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The Forces Shaping Transition in Afghanistan: 2014-2016

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If there is any lesson I have learned during the time between Vietnam and the present, it is that we perpetually seek simplicity and good news in wars that are extraordinarily complex, and that we spin the facts into some simple justification of what we are already doing -- rather than honestly face the far more challenging mix of problems and risks that actually shape a conflict.

We have been asked to testify today about the third war in my lifetime where we are headed out of a conflict in ways where we deny or understate the risks, spin the facts to justify a rapid departure, and plan to act with no meaningful public debate over the strategic importance of our actions.

Our latest QDR, our strategic guidance, and the President's recent West Point speech on strategy, virtually ignore the strategic importance of Afghanistan, Pakistan, and Central Asia. Our Transition "plans" make no meaningful public discussion of the role of Pakistan -- which many see as the real strategic center of gravity in the conflict -- or of other outside powers.

To the extent we have a public strategy, it is one that involves less than a year in which we provide the minimum level of US advisory effort recommended by key officers like General Mattis, General Allen, and General Dunford. It will throw limited amounts of civil and military aid at Afghanistan without any public plan for shaping the future of Afghan forces and governance, without any indication that Afghanistan can make the reforms necessary for that funding to be effective, and in spite of clear warning from the recent data on the trends in the fighting, governance, and economy that our level of effort will be too limited, too short, and too lacking in structure to be effective.

We are also acting after we have progressively cut the amount of data we make public of the course of the fighting and the state of the Afghan economy, and have spun the data we do provide to support our present political goals. We focus on Afghan forces and the military dimension at the tactical level, and we understate or ignore massive uncertainties as to Afghan political unity and capability to govern. We talk about aid levels that are not based on concrete plans, costs, and any meaningful effectiveness measures. We are also moving forward at a time when the war lacks the support of the American people, and most polls have shown for nearly two years that the war does not have public support from most of our key ISAF allies. (pp. 26-31 of report)

We are again demonstrating – as we did in Vietnam and Iraq -- that we actually face three threats in such wars.

- ***The first and obvious threat is the enemy.*** Although “obvious” is not always an accurate word in a war where we have never openly come to grips with the fact that Pakistan has been both a sanctuary for our enemy and maintained ties to key enemy factions throughout the conflict.
- ***The second threat is the mix of weakness and failures in the host country – as well as in the commitment and role of key allies.***

Every serious counterinsurgency struggle is to some extent the result of a failed state, and become an exercise in armed nation building where the military and tactical outcome is only part of a civil-military struggle for popular support.

- ***The third – and in some ways the most important – threat is ourselves.*** This threat is our unwillingness to face hard facts, objectively assess the strategic reasons for the fighting, the risks involved, and the cost-benefits of what we are doing.

We have done more than simply spin the facts. We have focused on the tactical dimensions of insurgency, rather than the political dimension of what is fundamentally a political form of warfare. We have made no public assessments of the relative size of the areas where insurgent groups control territory, challenge the Afghan government, present a current threat, or have growing influence. We have made no effort to make a net assessment of the strengths and weaknesses of insurgent groups versus the central government and local power brokers.

These are not issues I can address in any depth in a short statement, but I have prepared a comparative analysis of the overall mix of trends in the fighting and the Transition effort that I request be entered into the record.

I do not expect any member to have the time to read through the entire document, but even skimming through it reveals the extent to which we have distorted the facts surrounding the fighting, the desperate need for effective Afghan unity and leadership quality of governance, and state of the Afghan economy and its ability to deal with the shock of transition.

If you do skim through the data, you will see all too many risks and issues we choose to deny or ignore. They include the following key challenges to our present course of action:

- ***As an introduction to these comments, it is important to note that ISAF, the State Department, and USAID – as well as many NGOs and think tanks – fail to verify the data they use***, cherry pick favorable statistics or distort the statistic baseline they use, and fail to make explicit assessments of the gross uncertainties and problems in the timeliness of the data they use. These affect data on patterns of combat, GNP growth, impacts of aid, health statistics, education, women's rights etc. Ignoring uncertainty and competing data is lying by omission and fundamentally dishonest and incompetent.
- ***ISAF and SIGAR data show that the history of military and civil aid efforts and funding has been erratic, has not been tied to clear spending plans or measures of effectiveness, and the current plans are based on vague funding goals unrelated to clear assessments of costs and needs (pp. 32-41)***
- ***US and ISAF data show that the “surge” in Afghanistan after 2009 achieved some real tactical benefits in the south, but had no overall impact on the intensity of the fighting and none of major impact of the surge in Iraq (pp. 47-50).*** These are key reasons why ISAF stopped reporting mistaken estimates of Enemy Initiated Attacks and has virtually stopped on public reporting on the metrics of the war.
- ***UN data on the trends in casualties show that ISAF and DoD reporting on the course of the fighting spins away the growing intensity of the conflict, and its steady expansion into new areas in Afghanistan. (pp. 52 to 62).*** as well as focuses exclusively on the tactical dimension rather than expanding areas of insurgent influence and the wide range of areas where the Afghan government and Afghan forces are not present, nor effective, or are abusive and corrupt.
- ***The data on the development of the ANSF warn that Transition is being rushed forward at far too rapid a rate. (pp. 64 to 107)*** There are still real prospects for success if the election produces real Afghan leadership and political unity, but not if a major advisory and enabling presence is not maintained on a “conditions” based rather than slashed down to an arbitrary deadline.

- ***Critical problems and uncertainties in the development of the MoD and regular military forces include critical problems with manpower retention, corruption, ethnic differences, and coping with the shift from “force generation” advisory efforts and metrics to acting as a warfighting force where effectiveness. These can only be measured in terms of actual combat behavior and not in terms of training, manning levels, and material assets. (pp. 109-127)*** The inability to handle this transition from “force generation” to sustained actual combat without US and allied advisors and enablers down to the major combat unit level crippled the ARVN and led Iraqi units to begin to fall apart within months of the departure of US advisors.
- ***The police remain highly corrupt, unsuited for counterinsurgency, and lacking ineffective local governance and the courts, detention facilities, and other elements of an effective rule of law. (pp. 134-149)*** They still make up more than 40% of the total ANSF. **(p. 99)** The end result is that the actual total of fighting forces is very small compared to the territory that needs to be defended, and the threat forces can cherry pick the weaker ANSF and police elements once ISAF forces are gone. Moreover, the combined corruption of Afghan government and police forces has been a major factor alienating the population and opening it up to Taliban and insurgent influence.
- ***The Afghan Local Police (ALP) can be a critical local force, but the plans for post-transition development and support are uncertain and raise serious questions about their capability, support, and freedom from corruption and abuses. (pp. 151-159.)***
- ***As Russian and other outside studies warn, there is a serious risk the ANSF will fragment or collapse because of ethnic, sectarian, tribal, and regional differences if the election does not produce effective leadership, unity, and governance. (pp. 161-172)***
- ***The data in World Bank, IMF, and UN studies all warn that the State Department, USAID, and various other organizations and NGOs have exaggerated progress in governance and the economy since 2005. (pp. 174-189)***

- ***They also warn that the government cannot finance itself for the foreseeable future, and is not yet capable of planning and executing a budget that would allow it to control 50% of the necessary flow of aid or implement the reforms called for in the Tokyo Conference. (pp. 183-191)*** This creates a significant risk that a major recession could occur once the flow of spending and aid drops sharply, seriously threatening stability along with the pressures of the fighting. There major be a need for major flows of aid to compensate. It also presents a critical problem because US aid seems to be oriented towards peacetime concepts of project aid.
- ***With the exception of the World Bank, reports on progress in the civil sector have largely ignored the massive demographic pressures that have outpaced development and led to an increase in poverty and youth un-under employment. (pp. 192-196.)***
- ***The World Bank warns just how serious poverty is as a factor shaping Afghan stability (pp. 198-202).*** It provides a critical warning indicator of what may happen as military spending and aid are cut, although the World Bank indicates that only around 11% of the population has seen any benefits from such spending, and aid has had little overall impact on the Afghan economy. GDP growth depends more on rainfall than development efforts, and figures like Ashraf Ghani have warned that the massive flow of outside money has does as much to distort and corrupt the Afghan economy as develop it.
- ***The World Bank and IMF data warn that the Afghan economy remains far more dependent on narcotics than some US reporting indicates, and may narco-traffickers and power brokers m ay given steadily in wealth and influence after transition. (pp. 204-211)***
- ***They also warn that – like the myth of the New Silk Road – mines and natural resources offer little prospect of near-term help in supporting Transition. They show that corruption and other barriers serious limit private sectors growth and outside investment, and that the Afghan government will face major problems in supporting post-Transition critical infrastructure. (pp. 213-218)***
- ***These same studies warn that the Afghan government is now one of the most corrupt and ineffective governments in the world, and is not ready to manage the security and civil dimensions of Transition at the central government, provincial, or district levels on a nationwide basis. (pp. 168-181, 137-141)***

- ***They also warn that the government cannot finance itself for the foreseeable future, and is not yet capable of planning and executing a budget that would allow it to control 50% of the necessary flow of aid or implement the reforms called for in the Tokyo Conference. (pp. 206-217)***
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- ***With the exception of the World Bank, reports on progress in the civil sector have largely ignored the massive demographic pressures that have outpaced development and led to an increase in poverty and youth un-under employment. (pp. 219-223.)***
- ***The World Bank warns just how serious poverty is as a factor shaping Afghan stability (pp. 225-229).*** It provides a critical warning indicator of what may happen as military spending and aid are cut, although the World Bank indicates that only around 11% of the population has seen any benefits from such spending, and aid has had little overall impact on the Afghan economy. GDP growth depends more on rainfall than development efforts, and figures like Ashraf Ghani have warned that the massive flow of outside money has does as much to distort and corrupt the Afghan economy as develop it.
- ***The World Bank and IMF data warn that the Afghan economy remains far more dependent on narcotics than some US reporting indicates, and that narco-traffickers and power brokers may gain sharply in wealth and influence after transition. (pp. 231-239)***
- ***They also warn that the myth of the New Silk Road, and exploiting new mines and natural resources offer little prospect of near-term help in supporting Transition. They show that corruption and other barriers serious limit private sectors growth and outside investment, and that the Afghan government will face major problems in supporting post-Transition critical infrastructure. (pp. 241-248)***

- ***Finally, the IMF and World Bank data reinforce the picture of the overall fragility of the Afghan economy, and show the extent to which White House, State Department, and USAID claims about GDP growth have been driven by rainfall and agriculture that has had no relation to aid efforts and spending. (pp. 250-260)*** This again highlights the risk of a post-Transition recession and the need for US aid in the form of a bailout.

Let me close by being very clear about the meaning of even the most negative trends that I have mentioned. I do not believe that this war has to end in failure as our fighting did in Vietnam and Iraq. I am not convinced that even a precipitous and poorly organized US withdrawal, mixed with deep Afghan divisions and failed governance, but more functional Afghanistan.

I do believe, however, that we should not lose a war because we do not want to face unpleasant truths and cloak our withdrawal with rhetoric and hollow promises. It may well be time to leave. We have many other and higher priorities. But this should be an honest decision based on honest assessment and that honestly addresses the risks in our course of action.

Introduction

Creating an effective transition for the ANSF is only one of the major challenges that Afghanistan, the US, and Afghanistan's other allies face during 2014-2015 and beyond. The five other key challenges include:

- Going from an uncertain election to effective leadership and political cohesion and unity.
- Creating an effective and popular structure governance, with suitable reforms, from the local to central government, reducing corruption to acceptable levels, and making suitable progress in planning, budgeting, and budget execution.
- Coping with the coming major cuts in outside aid and military spending in Afghanistan, adapting to a largely self-financed economy, developing renewal world economic development plans, carrying out the reforms pledged at the Tokyo Conference, and reducing the many barriers to doing business.
- Establishing relations with Pakistan and other neighbors that will limit outside pressures and threats, and insurgent sanctuaries on Afghanistan's border.
- Persuading the US, other donors, NGCO, and nations will to provide advisors to furnish the needed aid effort through at least 2018, and probably well beyond.

Nevertheless, Afghanistan cannot succeed unless the ANSF meets the wide range of security challenges which are the subject of this briefing. Many of these challenges are ones that all governments face in shaping an effective security response to major extremist and insurgent threats. Others are unique to Afghanistan.

It should be clear from this list and the briefing that follows that the ANSF faces problems that make a successful Transition a high risk effort even if the ANSF is the *only* factor considered in supporting an effective Transition. This risk is highlighted in much of the data that follow, and in virtually all of the narratives describing the current state of the ANSF.

