

1616 Rhode Island avenue NW
Washington, DC 20036

Anthony H. Cordesman

Phone: 1.202.775.3270

Email: acordesman@gmail.com

Web version:

www.csis.org/burke/reports



The Challenges to Transition in Afghanistan: 2014-2015

Anthony H. Cordesman

CSIS

CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

Burke Chair
in Strategy

Revised May 7, 2014

www.csis.org |

The Post-Election Challenges of Transition

- **Creating political unity and reasons to be loyal to government**
- **Creating a new structure of governance and balance between factions**
- **Effective revenue collection, budget planning and expenditure, and limits to corruption**
- **Fully replacing NATO/ISAF with the ANSF and “layered defense”**
- **Creating a new structure of security forces, advisors, and aid funds, to include addressing the presence of US and other nations’ personnel**
- **Acting on the Tokyo Conference: Creating effective flow and use of aid, economic reform, and limits to corruption and waste**
- **Stabilizing a market economy driven by military spending and moving towards development: Brain drain and capital flight**
- **Coping with weather and other challenges to agricultural structure and with pressures to increase the narco-economy**
- **Dealing with neighbors: Pakistan, Iran, Central Asian nations, India, China, and Russia**

The Challenge of Coping with No US Leadership, Plan, Budget, or Public Support

The first section in this report focuses on the lack of US leadership, planning, budgeting, and public support.

It lists the areas where the US government – as well as the Afghan government and other powers – have failed to provide leadership, planning, and transparency, and create the institutions necessary for success.

It warns that past failures to sustain successful transitions have been the rule and not the exception.

It shows the need for leadership that can win congressional and popular US support, and that goes far beyond empty rhetoric about terrorism. That provides a clear strategic justification for US action, and provides a credible path forward

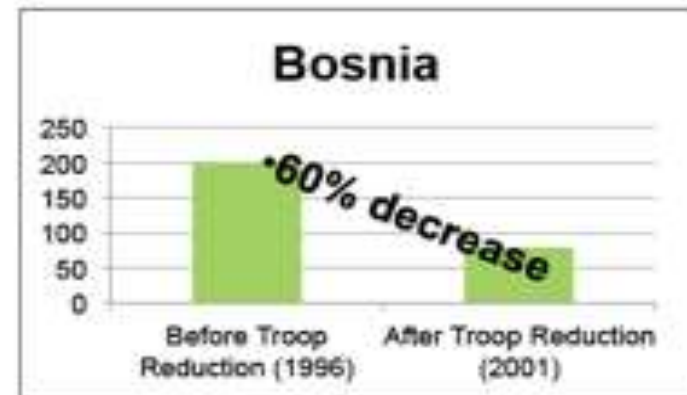
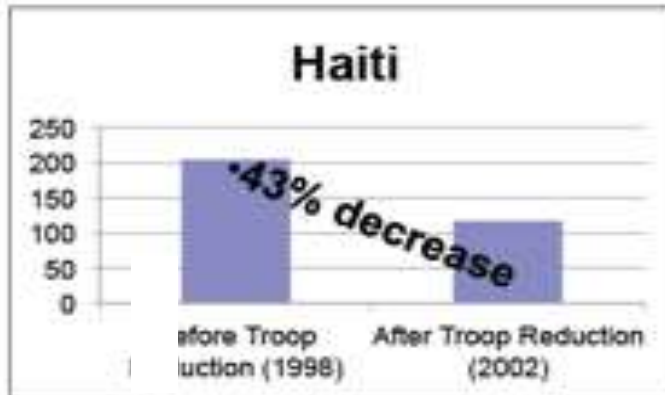
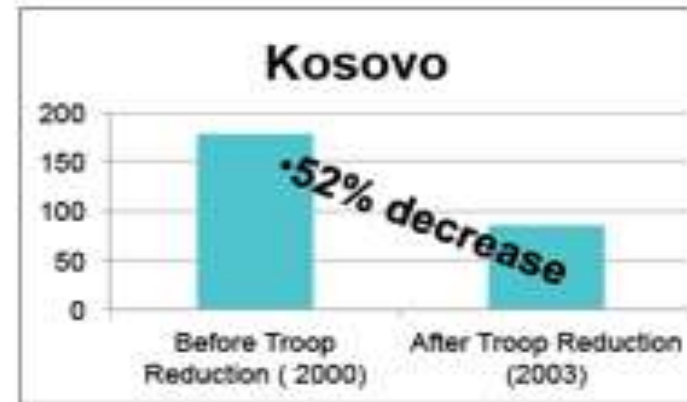
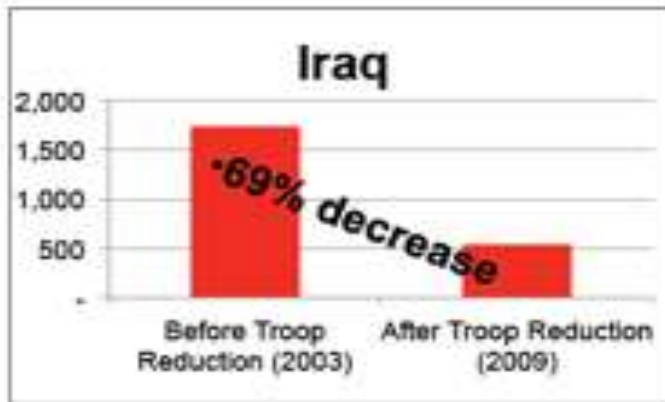
It shows the rate at which US spending has already been cut, and the lacking of any meaningful budget planning and details in the President's FY2015 budget request.

The BSA is Only One Aspect of Transition

- **Leadership and transparency to win public and Congressional support**
- **Integrated civil-military plan for post-2014 US presence and aid**
 - **A clear US and allied plan for an on-going advisory presence and aid funding of ANSF**
 - **A clear US and allied plan for governance and economic assistance and aid funding.**
- **A clear plan for setting conditions for Afghan reforms and other actions**
- **A plan for US relations with – and aid to – Pakistan and Central Asia nations, as well as other key transit and neighboring states**
- **US leadership in creating replacements for ISAF, NTM-A, UNSCOM**
- **Follow-ons to Tokyo and Chicago conferences**

History is a Warning: Declare Victory and Leave?

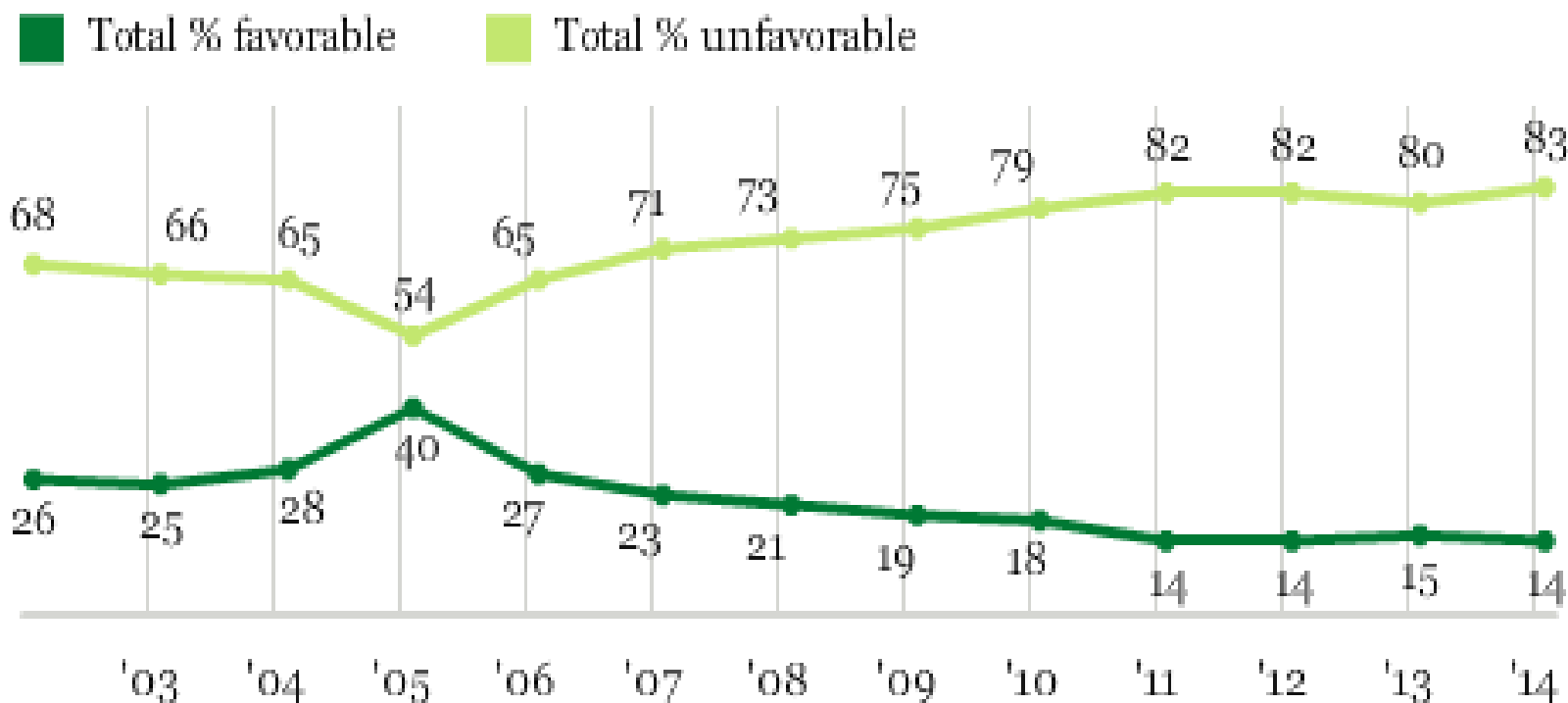
Development Assistance Levels Before and After Troop Reductions



Following the withdrawal or significant reduction in troop levels, Iraq, Kosovo, Haiti, and Bosnia saw significant decreases in development assistance levels.

Loss of US Public Support - I

Next, I'd like your overall opinion of some foreign countries. What is your overall opinion of Afghanistan? Is it very favorable, mostly favorable, mostly unfavorable, or very unfavorable?

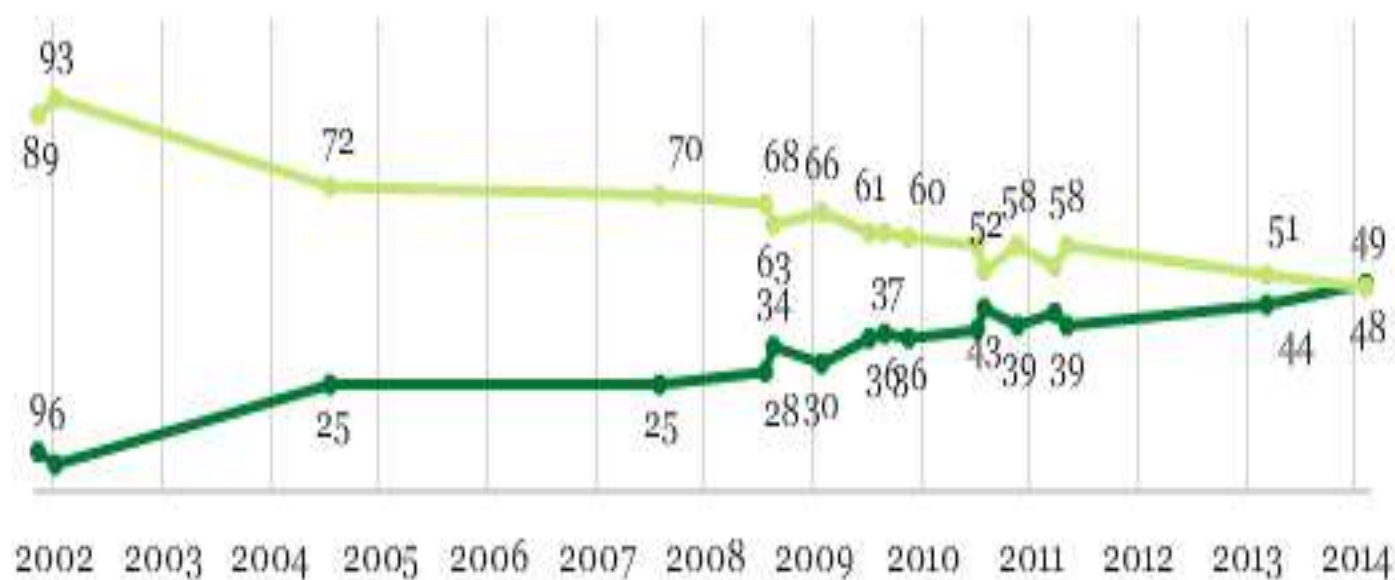


GALLUP

Loss of US Public Support - II

Thinking now about U.S. military action in Afghanistan that began in October 2001, do you think the United States made a mistake in sending military forces to Afghanistan, or not?

■ % Yes, made a mistake ■ % No, did not



GALLUP

Loss of US Public Support - III

Negative Views of U.S. Efforts in Iraq, Afghanistan

In achieving its goals in Iraq/Afghanistan, U.S. has ...

■ Mostly failed ■ Mostly succeeded



Afghanistan



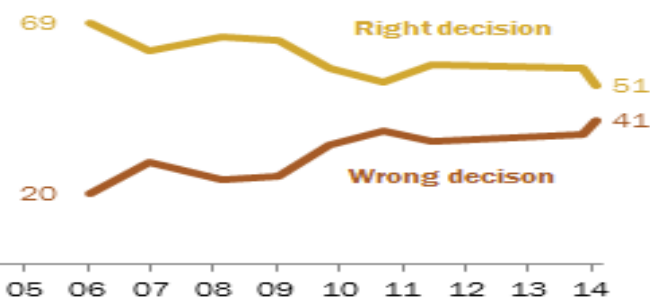
Survey conducted Jan. 15-19, 2014.

Don't know responses not shown.

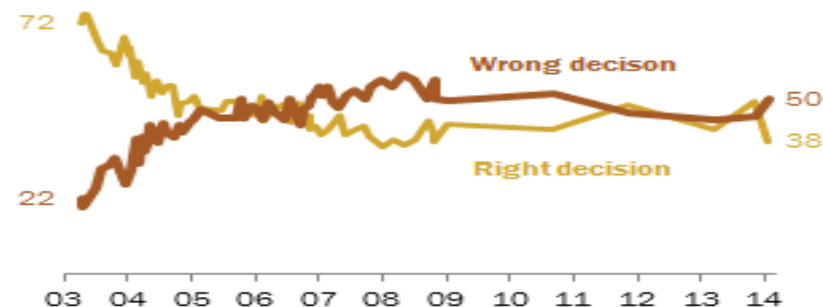
PEW RESEARCH CENTER/USA TODAY

Views of Decisions to Use Military Force in Afghanistan, Iraq

Decision to use military force in Afghanistan ...



Decision to use military force in Iraq ...

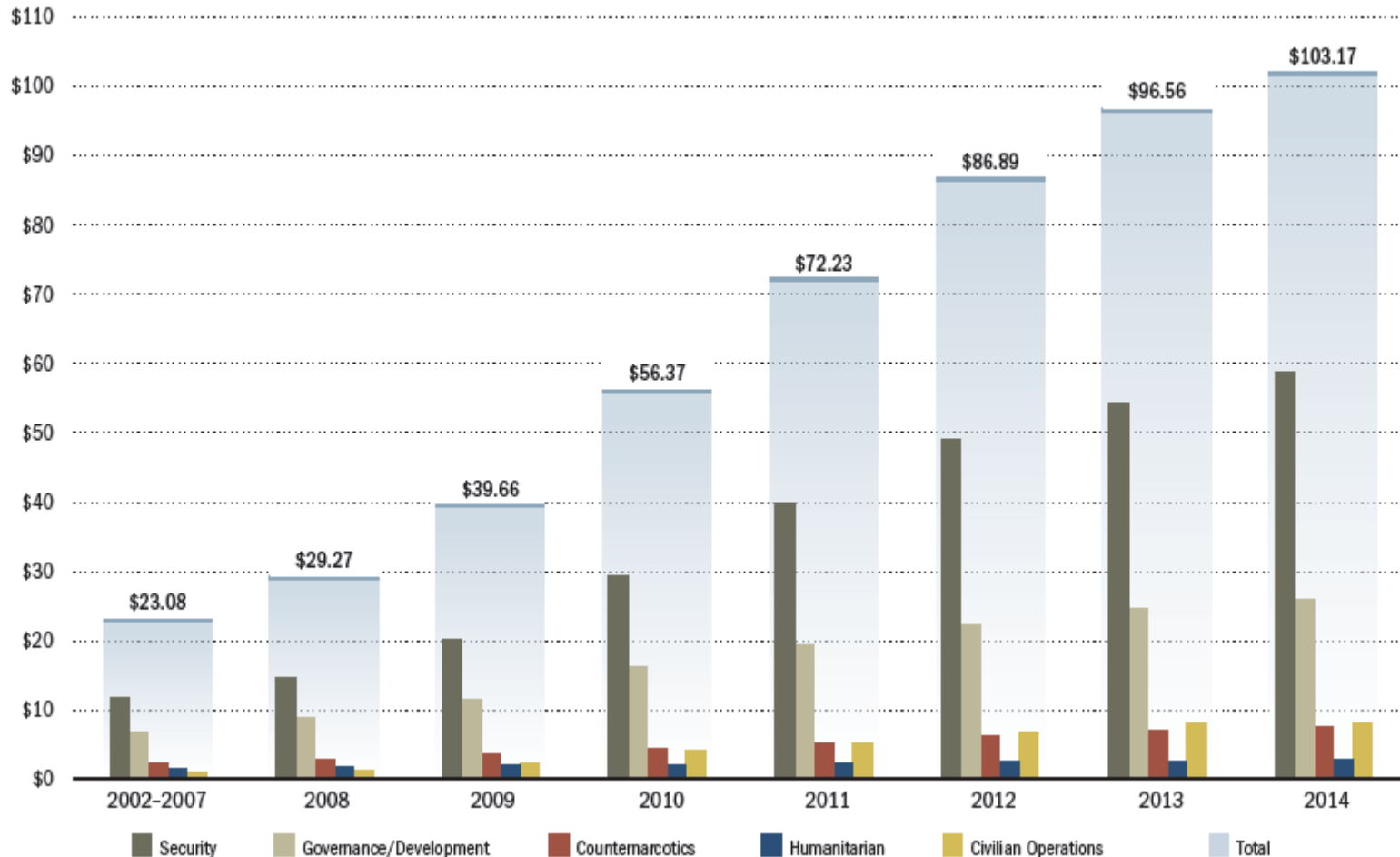


Survey conducted Jan. 15-19, 2014.

PEW RESEARCH CENTER/USA TODAY

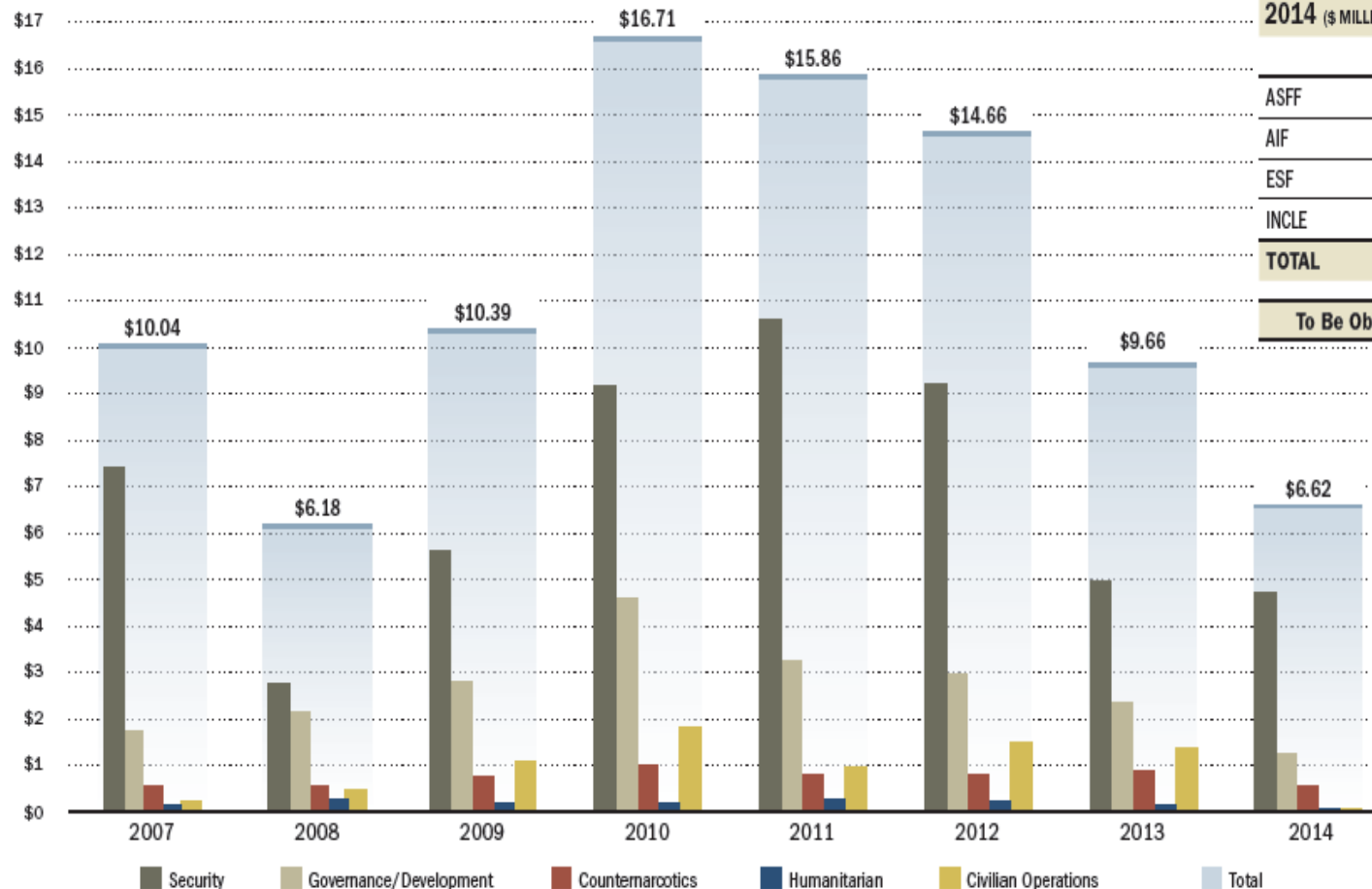
Massive Past Impact: \$102 billion in US Aid – Largely Security Aid – as of January 17, 2014

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2014 (\$ BILLIONS)



Ongoing Cuts in US Aid – \$14.7B in FY2012: \$9.81B in FY2013, \$5.42B in FY2014

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

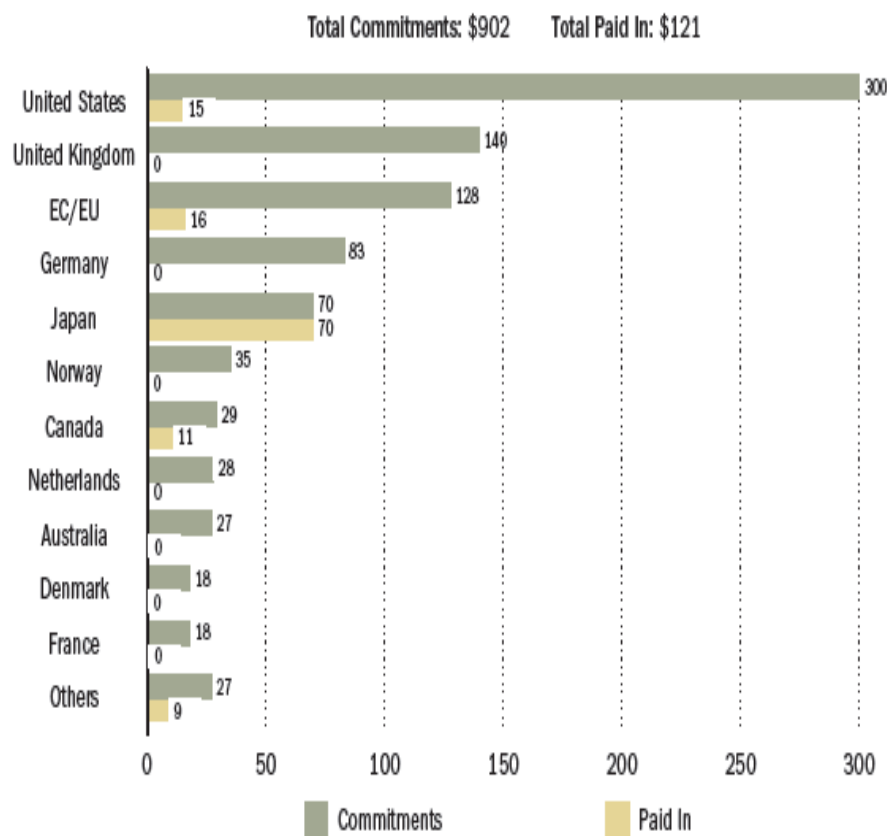


FY 2013 APPROPRIATIONS AND OBLIGATIONS, AS OF MARCH 31, 2014 (\$ MILLIONS)

	Appropriated	Obligated
ASFF	\$4,946	\$2,360
AIF	325	261
ESF	1,623	0
INCLE	569	13
TOTAL	\$7,463	\$2,635
To Be Obligated		\$4,829

Aid Needs International Coordination that UNAMA Has Not Provided

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF MARCH 20, 2014 (\$ MILLIONS)

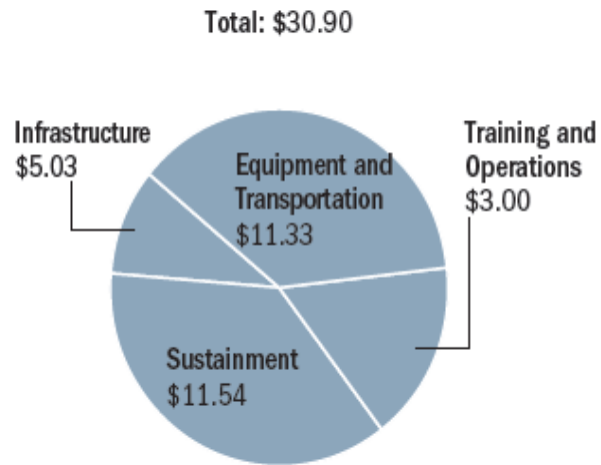


- The World Bank has reported that from 2002 to December 21, 2013, 33 donors had pledged more than \$7.03 billion, of which nearly \$6.91 billion had been paid.

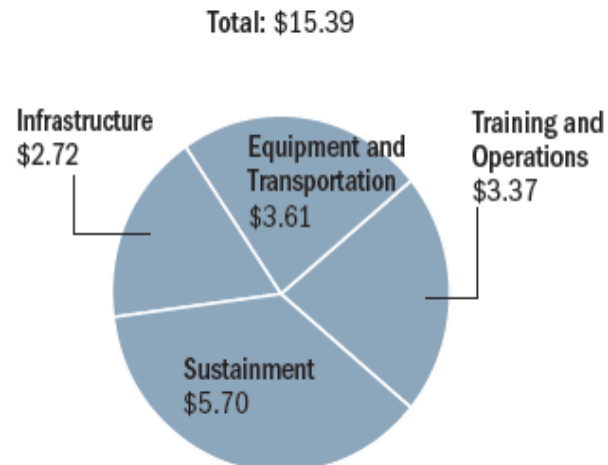
- According to the World Bank, donors had pledged approximately \$916.70 million to the ARTF for Afghan fiscal year 1392, which ran from December 21, 2012 to December 20, 2013.

