignment of the Resolute Support advisory team has produced results. After conducting no operations in FY 2015, Afghan counternarcotics forces conducted 15 successful CN missions in FY 2016. The first Afghan operation in over four years took place in the Sarobi District—a major opium production area in Kabul Province—in August 2016. This successful operation with the SMW resulted in the seizure and destruction of opium, poppy seeds, and hashish.

According to USFOR-A, in early October 2016, Afghan counternarcotics forces partnered with the RS advisory team to interdict and destroy drugs and chemicals valued at nearly \$60 million. The net value of narcotics, precursor chemicals, and materials associated with the production of narcotics seized and destroyed during the partnering of the RS advisory team and Afghan counternarcotics forces is \$159 million.<sup>899</sup> Though remarkable results when compared to past seizures and interdiction results, the UNODC estimates the total (farm gate) value of opium production for 2016 at \$900 million, an increase of 57% from the 2015 estimate of \$0.57 billion.<sup>900</sup>

Between October 1 and December 19, 2016, Afghan security and law-enforcement forces conducted most of their operations in the capital and eastern regions. Those operations included routine patrols, cordon-and-search operations, vehicle interdictions, and arrests. The Afghans' combined operations resulted in the seizures of 2,637 kg of opium, 27,650 kg of morphine, 858 kg of heroin, 218,796 kg of hashish/marijuana, and 26,895 kg of precursor chemicals. The 24 operations led to detaining 30 individuals and destroying multiple labs.<sup>901</sup> The United Nations reports that 16 heroin-processing laboratories were dismantled between August 18 and October 31, 2016.<sup>902</sup> This quarter's results seem to indicate that interdiction

# COUNTERNARCOTICS

TABLE 3.6

| <b>INTERDICTION RESULTS, FISCAL YEARS 2008–2016</b> |             |             |             |             |             |             |             |                      |             |              |              |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|-------------|--------------|--------------|
|   | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b>          | <b>2016</b> | <b>2017*</b> | <b>Total</b> |
| Number of Operations                                | 136         | 282         | 263         | 624         | 669         | 518         | 333         | 270                  | 190         | 25           | 3,310        |
| Detainees   | 49          | 190         | 484         | 862         | 535         | 386         | 442         | 394                  | 301         | 30           | 3,673        |
| Hashish seized (kg)                                 | 241,353     | 58,677      | 25,044      | 182,213     | 183,776     | 37,826      | 19,088      | 24,785               | 123,063     | 218,796      | 1,114,621    |
| Heroin seized (kg)                                  | 277         | 576         | 8,392       | 10,982      | 3,441       | 2,489       | 3,056       | 2,859                | 3,532       | 858          | 36,462       |
| Morphine seized (kg)                                | 409         | 5,195       | 2,279       | 18,040      | 10,042      | 11,067      | 5,925       | 505                  | 13,041      | 27,650       | 94,153       |
| Opium seized (kg)                                   | 15,361      | 79,110      | 49,750      | 98,327      | 70,814      | 41,350      | 38,379      | 27,600               | 10,487      | 2,637        | 433,815      |
| Precursor chemicals seized (kg)                     | 4,709       | 93,031      | 20,397      | 122,150     | 130,846     | 36,250      | 53,184      | 234,981 <sup>a</sup> | 42,314      | 26,895       | 764,757      |

Note: <sup>a</sup> The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2015 seizure of 135,000 liters of precursor chemicals.  
 \* Results for period 10/1/2015–12/19/2016.

Source: DOD, response to SIGAR data calls, 7/29/2015 and 12/23/2016.

results shown in Table 3.6 have ended a decline that began in 2012.<sup>903</sup> According to DOD, the partnering of national-level counterdrug units with U.S. special forces has led to an increase in operations and arrests, but long-term mentoring is likely required to maintain these gains.<sup>904</sup>

Given the U.S. military’s reduced capabilities in Afghanistan, in 2015 DOD created a regional narcotics interagency fusion cell (RNIFC) to combat the regional drug trade. The RNIFC, located in Bahrain, tracks and interdicts the illicit movement of Afghan heroin on boats destined for the Middle East and East Africa. The RNIFC targets boat trafficking in the Arabian Sea and focuses on key narco-traffickers.<sup>905</sup>

INL supports the majority of NIU, SIU, and judicial wire-intercept program (JWIP) operational costs. It also funds the maintenance and operations of NIU, SIU, and DEA facilities; equipment and sustainment of the JWIP system; and specialized training for NIU and SIU personnel. All of these costs are funded under the INCLE appropriation and total approximately \$30 million per year for all CN compounds; \$437,000 per year for NIU salary supplements; \$3.3 million per year for costs related to the JWIP; and \$380,000 in training funds for NIU and SIU.

DEA funds SIU salary supplements and DOD funds the Afghan linguists monitoring the JWIP lines, the Afghan Special Mission Wing, security for the DEA-leased villas and some training programs. INL bears none of those costs.<sup>906</sup>