At the same time, the briefing shows that there are positive as well as negative trends. The ANSF may be able to succeed if it receive suitable outside support, and particularly if it has a substantial advisory and enable presence from the US, if other key ISAF states like Germany and Italy provide a presence in in key areas, and if the donors provide the funds necessary for the ANSF to develop, operate, and mature.

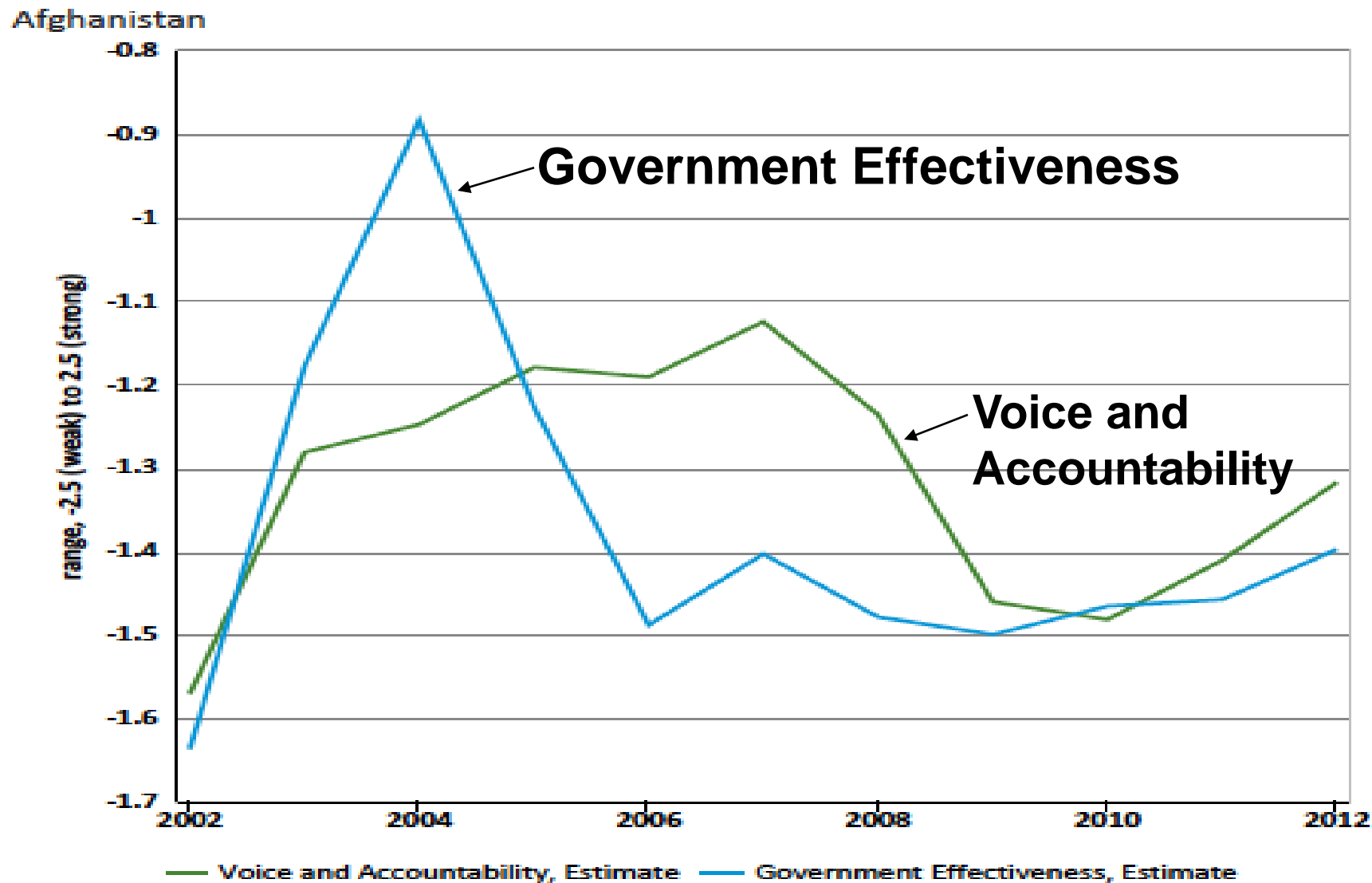
A Long List of Key Uncertainties

- 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 MoI 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?

The Afghan Government Can Be as Serious a “Threat” as the Insurgents: The *Other* 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

World Bank Rankings of Governance Shows Very Uncertain Trends



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
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Key Military Challenges

- Responding to the changing threat in a Political-Military War.
- Transitioning from “their way” to “our way:” new chain of command, supply, and sustainment, role of NCOs, O&M, etc.
- Top Down Leadership: New President, MoI, MoD.
- Evolution of effective overall command structure.
- Funding and management of resource; effective flow of money.
- Redefining force structure and force plans.
- Reshaping C3I/BM, IS&R.
- Role of ANA vs. ANP and ALP, rule of law.
- Promotion, enlistment, pay, medical, food, housing, security, retirement.
- Leave and recovery, AWOL and attrition.
- National, regional, ethnic, and sectarian politicization.
- Training cycle: Shifting from “force generation” to “force effectiveness.”
- Reshaping role of US and other “partners,” advisors, “enablers.”

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 President's Transition “Plan” of May 27, 2014

The Obama Transition “Plan:” May 27, 2014

... Our objectives are clear: Disrupting threats posed by al Qaeda; supporting Afghan security forces; and giving the Afghan people the opportunity to succeed as they stand on their own.

Here’s how we will pursue those objectives. First, America’s combat mission will be over by the end of this year. Starting next year, Afghans will be fully responsible for securing their country. American personnel will be in an advisory role. We will no longer patrol Afghan cities or towns, mountains or valleys. That is a task for the Afghan people.

Second, I’ve made it clear that we’re open to cooperating with Afghans on two narrow missions after 2014: training Afghan forces and supporting counterterrorism operations against the remnants of al Qaeda.

Today, I want to be clear about how the United States is prepared to advance those missions. At the beginning of 2015, we will have approximately 98,000 U.S. -- let me start that over, just because I want to make sure we don’t get this written wrong. At the beginning of 2015, we will have approximately 9,800 U.S. service members in different parts of the country, together with our NATO allies and other partners. By the end of 2015, we will have reduced that presence by roughly half, and we will have consolidated our troops in Kabul and on Bagram Airfield. One year later, by the end of 2016, our military will draw down to a normal embassy presence in Kabul, with a security assistance component, just as we’ve done in Iraq.

Now, even as our troops come home, the international community will continue to support Afghans as they build their country for years to come. But our relationship will not be defined by war -- it will be shaped by our financial and development assistance, as well as our diplomatic support. Our commitment to Afghanistan is rooted in the strategic partnership that we agreed to in 2012. And this plan remains consistent with discussions we’ve had with our NATO allies. Just as our allies have been with us every step of the way in Afghanistan, we expect that our allies will be with us going forward.

Third, we will only sustain this military presence after 2014 if the Afghan government signs the Bilateral Security Agreement that our two governments have already negotiated. This Agreement is essential to give our troops the authorities they need to fulfill their mission, while respecting Afghan sovereignty. The two final Afghan candidates in the run-off election for President have each indicated that they would sign this agreement promptly after taking office. So I’m hopeful that we can get this done.

The White House Transition “Fact” Sheet: May 27, 2014 - I

Afghans Taking the Security Lead

At the 2010 NATO Summit in Lisbon, Afghanistan and International Security Assistance Force (ISAF) nations agreed to transfer full responsibility for Afghanistan’s security to the Afghan National Security Forces (ANSF) by the end of 2014. This transition process has allowed the international community to responsibly draw down our forces in Afghanistan, while preserving hard-won gains and setting the stage to achieve our core objectives -- disrupting threats posed by al-Qa’ida; supporting Afghan Security Forces; and giving the Afghan people the opportunity to succeed as they stand on their own.

At the 2012 NATO Summit in Chicago, Afghanistan and ISAF nations reaffirmed this framework for transition and agreed on a milestone in mid-2013 when the ISAF mission would begin to shift from combat to support. Last June, the Afghans reached that milestone as the ANSF assumed the lead for security across the whole of Afghanistan and our coalition forces shifted their focus to the training, advising, and assisting of Afghan forces.

Today, Afghan forces provide security for their people and plan and lead the fight against the insurgency. The most recent example of this transition was the effective security provided by the ANSF to enable the April presidential and provincial elections. The ANSF will maintain its current surge strength of 352,000 to reinforce this progress and provide for a secure environment in Afghanistan.

Commitment to the U.S.-Afghanistan Partnership

In May 2012, the President signed a Strategic Partnership Agreement between the United States and Afghanistan that defined a future in which Afghans are responsible for the security of their nation. The two countries pledged to build an equal partnership between two sovereign states premised on mutual respect and shared interests. U.S. commitments to support Afghanistan’s social and economic development, security, and institutions and to promote regional cooperation are matched by Afghan commitments to strengthen accountability, transparency, and oversight and to protect the human rights of all Afghans -- men and women. The Strategic Partnership Agreement includes mutual commitments in the areas of: protecting and promoting shared democratic values; advancing long-term security; reinforcing regional security and cooperation; social and economic development; and strengthening Afghan institutions and governance.

The United States continues to support a sovereign, stable, unified, and democratic Afghanistan and will continue our partnership based on the principles of mutual respect and mutual accountability. We remain fully supportive of our partners in the Afghan security forces, and we continue to proudly work side-by-side with the many Afghans who work to ensure the stability and prosperity of their fellow citizens.

International Support for Afghanistan

The United States’ support is part of an international effort to assist Afghanistan as it enters the “Transformation Decade” of 2015-2024. At the 2012 NATO Summit in Chicago, Afghanistan and NATO reaffirmed its commitment to further develop an enduring partnership that would last beyond the transition of full security responsibility for Afghanistan from ISAF to Afghan forces by the end of 2014. This commitment is a clear message to the Afghan people that they will not stand alone as they take responsibility for their security. At the 2012 Tokyo Conference, Afghanistan and the international community also committed to support the sustainable growth and development of Afghanistan. The international community pledged financial support, through 2017, at or near levels of the past decade, to respond to Afghanistan’s projected budget shortfalls.

The White House Transition “Fact” Sheet: May 27, 2014 - II

Political Transition

As the Afghans took control for their security, they also worked to usher in a historic transfer of power in Afghanistan. We congratulate the millions of Afghans who voted in the presidential elections in April, and we look forward to the inauguration of their next president later this summer. The United States affirms its support for a fair, credible, and Afghan-led election process and does not support any candidate in the elections -- the choice of who leads Afghanistan is for Afghans alone.

The United States also believes that an Afghan-led peace and reconciliation process is the surest way to end violence and ensure lasting stability for Afghanistan and the region. As the President has said, the United States will support initiatives that bring Afghans together with other Afghans to discuss the future of their country. The United States and the Afghan government have called upon the Taliban to join a political process. We have been clear that the outcomes of any peace and reconciliation process must be for the Taliban and other armed opposition groups to end violence, break ties with al-Qa’ida, and accept Afghanistan’s constitution, including its protections for the rights of all Afghan citizens, both men and women.

We believe that a stable and prosperous Afghanistan can only be possible in a stable and prosperous region. We endorse Afghanistan’s vision for building strong, sustainable bilateral and multilateral relationships with its neighbors and regional partners. We encourage Afghanistan’s further economic integration into the region and support the principles of good-neighborly relations, which include non-interference and respect for sovereignty.

Economic Transition

- Afghanistan has experienced rapid economic growth and remarkable improvements in key social indicators:
- Afghanistan’s gross domestic product has grown an average of 9.4 percent per year from 2003 to 2012.
- In the last decade, life expectancy at birth has increased by 20 years to over 62 years.
- In 2002, an estimated 900,000 boys were in school and virtually no girls. Now there are 8 million students enrolled in school, more than a third of whom are girls.
- In 2002, only 6 percent of Afghans had access to reliable electricity. Today, 28 percent of the population has access to reliable electricity, including more than 2 million people in Kabul who now benefit from electric power 24 hours a day.

However, challenges remain, and Afghanistan will require continued international assistance to sustain its gains and further meet its development goals. In January 2013, the President reaffirmed the conclusions of the Tokyo Conference, including that the U.S. commitment to align 80 percent of our aid with Afghan priorities and channel at least 50 percent of development assistance through the national budget of the Afghan government as part of the Tokyo Mutual Accountability Framework.