ASFF Disbursements for the ANA & ANP by Category

ASFF DISBURSEMENTS FOR THE ANA
BY SUB-ACTIVITY GROUP,
FY 2005-MAR 31, 2014 (\$ BILLIONS)



ASFF DISBURSEMENTS FOR THE ANP
BY SUB-ACTIVITY GROUP,
FY 2005-MAR 31, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

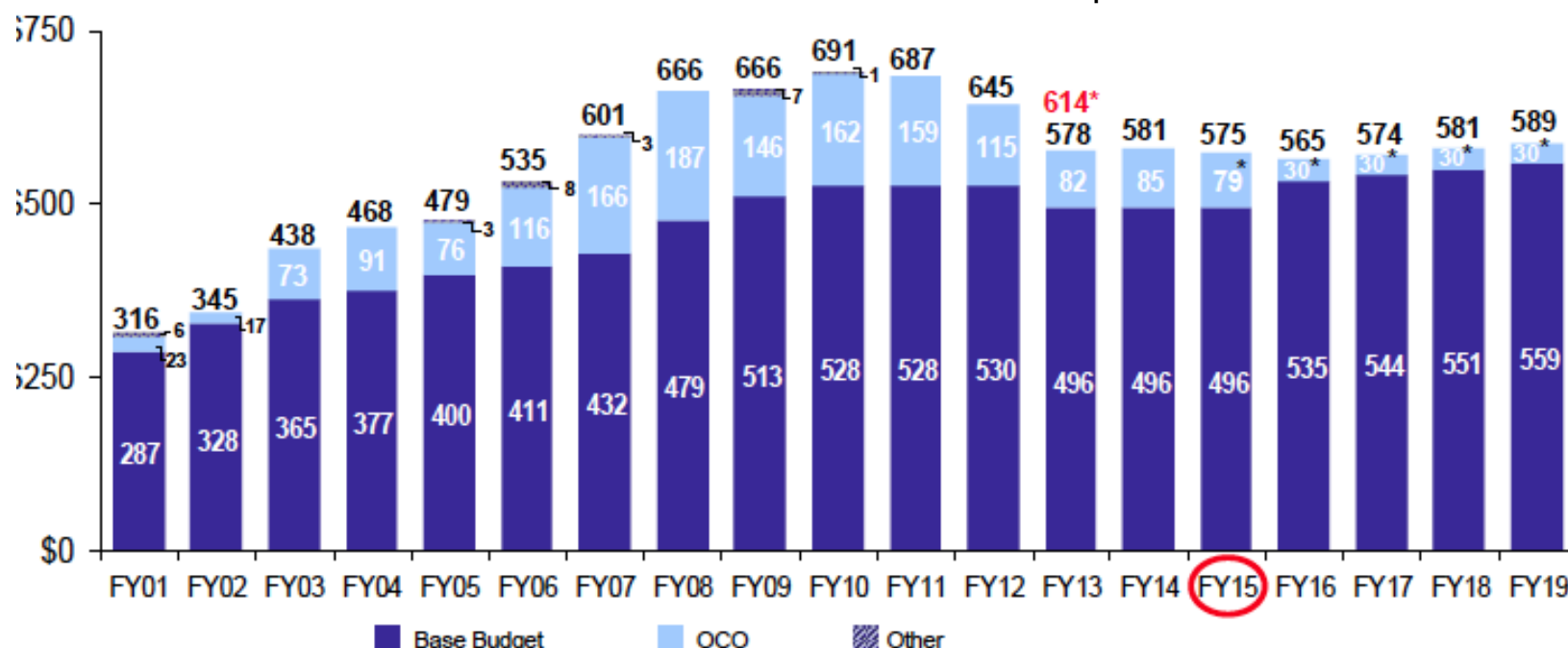
Source: DOD, response to SIGAR data call, 4/15/2014.

Source: Special Inspector general for Afghan Reconstruction, Quarterly Report, March 31, 2014, p. 75.

No US DoD Plan and Hollow Placeholder OCO Budget

(Current Dollars in Billions)

\$75B in FY2015 to \$30B in FY2016



* Reflects FY13 Enacted level excluding Sequestration

* Placeholders only

Focus Only On Base Budget For Remainder Of Briefing
No FY 2015 OCO Budget Yet

State FY2015 Budget Request Down to \$2.1 Billion with no Clear Plan for Transition

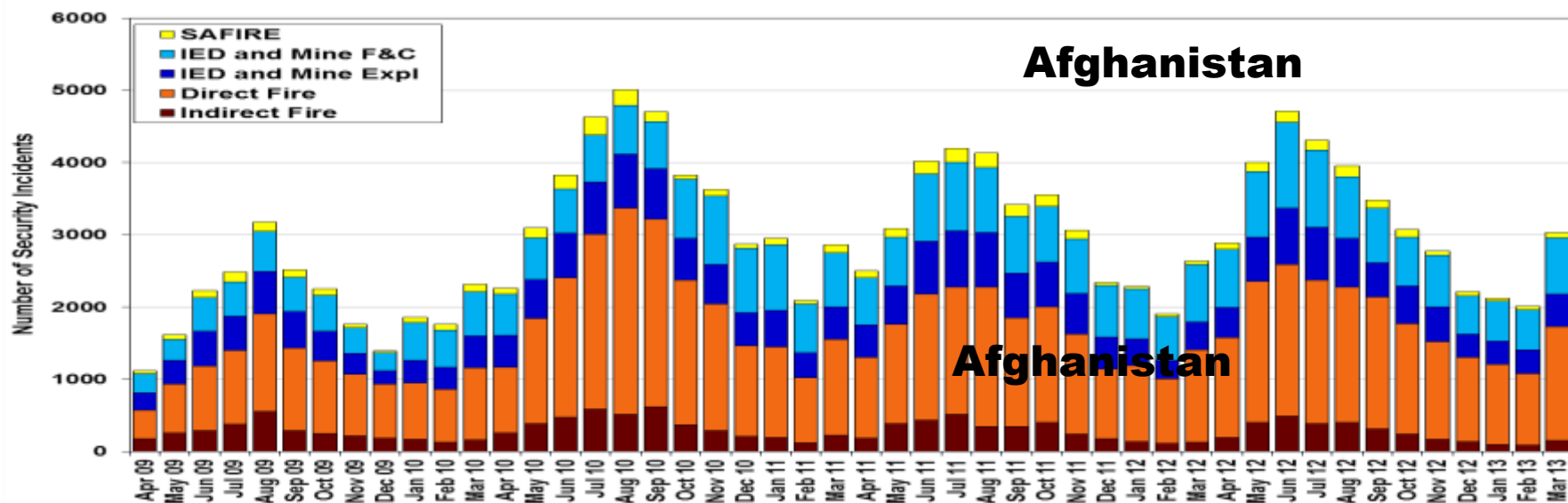
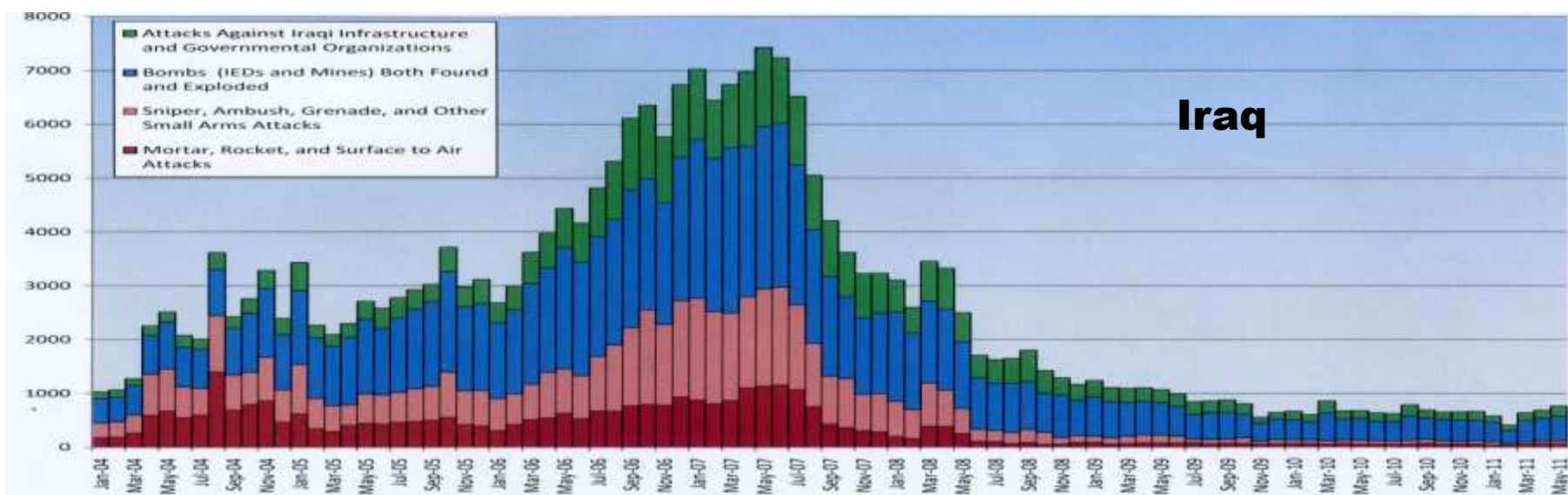
- **\$2.6 billion of the State Department FY2015 budget request is allocated to Afghanistan under conditions where State cautions that “the Administration has not yet determined the size and scope of any post-2014 US presence.”**
- **State indicates that the United States will sustain “our diplomatic platform and security operations in Kabul, Mazar-e-Sharif, and Herat, while assuming selective reductions in personnel in preparation for transition.”**
- **The budget prioritizes technical assistance and channels more aid through Afghan institutions, while holding the Government of Afghanistan accountable for undertaking concrete reforms and improving efficiency and sustainability.**
- **FY2015 funds will sustain gains in health and education, economic self-sufficiency through improved agricultural production, good governance, rule of law, and women’s rights as laid out in the strategic Partnership agreement.**

Facing a Continuing War Zone Without Eliminating Pakistani Sanctuaries or Major Progress in Security

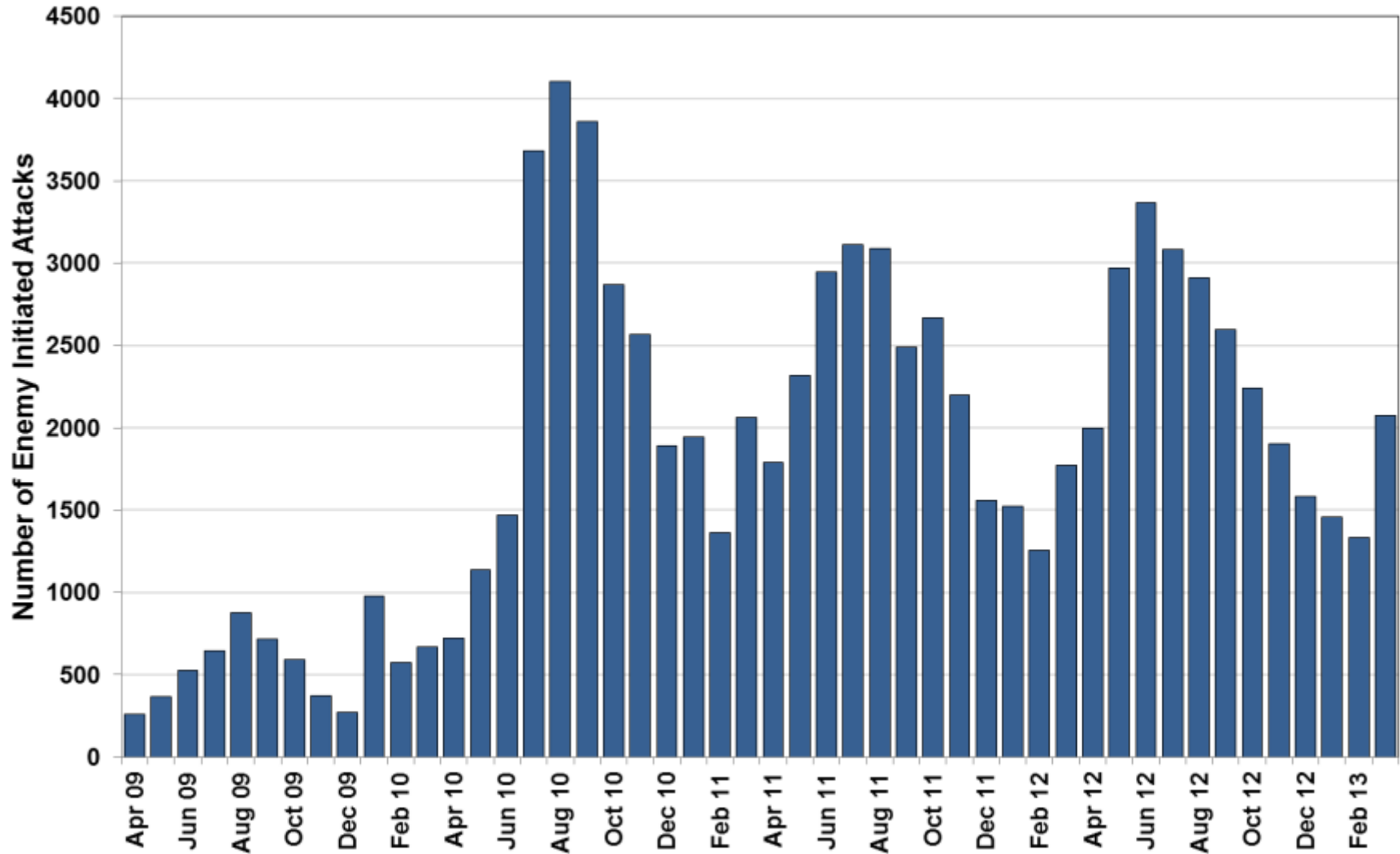
The Uncertain Structure of Security

- **Conflicting polls and US intel estimates of on Taliban support and influence**
- **NATO/ISAF has stopped all meaningful reporting on security trends after EIA fiasco.**
- **No maps or assessments of insurgent control or influence versus limited mapping of 10 worst areas of tactical encounters.**
- **No maps or assessments of areas of effective government control and support and areas where government is not present or lacks support.**
- **Shift from direct clashes to high profile and political attacks makes it impossible to assess situation using past metrics, but HPAs sharply up.**
- **No reason for insurgents to engage NATO/ISAF or ANSF on unfavorable terms before combat NATO/ISAF forces are gone.**

Failed Surge in Afghanistan vs. Surge in Iraq



Enemy-Initiated Attacks Recovered Before ISAF Ceased to Report



Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, p. A-3.

Uncertain Improvement in 2012-2014

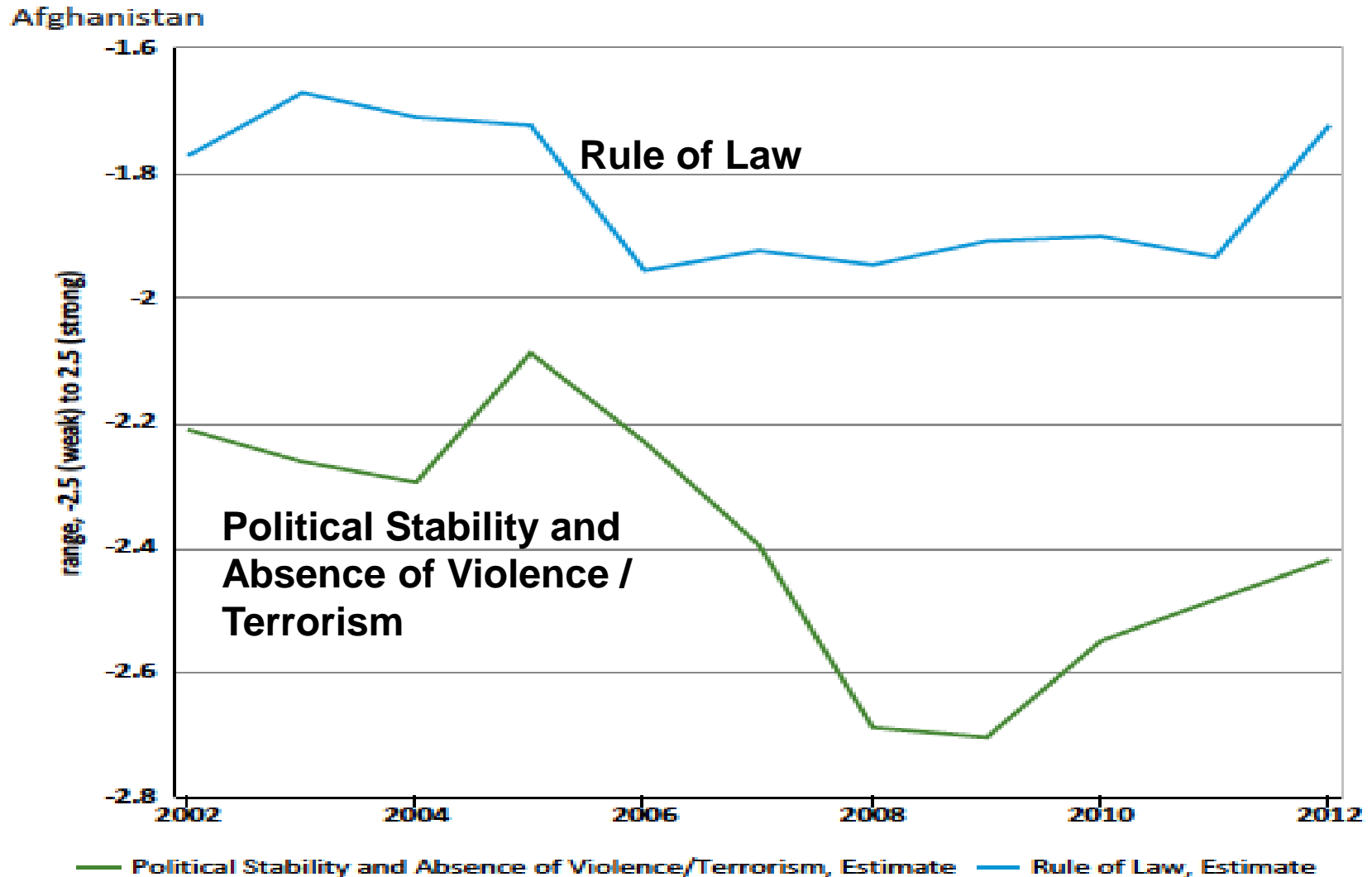
April 1 – September 15, 2012 vs. April 1 – Sept 15, 2013.

Metric	EIAs	HPA	Direct Fire	IED Events	IED/Mine Explosions	Complex/ Coordinated Attack	IDF
% YoY Change	-6%	1%	-1%	-22%	-5%	5%	-18%

October 1, 2012 – March 13, 2013 vs. October 1, 2013 – March 13, 2014.

Metric	EIA	HPA	Direct Fire	IED Events	IED/Mine Explosions	Complex/ Coordinated Attack	IDF
% YoY Change	-2%	43%	5%	-24%	-11%	-8%	-15%

World Bank Ranking of Violence and Rule of Law Highly Negative



Layered Defense and the Challenge of Security

The second section of this report focuses on the Challenge of Security and the fact that Afghanistan is still a nation at war.

There is some hope that an adequately resourced ANSF layered defense and US “four quarter” advisory strategy could succeed in provide the necessary security in key populated areas and for key lines of communication, even if Pakistan continues to provide Taliban sanctuaries and comes to dominate less populated areas in the east and South.

Afghanistan is, however, very much a nation at war and success is uncertain.

ISAF and the US government have stopped all detailed reporting on actual success in war for more than a year. ISAF no longer reports maps or metrics, and the semi-annual Department of Defense 1230 report stopped such reporting in late 2012 and has not been updated since July 2013.

It is clear from a wide range of media reporting, however, that the transition to Afghan forces in 2013 gradually extended ANSF responsibility to many areas still dominated by the Taliban and other insurgents

There has been no meaningful net assessment of the success of Afghan government/ANSF efforts versus those of the Taliban and other threats.

The ANSF will have to cover a large country with a highly dispersed

Protecting key lines of communication will be a major challenge – both in terms of available forces, force quality and loyalty, and the ability to maintain key routes.

Both security and post-transition trade patterns present serious uncertainties.

The World Bank already ranks Afghanistan as having some of the worst challenges in terms of violence and rule of law of any country in the world.

The ANSF must start with none of the internal resources Iraq had from its oil revenues, and with nothing like the success the surge in Iraq presented before Transition.

Even the ISAF's carefully chosen metric – enemy initiated attacks – failed to reflect significant success before ISAF ceased to report all metrics on the success of the fighting.

The ANSF has, however, increased significantly in total force strength, and began to bear the brunt of enemy attacks and casualties by October 2012.

Past reports show that the ANSF still faces key problems in the MoD and Mol, sustainment, and with corruption. It is also important to note that only roughly half of the 352,000 personnel often cited as the force goal are actual military and serious paramilitary forces. Force composition and force quality present far more critical problems than the issue of total manning.

The ANSF also suffers from rapidly changing force goals, rapid turnover in advisors, overambitious efforts to force it to “do it our way,” a force-rush to meet the transition deadline of end-2014, and sudden peaks and cuts in funding.

The only meaningful recent reporting on the ANSF has been by the Special Inspector General for Afghanistan (SIGAR). That reporting is too complex to summarize, but has identified many continuing weaknesses first identified in past public ISAF and DoD reporting. A key example of critical shortfalls in reliable reporting on actual manning makes this clear.

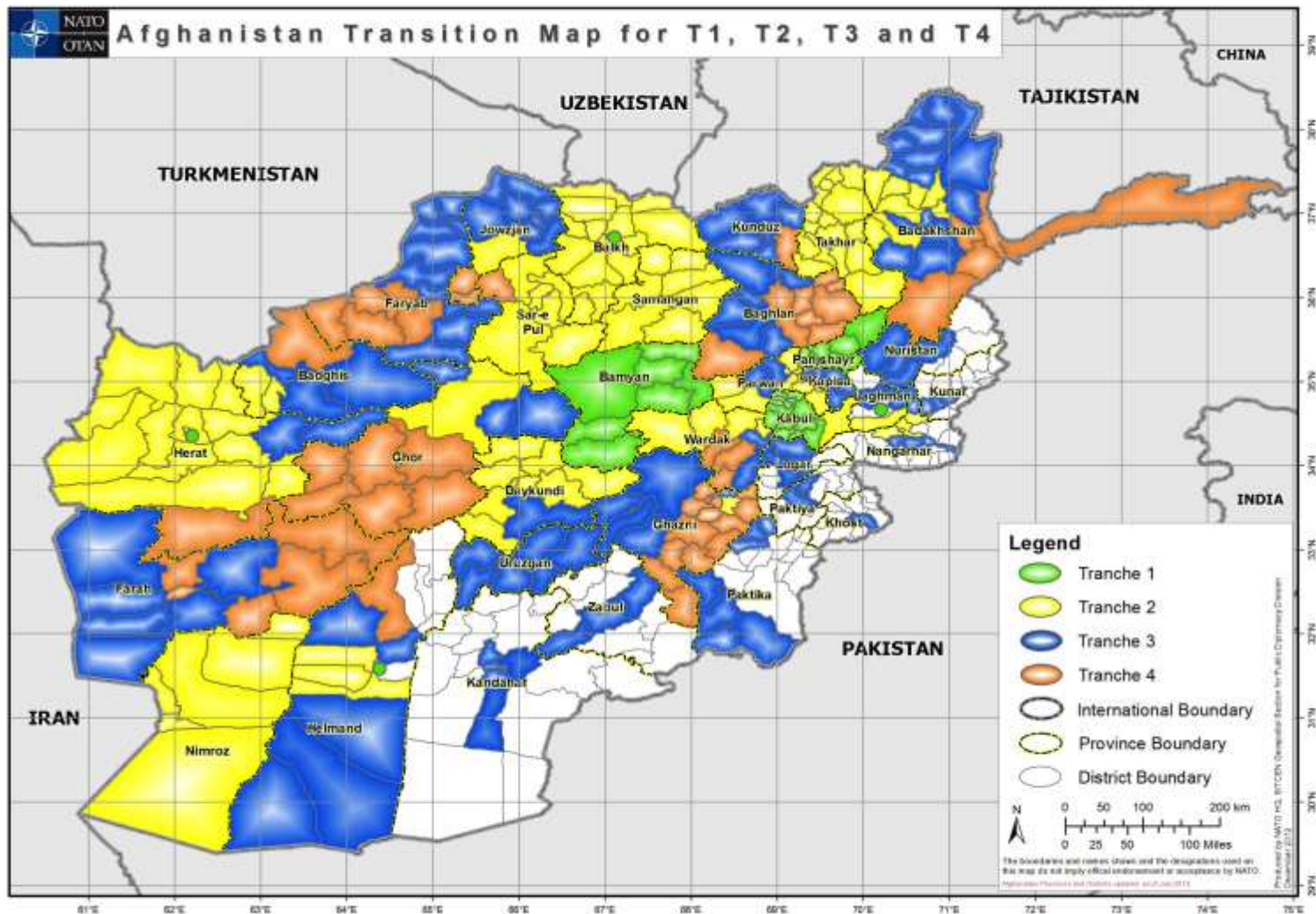
The Afghan police present critical problems in leadership, force quality, corruption, actual manning, and turnover.

Surveys do, however, indicate that the elements of the ANSF are winning far more support in most areas than the Taliban and other insurgents.

Layered Defense: A Concept that May Work with Adequate US and Allied support

- **Concentrate ANSF in layered elements to defense population and key lines of communication.**
- **ANA defends, deters, defeats active Taliban and insurgent forces; ANP plays paramilitary role, with ALP forward in key sensitive areas.**
- **Accept Taliban and insurgent presence and control in less populated parts of East and South,**
- **Continued Pakistani sanctuaries unless Pakistan fundamentally changes tactics.**
- **Support with US advisory presence down to at least level of each of six Afghan corps, key enablers, limited COIN element plus drone and air support.**
- **German and Italian presence in populated but less threatened areas in the North.**
- **Support with governance and economic aid.**

Layered Defense May Work, But Formal Transfers of Security Do Not Mean Real ANSF Security Capability



Layered Defense: Afghanistan is Still Very Much at War

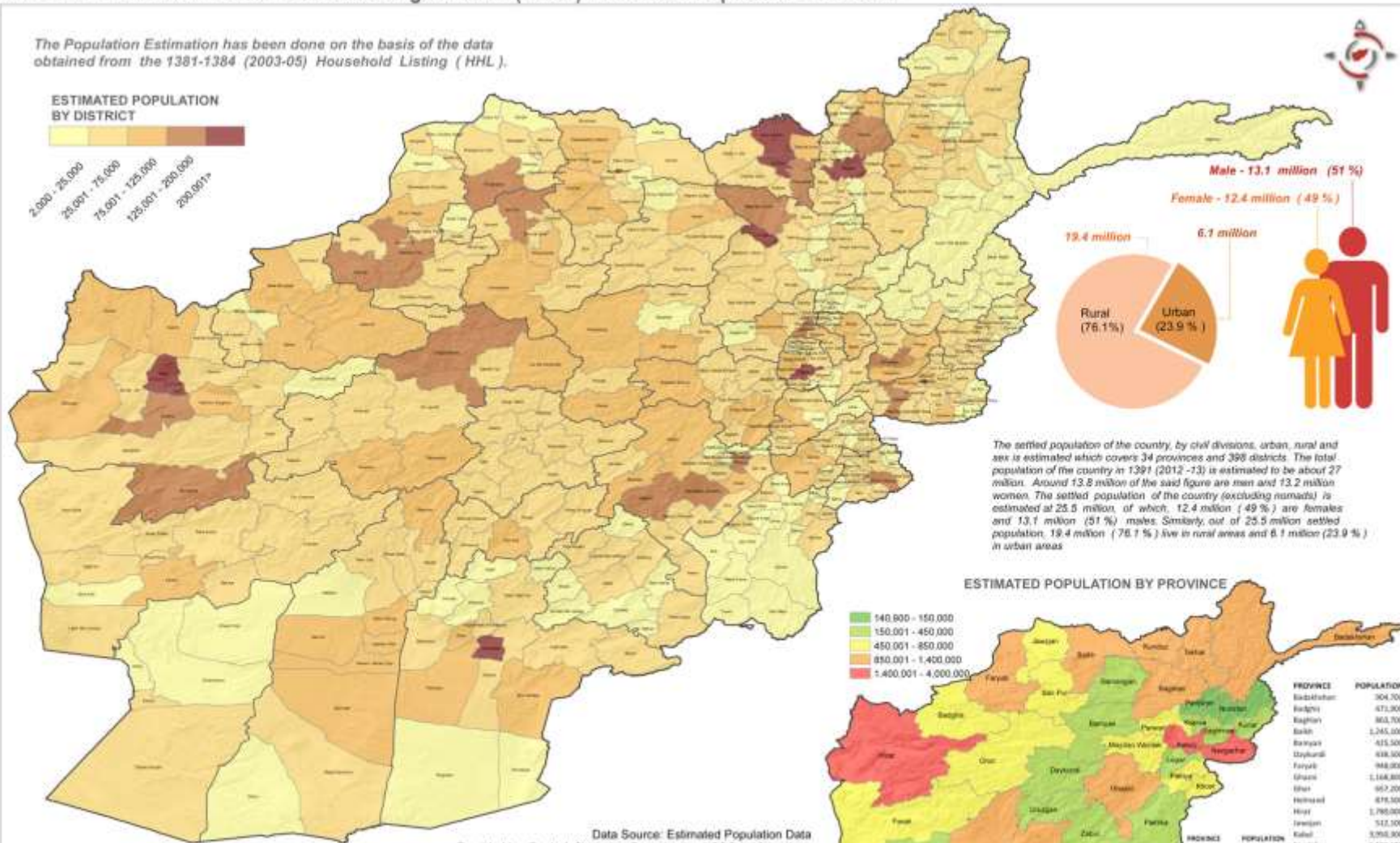
- **Taliban not popular, but with so many Afghan government challenges, people focus on survival.**
- **No evidence that the “surge” has defeated Taliban. Won’t know the balance of power until US and ISAF military are largely gone and a new government is in place – i.e., 2015 campaign season.**
- **Pakistan sanctuaries and ISI are still in place.**
- **US and allies rushing to meet 2014 deadline – about 2-4 years before ANSF is fully ready to assume all security responsibilities.**
- **ANSF is an awkward mix of army, national police, local police. Cutting force mix early is very dangerous.**
- **Money has been the most important single aspect of transition in past cases, keeping government forces active, supplied, sustained.**
- **Next most important is proving high-level enablers and training/advisory presence in the field. 9,500-13,500 seem minimal. Costs uncertain, but transition below \$4 billion annually uncertain. May need \$6-7 billion.**

“Layered Defense” – Where is the Population for the ANA, ANP, and ALP to Protect?