The Challenge of Coping Without a Credible Plan and Budget, and Public Support

The first section in this report focuses on the lack of adequate 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

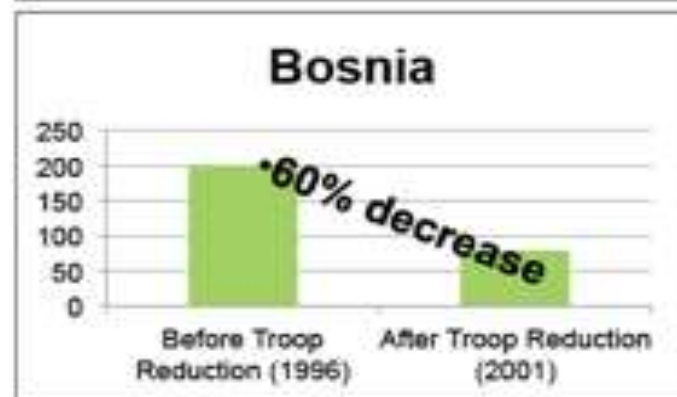
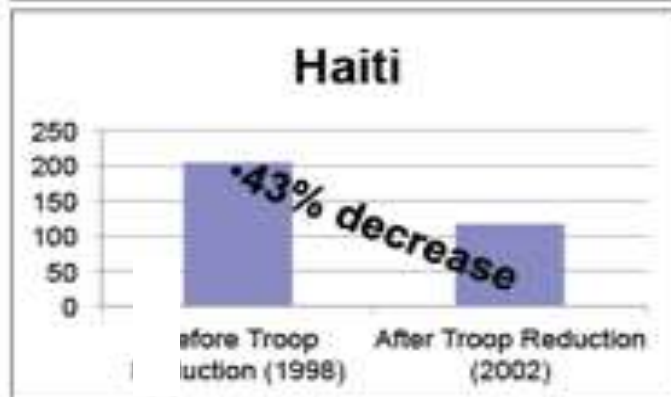
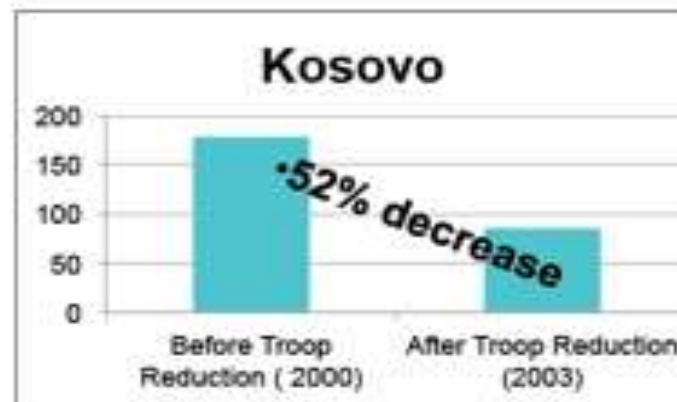
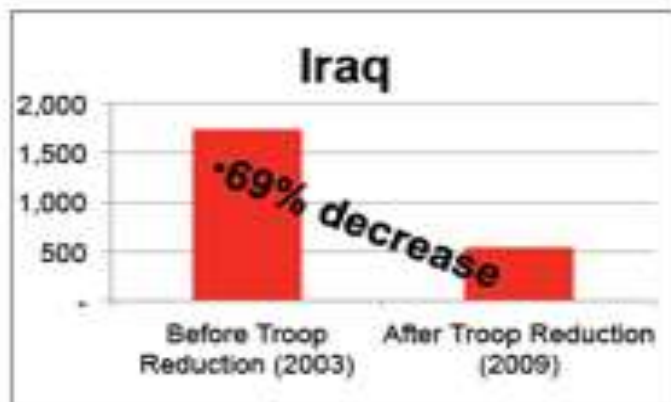
It shows the rate at which US spending has already been cut, and the lacking of any meaningful budget planning and details in the President's FY2015 budget request.

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?

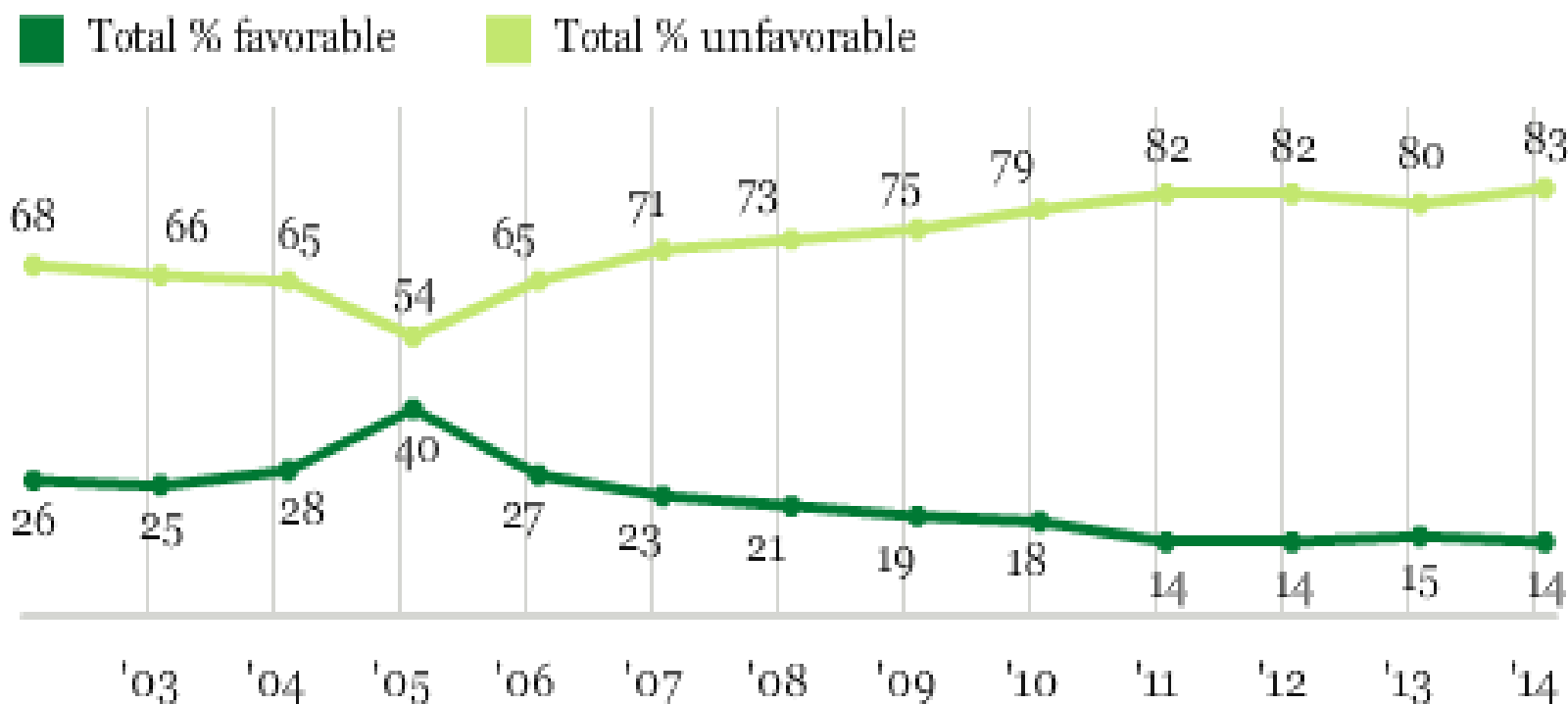
Development Assistance Levels Before and After Troop Reductions



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?

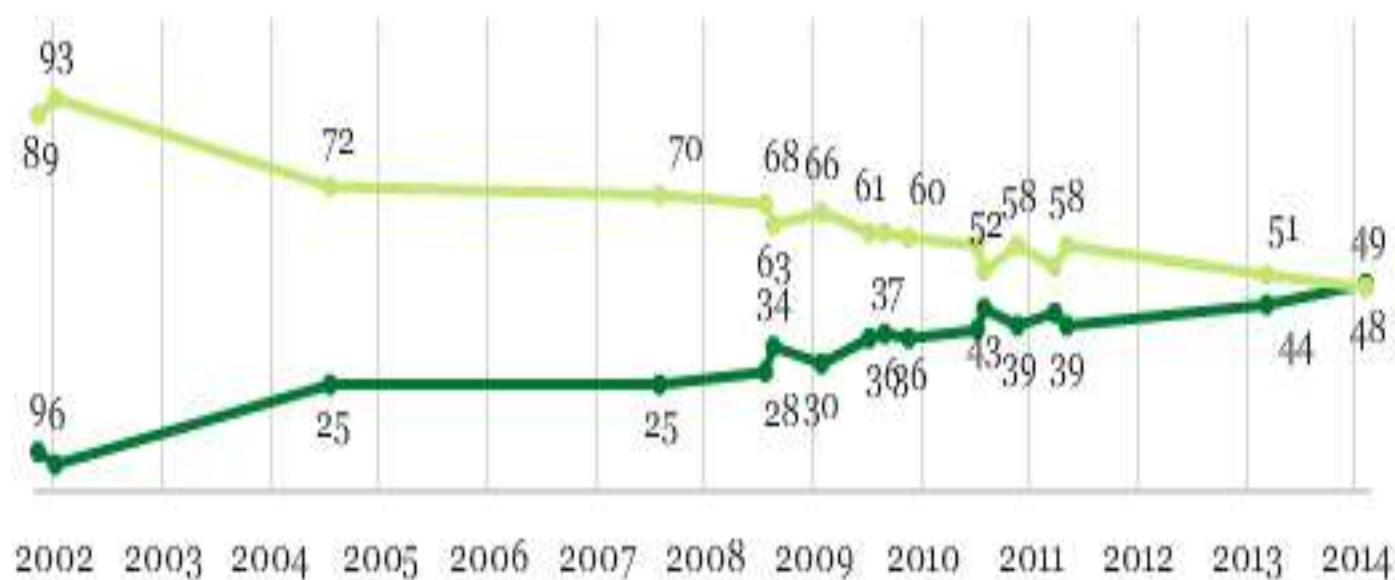


GALLUP

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

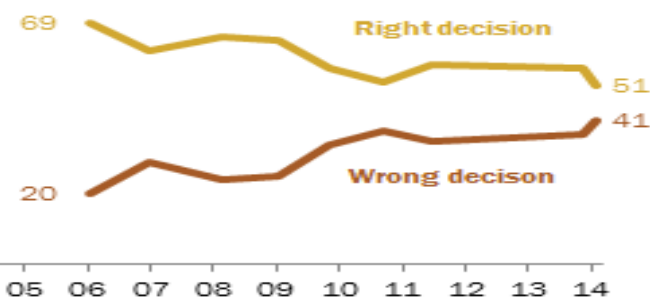


Survey conducted Jan. 15-19, 2014.
Don't know responses not shown.

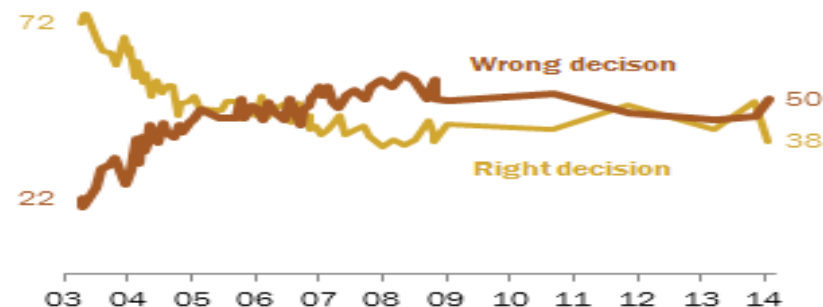
PEW RESEARCH CENTER/USA TODAY

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

Overview of Recent US Polls - I

NBC News/Wall Street Journal Poll conducted by Hart Research Associates (D) and Public Opinion Strategies (R). June 11-15, 2014. N=1,000 adults nationwide. Margin of error ± 3.1 .

"When it comes to Afghanistan, do you think the war was worth it or not worth it?"

	Worth it %	Not worth it %	Depends (vol.) %	Unsure %
6/11-15/14	27	65	2	6
1/12-15/13	40	51	2	7

ABC News/Washington Post Poll. May 29-June 1, 2014. N=1,002 adults nationwide. Margin of error ± 3.5 .

"Obama has said he will reduce U.S. troop levels in Afghanistan to 9,800 by the end of this year, half of that next year and near zero by 2016. Do you support or oppose this troop-reduction plan?"

	Support %	Oppose %	Unsure %
5/29 - 6/1/14	77	19	4

CBS News Poll. March 20-23, 2014. N=1,097 adults nationwide. Margin of error ± 3 .

"Most U.S. troops are expected to leave Afghanistan by the end of 2014. From what you know, how likely do you think it is that Afghanistan will be a stable country after U.S. troops leave: very likely, somewhat likely, not very likely or not at all likely?"

	Very likely %	Somewhat likely %	Not very likely %	Not at all likely %	Unsure %
3/20-23/14	5	24	38	30	3

Gallup Poll. Feb. 6-9, 2014. N=1,023 adults nationwide. Margin of error ± 4 .

"Looking back, do you think the United States made a mistake sending troops to fight in Afghanistan in 2001?"

	Yes %	No %	Unsure %
2/6-9/14	49	48	3
3/7-10/13	44	51	5

CNN/ORC Poll. Sept. 6-8, 2013. N=1,022 adults nationwide. Margin of error ± 3 .

"In view of the developments since we first sent our troops to Afghanistan, do you think the United States made a mistake in sending troops to Afghanistan, or not?"

Yes %	No %	Unsure %
----------	---------	-------------

Overview of Recent US Polls - II

Pew Research Center/USA Today. Jan. 15-19, 2014. N=739 adults nationwide. Margin of error ± 4.2 . 5/2/11: Co-sponsored by The Washington Post.

"Do you think the U.S. made the right decision or the wrong decision in using military force in Afghanistan?"

	Right decision %	Wrong decision %	Unsure %
1/15-19/14	51	41	8
10/30 - 11/6/13	56	37	8

CBS News Poll. March 20-23, 2014. N=1,097 adults nationwide. Margin of error ± 3 .

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"Do you think the U.S. made the right decision or the wrong decision in using military force in Afghanistan?"

	Right decision %	Wrong decision %	Unsure %
1/15-19/14	51	41	8
10/30 - 11/6/13	56	37	8
6/15-19/11	57	35	8
8/25 - 9/6/10	52	38	10
1/7-11/09	64	25	11
2/20-24/08	65	24	11
12/6-10/06	61	29	10
1/4-8/06	69	20	11

"Overall, do you think the United States has mostly succeeded or mostly failed in achieving its goals in Afghanistan?"

	Mostly succeeded %	Mostly failed %	Unsure/Refused %
1/15-19/14	38	52	10

Overview of Recent US Polls - III

CBS News Poll. March 20-23, 2014. N=1,097 adults nationwide. Margin of error ± 3 .

"Most U.S. troops are expected to leave Afghanistan by the end of 2014. From what you know, how likely do you think it is that Afghanistan will be a stable country after U.S. troops leave: very likely, somewhat likely, not very likely or not at all likely?"

	Very likely	Somewhat likely	Not very likely	Not at all likely	Unsure
	%	%	%	%	%
3/20-23/14	5	24	38	30	3

CBS News Poll. March 20-23, 2014. N=1,097 adults nationwide. Margin of error ± 3 .

"Most U.S. troops are expected to leave Afghanistan by the end of 2014. From what you know, how likely do you think it is that Afghanistan will be a stable country after U.S. troops leave: very likely, somewhat likely, not very likely or not at all likely?"

	Very likely	Somewhat likely	Not very likely	Not at all likely	Unsure
	%	%	%	%	%
3/20-23/14	5	24	38	30	3

"All in all, considering the costs to the United States versus the benefits to the United States, do you think the war in Afghanistan has been worth fighting, or not?"

10/09: "All in all, considering the costs to the United States versus the benefits to the United States, do you think the war in Afghanistan was / has been worth fighting, or not?" — "was" and "has been" each asked of half the sample.

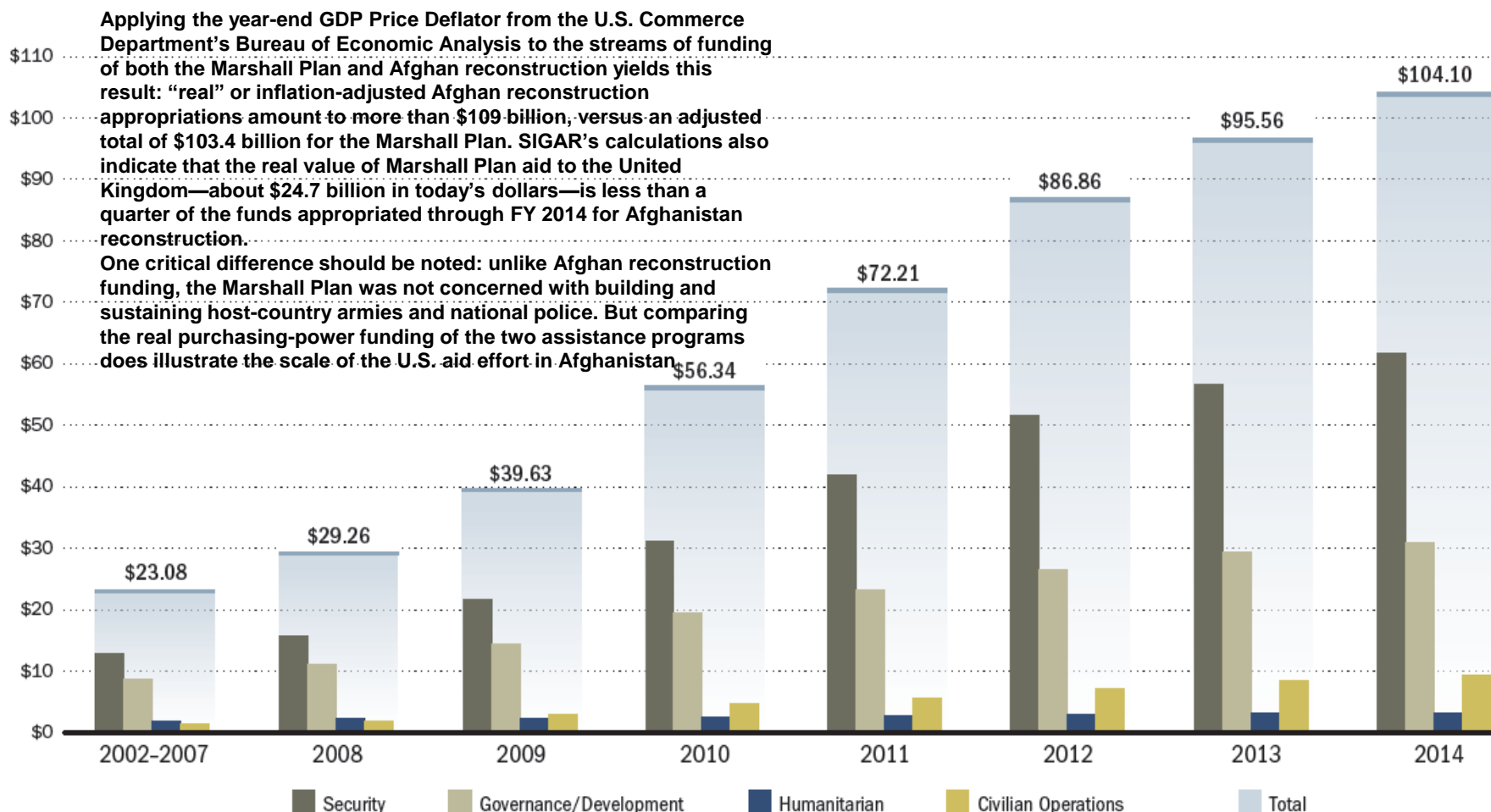
9/09 & earlier: "All in all, considering the costs to the United States versus the benefits to the United States, do you think the war in Afghanistan WAS worth fighting, or not?"

	Worth fighting	Not worth fighting	Unsure
	%	%	%
12/12-15/13	30	66	4

Source: <http://www.pollingreport.com/afghan.htm>

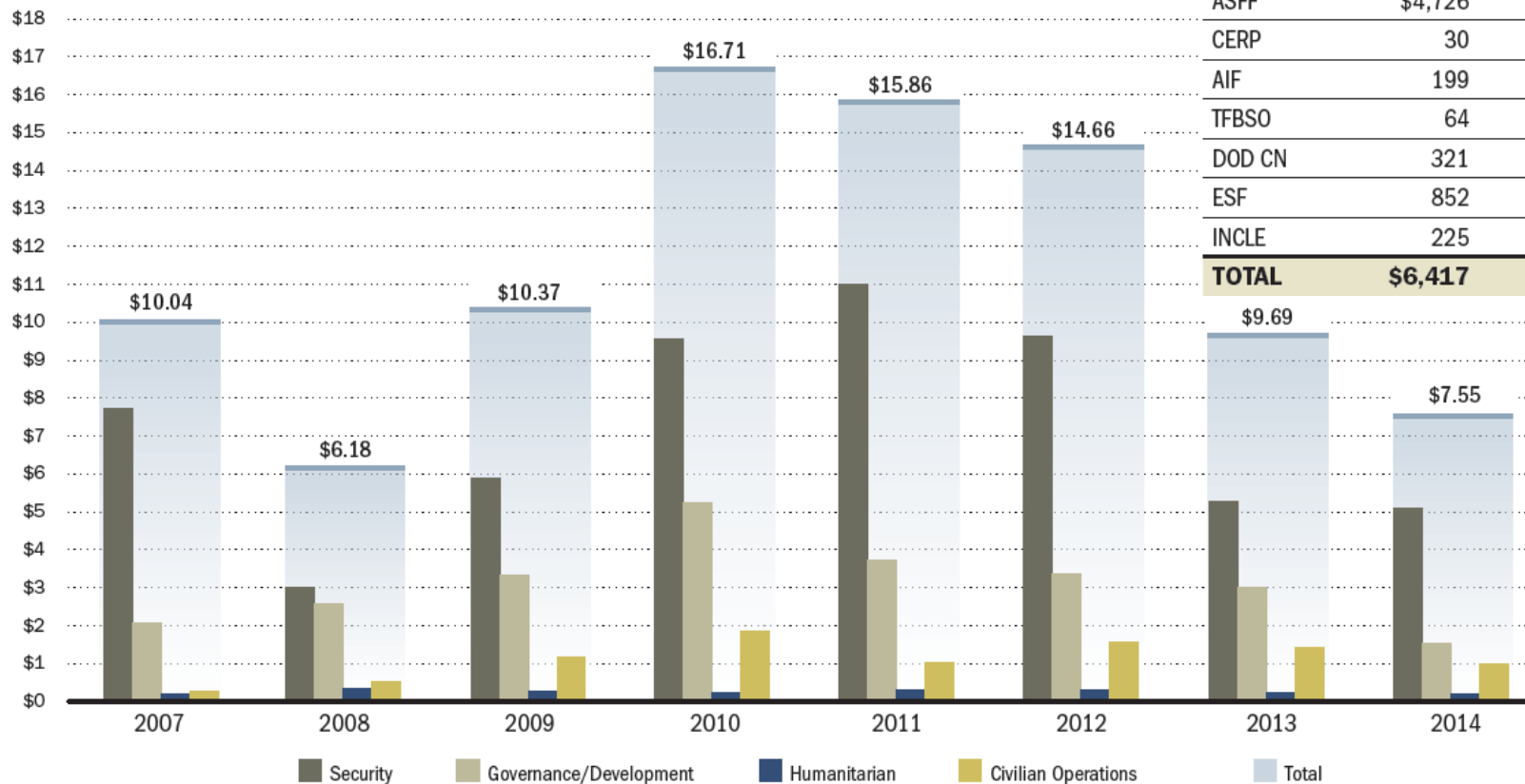
Massive Past Impact: \$104 billion in US Aid – Largely Security Aid – as of June 30, 2014 – versus \$103.4 B for Entire Marshall Plan

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2014 (\$ BILLIONS)