AFGHANISTAN Central Statistics Organization (CSO) Estimated Population 2012-2013

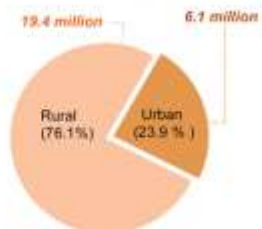
The Population Estimation has been done on the basis of the data obtained from the 1381-1384 (2003-05) Household Listing (HHL).

ESTIMATED POPULATION BY DISTRICT



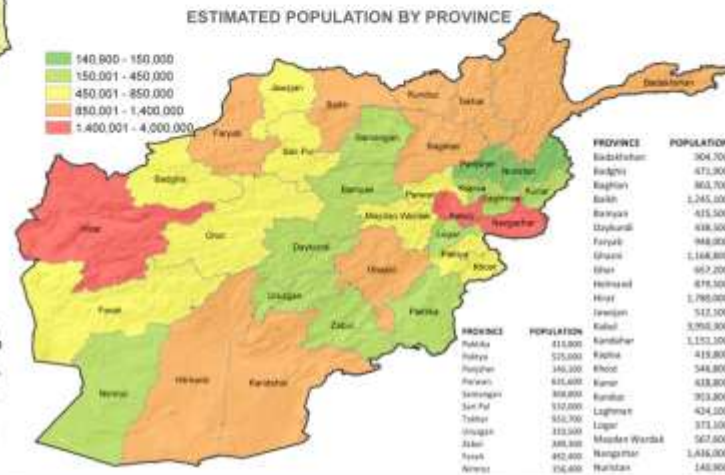
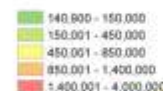
Male - 13.1 million (51 %)

Female - 12.4 million (49 %)



The settled population of the country, by civil divisions, urban, rural and sex is estimated which covers 34 provinces and 398 districts. The total population of the country in 1391 (2012-13) is estimated to be about 27 million. Around 13.5 million of the said figure are men and 13.2 million women. The settled population of the country (excluding nomads) is estimated at 25.5 million, of which, 12.4 million (49 %) are females and 13.1 million (51 %) males. Similarly, out of 25.5 million settled population, 19.4 million (76.1 %) live in rural areas and 6.1 million (23.9 %) in urban areas.

ESTIMATED POPULATION BY PROVINCE

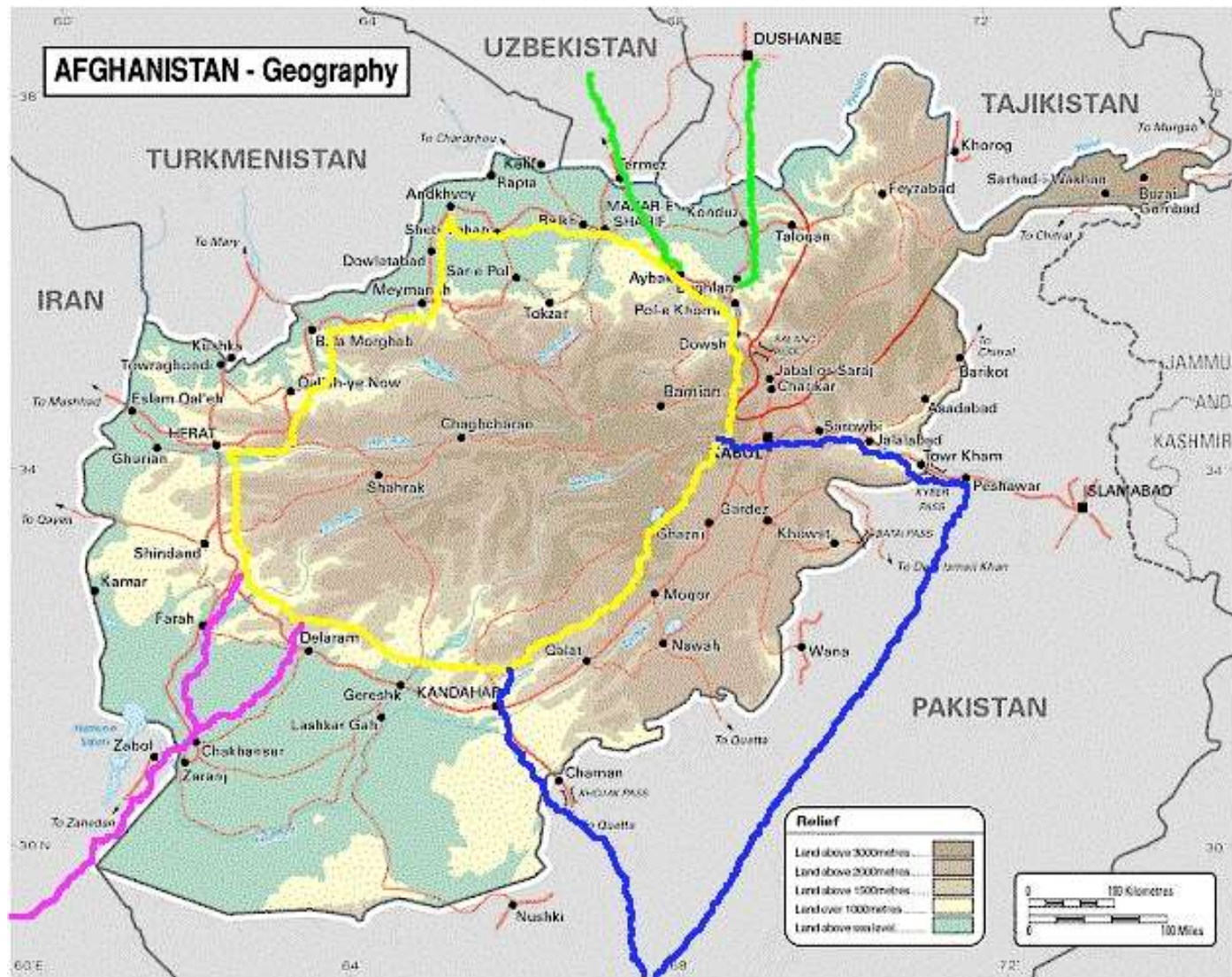


Data Source: Estimated Population Data
Provided by: Central Statistics Organization (CSO) Afghanistan

The accuracy of the data represented in this map remains
safely with the source, IMMAP or USAID/OFDA do not
accept any responsibility for the accuracy of these figures.

The boundaries used in this map do not imply any endorsement by IMMAP or USAID/OFDA.
Date Created: 26 March, 2013
Datum/Projection: WGS 84/Geographic
For copies or questions contact "afghanistan@immap.org"

“Layered Defense” – From “New Silk Road” to LOC Survival

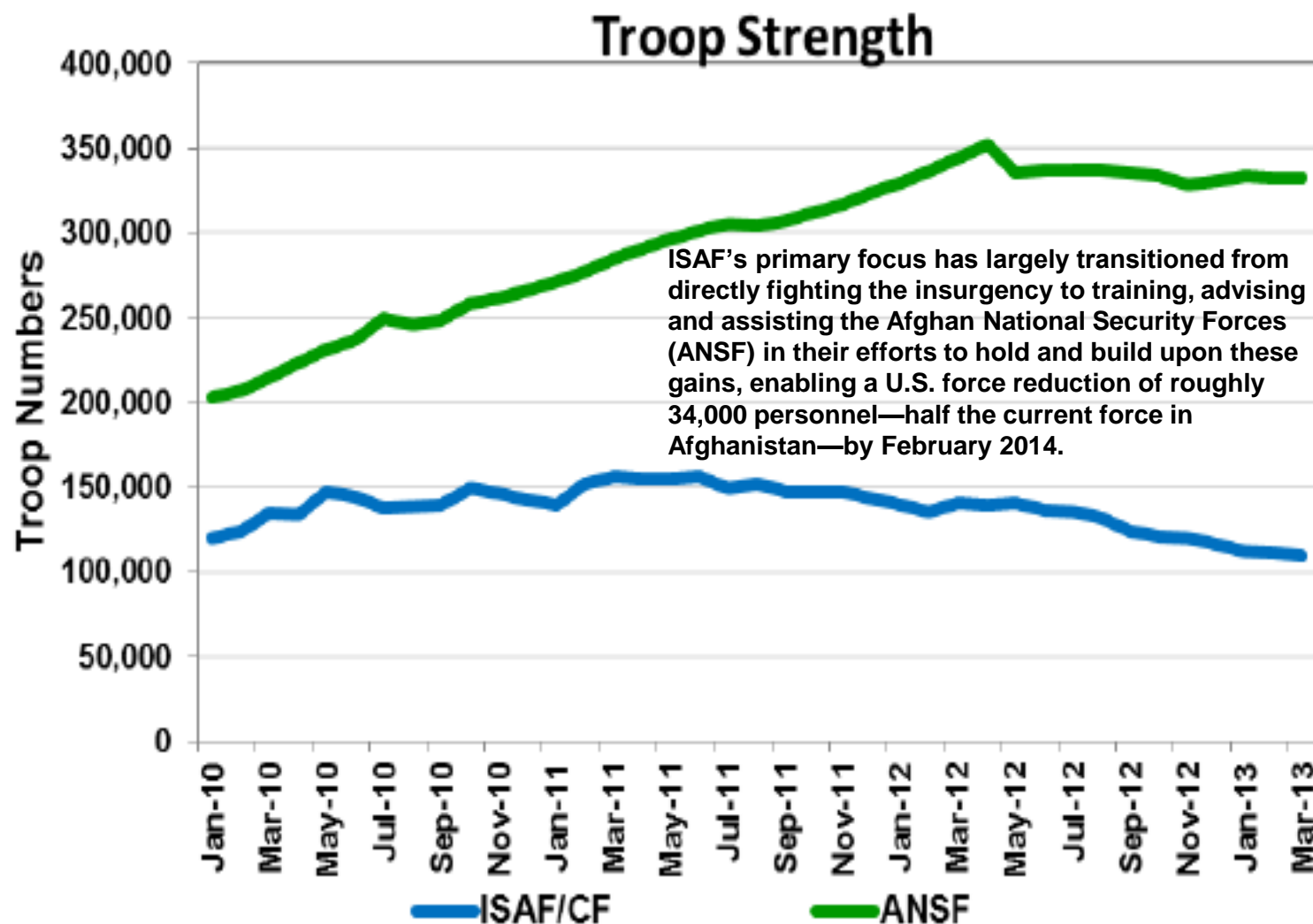


The Challenge of Shifting the Burden to the ANSF

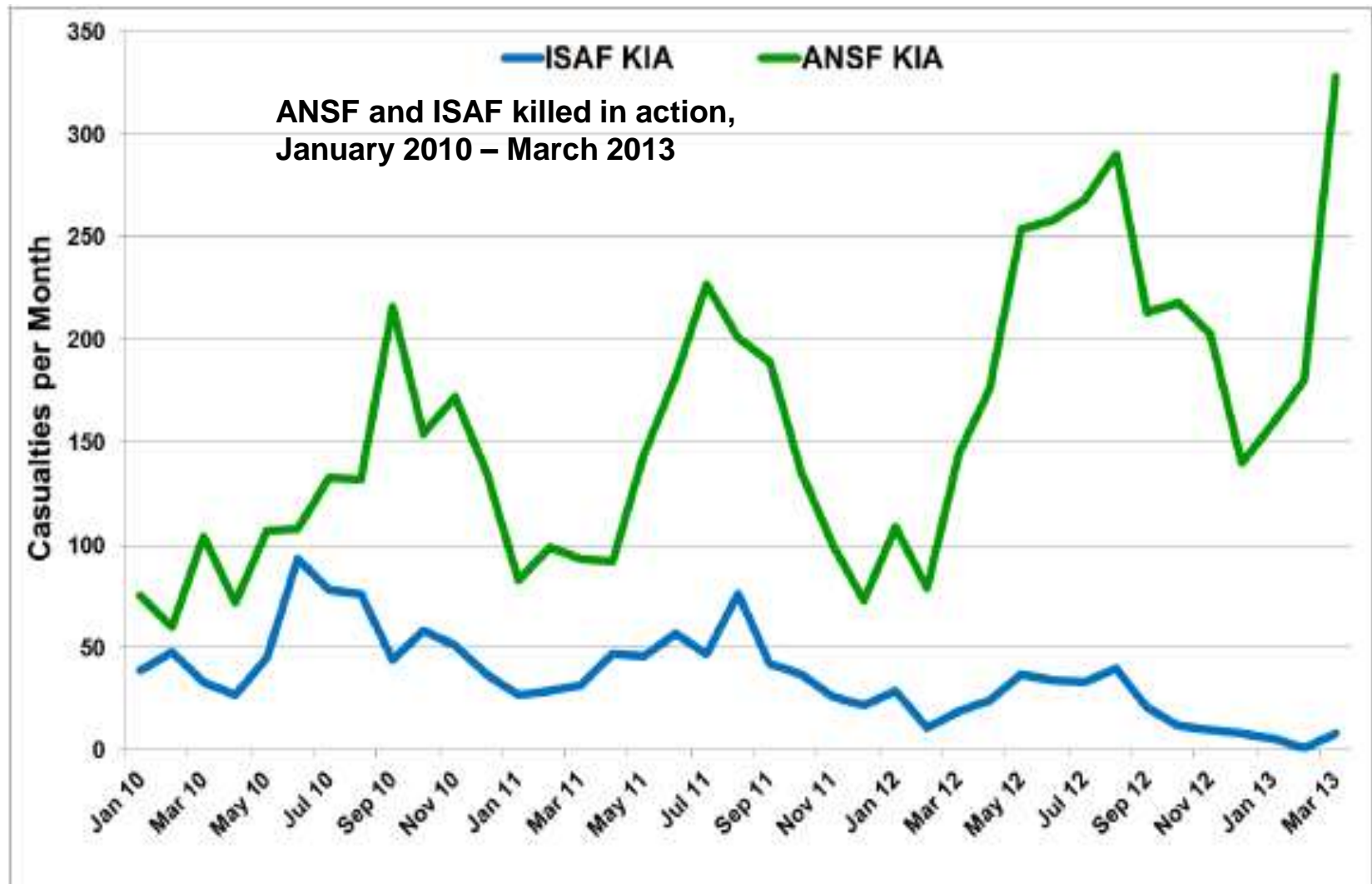
General Dunford on “Resolute Support” and on Post-2014 Mission

- In anticipation of a signed BSA and NATO SOFA, ISAF continues to plan for the Resolute Support train, advise, assist mission.
- This mission will focus on the four capability gaps at the operational/institutional and strategic levels of the ANSF that will remain at the end of the ISAF mission: 1) Afghan security institution capacity, 2) the aviation enterprise, 3) the intelligence enterprise, and 4) special operations.
- In accordance with NATO guidance, ISAF is planning on a limited regional approach with 8,000 - 12,000 coalition personnel employed in Kabul and the four corners of Afghanistan.
- Advisors will address capability gaps at the Afghan security ministries, army corps, and police zones, before eventually transitioning to a Kabulcentric approach focused on the Afghan ministries and institutions.
- Due to delays in the completion of the BSA, and at the recent direction of NATO, we will begin planning for various contingencies in Afghanistan while still continuing to plan for Resolute Support.

ANSF Goes Up as US/ISAF Goes Down: Jan 2010-March 2013



The Burden of Fighting and Casualties Has Shifted to the ANSF

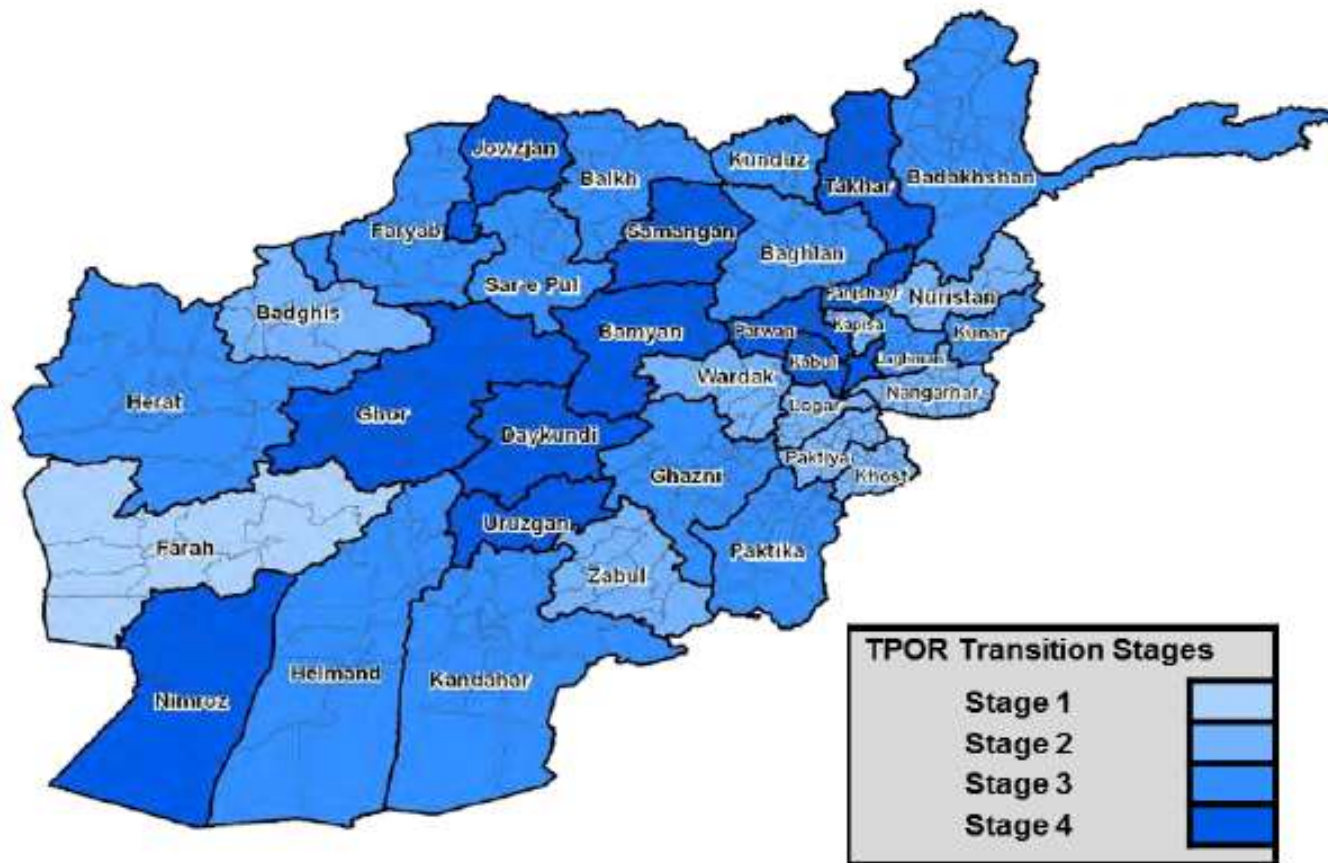


Percentage of Security Incidents Involving ANSF and ISAF Forces



**Enemy-initiated attacks (EIAs) involving ISAF and EIAs involving the ANSF,
Jan 2011 – Feb 2014**

ISAF Assessment of Transition Stages, March- December 2013



Stage 1-
Local Support

Stage 2-
Tactical Support

Stage 3-
Operational
Support

Stage 4-
Strategic Support

General Dunford on Key Challenges to ANSF

ISAF forces are in the process of re-orienting from combat advising at the unit level to functionally-based advising at the Afghan security ministries, the six army corps, and the police zones. In this new role, advisors are focusing on tasks that will build the ANSF's long-term sustainability to make the progress that has been made to date enduring.

At the security ministries, advisors are focusing on building ministerial capacity in planning, programming, budgeting, and acquisition. Advisors are also working to improve integration between the different security pillars– army, police, and intelligence service – at all levels.

In the fielded force, advisors will focus on capability gaps like the aviation, intelligence, and special operations. They will also focus on developmental shortfalls in areas like logistics, medical, and counter-IED. At all levels, our advisors will work to improve Afghan transparency and accountability of donor resources, and reduce casualties and overall attrition. In total, our shift to functionally-based advising is putting the ANSF on a path to sustainment.

Despite our advisory efforts in 2014, four capability gaps will remain after the ISAF mission ends. I assess that without the Resolute Support mission, the progress made to date will not be sustainable. A limited number of advisors will be required in 2015 to continue the train, advise, and assist mission. These advisors will address gaps in 1) the aviation enterprise, 2) the intelligence enterprise, 3) special operations, and 4) the security ministries' capacity to conduct tasks such as planning, programming, budgeting, acquisition, and human resource management so they can provide tactical units the support they require to function. These advisors will put the Afghans on the path to sustainment that the Afghans can further develop after Resolute Support concludes.

ANA Attrition by Corps/Division March 2014

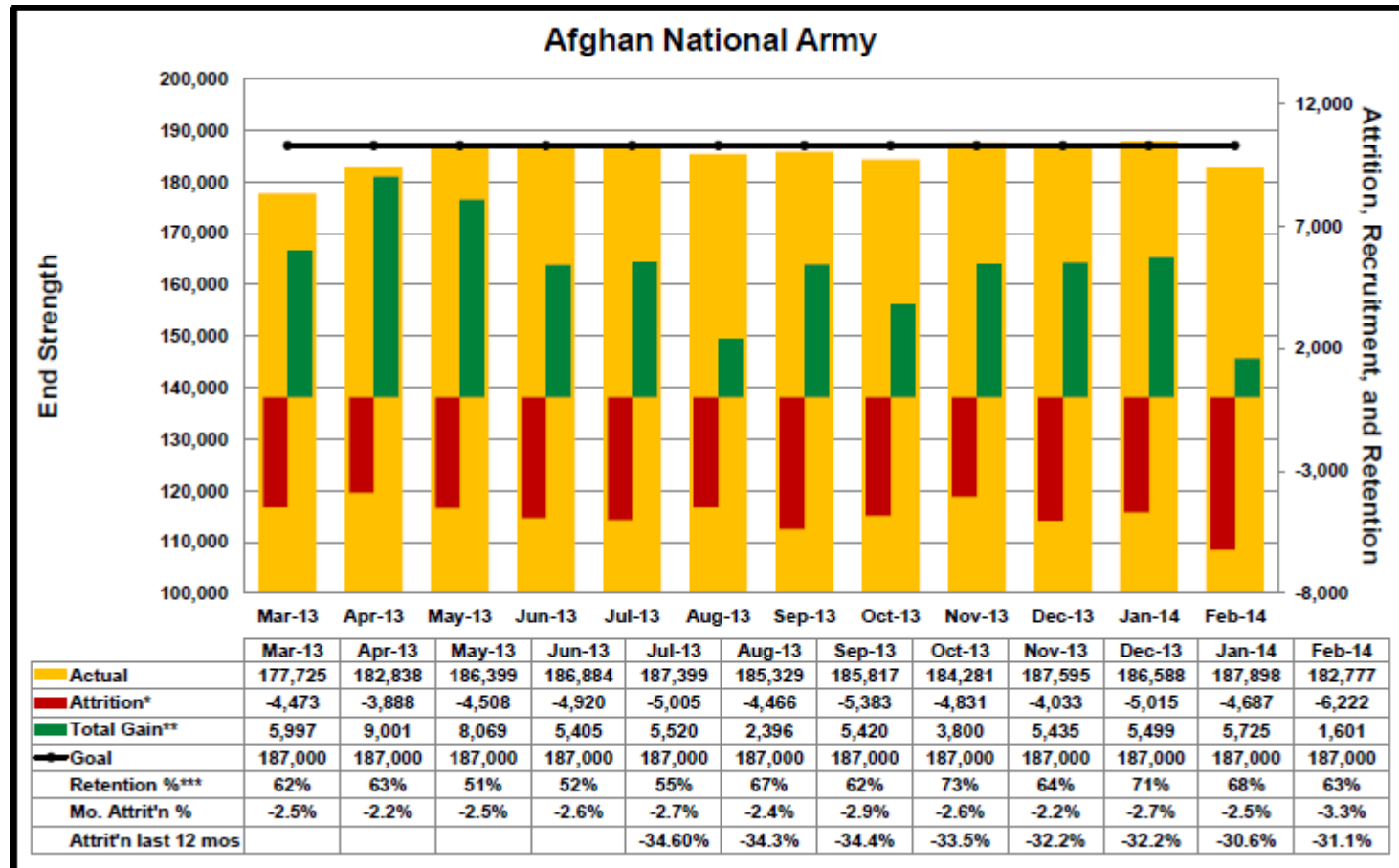
ANA	Attrition*
201 Corps	1.6%
203 Corps	1.8%
205 Corps	2.0%
207 Corps	2.6%
209 Corps	2.1%
215 Corps	4.1%
111 Div	1.2%
SOF	0.9%
EAC****	0.7%
ANA Total	1.8%

- High attrition rate continues to be a challenge, but has remained stable over 2013.
- Causes of attrition are assessed as high op tempo, sustained risk, soldier care/ quality of life, and leave issues.
- Though combat losses are a relatively low percentage of total attrition- it likely contributes to morale issues

*ANA attrition decreased slightly from 3.3 percent (Feb) to 1.8 percent (march) in Solar Month March 14.

****EAC- Echelon Above Corps includes a number of organizations; MP Guard Brigade; HSSB; Army support Command; Logistics Command; ANATC; ANAREC; Medical Command; ANDU; Ministry of Defense; General Staff; Ground Forces Command; and Mobile Strike Force.