Ongoing Cuts in US Aid

– \$14.7B in FY2012: \$9.7B in FY2013, \$7.6B in FY2014, \$5.8B in FY2015

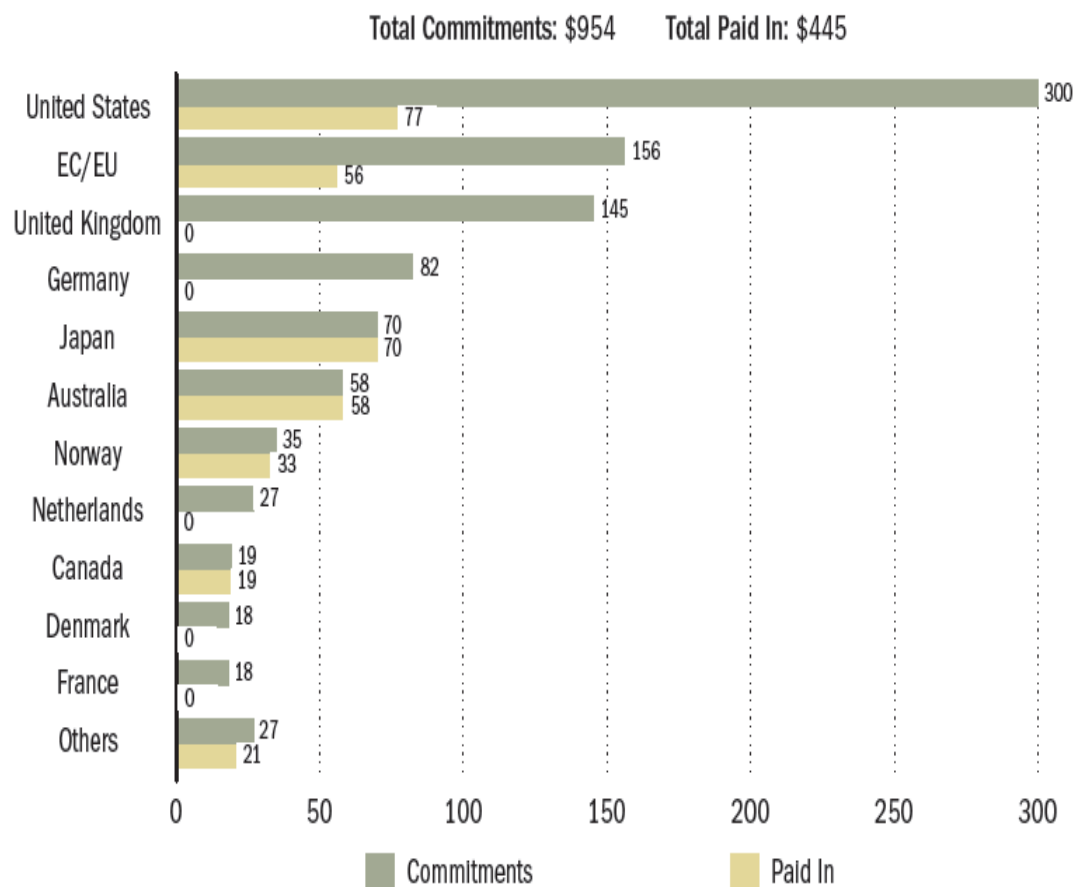


FY 2014 APPROPRIATIONS COMPARED TO THE FY 2015 BUDGET REQUEST (\$ MILLIONS)

	FY 2014	FY 2015 Req
ASFF	\$4,726	\$4,109
CERP	30	15
AIF	199	0
TFBSO	64	5
DOD CN	321	148
ESF	852	1,225
INCLE	225	325
TOTAL	\$6,417	\$5,827

Aid Needs International Coordination that UNAMA Has Not Provided

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF JUNE 21, 2014 (\$ MILLIONS)

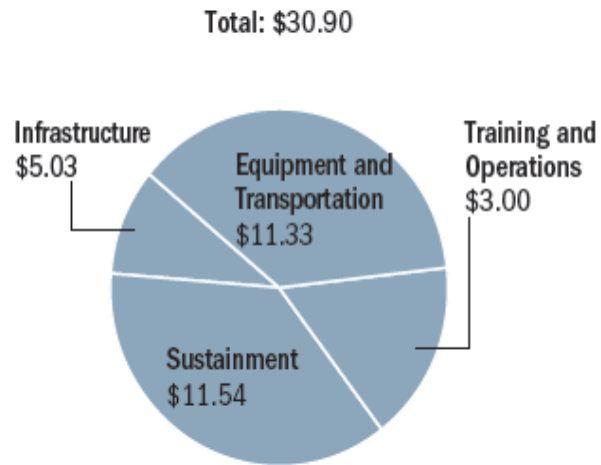


- From 2002 to June 21, 2014, the World Bank reported that 33 donors had pledged nearly \$7.86 billion, of which more than \$7.24 billion had been paid in.

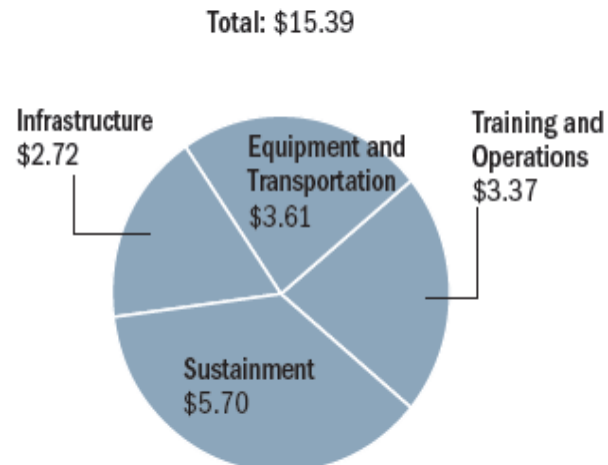
- According to the World Bank, donors had pledged approximately \$954.16 million to the ARTF for Afghan fiscal year 1393, which runs from December 21, 2013, to December 20, 2014.

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)



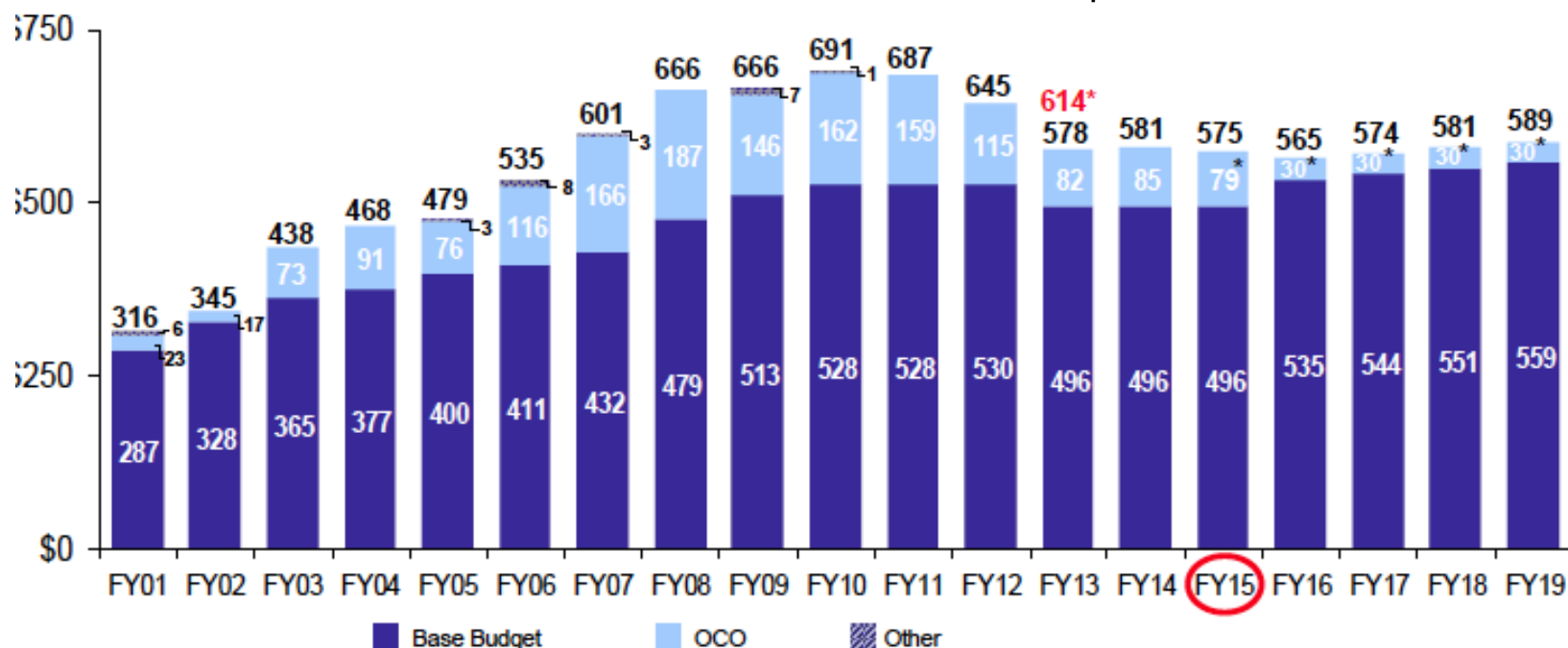
Note: Numbers have been rounded.

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

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.**

President Makes OCO Budget Recommendation for State and DoD on June 27, 2014 - I

Reduces Totals with No Break Out for Afghanistan: \$58.6 billion for DOD OCO activities, which is \$20.9 billion less than the \$79.4 billion placeholder for DOD OCO in the FY 2015 Budget. It would also provide \$1.4 billion for State/OIP OCO activities, which is in addition to the \$5.9 billion for State/OIP included in the FY 2015 Budget. Overall, these amendments would decrease the total OCO funding requested for FY 2015 by \$19.5 billion.

The United States' goals in Afghanistan beyond 2014 are to continue to support the Afghan National Security Forces, support economic development and governance efforts, and pursue U.S. counterterrorism goals against al Qaeda and its affiliated groups. As you announced in May, the United States will conclude combat operations in Afghanistan by the end of this calendar year. The United States will draw down to approximately 9,800 U.S. servicemembers in Afghanistan by early 2015, which, together with NATO allies and other partners, will allow the United States to continue advising key Afghan forces and to sustain counterterrorism operations. By the end of 2015 the United States will have reduced that presence by roughly half and consolidated its military and diplomatic presence to Kabul and Bagram Airfield. By the end of 2016, DOD will draw down to a more conventional embassy-based security assistance presence in Kabul.

In support of OEF and related follow-on activities, DOD OCO funding would support several key efforts, including:

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In support of OEF and related follow-on activities, DOD OCO funding would support several key efforts, including:

- concluding the combat mission in Afghanistan at the end of 2014 and positioning U.S. military and intelligence forces in Afghanistan for their post-2014 mission;
- drawing down to approximately 9,800 U.S. servicemembers in the country by early 2015 from an average of 38,000 in FY 2014;
- continuing to support the Afghan National Security Forces (ANSF) as they assume full responsibility for security in Afghanistan after December 2014;

President Makes OCO Budget Recommendation for State and DoD on June 27, 2014 - II

- sustaining the fight against transnational terrorists who seek to undermine the United States and its allies;
- providing warfighters with the intelligence, surveillance, and reconnaissance (ISR) support that has proven essential for mission success in Afghanistan and around the region;
- providing support to Coalition allies in Afghanistan and the surrounding region;
- disposing of unexploded ordnance in Afghanistan and continuing to support Coalition and partner efforts to counter improvised explosive devices;
- returning thousands of cargo containers and pieces of equipment from Afghanistan to their home stations;
- replenishing or replacing expended munitions and ammunition as well as combat-damaged equipment, including helicopters, ground vehicles, and unmanned aerial systems; and
- supporting a portion of temporary Army and Marine Corps end strength that currently supports OEF, but will not be required under the defense strategy articulated in the 2014 Quadrennial Defense Review.

Although the FY 2015 OCO request reflects a transition as the United States concludes combat operations in Afghanistan partway into the fiscal year, most costs will not decline precipitously. For example, DOD will still incur significant costs to transport personnel, supplies, and equipment back to their home stations. Funding to sustain the ANSF will continue to be needed to ensure that Afghan forces can provide sufficient security. There will be continued costs to repair and replace equipment and munitions as DOD resets the force over the next few years.

OCO Funding for ANSF: June 27, 2014 - II

Afghanistan Security Forces Fund (Overseas contingency operations) FY 2015 Budget Appendix Page: 264

FY 2015

Proposed Amendment: \$4,109,333,000

Revised Request: \$4,109,333,000

For the "Afghanistan Security Forces Fund", \$4,109,333,000, to remain available until September 30, 2016: Provided, That such funds shall be available to the Secretary of Defense, notwithstanding any other provision of law, for the purpose of allowing the Commander, Combined Security Transition Command—Afghanistan, or the Secretary's designee, to provide assistance, with the concurrence of the Secretary of State, to the security forces of Afghanistan, including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction, and funding:

- Provided further, That the authority to provide assistance under this heading is in addition to any other authority to provide assistance to foreign nations: Provided further, That contributions of funds for the purposes provided herein from any person, foreign government, or international organization may be credited to this Fund, to remain available until expended, and used for such purposes:
- Provided further, That the Secretary of Defense shall notify the congressional defense committees in writing upon the receipt and upon the transfer of any contribution, delineating the sources and amounts of the funds received and the specific use of such contributions: Provided further, That the Secretary of Defense shall, not fewer than 15 days prior to obligating from this appropriation account, notify the congressional defense committees in writing of the details of any such obligations: Provided further, That the Secretary of Defense shall notify the congressional defense committees of any proposed new projects or transfer of funds between budget sub-activity groups in excess of \$25,000,000:
- Provided further, That equipment procured using funds provided under this heading in this or prior acts, and not yet transferred to the security forces of Afghanistan or transferred to the security forces of Afghanistan and returned by such forces to the United States, may be treated as stocks of the Department of Defense upon notification to the congressional defense committees:
- Provided further, That such amount is designated by the Congress for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended: Provided further, That such amount shall be available only if the President designates such amount for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A).

This amendment would provide the funding and authorities needed to adequately sustain the Afghan National Security Forces (ANSF). It continues the shift from growth to the professionalization of the This funding and the associated authorities are essential to support the ANSF as they work toward self-sufficiency. This funding and the associated authorities are essential to support the ANSF as they work toward self-sufficiency.

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

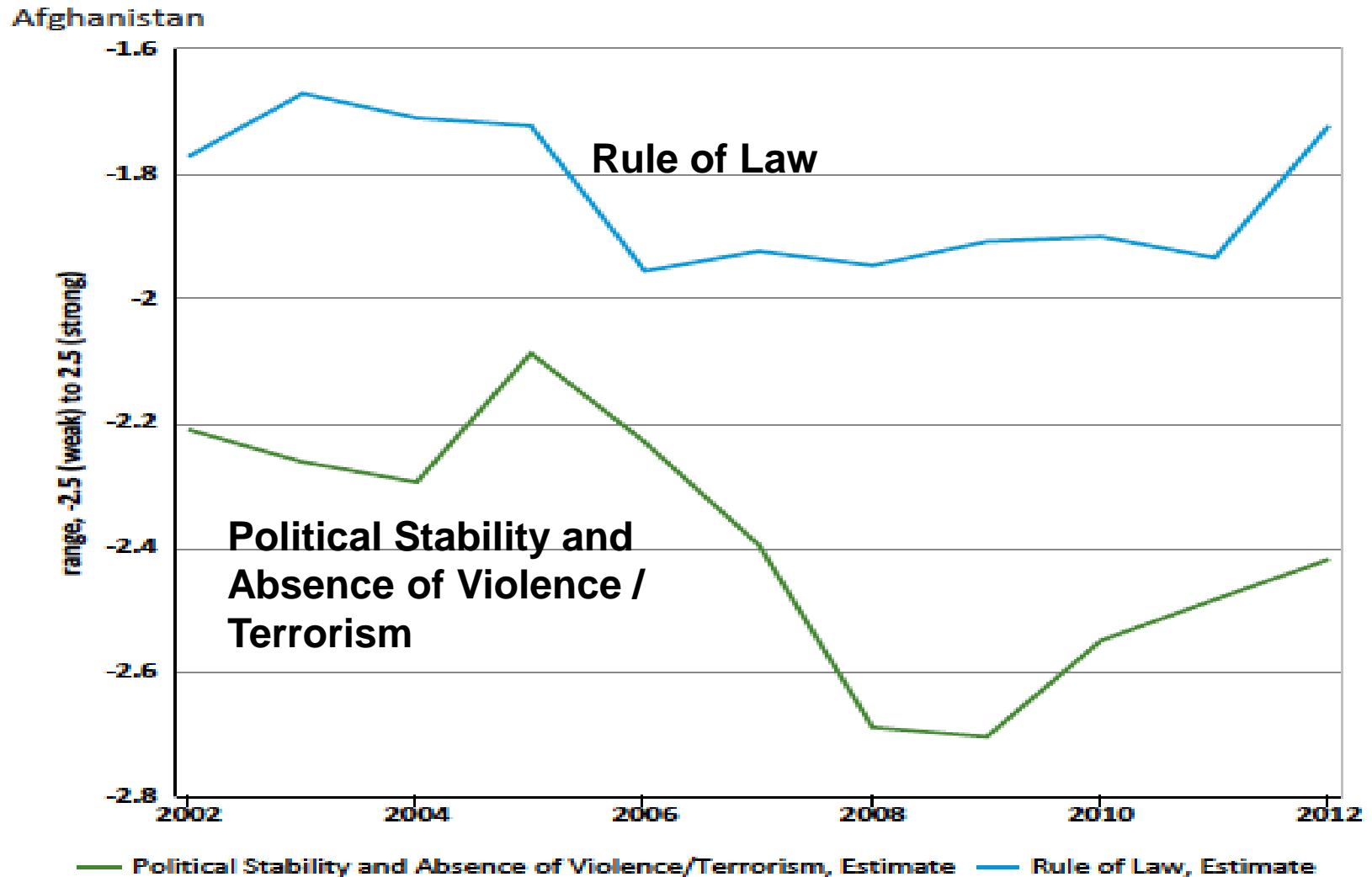
The Uncertain Structure of Security

- 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.

The Need to Deal with an Ongoing 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.

World Bank Ranking of Violence and Rule of Law Highly Negative and Rising



The Failure of the US Surge in Afghanistan

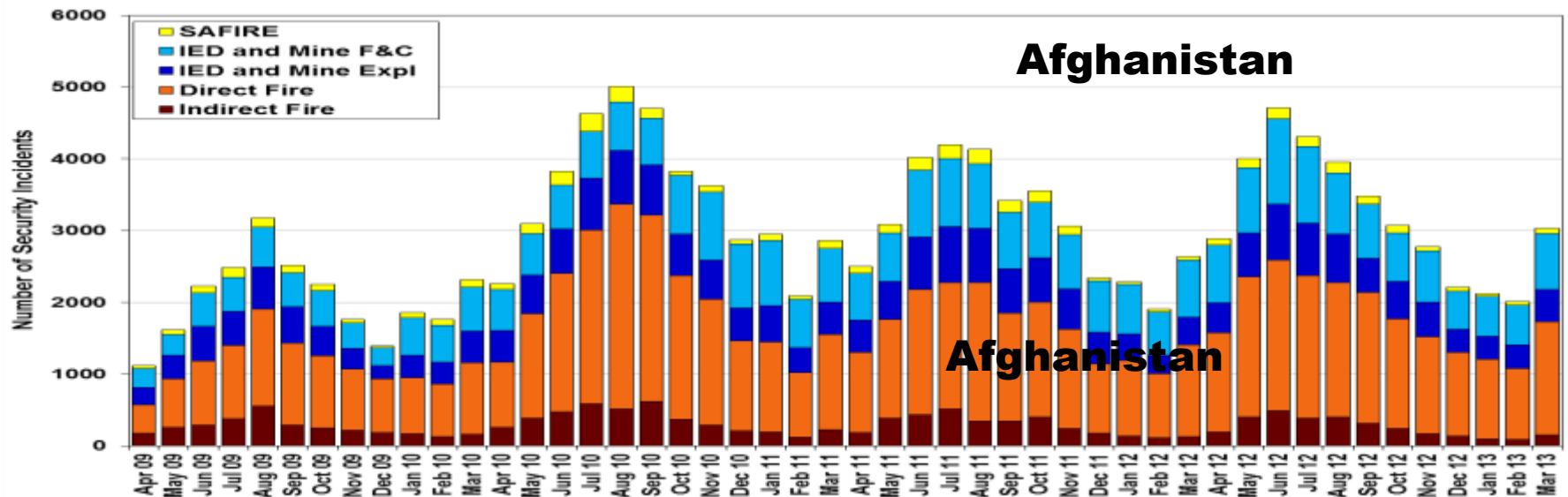
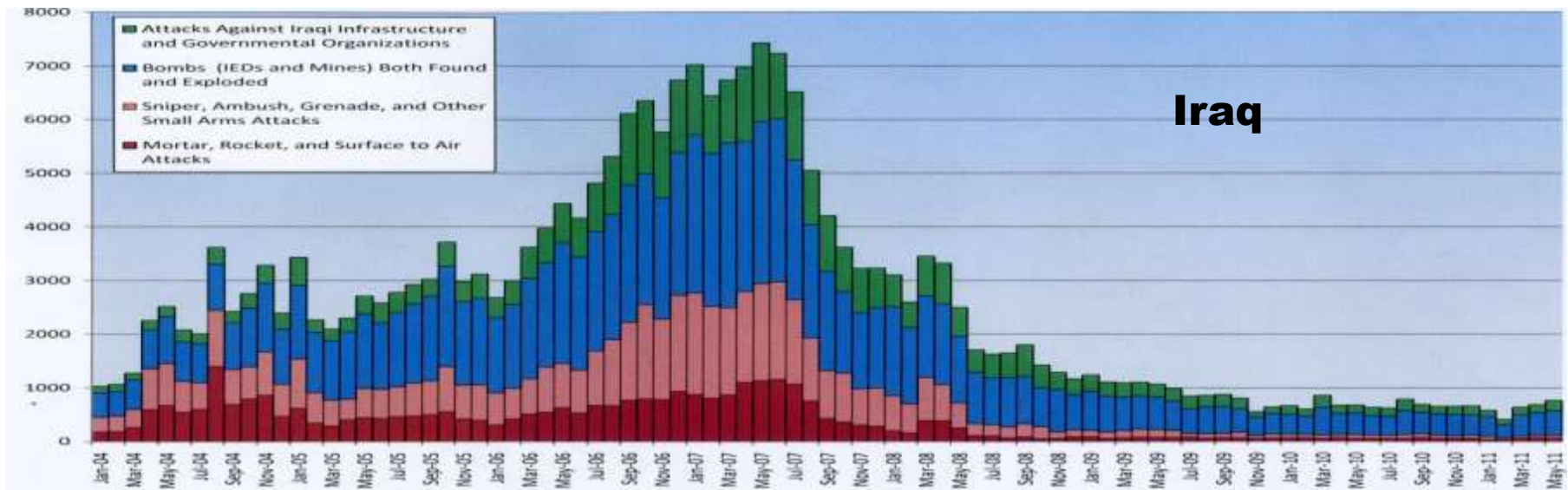
United Nations Department of Safety and Security

Estimate of Security Incidents Per Month

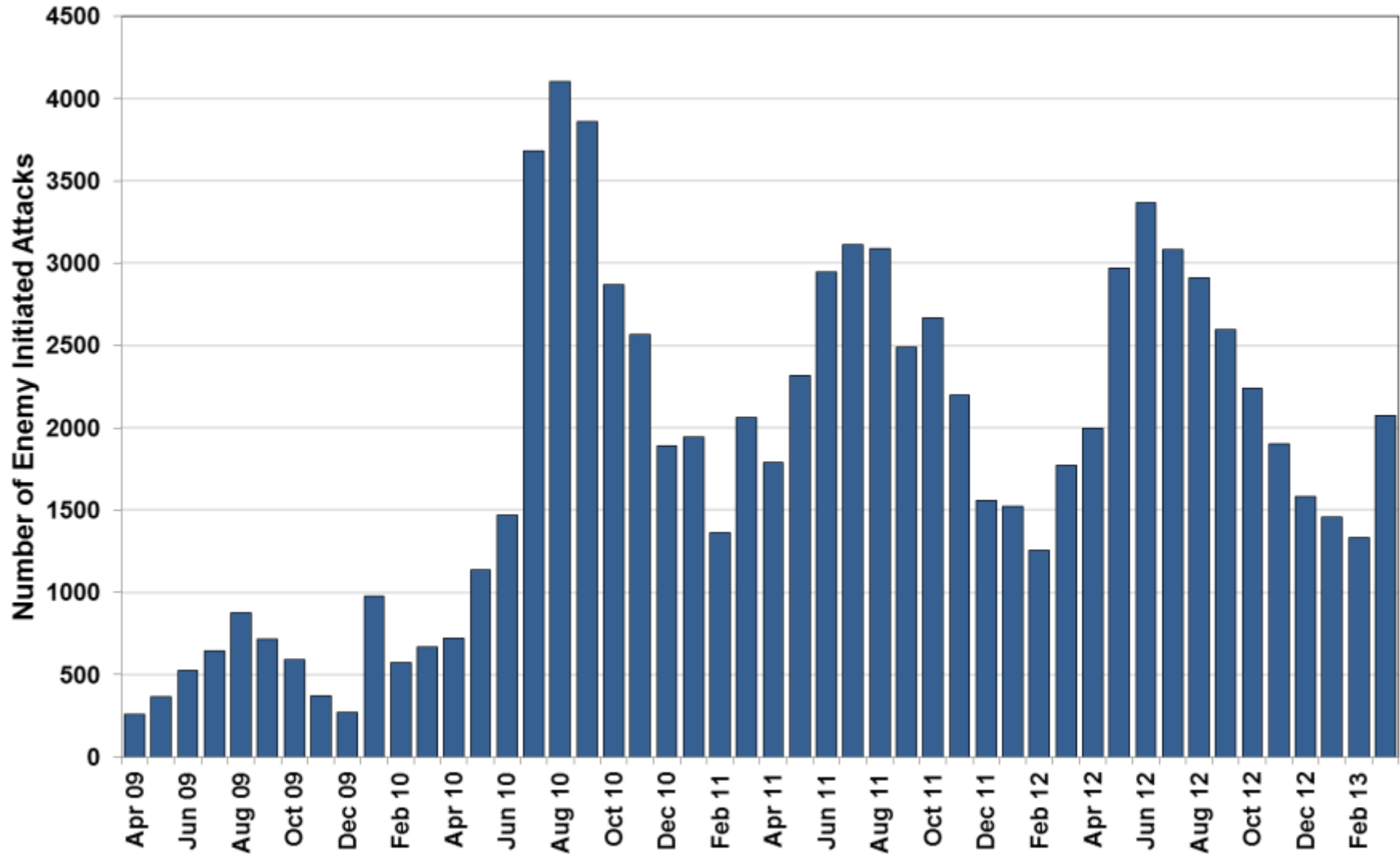


Source: ISLAMIC REPUBLIC OF AFGHANISTAN. 2014 ARTICLE IV CONSULTATION—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF AFGHANISTAN, <http://www.imf.org/external/pubs/ft/scr/2014/cr14128.pdf>, p. 33.