ANA Attrition & Recruitment March 13- Feb 14



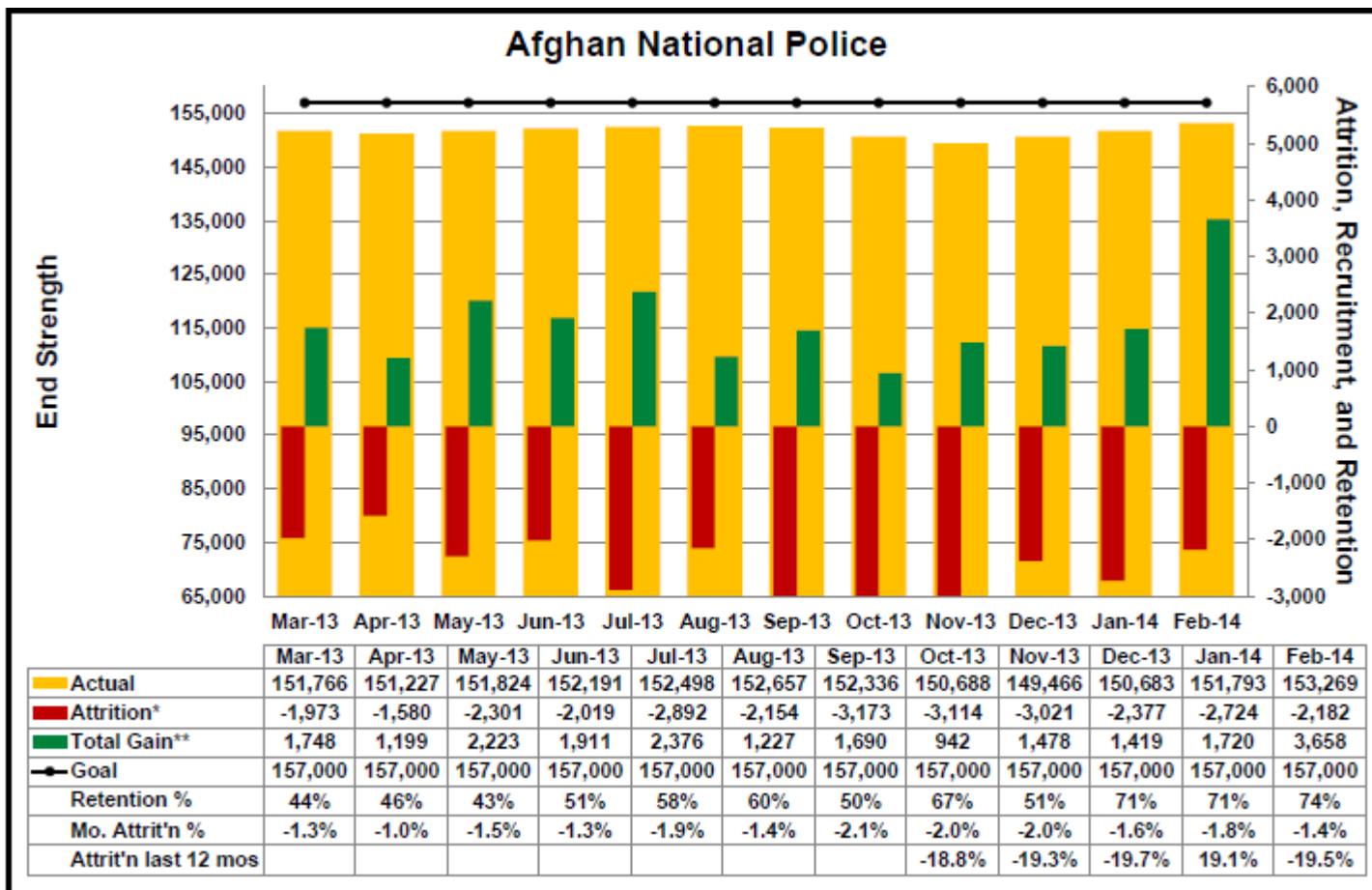
Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 38.

ANA Ethnicity- Tajik Impact: February 2014

	Pashtun	Tajik	Hazara	Uzbek	Others
Officer	41.4%	39.6%	8.0%	4.5%	6.5%
Officer Delta	-2.6%	14.6%	-2.0%	-3.5%	-6.5%
NCO	38.3%	31.8%	12.5%	9.9%	7.5%
Soldier	38.8%	30.9%	10.1%	12.5%	7.8%
Total Force	39.0%	32.4%	10.7%	10.4%	7.5%
Delta	-5.0%	7.4%	0.7%	2.4%	-5.5%
ANA Ethnic Breakout Goal	44%	25%	10%	8%	13%

Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 38.

ANP Attrition & Recruitment March 13- Feb 14



Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 51.

ANP Ethnicity- January 2014

Rank	Pashtu	Tajik	Hazara	Uzbek	Others
Officer	13%	15%	16%	7%	12%
NCO	26%	39%	36%	23%	27%
Patrolmen	61%	46%	48%	70%	61%
Total % of Force	41%	43%	5%	6%	5%
Ethnic Target	44%	25%	10%	8%	13%

Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 50.

Weapons & Equipment Summary

Part I

ANA Weapon: Status Summary							
Item	Total Required		Total Acquired		Total Delivered		
	Tashkil 1391v2 (plus float)	Enabler/ AR2VP	ASFF Acquired	Over/Under (Required)	ASFF Delivered	Transferred	Over/Under (Required)
NATO Individual Weapons	221,072	1,788	212,492	(10,368)	202,205	11,147	(9,508)
NATO Crew Served Weapons	12,667	493	10,563	(2,597)	10,488	441	(2,231)
NATO Indirect Fire Weapons	140	921	1,168	107	1,168	20	127
Non-NATO Standard Weapons	7,453	13	54,518	47,052	54,518	57,975	105,027
TOTAL	241,332	3,215	278,741	34,194	268,379	69,583	93,415

Item	Total Required		Total Acquired		Total Delivered			LOCATION OF VEHICLES DELIVERED			
	Tashkil 1391v2 (plus float)	Enabler/ AR2VP	ASFF Acquired	Over/Under (Required)	ASFF Delivered	Transferred	Over/Under (Required)	US PORT READY TO BE CALLED FWD	JAX PORT	IN TRANSIT	AJTL
Light Tactical Vehicle	17,834	70	18,781	877	17,463	(369)	(810)	0	0	1318	336
Mobile Strike Force Vehicles	0	623	623	0	476	0	(147)	57	0	97	0
Medium Tactical Vehicle	6,310	218	7,447	919	7,288	(326)	434	62	62	71	63
HMMWV Variants	9,021	270	11,191	1,900	9,854	(407)	156	1260	1260	401	67
Heavy Vehicles & Fire Equipment	894	1	869	(26)	869	40	14	0	0	0	15
Engineer Equipment	1,424	150	1,783	209	1,293	(2)	(283)	0	0	241	2
Trailers	5,301	25	6,065	739	6,021	(74)	621	0	0	181	28
Material Handling Equipment	819	2	859	38	757	39	(25)	0	0	0	29
People Haulers	1,184	4	1,351	163	918	142	(128)	0	0	377	11
Other	1,161	45	2,175	969	1,743	(830)	(293)	1	1	1	46
TOTAL	43,948	1,408	51,144	5,788	46,682	(1,787)	(461)	1380	1380	2687	597

Weapons Status Summary

Part II

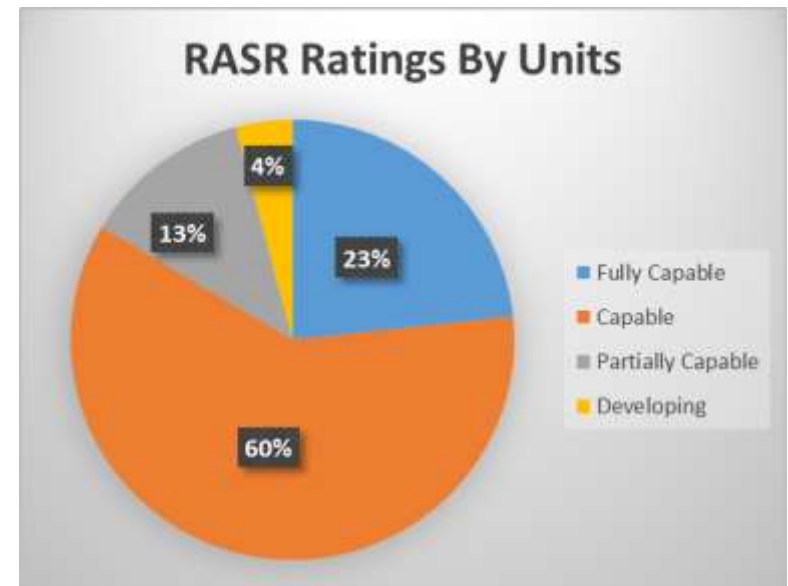
ANA Comm: Status Summary							
Item	Total Required		Total Acquired		Total Delivered		
	Tashkil 1391v2 (plus float)	Enabler/ AR2VP	ASFF Acquired	Over/Under (Required)	ASFF Delivered	Transferred	Over/Under (Required)
HF Radios	11,615	2,334	12,268	(1,681)	12,101	9	(1,839)
VHF Radios	72,082	121	71,538	(665)	71,337	1,567	701
VHF/UHF Radios	2,231	250	3,318	837	3,318	0	837
Night Vision Device	9,896	443	12,497	2,158	10,830	252	743
Other Comm	269	12	283	2	283	0	2
TOTAL	96,093	3,160	99,904	651	97,869	1,828	444
ANA EOD: Status Summary							
ANA EOD Item	Total Required		Total Acquired		Total Delivered		
	Tashkil 1391v2 (plus float)	Enabler/ AR2VP	ASFF Acquired	Over/Under (Required)	ASFF Delivered	Transferred	Over/Under (Required)
Binoculars	15,430	0	15,430	0	15,430	0	0
Blasting Machine M34	373	0	470	97	470	0	97
EOD Bomb Suit (SM + MED) w/Helmet	528	0	676	148	669	0	141
Firing Cable & Reel	543	0	2,631	2,088	2,631	0	2,088
M2 Crimper	268	0	298	30	237	0	(31)
Mine Detector (Vallon & CEIA)	5,748	552	6,300	0	6,300	0	0
Pigstick w/ Stand	528	0	696	168	634	0	106
MMP-30 Robot	528	0	707	179	503	0	(25)
Symphony Jammer	1,286	0	1,261	(25)	1,261	0	(25)
Test Set, M51 Blasting Cap	378	0	635	257	333	0	(45)
Hook & Line Kit PT 1&2	264	0	400	136	400	0	136
EOD Tripod	264	0	343	79	318	0	54
PIPPERS	7,202	0	7,202	0	7,202	0	0
Mine Rollers	526	0	526	0	526	0	0
TOTAL	33,866	552	37,575	3,157	36,914	0	2,496

Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 41.

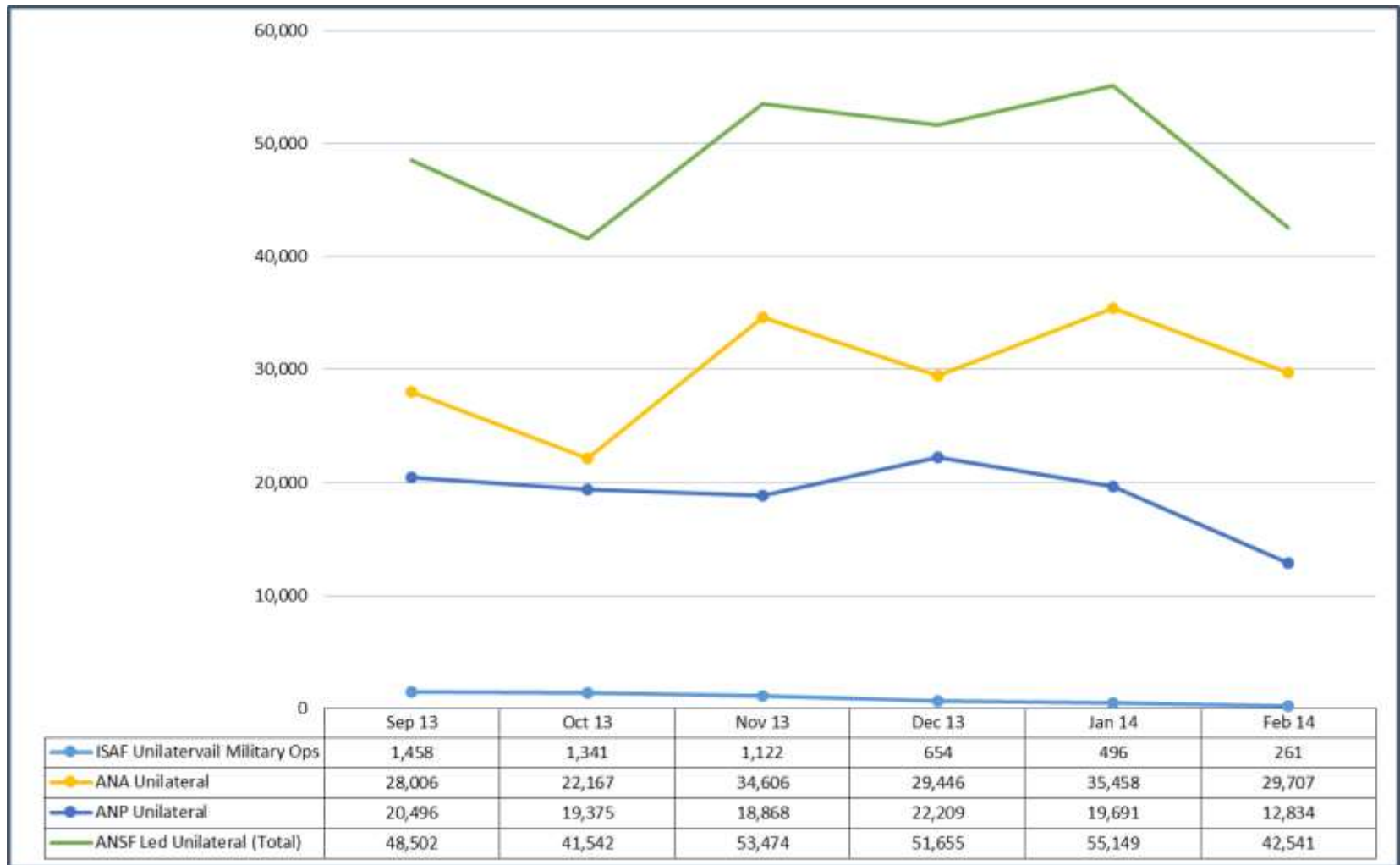
Regional Command ANSF Status Report (RASR)

Rating Definition Levels (RDLs)	Corps/ Div HQ	IN Bde	Corps ENG KDK	Corps SIG KDK	Corps/ DIV MI KDK	OCC-R	AUP Type-A HQ	ABP Zone HQ	ANCOP Bde HQ	MSF KDK*	Total RASR Assessed Units
Fully Capable	1	10	0	0	1	0	2	1	2	0	17
Capable	6	13	3	2	2	6	3	5	2	2	44
Partially Capable	0	0	2	2	1	1	2	0	1	0	9
Developing	0	0	1	1	0	0	0	0	0	1	3
Established	0	0	0	0	0	0	0	0	0	0	0
Not Assessed	0	1	0	1	3	0	0	1	2	2	10
Awaiting Fielding	0	0	0	0	0	0	0	0	0	2	2
Total	7	24	6	6	7	7	7	7	7	7	85

OCC-R: Operational Coordination Center- Regional
MSF: Mobile Strike Force
ANCOP: Afghan National Civil Order Police

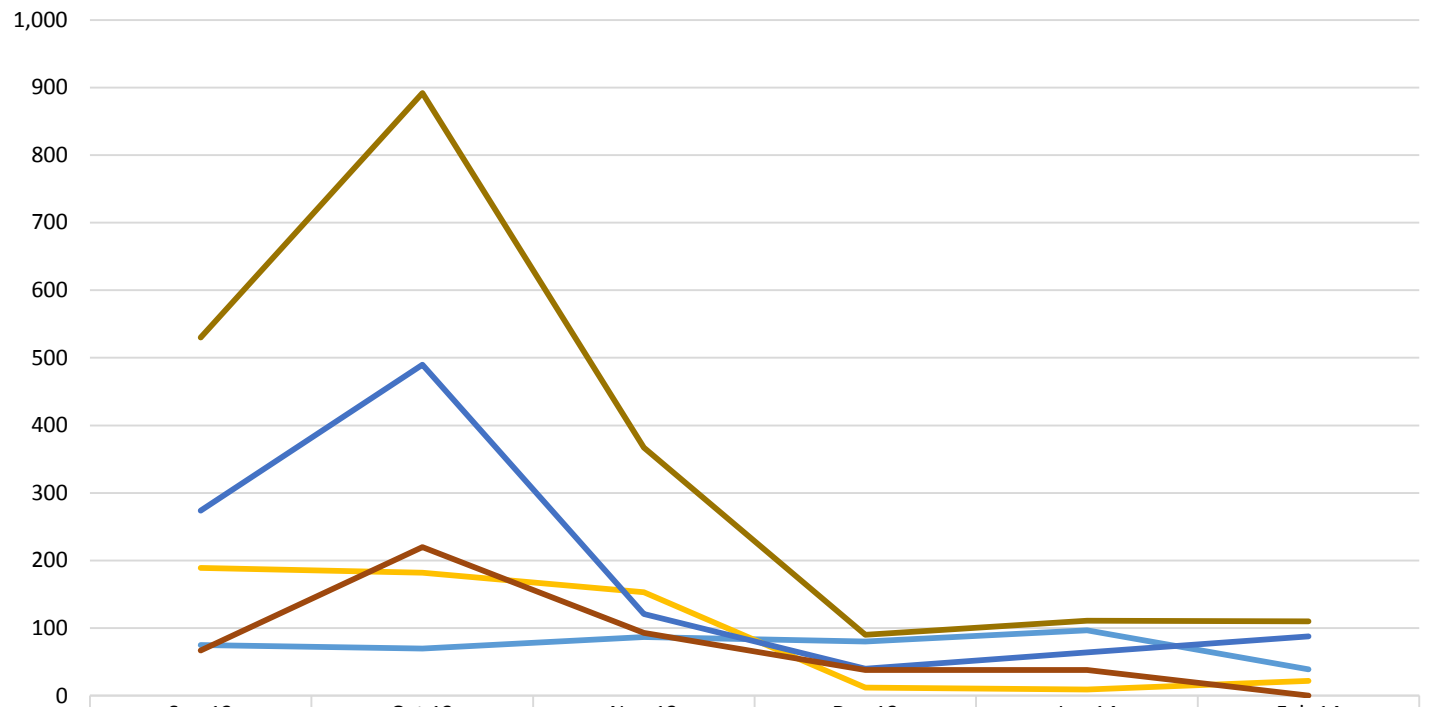


ISAF and ANSF Unilateral Operations



Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 61.

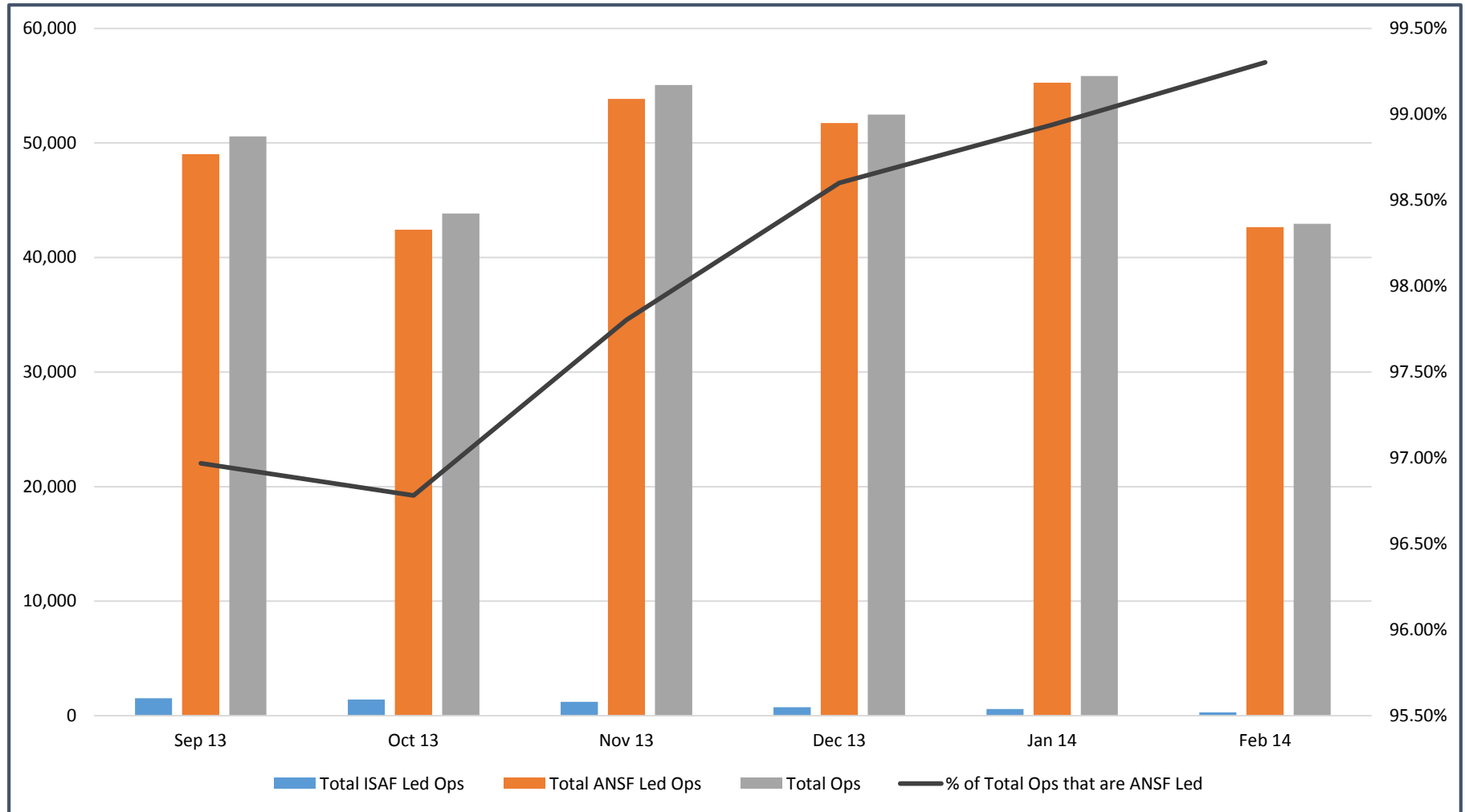
ISAF and ANSF Led Operations



	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
ISAF Led Partnered (ANA)	75	70	87	80	97	39
ANA Led Partnered	189	182	153	12	9	22
ANA Led Enabled	274	490	121	40	64	88
ANP Led Enabled	67	220	93	38	38	0
ANSF Led Partnered/Enabled Ops (Total)	530	892	367	90	111	110

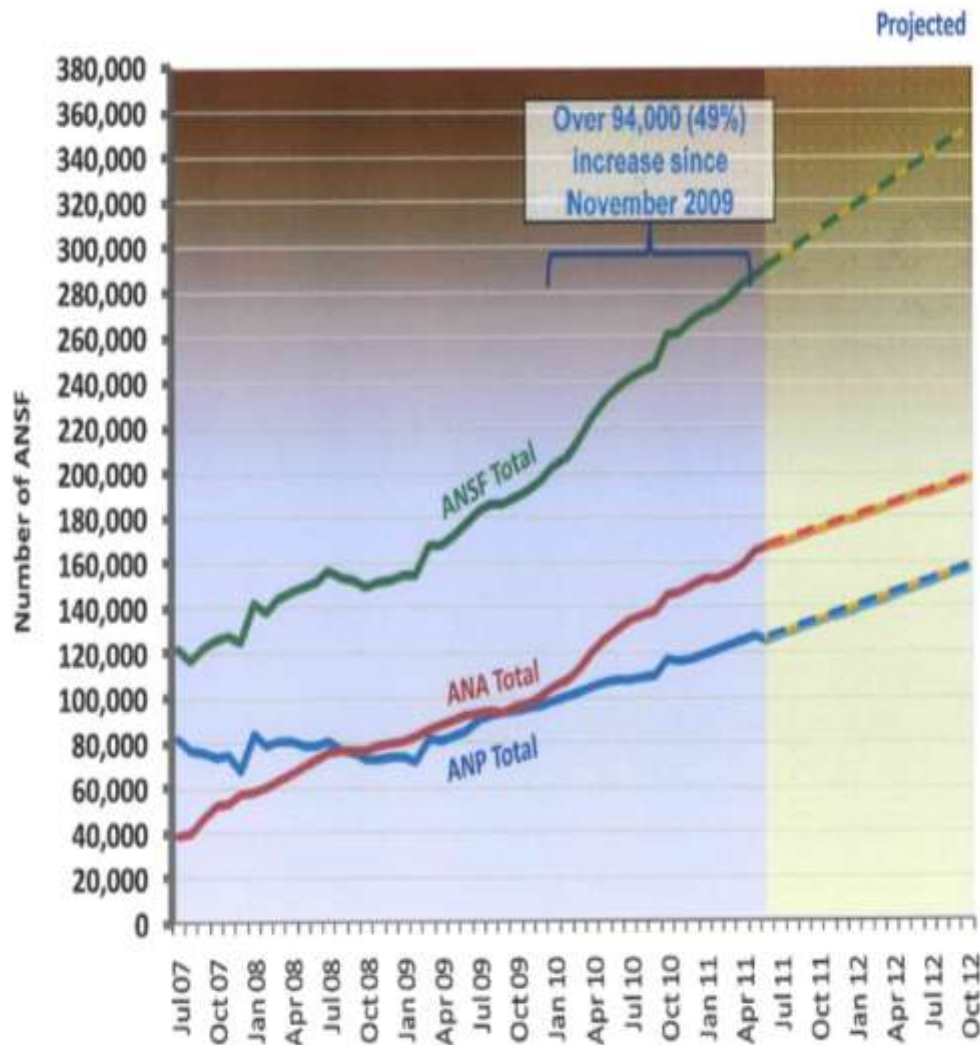
Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 61.

Total ISAF and ANSF Led Operations



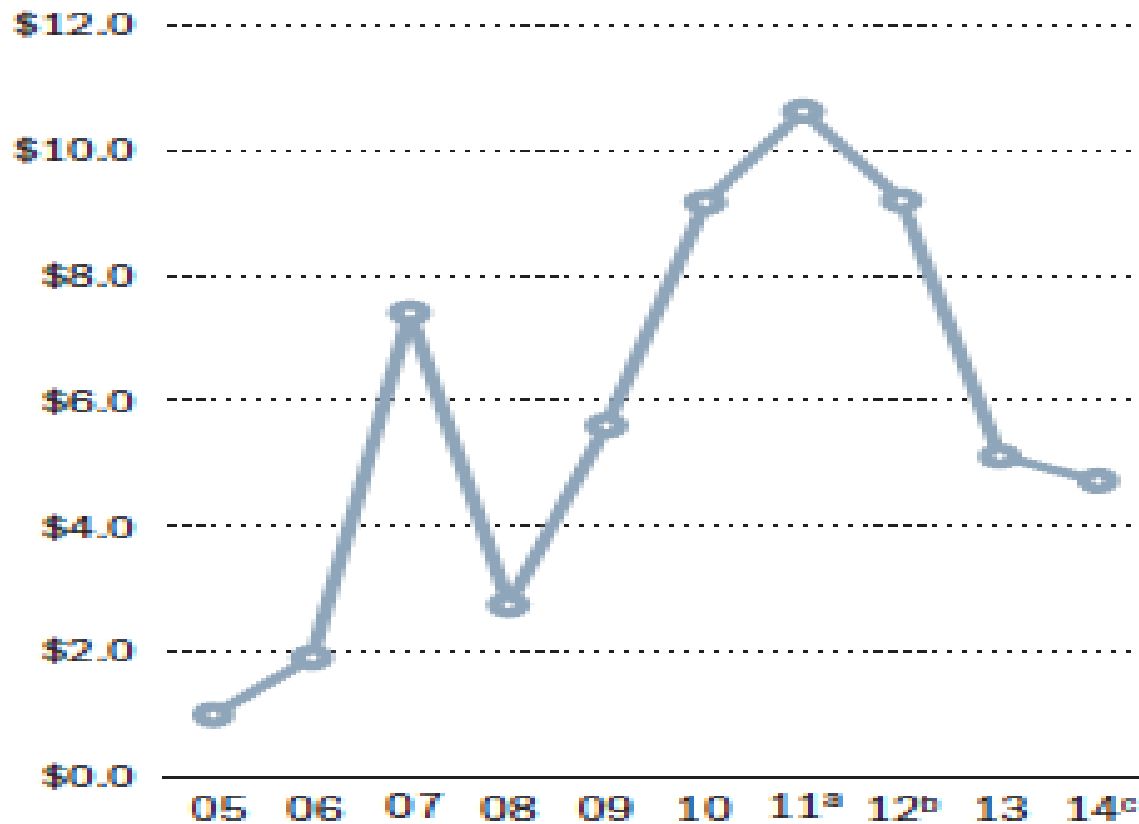
Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, pp. 61.