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.

Shift from Tactical clashes to High Profile Attacks 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%

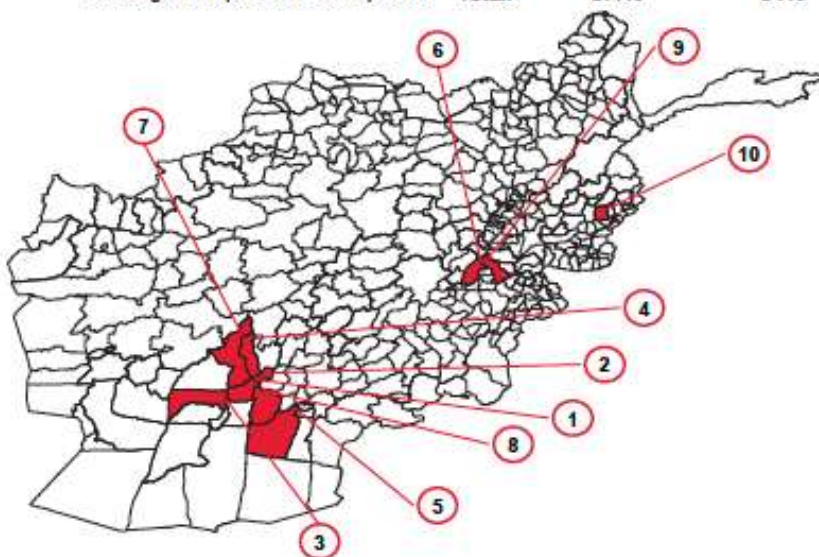
October 1, 2012 – March 13, 2013 vs. October 1, 2013 – March 13, 2014.

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

**The US/ISAF Focus on
10 Most Violent Districts
Does Not Provide an
Honest Picture of a
Steadily More
Intensifying Conflict**

Ten Most Violent Districts 1/4/13 to 9/15/13 (Most Recent US Report issued in 4/2014)

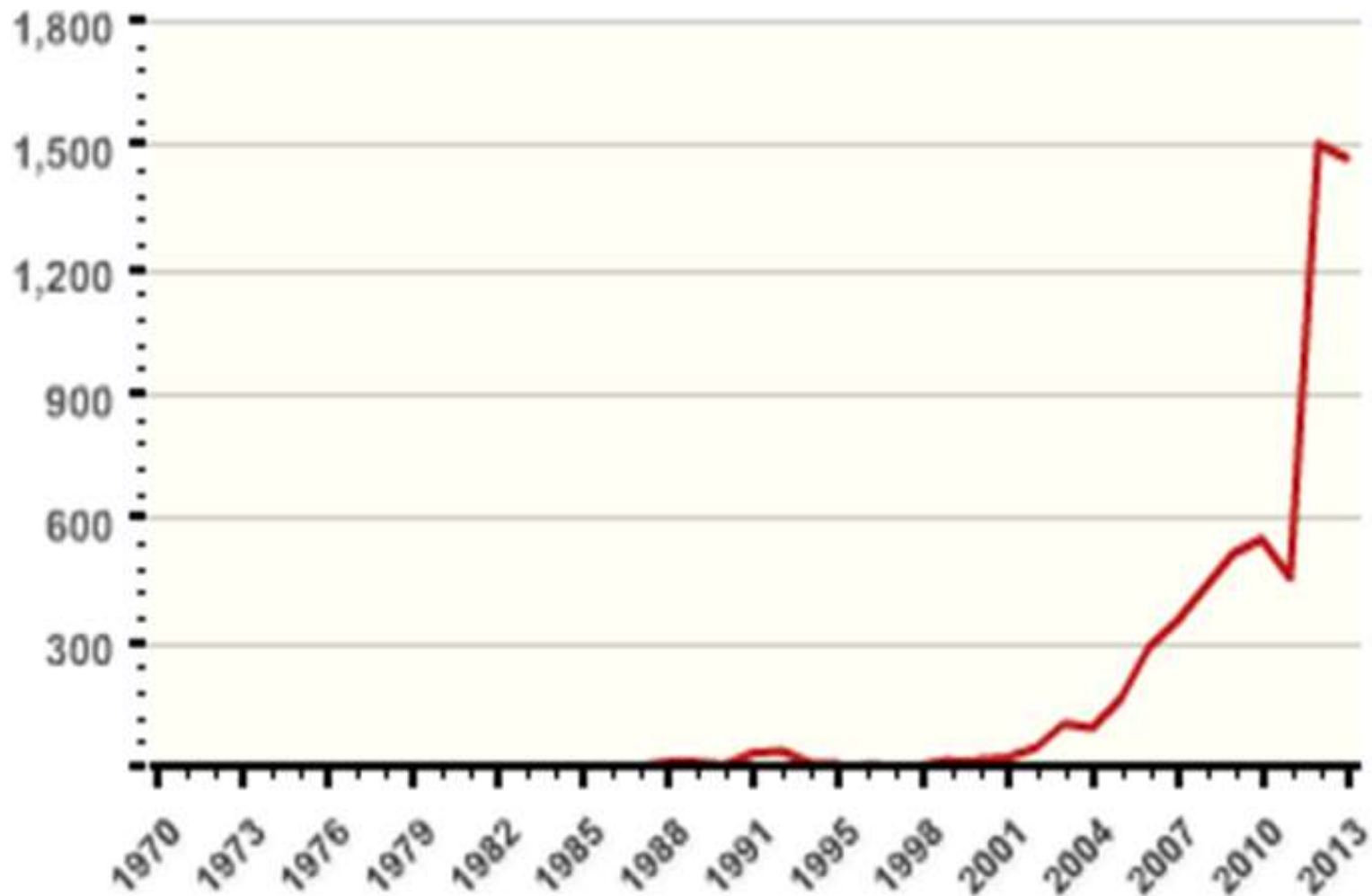
Top 10 Districts (01 Apr 2013 to 15 Sep 2013)					
Top 10 Districts in EIA	Province	RC	% of Total Population	% of National EIA in Date Range	
1 Nahr-e Saraj	Helmand	RC-SW	0.4%	4%	
2 Sangin	Helmand	RC-SW	0.2%	4%	
3 Nad 'Ali	Helmand	RC-SW	0.3%	4%	
4 Musa Qal'ah	Helmand	RC-SW	0.2%	4%	
5 Panjwa'i	Kandahar	RC-S	0.3%	3%	
6 Sayyidabad	Wardak	RC-E	0.4%	3%	
7 Now Zad	Helmand	RC-SW	0.2%	2%	
8 Maiwand	Kandahar	RC-S	0.2%	2%	
9 Pul-e 'Alam	Logar	RC-E	0.4%	2%	
10 Darah-ye Pech	Kunar	RC-E	0.2%	2%	
Date range: 01 Apr 2013 to 15 Sep 2013			Total:	3.1% 31%	



“But, This was irrelevant”

- Long war
- War for control of space and population, not tactical outcomes
- Taliban can pick and choose area and method of attack. Strike weakest link.
- Win if dominate people and/or allies and NGOs leave.
- Value of Pakistani sanctuary/ISI support
- Morale, public support, leadership critical.
- Peace negotiations can be war by other means

State Department Estimate of Trend in Number of Terrorist Incidents in Afghanistan



Global Terrorism Database

Afghanistan – Incidents Over Time, 1970 – 2013

<http://www.start.umd.edu/gtd/search/Results.aspx?search=afghanistan&sa.x=0&sa.y=0>

Taliban and Insurgent Tactics Have Actually Become Lethal and More Challenging

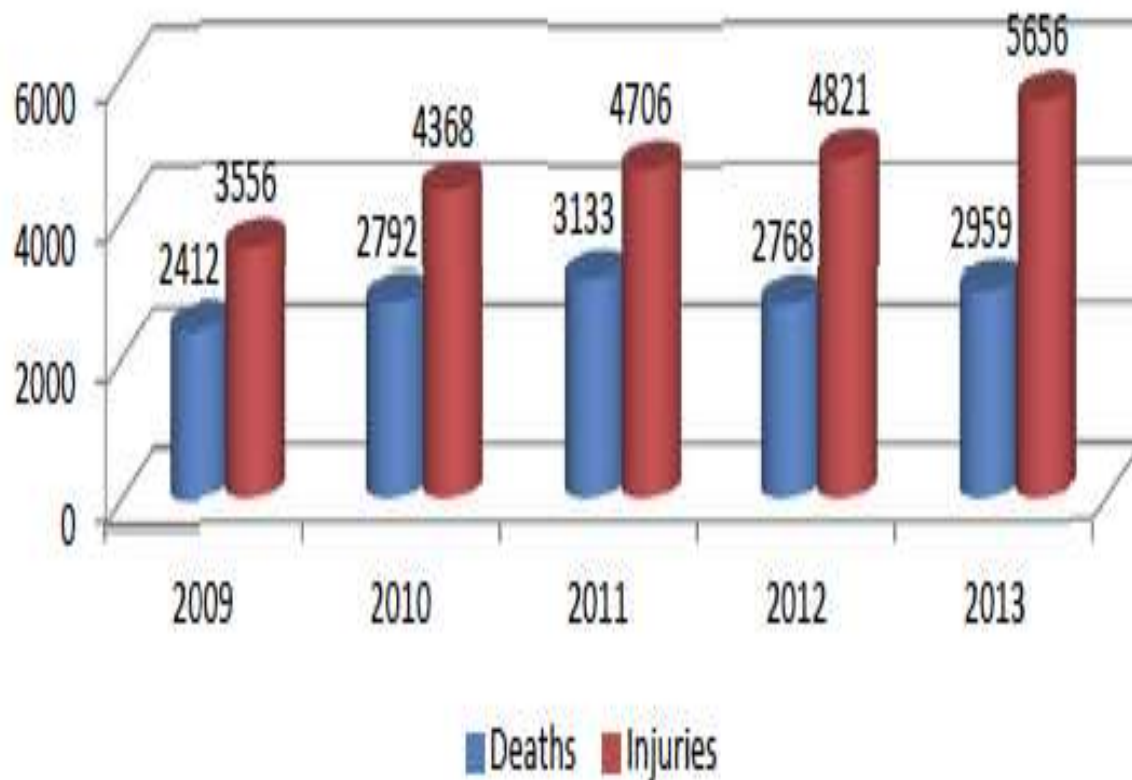
- ISAF/US reporting on cover tactical events, not outcomes and is essentially meaningless, if not dishonest, in showing relative areas of government and insurgent presence and influence.
- UNAMA reporting shows casualty levels never dropped significantly as a result of the surge and got far worse in the first six months of 2014 as ISAF forces withdrew.
- UNAMA reports that targeted attacks by Anti-Government Elements against mullahs (religious leaders) they accused of supporting the Government and in mosques tripled in 2013 and rose again in the first six months of 2014.
- In the first half of 2014, the armed conflict in Afghanistan took a dangerous new turn for civilians. For the first time since 2009 when UNAMA began systematically documenting civilian casualties in Afghanistan, more civilians were found to have been killed and injured in ground engagements and crossfire between Anti-Government Elements and Afghan national security forces than any other tactic. In previous years, the majority of civilians were killed and injured by improvised explosive devices.
- Between 1 January and 30 June 2014,² UNAMA documented 4,853 civilian casualties, (1,564 civilian deaths and 3,289 injured) recording a 17 per cent increase in civilian deaths, and a 28 per cent increase in civilians injured for a 24 per cent overall increase in civilian casualties compared to the first six months of 2013.³
- UNAMA attributed 74 per cent of all civilian casualties to Anti-Government Elements, nine per cent to Pro-Government Forces⁵ (eight per cent to Afghan national security forces, one per cent to international military forces) and 12 per cent to ground engagements between Anti-Government Elements and Afghan national security forces in which a civilian casualty could not be attributed to a specific party.
- UNAMA attributed four per cent of civilian casualties to explosive remnants of war, and the remaining one per cent to cross-border shelling from Pakistan into Afghanistan.
- Compared with the first six months of 2009, when UNAMA began to monitor civilian casualties, the number of civilians killed by Anti-Government Elements doubled in 2014 (from 599 to 1,208), while the number of civilians killed by Pro-Government forces has been cut by half (from 302 to 158), almost entirely due to reduced civilian casualties from aerial operations of international military forces.