But, Only Half of ANSF is a Fighting Force



Force Element	Manpower Goal End 2012	% of Total
MOD	NA	NA
ANA	172,055	49%
AAF	7,639	2%
Subtotal	195,000	51%
MOI	NA	NA
ANCOP	14,451?	4%
AUP	110,279	31%
ABP	23,090	7%
Subtotal	157,000	45%
CNPA	2,986?	0.8%
ALP-		
Militias	30,000-40,000	NA
APPF	11,000-23,000	NA

Ongoing Cuts in US Aid to ANSF – No Clear Plan for FY2015 and Beyond



- The 2014 Consolidated Appropriations Act, 2014 appropriated nearly \$4.73 billion for the ASFF for FY 2014, increasing total cumulative funding to more than \$57.50 billion.

- As of December 31, 2013, more than \$47.88 billion of total ASFF funding had been obligated, of which nearly \$45.38 billion had been disbursed.

SIGAR and 1230 Reports Contain Key Warnings on Readiness & Sustainability

- **CSTC-A stated that “the ANA counts those personnel ‘in the field’ or actively engaged in combat operations as unavailable, with present for duty only representing those personnel ‘in barracks.’”**
- **This explains the low present-for-duty numbers for Corps actively engaged in operations. This quarter, the percentage of ANA personnel “unavailable” ranged from 70.1% (215th Corps) to 20.5% (209th Corps). About 1.7% of the Afghan Air Force’s 6,529 personnel were unavailable.**
- **Although details to account for the 126,658 personnel assigned to the ANA’s combat forces this quarter were limited, SIGAR determined that these forces included personnel in the following categories:**
 - **Present-for-Duty or “Combat Strength”: 62,753 (50%)**
 - **Unavailable (including personnel in combat and on leave but not AWOL): 54,862 (43%)**
 - **Absent Without Official Leave (AWOL): 9,043 (7%)**

Police Pose a Critical Challenge in Terms of Corruption and Effectiveness – As Do ALP

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q3 2013	Q4 2013	Quarterly Change	Q3 2013	Q4 2013	Quarterly Change
AUP	110,369	110,369	None	109,574	106,784	-2,294
ABP	23,090	23,090	None	21,399	20,902	-497
ANCOP	14,541	14,541	None	14,516	13,597	-919
NISTA ^a	6,000	6,000	None	4,905	5,333	+428
ANP Total	154,000	154,000	None	150,394	146,616	-3,282
CNPA	2,247	2,243	-4	2,759	2,850	+91
ANP + CNPA Total	156,247	156,243	-4	153,153	149,466	-3,191

According to CSTC-A, unlike the ANA, the MOI does not report ANP personnel who are on leave, AWOL, sick, or on temporary assignment in its personnel reports. For this reason, it is not known what the actual operational strength of the ANP is at any given time.

**Progress in some Areas of
Human Development, *But*
Progress is Often Grossly
Exaggerated and Lags
Other Poorest Countries in
the Region**

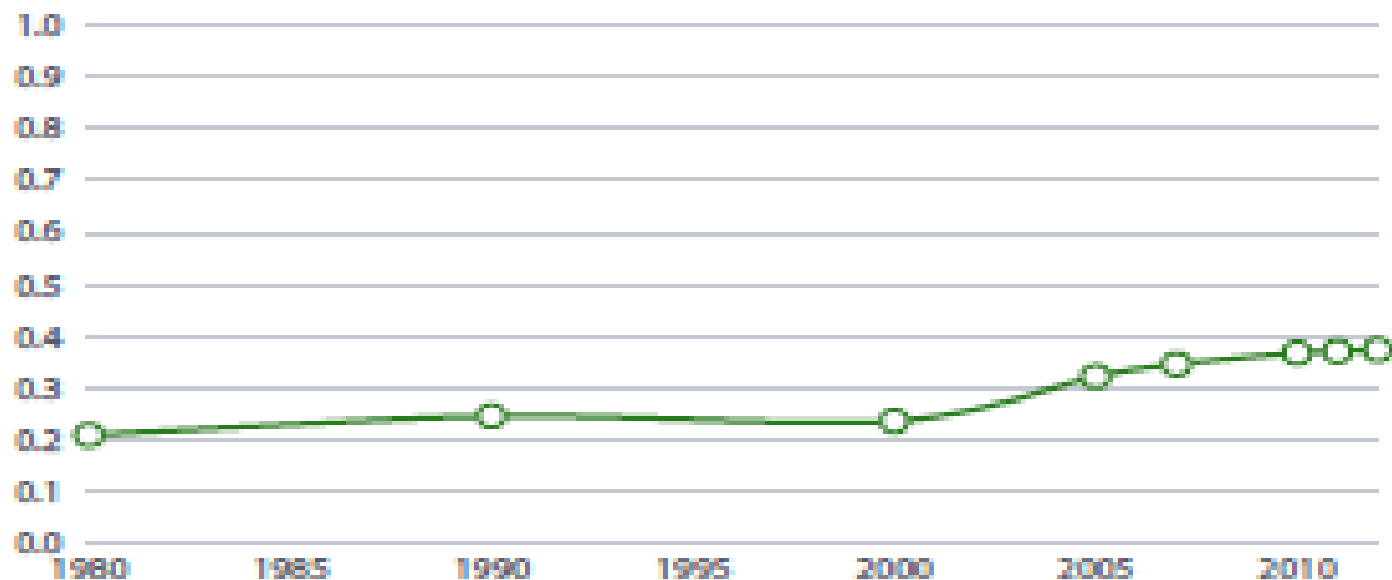
The Uncertain State of Progress

- **UN Human development data reflect real progress, but also serious limits to that progress, and input data are very uncertain.**
- **Far too much US, NGO, and other reporting accepts “best case” estimates and polls without validating data or methodology.**
- **Progress in life expectancy, education, medical services raises massive questions about quality of data.**
- **More than a decade of war has gone on with no meaningful estimates of the effectiveness of aid and only suspect accounting.**
- **Military and aid spending has often been driving factors in increase in corruption and distorting economy to dependence on outside spending.**

UN Human Development Indicator Ranking

(175th in the World in 2013)

Trends 1980 - Present



+ Health

Life expectancy at birth (years)

49.1

+ Education

Mean years of schooling (of adults) (years)

3.1

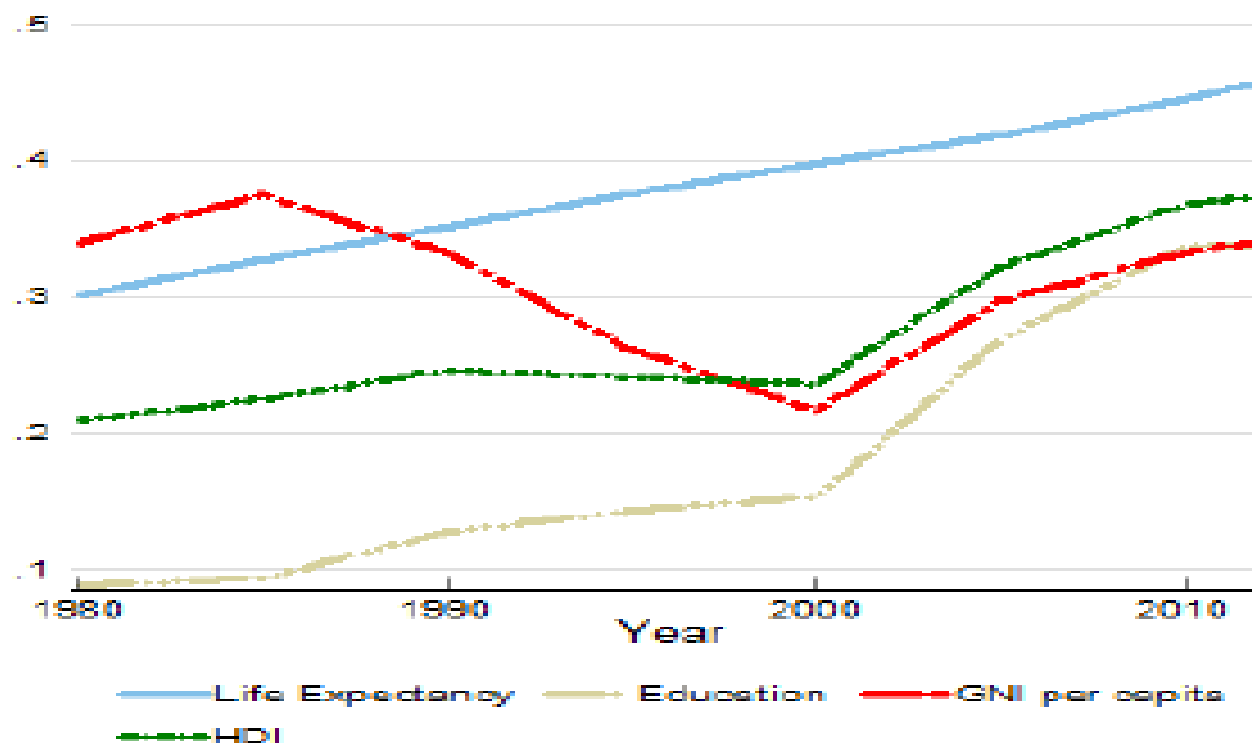
+ Income

GNI per capita in PPP terms (constant 2005 international \$) (Constant 2005 international \$)

1,000

Intensity-adjusted HDI value

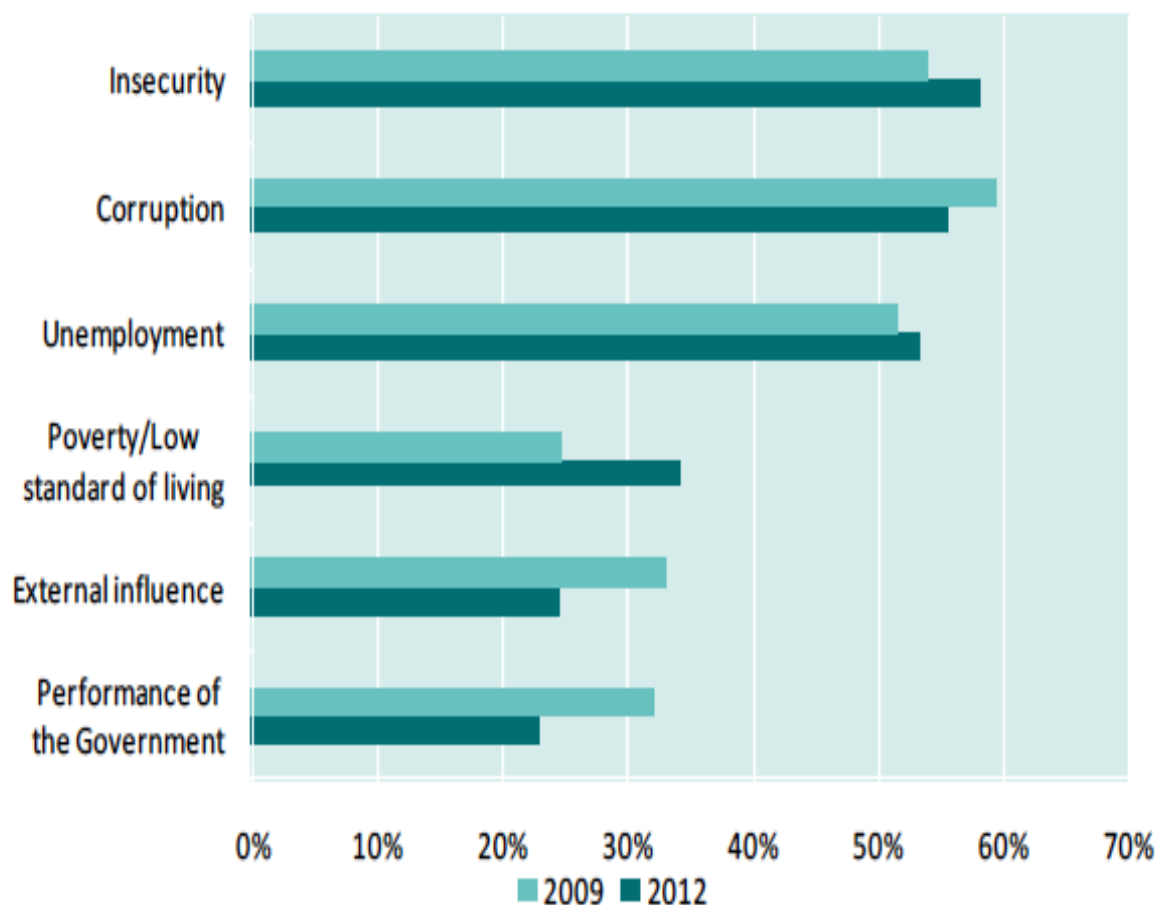
UN Human Development Progress by Category:



	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2005 PPP\$)	HDI value
1980	39.2	2.3	0.8	1,002	0.209
1985	40.8	1.7	1.2	1,271	0.225
1990	42.3	2.5	1.5	0,948	0.246
1995	43.8	2.5	1.8	0,589	0.241
2000	45.3	2.5	2.1	0,435	0.236
2005	46.6	6.6	2.5	0,750	0.322
2010	48.3	8.1	3.1	0,953	0.368
2011	48.7	8.1	3.1	0,979	0.371
2012	49.1	8.1	3.1	1,000	0.374

Afghan Perceptions of Key Challenges

Percentage of adult population considering selected issues to be the most important for their country, Afghanistan (2009 and 2012)



Source: General population survey 2009 and general population survey 2012

Since 2009 Afghanistan has made some tangible progress in reducing the level of corruption in the public sector.

While 59 per cent of the adult population had to pay at least one bribe to a public official in 2009, 50 per cent had to do so in 2012, and whereas 52 per cent of the population paid a bribe to a police officer in 2009, 42 per cent did so in 2012.

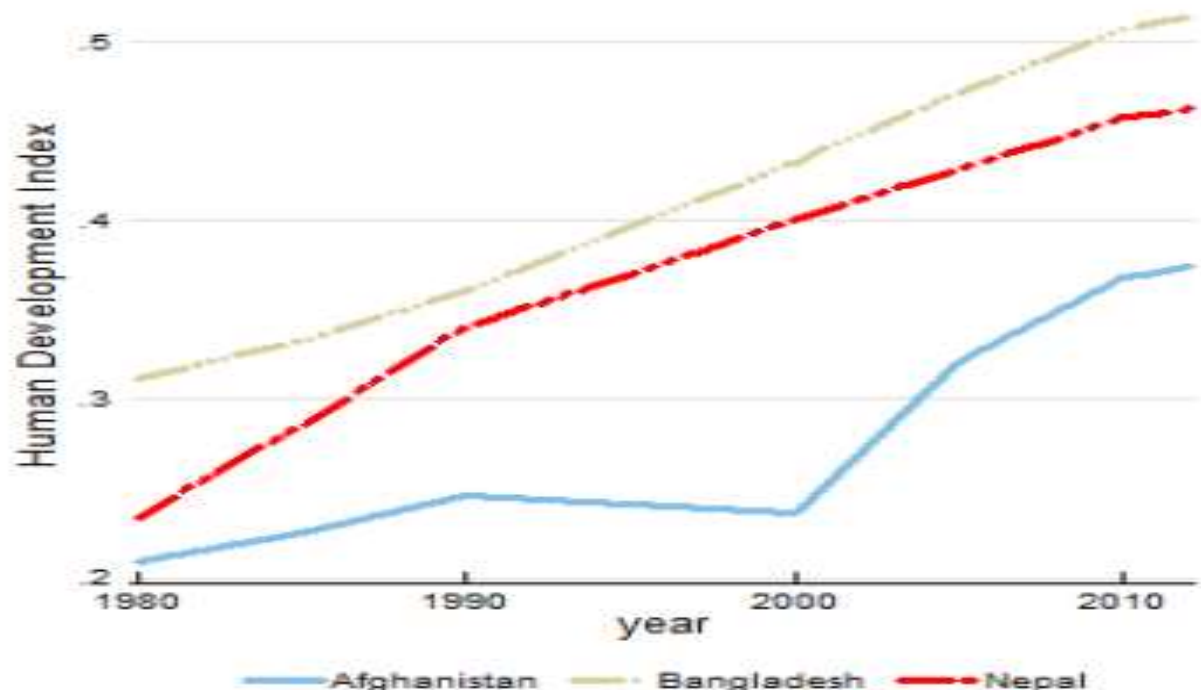
However, worrying trends have also emerged in the past three years: the frequency of bribery has increased from 4.7 bribes to 5.6 bribes per bribe-payer and the average cost of a bribe has risen from US\$ 158 to US\$ 214, a 29 per cent increase in real terms.

Education has emerged as one of the sectors most vulnerable to corruption, with the percentage of those paying a bribe to a teacher jumping from 16 per cent in 2009 to 51 per cent in 2012.

CORRUPTION IN AFGHANISTAN: December 2012, Recent patterns
http://www.unodc.org/documents/frontpageCorruption_in_Afghanistan

UN Human Development Progress Lags by Comparison

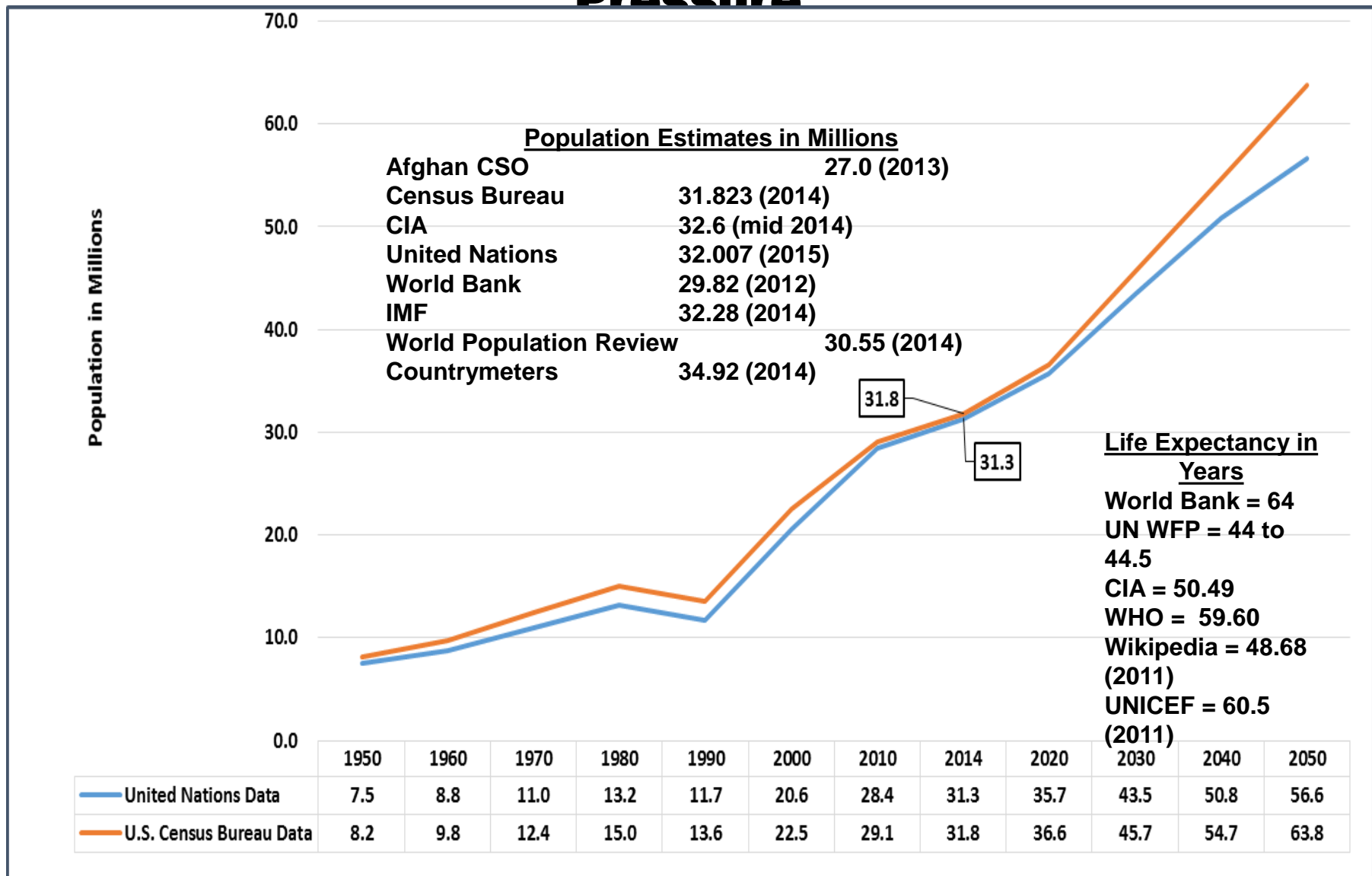
With Other Poor States: 1980-2012



	HDI value	HDI rank	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (PPP US\$)
Afghanistan	0.374	175	49.1	8.1	3.1	1,000
Nepal	0.463	157	69.1	8.9	3.2	1,137
Pakistan	0.515	146	65.7	7.3	4.9	2,566
South Asia	0.558	—	66.2	10.2	4.7	3,343
Low HDI	0.466	—	59.1	8.5	4.2	1,633

The Challenge of Demographics and Constant Population Pressure on Governance, the Economy, and Security

Afghanistan's Uncertain Demographic Pressure



CIA Estimate of Afghanistan's Divisive Demographics

- **Total population: 31,822,848 (July 2014 est.)**
 - Pashtun 42%, Tajik 27%, Hazara 9%, Uzbek 9%, Aimak 4%, Turkmen 3%, Baloch 2%, other 4%
 - Sunni Muslim 80%, Shia Muslim 19%, other 1%
- **Population 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)**
- **Urban population: 23.5% of total population (2011)**
- **Rate of urbanization: 4.41% annual rate of change (2010-15 est.)**
- **Young men and women reaching employment age annually: 392,116 males (5% of labor force), 370,295 females (2010 est.) 30-40% unemployment in 2008**
- **Agriculture employs 79% of population for only 20% of GDP?**
- **Services employ 15.7% of population for 54.4% of GDP?**

The Challenge of Governance and Corruption

The third section of this report focuses on the critical challenges in governance that will follow even the most successful outcome of the election in producing a clear result, popular acceptance, and support by Afghanistan's key power brokers and factions.

The post election period will be a race to establish a new pattern of effective governance, and deal with critical challenges in governance at every level, planning, budget execution, and dealing with the economy in addition to security.

US reporting on progress in governance and the economy has never had real credibility. As the previous budget summary shows, there is no evidence of a credible US government economic risk assessment, aid plan, effort to advance the reform goals set at the Tokyo governance, or deal with the problems of a system where the president controls most appointments and funds down to the District level.

Afghanistan is one of the most corrupt and incompetent governments in the world.

It must now adjust to radical cuts in the outside spending that supported its budget and the market and urban sector portions of its economy.

– problems disguised by a lack of meaningful current reporting, and dishonest modeling that ignore the impact of corruption, real-world narcotics economics, and capital flight.

Revenues may be partially protected by the carry over in aid funds, but past projections seem exaggerated, to ignore corruption and waste, sometimes be based on unrealistic forecasts of development.

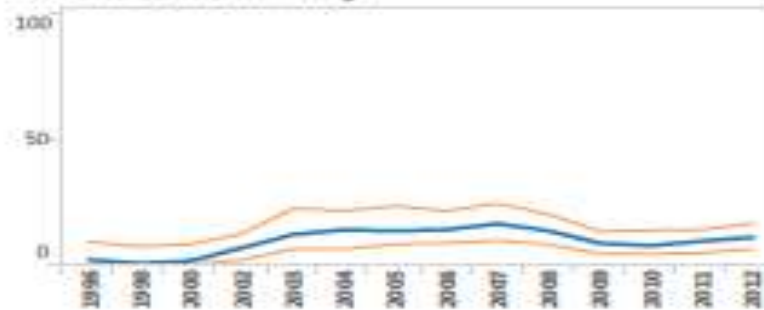
The ability of government's to spend money has never been a measure of effectiveness in showing what that spending accomplishes, but Afghanistan lags badly even in the ability to spend at a time many NGOs are leaving, PRTs will be gone, and it is supposed to manage a far larger share of aid funds.

Again, a Long List of Key Uncertainties

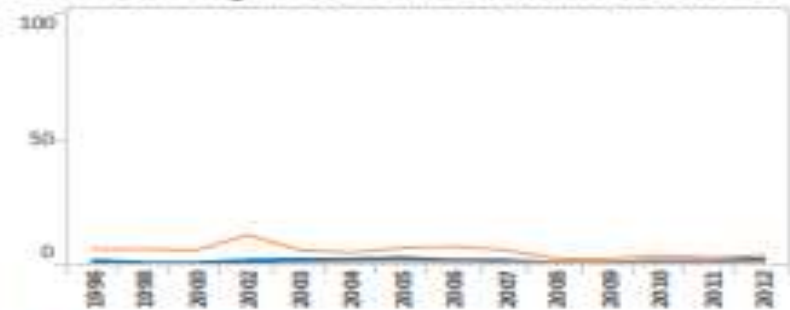
- **When will a new President take office?**
- **Can the new President win popular support... and lead?**
- **How long will it take to form a functional government at all levels – national, provincial, district?**
- **How will the mix of power brokers change?**
- **What security challenges will emerge and when? How will the MoD and Mol function and respond?**
- **Who will take charge of budgeting, economic planning, and use of international aid?**
- **What will be mix of corruption versus relative honesty?**
- **What will be the mix of capabilities – e.g., war-fighting versus security? How will Afghan leaders reshape the rule of law?**
- **How will layered defense actually interact with governance?**
- **Accommodation? Search for peace?**
- **Role of neighboring powers?**

World Bank Worldwide Governance Indicators: Approaching the World's Worst

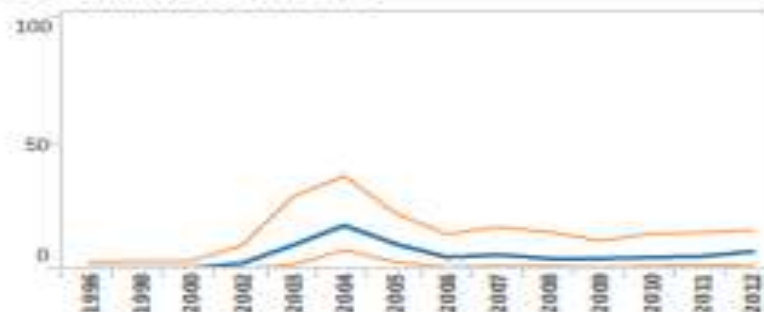
Voice and Accountability



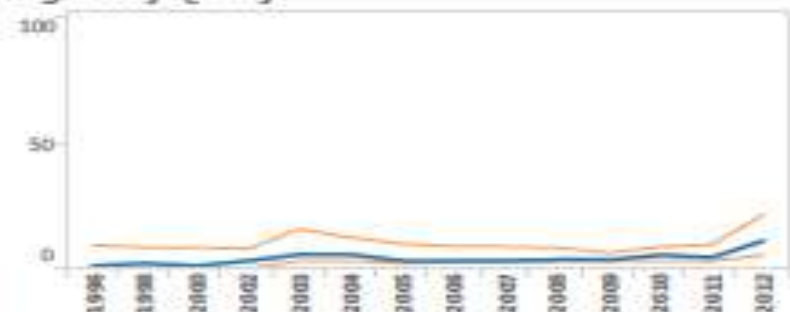
Political Stability and Absence of Violence/Terrorism



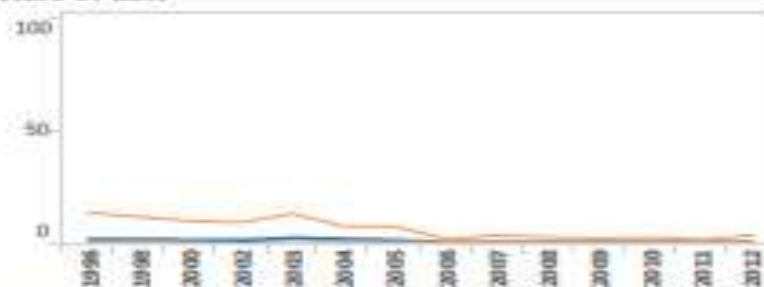
Government Effectiveness



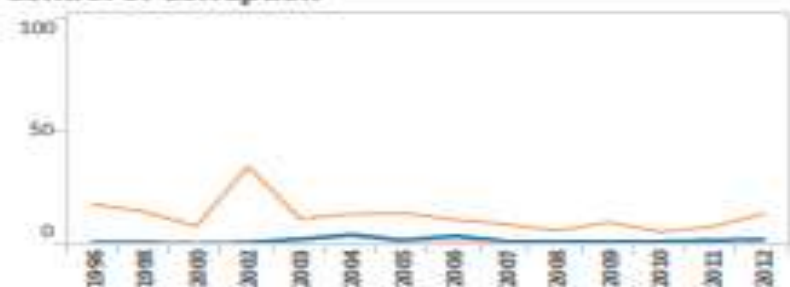
Regulatory Quality



Rule of Law



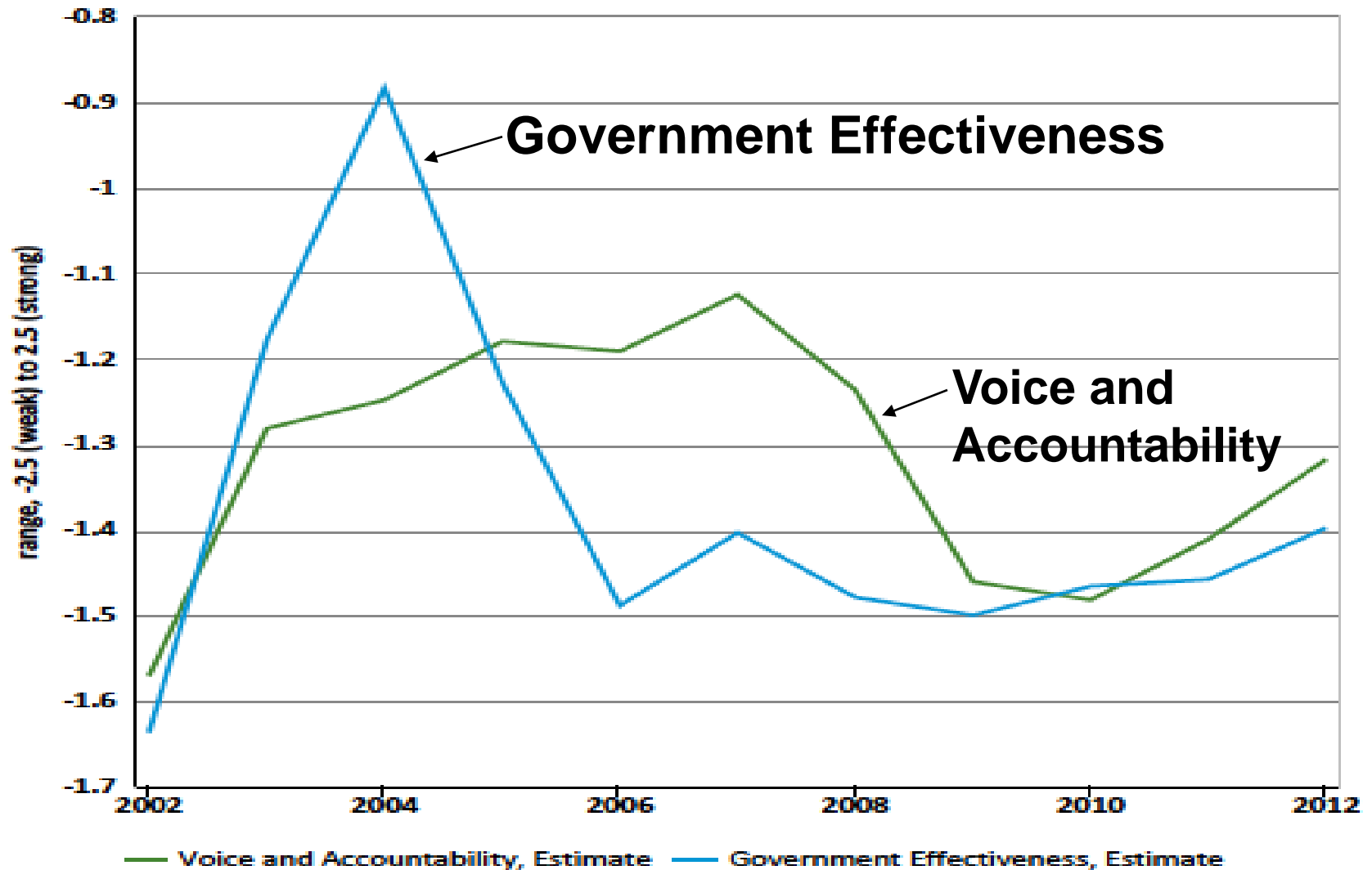
Control of Corruption



The inner, thicker blue line shows the selected country's percentile rank on each of the six aggregate governance indicators.
The outer, thinner red lines show the indicate margins of error.

World Bank Rankings of Governance Shows Very Uncertain Trends

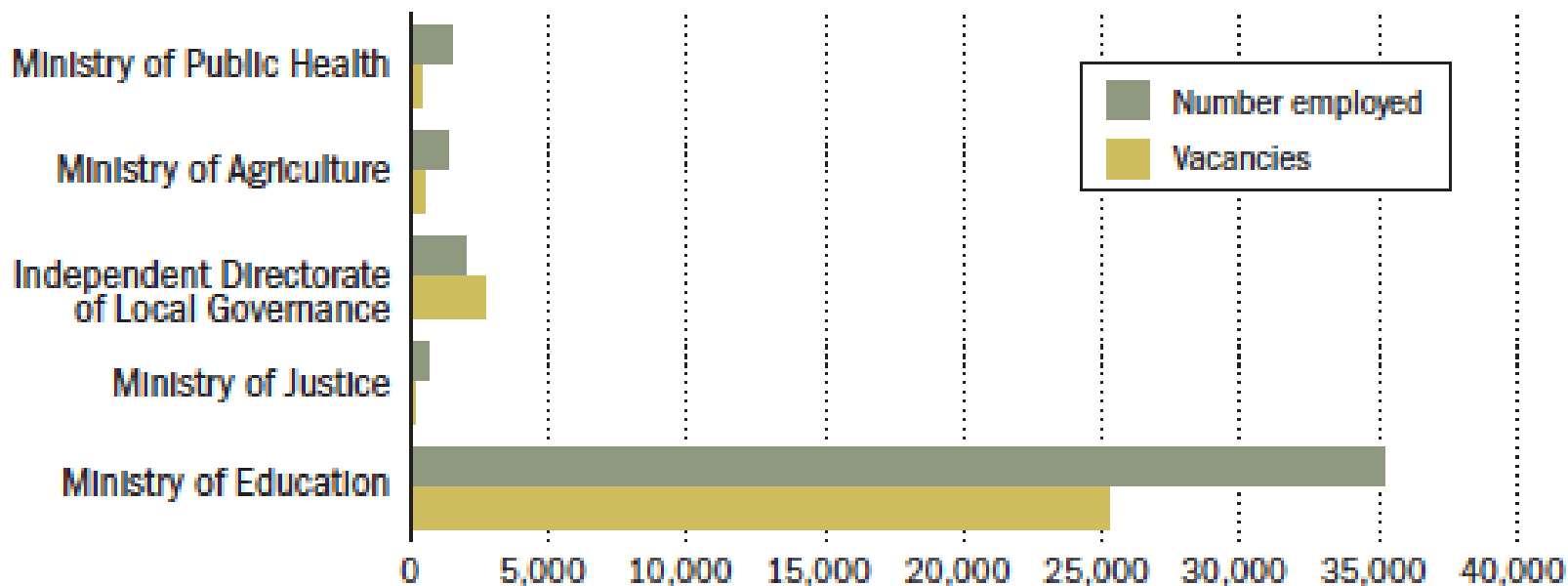
Afghanistan



SIGAR Estimate of Shortfall in Governance in the

Field

CIVIL SERVANT STAFFING FOR 14 PROVINCES OUTSIDE OF KABUL



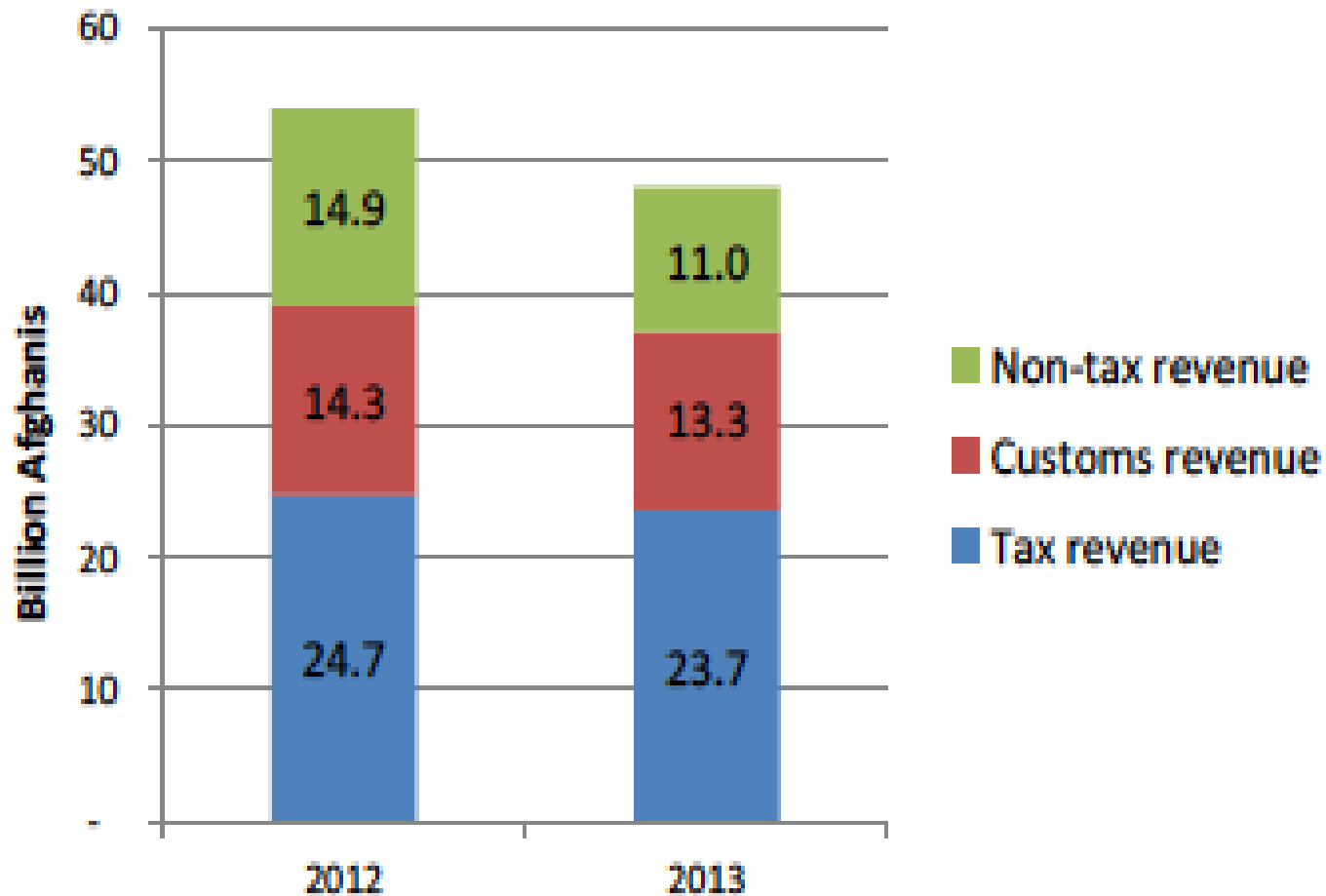
The data is for 14 of Afghanistan's 34 provinces (Daykundi, Farah, Ghazni, Helmand, Kandahar, Khowst, Logar, Wardak, Nimroz, Nuristan, Uruzgan, Paktiya, Paktika, and Zabul). Kabul was not included because several of the cells show zero for number of employed civil servants. The amounts for the Independent Directorate of Local Governance include personnel who work for provincial municipalities.

DOD's latest district assessment report, completed in February 2014, found that ...of the 47 districts where the Coalition provided oversight and support to VSO, 53% had "adequate" or "effective" governance. The remaining 47% had "poor" or "ineffective" governance. All districts in the report showed the same status for governance over the past year, except for one that improved from "adequate" to "effective." ... At the same time, DOD noted that it found much of the quarterly VSO survey data to be untrustworthy because of fraudulent or fabricated data

Budget Execution Has Been a Major Problem

- **Operating expenditures:**
 - Increased during the first six months of 2013, as more spending moved on-budget. Yet execution rates remain low, particularly for the development budget.
 - Increased to Afs 82.1 billion in the first six months in 2013, compared to Afs 75.4 billion over the same period in 2012.
- **Development expenditures declined to Afs 23.7 billion in the first half of 2013, compared to Afs 27 billion in the first half of 2012.**
- **Low budget execution continues to be a problem in Afghanistan, particularly affecting development expenditures in 2013.**
- **Budget execution was only 36.4% of the operating budget and 17% of the development budget in the first half of 2013, compared to 50% and 24%, respectively, in the first half of 2012 .**
- **Among ministries with development budgets of more than \$50 million, only three (ministries of health, finance, and rural development) have executed more than 20% through the first half of 2013.**

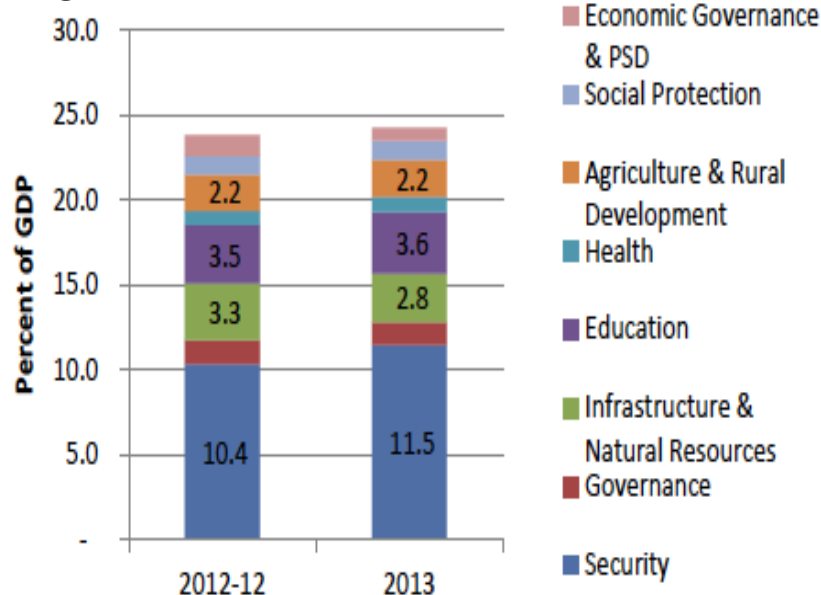
Revenues Went Down in 2013



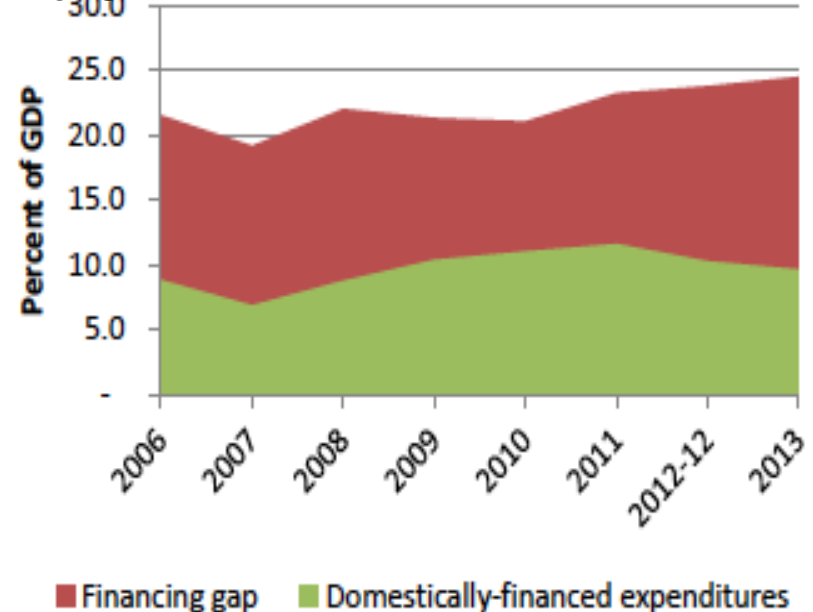
Total revenue collected in each month in 2013 was less than collections in the same month of 2012.

World Bank Estimate of Growing Financing Gap

Core Government Expenditures as % of GDP



Financing Gap in domestic Revenues as % of GDP



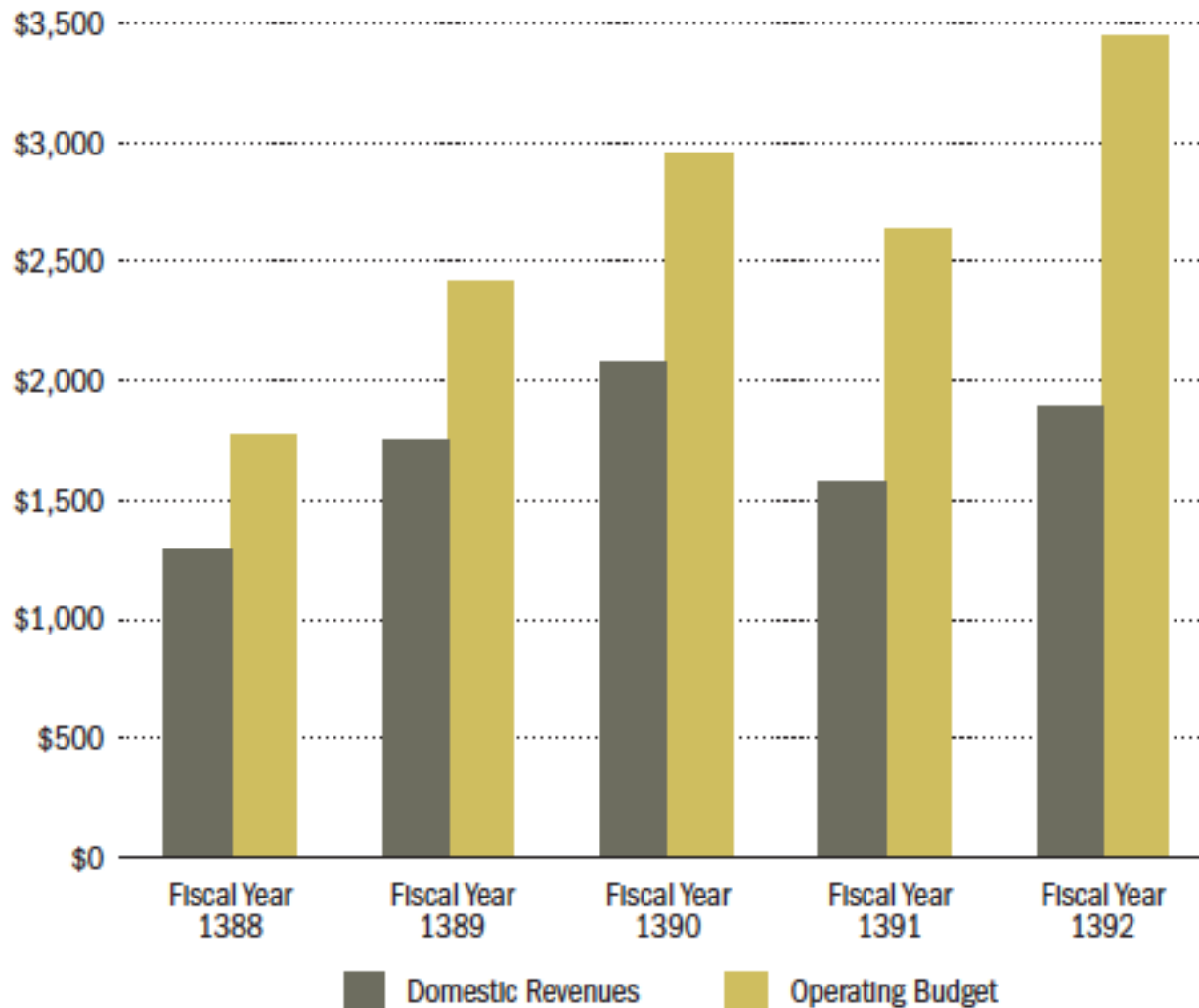
Transition Financing Critically Dependent on No Increase in Security Costs

	2013Bgt*	2013Act	2014Bgt
Recurrent budget	3,775	3,575	5,008
Discretionary development	874	342	895
Non-discretionary development	2,159	1,107	1,746
Total core budget	6,809	5,025	7,649
Domestic revenues	2,488	1,974	2,489
Foreign grants	4,022	3,307	4,738
External loans/credits	54	25	49
Total financing	6,565	5,307	7,277

* 2013Bgt figures are initial budgeted figures.

SIGAR Estimate of Growing Financing Gap for Operations

AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING BUDGET (\$ MILLIONS)

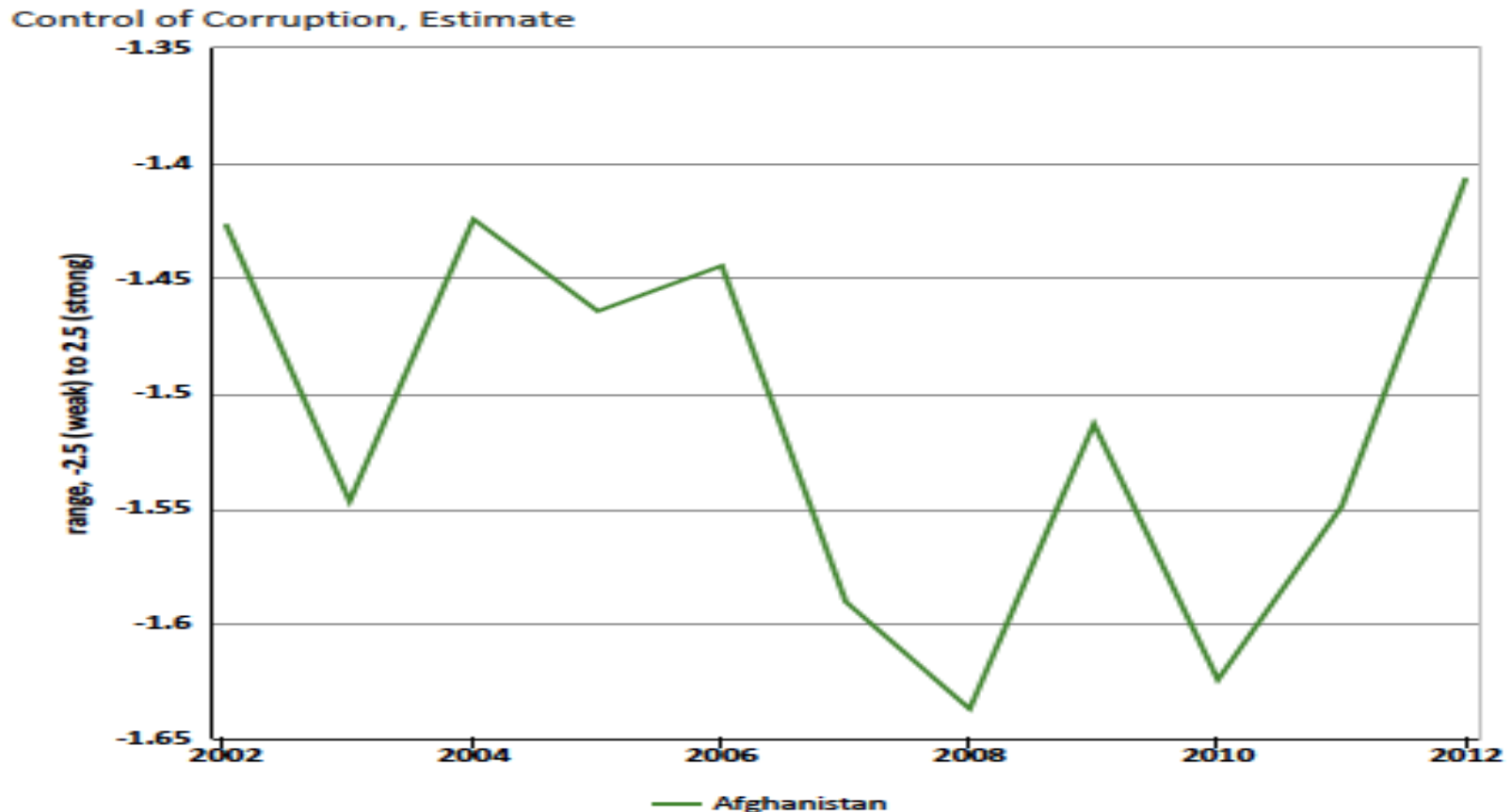


...domestic revenues declined to 9.6% of GDP in 2013, one of the lowest in the world. Afghanistan's commitments under the Tokyo Mutual Accountability Framework call for it to increase revenues to 15% of GDP by 2016 and to 19% by 2025.

The Bank warned that the current decline in revenue poses risks to long-term sustainability and to achieving Tokyo Mutual Accountability Framework targets, upon which donor assistance is predicated

The Challenge of Corruption

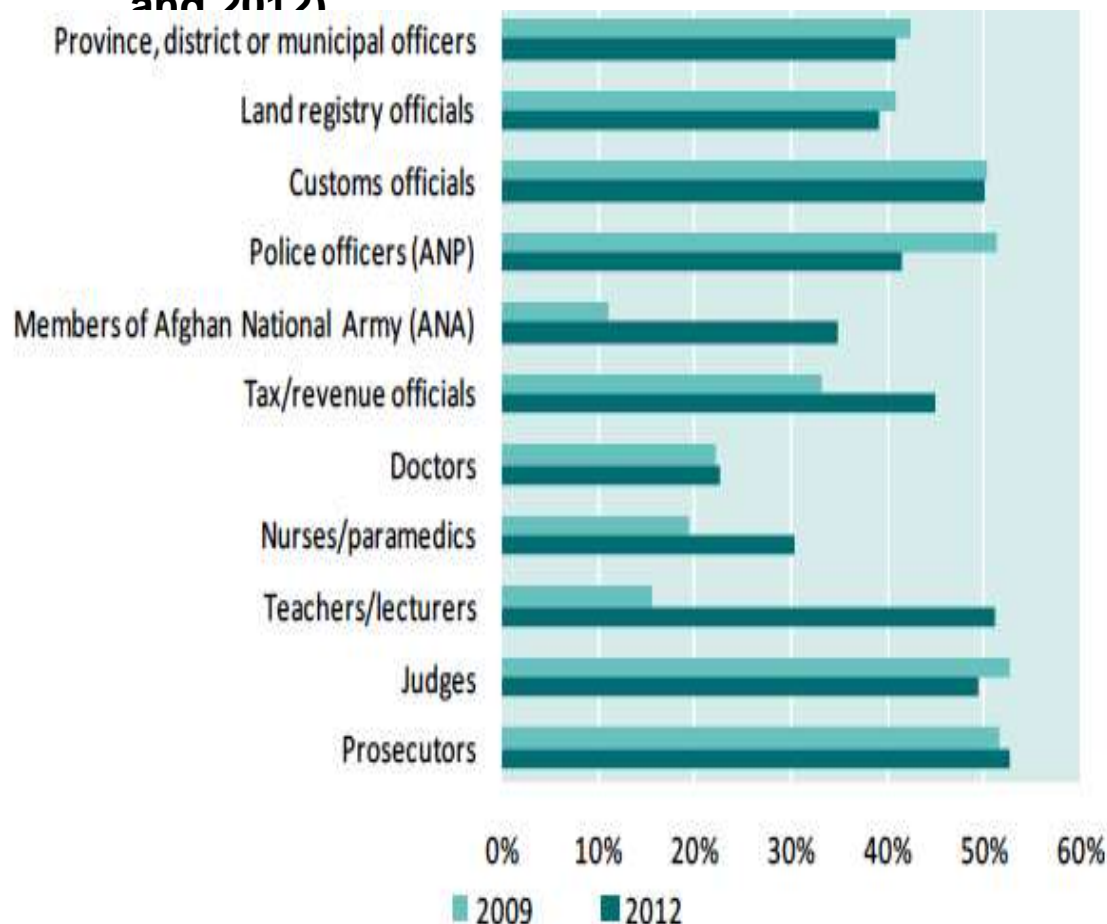
- 175th most corrupt country out of 177 ranked by Transparency International. Budget openness is minimal.
- Bad rating on World Bank's "Control of corruption index" bad. Improvement is driven by aid donors.



Who Takes Bribes: The ANA Got Worse

Prevalence of bribery, by public official receiving the bribe, Afghanistan (2009

and 2012)



Source: General population survey 2009 and general population survey 2012

The likelihood of bribes being paid to a particular type of public official depends on how frequently citizens interact with them.

But since different types of official have different types of exposure to citizens, it is important to estimate the probability of a certain type of official receiving a bribe when he or she is contacted, independently from the frequency of interaction. This is measured by means of the prevalence of bribery in relation to each type of public official.

According to this indicator, four types of official (prosecutors, teachers, judges and customs officials) are the most likely to receive bribes when dealing with citizens.

While there has been little change in prevalence rates since 2009 in relation to prosecutors, judges and customs officials, the vulnerability to bribery of teachers has increased dramatically in the past three years.

Other officials particularly vulnerable to bribery in Afghanistan are tax/revenue officials and police officers, while there has also been a notable increase in the vulnerability of members of the Afghan National Army

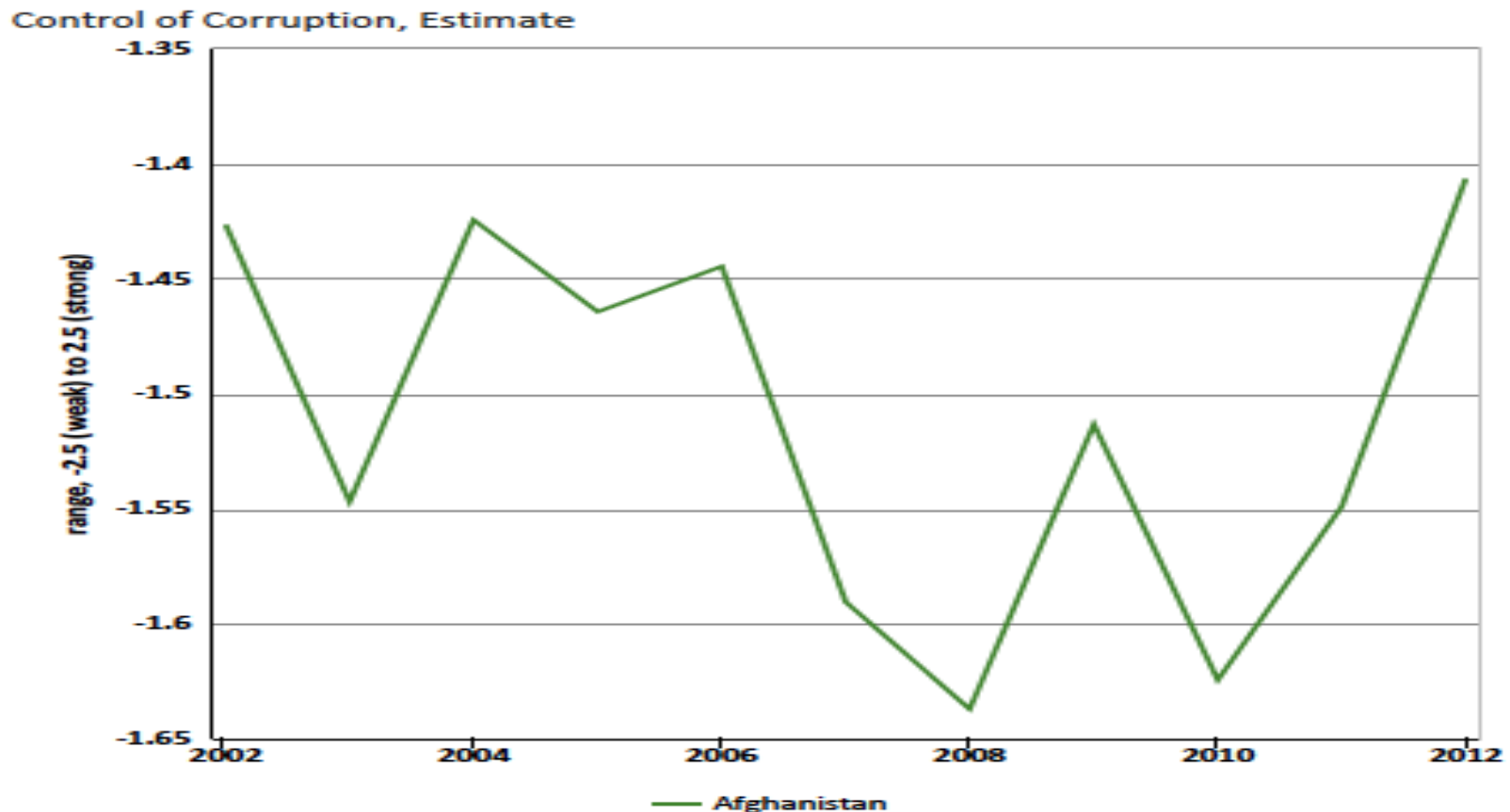


Since 2003, levels of distrust and corruption have increased to the point where corruption is endemic across Afghanistan. In a survey of the population that was reported in October 2013, 80 percent of Afghans described corruption as a major problem, with 73 percent reporting that corruption was “a part of daily life” and 65 percent saying it was worse than the year before. Almost two-thirds (62 percent) of those polled felt GIRoA, as a whole, was corrupt to some degree. When asked why, the most common reasons cited were that GIRoA was a generally weak government and officials took bribes.

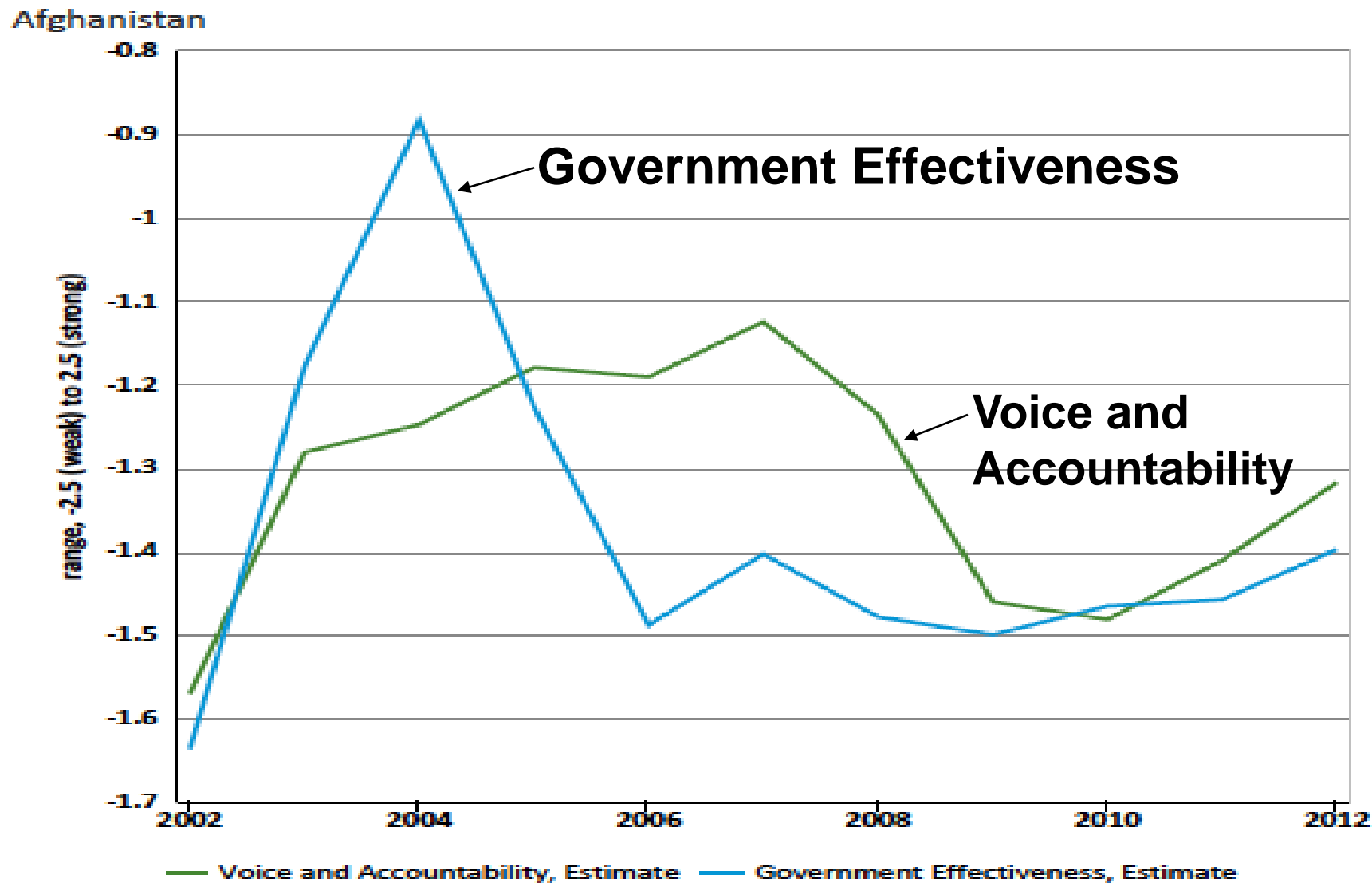
In the same poll, Afghans were questioned about various governance bodies and whether they abused their authority and power. More than half of respondents felt that every level of government and every office abused its power. Notably, President Karzai, who was viewed as corrupt by “only” 38 percent of respondents, experienced a rise in the number of people who felt he abused his authority, to the highest level since an August 2011 poll.

The Challenge of Corruption

- 175th most corrupt country out of 177 ranked by Transparency International. Budget openness is minimal.
- Bad rating on World Bank's "Control of corruption index" bad. Improvement is driven by aid donors.

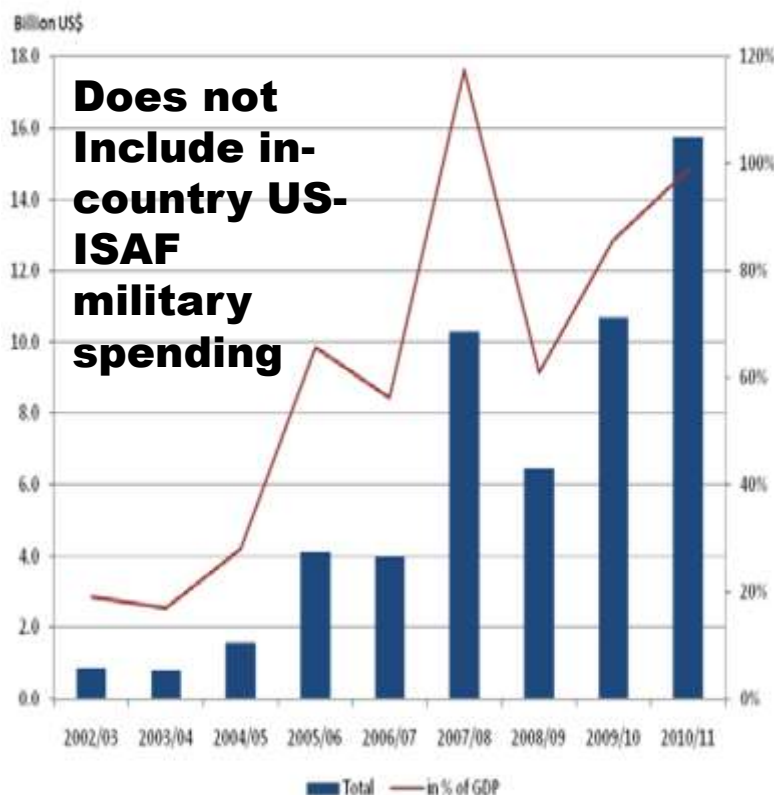


World Bank Rankings of Governance Shows Very Uncertain Trends



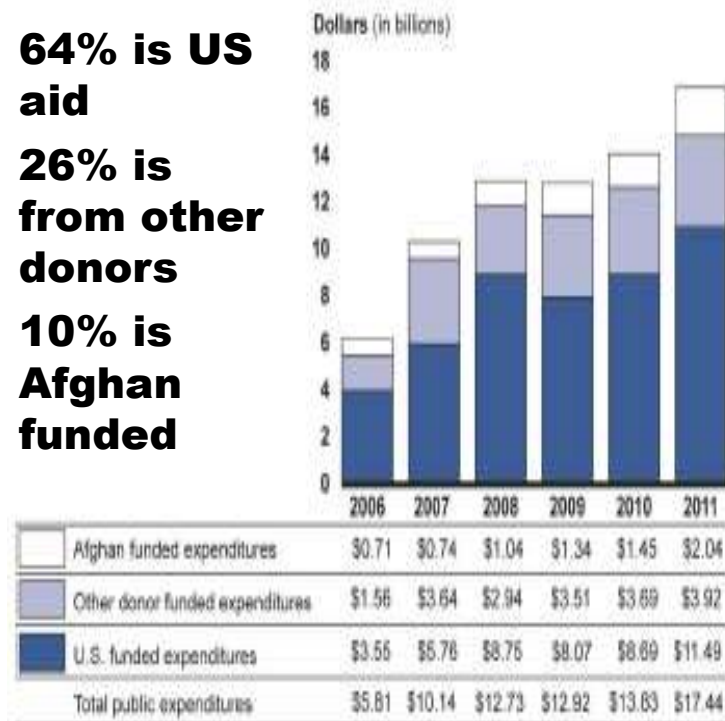
An Economy Driven by Aid, Military Spending, and Narcotics

Outside Aid Spending Drives GDP After 2003/2004



Only 10% of Afghan Budget is Self-Funded

- 64% is US aid
- 26% is from other donors
- 10% is Afghan funded



Budget Execution Has Been a Major Problem

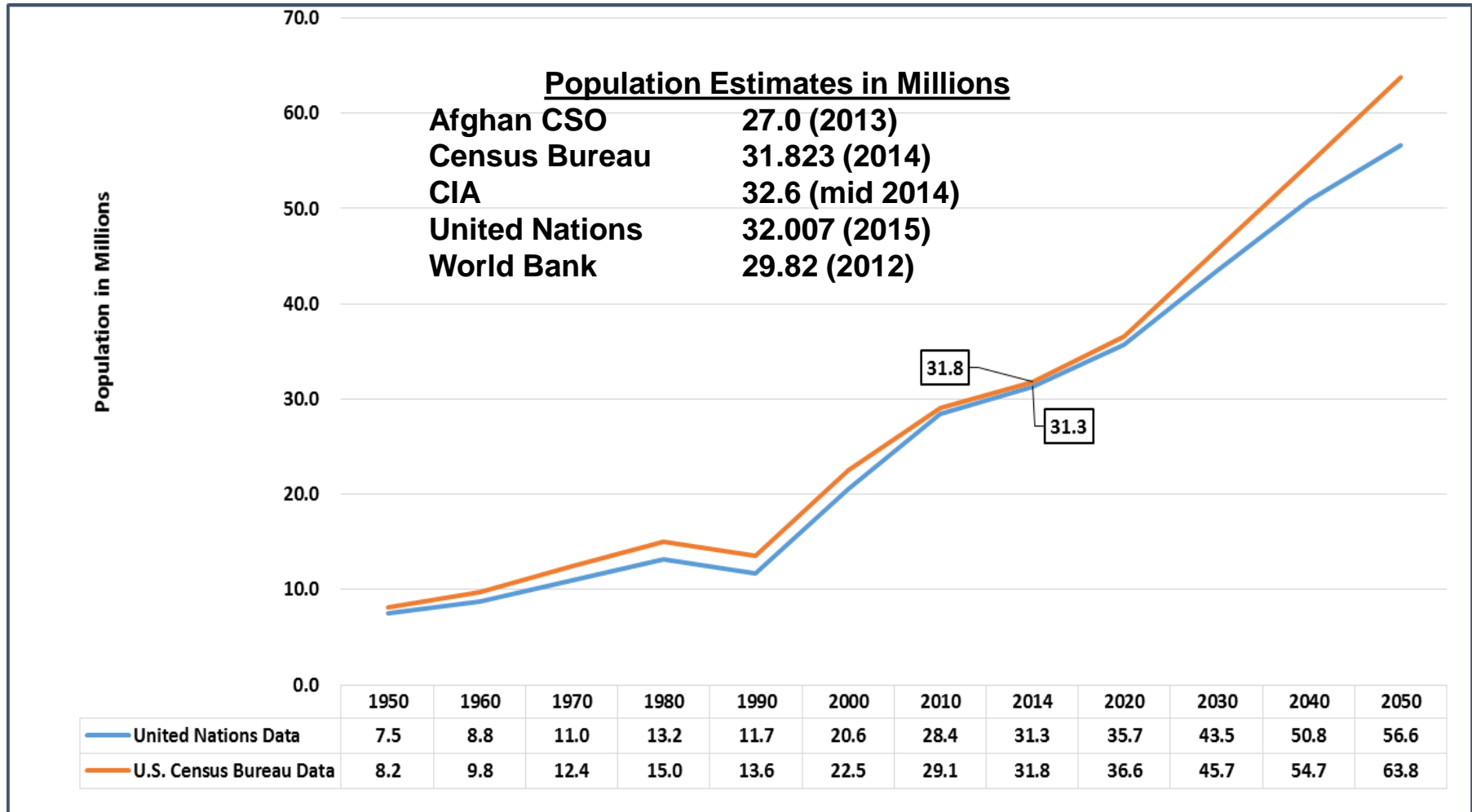
- **Operating expenditures:**
 - Increased during the first six months of 2013, as more spending moved on-budget. Yet execution rates remain low, particularly for the development budget.
 - Increased to Afs 82.1 billion in the first six months in 2013, compared to Afs 75.4 billion over the same period in 2012.
- Development expenditures declined to Afs 23.7 billion in the first half of 2013, compared to Afs 27 billion in the first half of 2012.
- Low budget execution continues to be a problem in Afghanistan, particularly affecting development expenditures in 2013.
- Budget execution was only 36.4% of the operating budget and 17% of the development budget in the first half of 2013, compared to 50% and 24%, respectively, in the first half of 2012 .
- Among ministries with development budgets of more than \$50 million, only three (ministries of health, finance, and rural development) have executed more than 20% through the first half of 2013.

The Challenge of Demographics

The fourth section of this report warns just how serious ethnic, regional, and sectarian divisions are among the population and shows how critical sheer population pressure is in terms of total population, pressure on the land and water, urbanization and demand for jobs.

- Population estimates are very uncertain and many of the statistics commonly used have no reliable source or level of accuracy.
- The UN and US Census Bureau agree, however, that Afghanistan is under extreme population pressure for a very poor country with limited arable land and water and uncertain rainfall. (p. 46) 7.5-8.2 million in 1950 to 13.2 to 15.0 million at time of Soviet invasion to 27+ to 32+ million in 2014.
- Ethnic and sectarian differences are a problem, compounded by competition between power brokers and officials.
- An extremely young population creates a high dependency ratio and will put major pressure on the land, water, and job creation for at least a decade.
- Population pressure, water, and economic incentives have led to a sharp rise in urbanization, much uncounted or underestimated, and in the form of slums, poverty, and subsistence.
- The rate of young men reaching job age alone seems to exceed creation of real jobs.
- Agriculture employs 79% of population for only 20% of GDP?
- Services employ 15.7% of population for 54.4% of GDP? After Transition and coming cuts in aid and military spending?

Afghanistan's Demographic Pressure



Afghanistan's Divisive Demographics

- **Total population: 31,822,848 (July 2014 est.)**
 - Pashtun 42%, Tajik 27%, Hazara 9%, Uzbek 9%, Aimak 4%, Turkmen 3%, Baloch 2%, other 4%
 - Sunni Muslim 80%, Shia Muslim 19%, other 1%
- **Population 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)**
- **Urban population: 23.5% of total population (2011)**
- **Rate of urbanization: 4.41% annual rate of change (2010-15 est.)**
- **Young men and women reaching employment age annually: 392,116 males (5% of labor force), 370,295 females (2010 est.) 30-40% unemployment in 2008**
- **Agriculture employs 79% of population for only 20% of GDP?**
- **Services employ 15.7% of population for 54.4% of GDP?**

The Challenge of Economic Stability and Development

Economic Challenges

- **“New Silk Road” is dead, and “Ring Road” is uncertain; mineral wealth is no miracle solution to economic challenges. Very little real growth other than aid and military spending driven – cyclical impact of rainfall.**
- **Still at war and highly aid dependent.**
- **Unclear who will plan and manage aid and revenues in government.**
- **No clear aid structure, revenue flows, outside plans and focus.**
- **The goal of 50% Afghan control ignores the roll back of aid/NGO presence; government ability to use and manage is insufficient.**
- **Failure of UNAMA, uncertain role of World Bank**
- **Service sector may leave, export capital, collapse.**
- **Major barriers to private development**
- **At least some risk of major recession and collapse of the market-driven sector.**

The Challenge of Economic Stability and Development

The final section highlights the potential seriousness of economic risk.

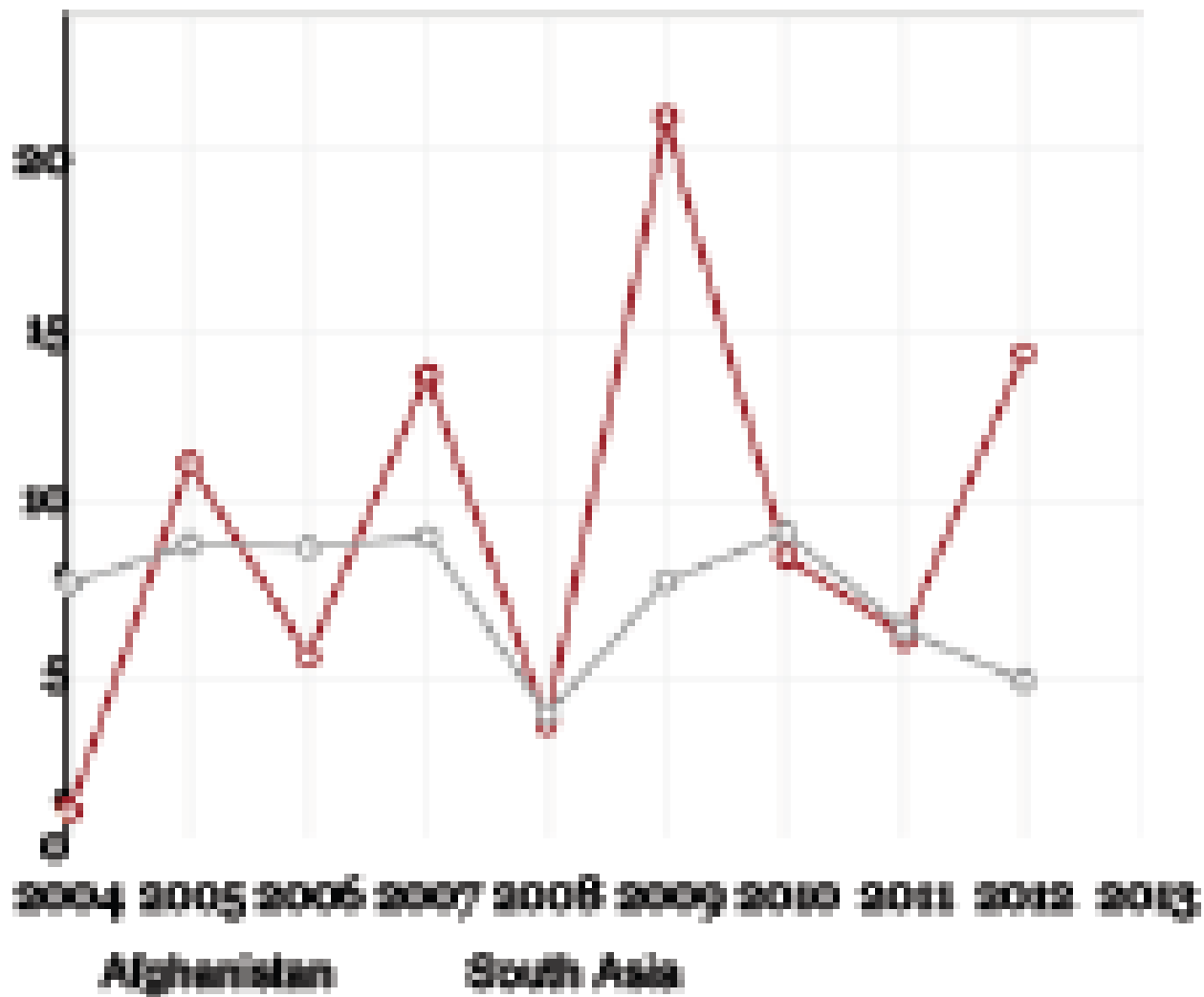
- There are at least nine major challenges that are not war related.
- Past reporting on GDP growth has been dishonest in that it took figures shaped by the agriculture sector, and gains determined by peak rainfall, and implied these were the result of development and aid.
- Transition and cuts in military and aid spending may have a critical impact on both the service and industries sector during transition. The lack of a comparable estimate of the impact of the narcotics sector is analytically absurd.
- In spite of these problems, there seems to have been real progress in human development in spite of gross exaggeration of improvement in medical services, and in students actually in school versus expected years of schooling.
- This still, however, has left Afghanistan far behind other poor Asian state like Bangladesh and Nepal.
- Transition will make the major barriers to doing business in Afghanistan – which ranks only 164th out of 189 countries – far more serious.
- There are no credible estimates of just how dependent Afghanistan has been on outside military spending and aid, but the World Bank and CIA warn that Afghan imports were 17 time exports in 2012.

Economic Challenges

- **Massive current dependence on outside war spending and aid**
- “New Silk Road” is dead, and “Ring Road” is uncertain; mineral wealth is no miracle solution to economic challenges. Very little real growth other than aid and military spending driven – cyclical impact of rainfall.
- Still at war and highly aid dependent.
- Unclear who will plan and manage aid and revenues in government.
- No clear aid structure, revenue flows, outside plans and focus.
- The goal of 50% Afghan control ignores the roll back of aid/NGO presence; government ability to use and manage is insufficient.
- Failure of UNAMA, uncertain role of World Bank
- Service sector may leave, export capital, collapse.
- Major barriers to private development
- **At least some risk of major recession and collapse of the market-driven sector.**

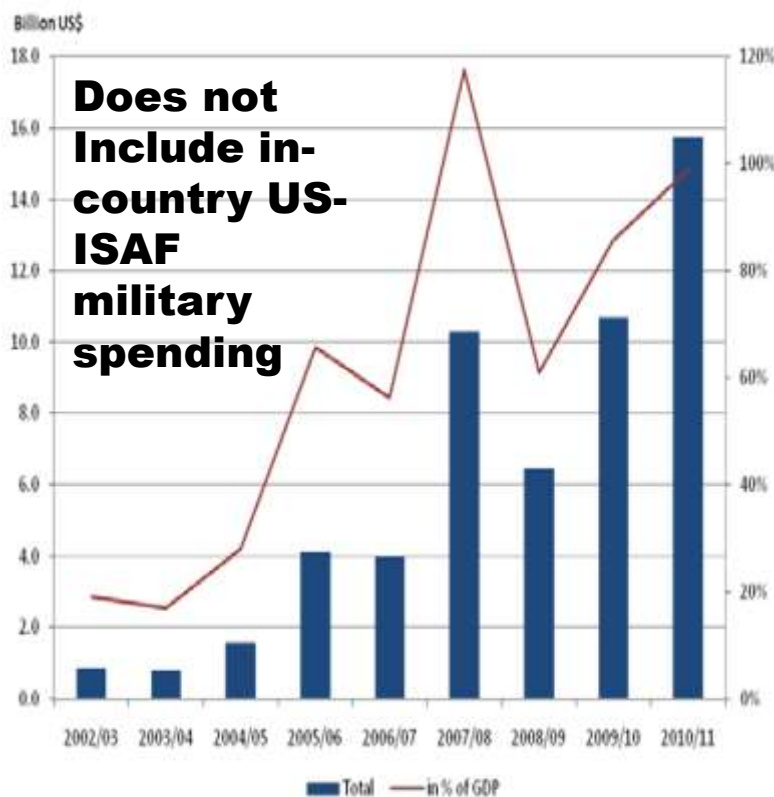
World Bank Estimate of Afghan GDP Growth 2004-2013

(Annual % Growth in Constant \$US 2010 Dollars)



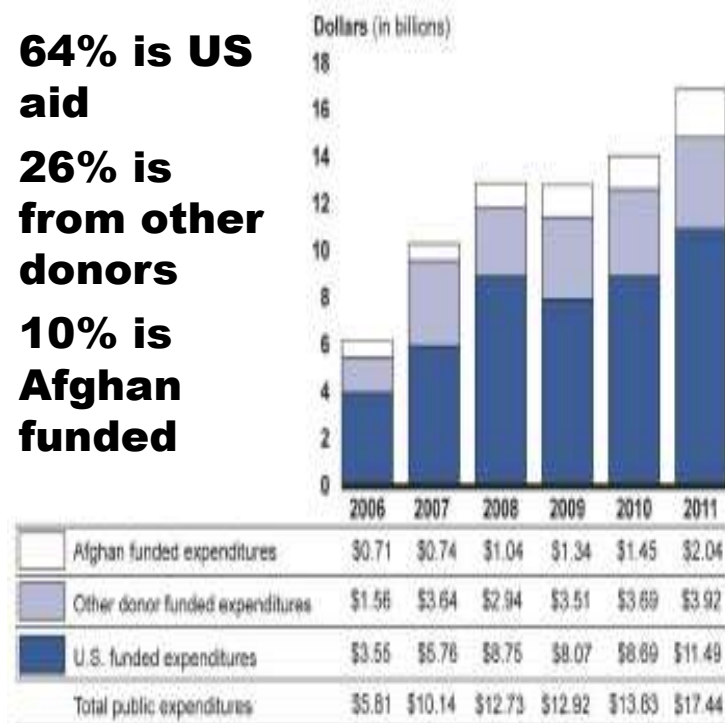
An Economy Driven by Aid, Military Spending, and Narcotics

Outside Aid Spending Drives GDP After 2003/2004

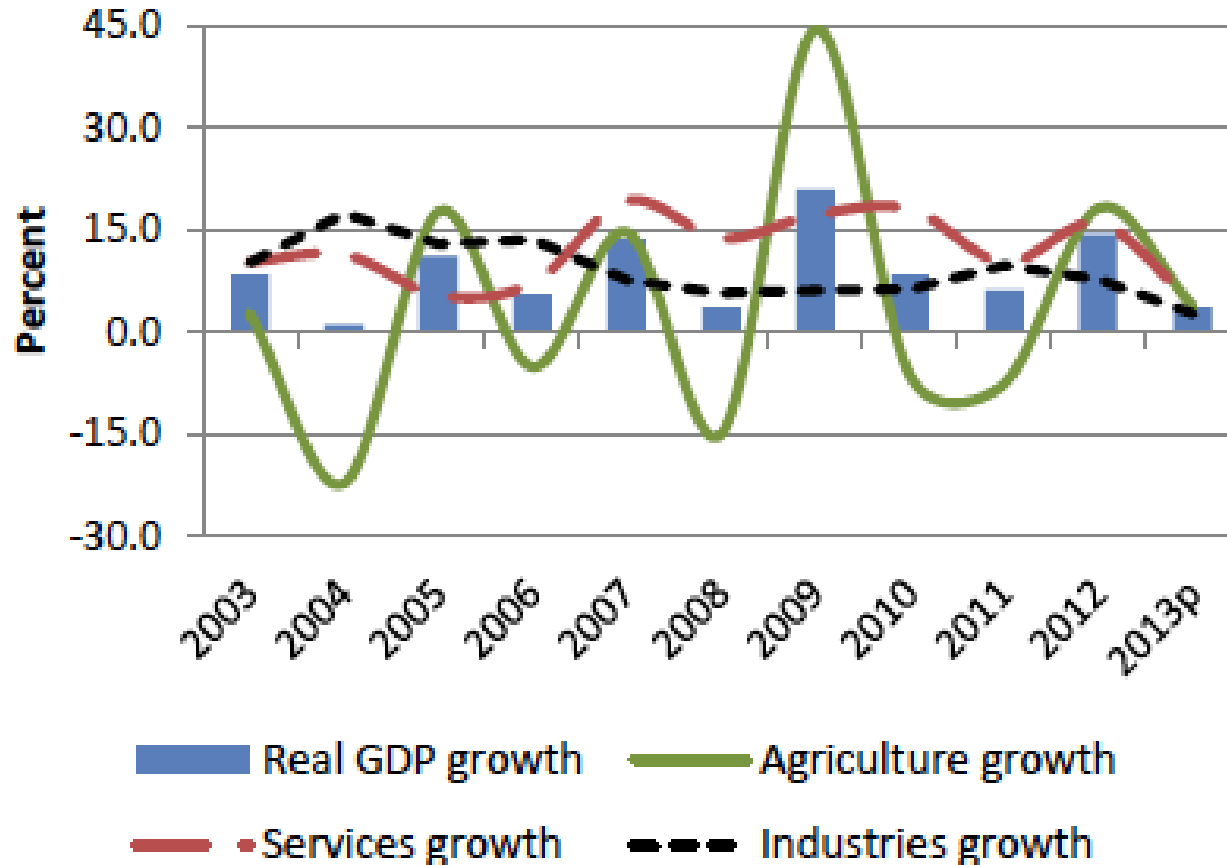


Only 10% of Afghan Budget is Self-Funded

- 64% is US aid
- 26% is from other donors
- 10% is Afghan funded



World Bank Estimate of Afghan GDP Growth Tied to Agricultural Growth and Rainfall



Source: CSO

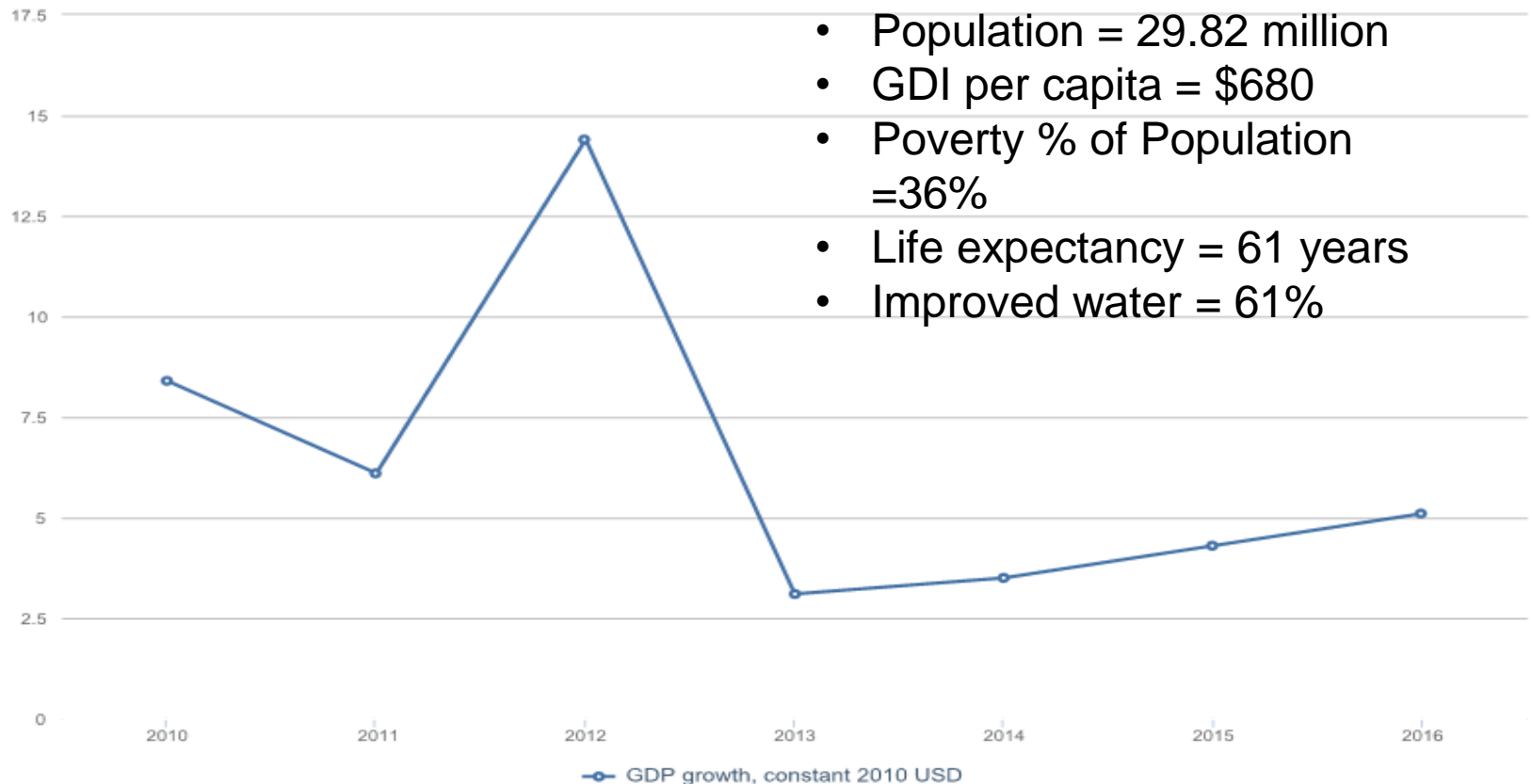
- Real GDP growth (excluding opium production) was 14.4% in 2012, which represented a sharp uptick from 6.1% in 2011.
- This strong performance was in large part due to an exceptional agricultural harvest supported by favorable weather conditions.
- Agriculture accounts for about a quarter of GDP (excluding opium). As a result, economic growth is influenced heavily by the volatile

World Bank Estimate of Afghan GDP Growth 2010-2016

(In Constant \$US 2010 Dollars)

Status in 2013

- \$GDP = \$20.5 billion
- Population = 29.82 million
- GDI per capita = \$680
- Poverty % of Population = 36%
- Life expectancy = 61 years
- Improved water = 61%



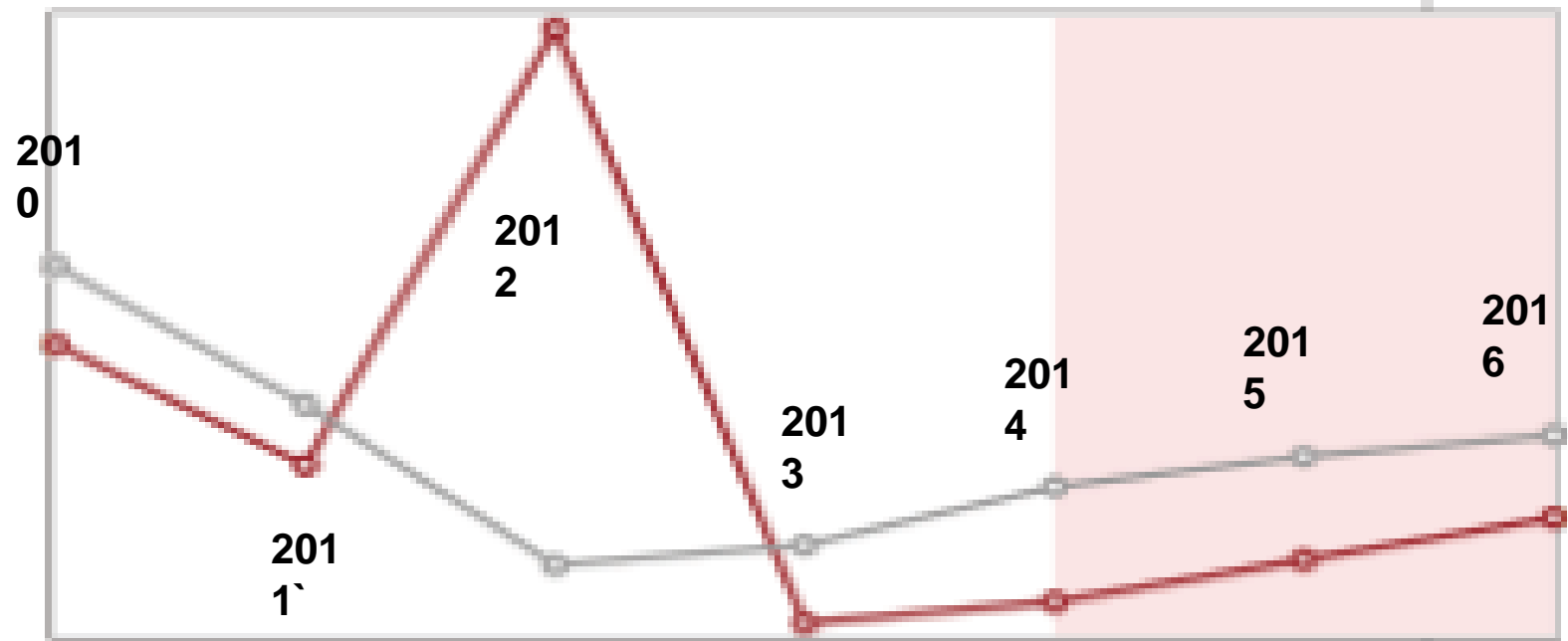
Country : Afghanistan

Created from: Global Economic Prospects

Created on: 05/05/2014

World Bank Estimate of Comparison with Rest of South Asia

Annual GDP Growth (%)



Afghanistan

South Asia

Forecast (2014, 2015, 2016)

World Bank Estimate of Worsening Afghan Poverty Trends

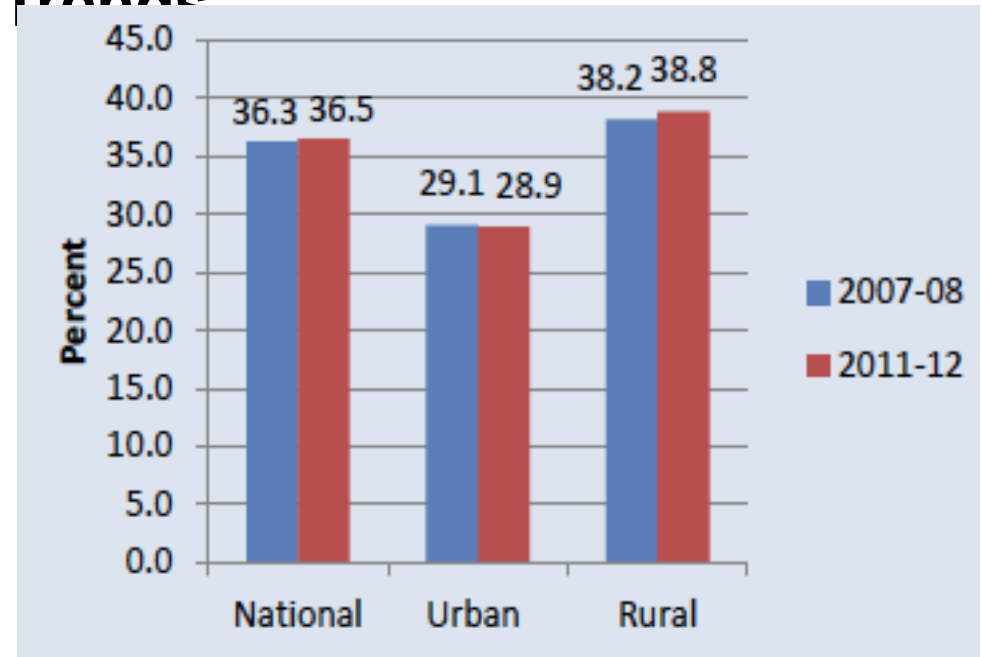
The national poverty rate in Afghanistan was around 36 percent in 2011-12, the same level measured in 2007-08...

Furthermore, the results showed that inequality edged up. In particular, the Gini coefficient increased to 31.6 in 2011-12 from 29.7 in 2007-08, while the growth rate of per capita expenditure of the richest 20 percent of the population was three times as high as that of the poorest 20 percent

...In addition, the bottom forty percent of the population commands only 21 percent of total consumption and more than 50 percent of the population is still vulnerable to becoming poor.

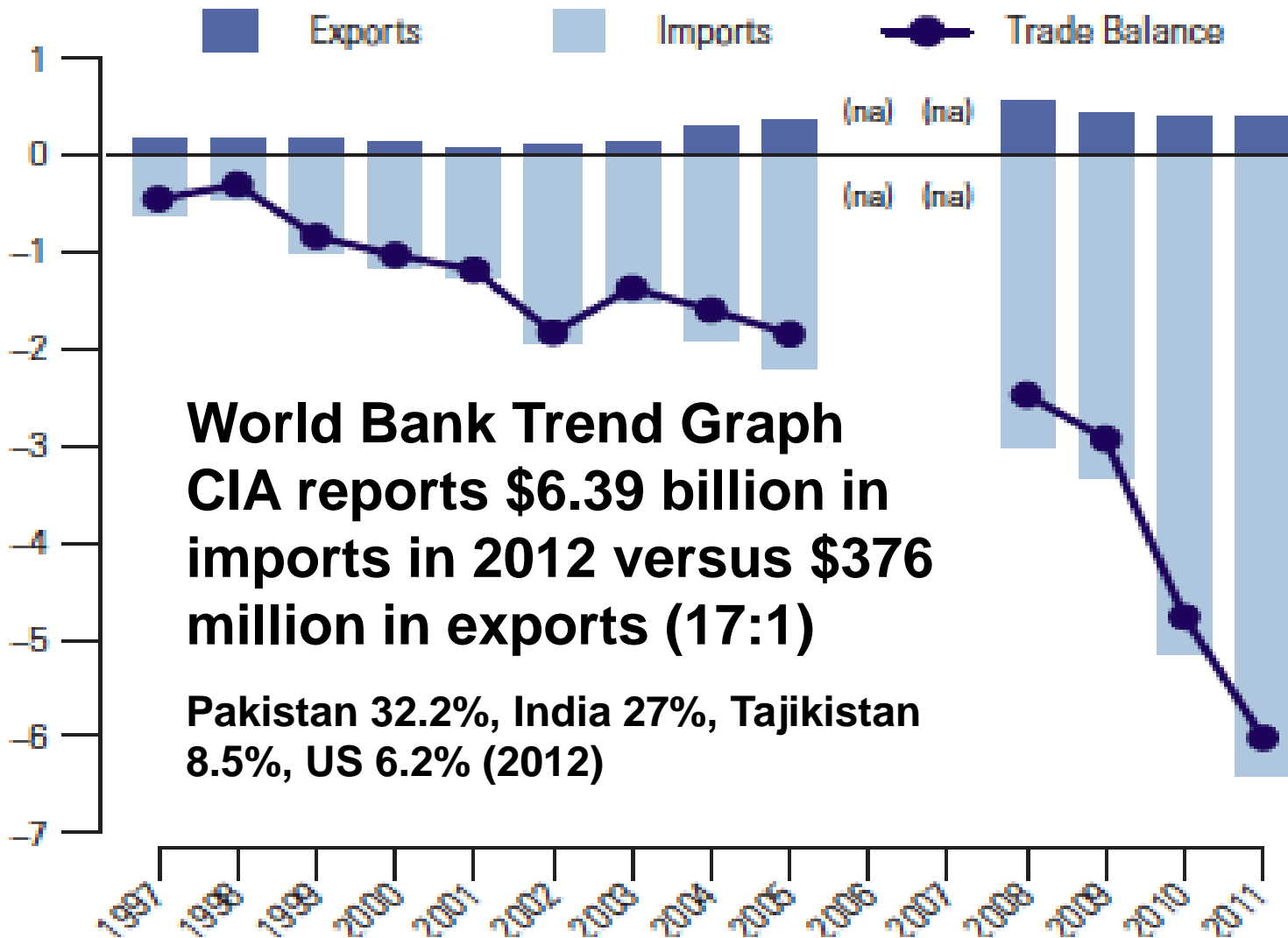
A number of factors could be contributing to the measured trends. First, the volatility of agricultural production would affect measured poverty trends since agriculture accounts for more than half of employment. It is worth noting that 2010 and 2011, the two years preceding the 2011-12 survey, both featured negative growth in the agricultural sector. Second, pervasive underemployment likely affects the poverty impact of growth. Afghanistan faces a daunting demographic challenge, with around 400,000 new entrants into the labor force expected in the next few years.

...Finally, the high dependency ratio, low levels of female labor force participation, and low labor productivity all contribute to shaping Afghanistan's poverty profile. High economic dependency due to demographic pressure is further aggravated by extremely low levels of female labor force participation (19 percent) and the overwhelming prevalence of vulnerable forms of employment in informal and low productivity jobs (81 percent).



Challenge of Post Transition Trade Balance

(Bln US\$ by year)



World Bank Trend Graph
CIA reports \$6.39 billion in imports in 2012 versus \$376 million in exports (17:1)

Pakistan 32.2%, India 27%, Tajikistan 8.5%, US 6.2% (2012)

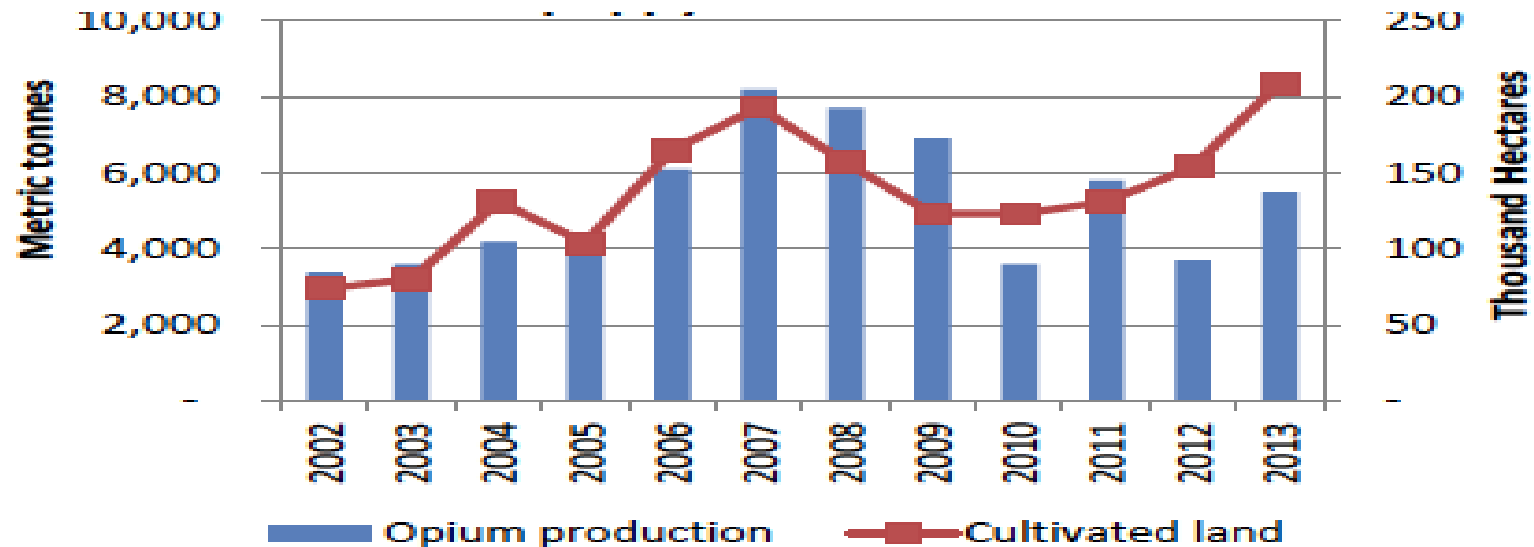
World Bank Estimate of Major Barriers to Doing Business and Private Development (164th Out of 189 Countries)

REGION	South Asia	DOING BUSINESS 2014 RANK	DOING BUSINESS 2013 RANK***	CHANGE IN RANK
INCOME CATEGORY	Low income	164	170	↑ 6
POPULATION	28,824,536	DOING BUSINESS 2014 DTF** (% POINTS)	DOING BUSINESS 2013 DTF** (% POINTS)	IMPROVEMENT IN DTF** (% POINTS)
GNI PER CAPITA (US\$)	622	42.45	41.62	↑ 0.83
CITY COVERED	Kabul			

TOPICS	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting a Business ✓	24	31	+ 7
Dealing with Construction Permits	167	170	+ 3
Getting Electricity	104	111	+ 7
Registering Property	175	176	+ 1
Getting Credit ✓	130	154	+ 24
Protecting Investors	189	189	No change
Paying Taxes	98	95	+ -3
Trading Across Borders	184	181	+ -3
Enforcing Contracts	168	170	+ 2
Resolving Insolvency	115	118	+ 3



World Bank Estimate of Afghan Opium Production and Area Under Poppy Cultivation 2002-2013



Source: UNODC

Both opium production and area under poppy cultivation increased considerably in 2013, although this is not reflected in estimated non-opium GDP growth figures for 2013. **According to UNODC data, opium production increased by almost 50 percent to 5,500 tons in 2013, while the total area under poppy cultivation expanded by 36 percent to 209,000 hectares (Figure 5)**. Opium production in 2013 appears to have recovered from the decline in 2012 triggered by adverse weather and disease. While the total value of opium production at farm-gate prices remained at about 4 percent of GDP (or \$950 million) in 2013 due to a decline in the farm-gate price, **the Export value of opiates (including drugs) increased from 11 percent of GDP in 2012 to 15 percent of GDP – or \$3.1 billion – in 2013.**

The UNODC estimates that the net value of the domestic market for opiates is far smaller, worth approximately 1 percent of GDP or \$200 million, compared to the net export value of opiates which is around \$2.9 billion. Despite substantial financial flows from opium production, analysis suggests that the contribution of opium to economic growth in the past ten years has been minimal, although it is likely to be an important source of livelihood for a segment of the rural population.

World Bank Afghan Recent Economic Developments, April 2014, <http://www->