Source: UNAMA/UNHCR, **Afghanistan Midyear Report on Protection of Civilians in Armed Conflict:**

2014 http://unama.unmissions.org/LinkClick.aspx?fileticket=m_XyrUQDKZg%3d&tabid=12254&mid=15756&language=en-US, July 2014, pp. 1-2.

In spite of “Surge,” Civilian Killed and Wounded Rose Through End 2013

UN Estimate of Civilian deaths and Injuries: January to December 2009-2013



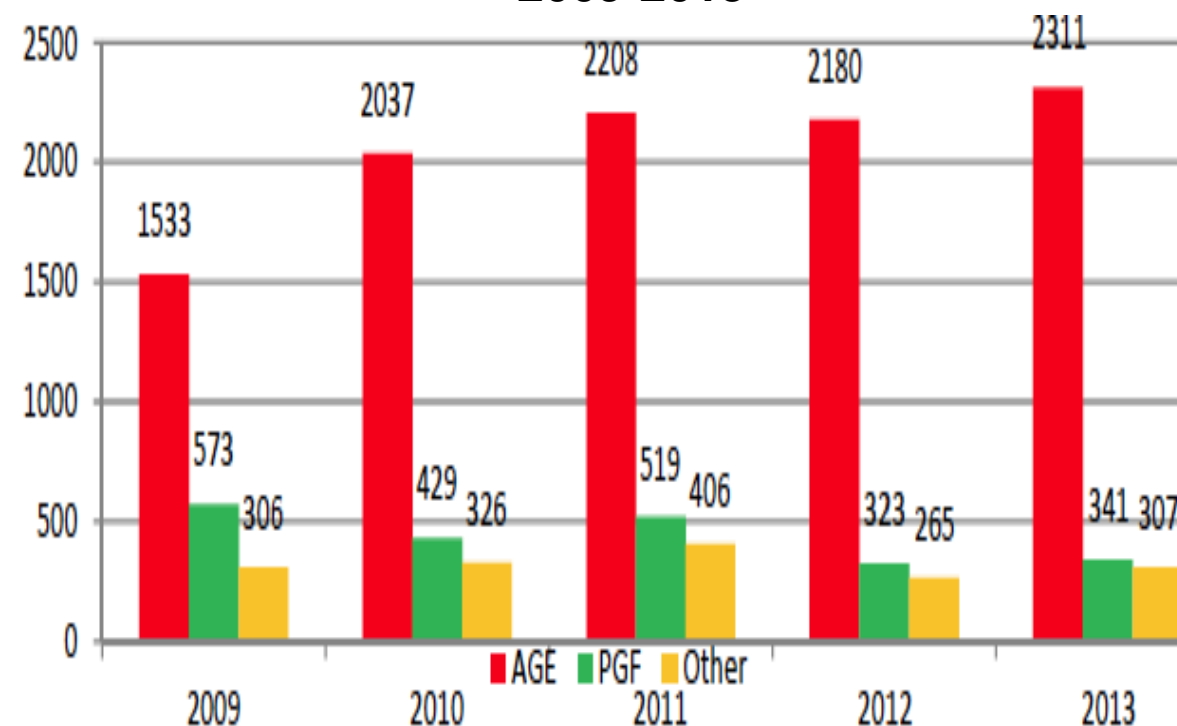
- UNAMA documented 8,615 civilian casualties (2,959 civilian deaths and 5,656 injured) in 2013, marking a seven per cent increase in deaths and a 17 per cent increase in injuries compared to 2012.

- The rise in civilians killed and injured in Afghanistan's armed conflict in 2013 reverses the decline reported in 2012 and is similar to record high numbers of civilian casualties documented in 2011. Since 2009, the armed conflict has claimed the lives of 14, 064 Afghan civilians and injured thousands more.

- While improvised explosive devices used by Anti-Government Elements remained the biggest killer of civilians in 2013, increased ground engagements between Pro-Government Forces and Anti-Government Elements emerged as the number-two cause of civilian casualties with rising numbers of Afghan civilians killed and injured in cross-fire. Both factors drove the escalation of civilian casualties in 2013.

Taliban and Insurgent Killing Power Has Been Rising

UN Estimate of Civilian deaths by Parties to the Conflict: January to December 2009-2013



- UNAMA's report found that Anti-Government Elements continued to deliberately target civilians across the country and carried out attacks without regard for civilian life, causing 6,374 civilian casualties (2,311 civilian deaths and 4,063 injured), up four per cent from 2012.

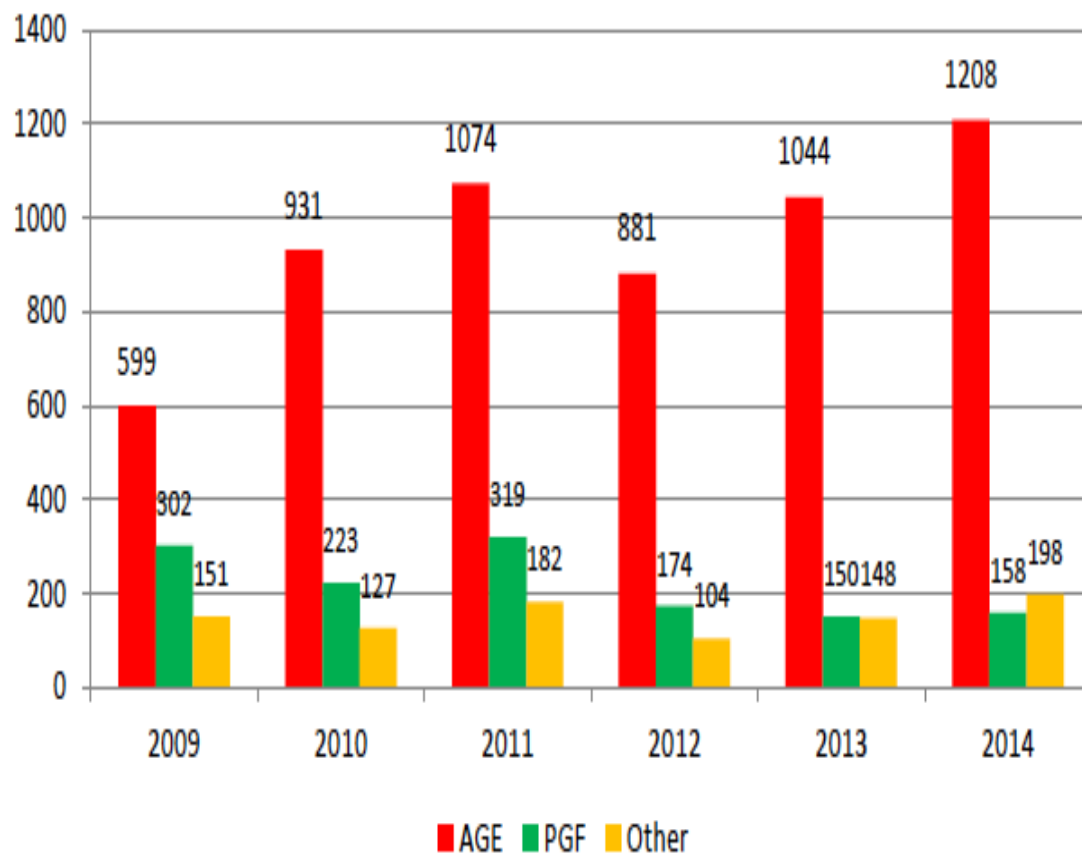
- Indiscriminate use of IEDs by Anti-Government Elements increased in 2013 and remained the leading cause of civilian deaths and injuries. UNAMA recorded 2,890 civilian casualties (962 civilian deaths and 1,928 injured) from IEDs, up 14 per cent from 2012.

- Within civilian casualties from IEDs, UNAMA noted an 84 per cent rise in civilian deaths and injuries from radio-controlled IEDs and a 39 per cent decrease in civilian casualties from indiscriminate victim-activated pressure-plate IEDs. Anti-Government Elements continued to detonate IEDs in public areas used by civilians such as roads, markets, Government offices, bazaars, in and around schools, and bus stations

- Suicide and complex attacks caused 1,236 civilian casualties (255 killed and 981 injured) in 73 incidents in 2013. While the number of attacks was similar to 2012, an 18 per cent decrease in civilian casualties from these attacks was noted

Violence Reaches Major New Peak in 2014

UN Estimate of Civilian deaths by Parties to the Conflict: January to June 2009-2014

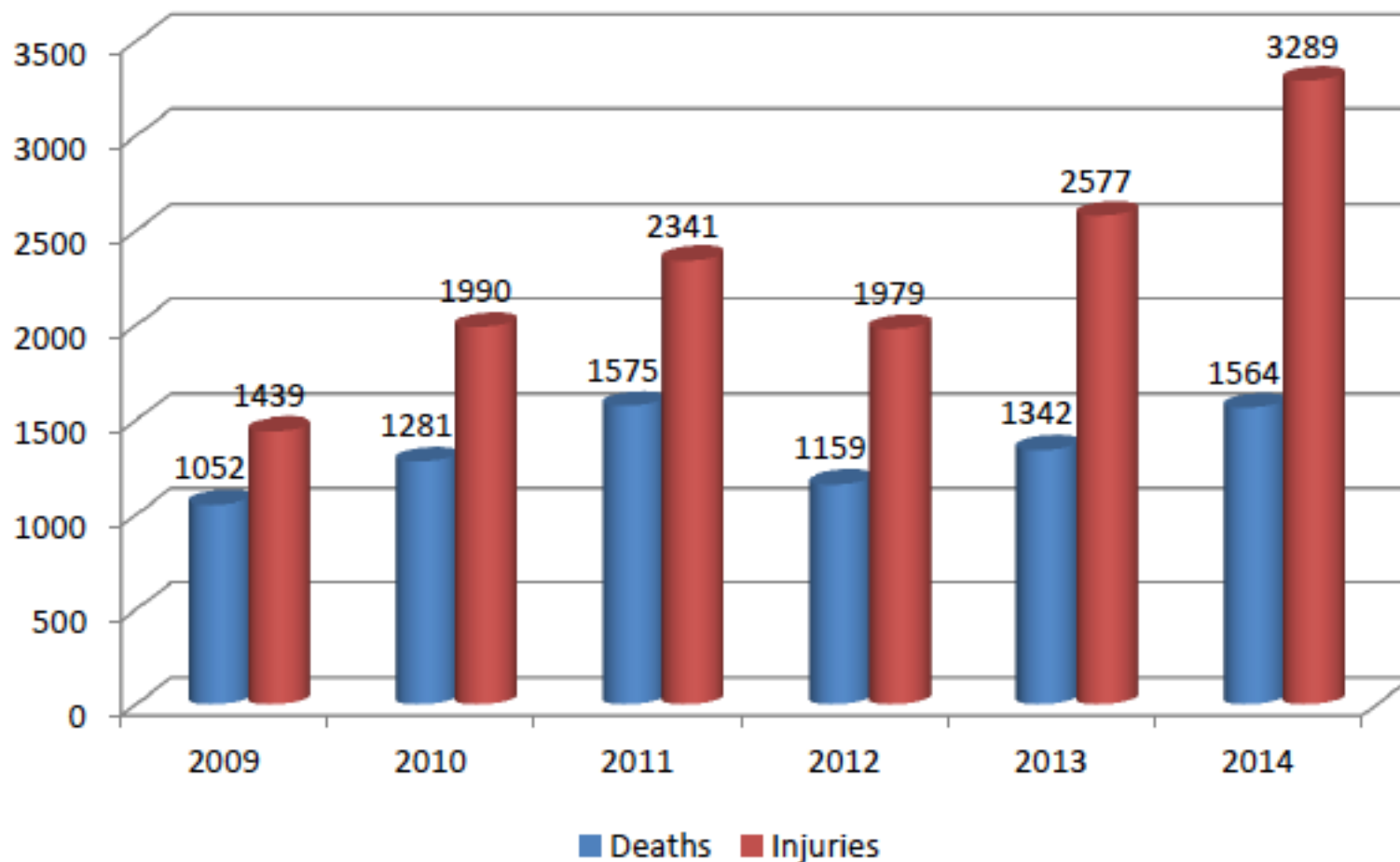


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Compared with the first six months of 2009, when UNAMA began to monitor civilian casualties, the number of civilians killed by Anti-Government Elements doubled in 2014 (from 599 to 1,208), while the number of civilians killed by Pro-Government forces has been cut by half (from 302 to 158), almost entirely due to reduced civilian casualties from aerial operations of international military forces.

Rise in Number of Wounded Much Sharper than in Civilian Deaths (January- End June 2009-2014)

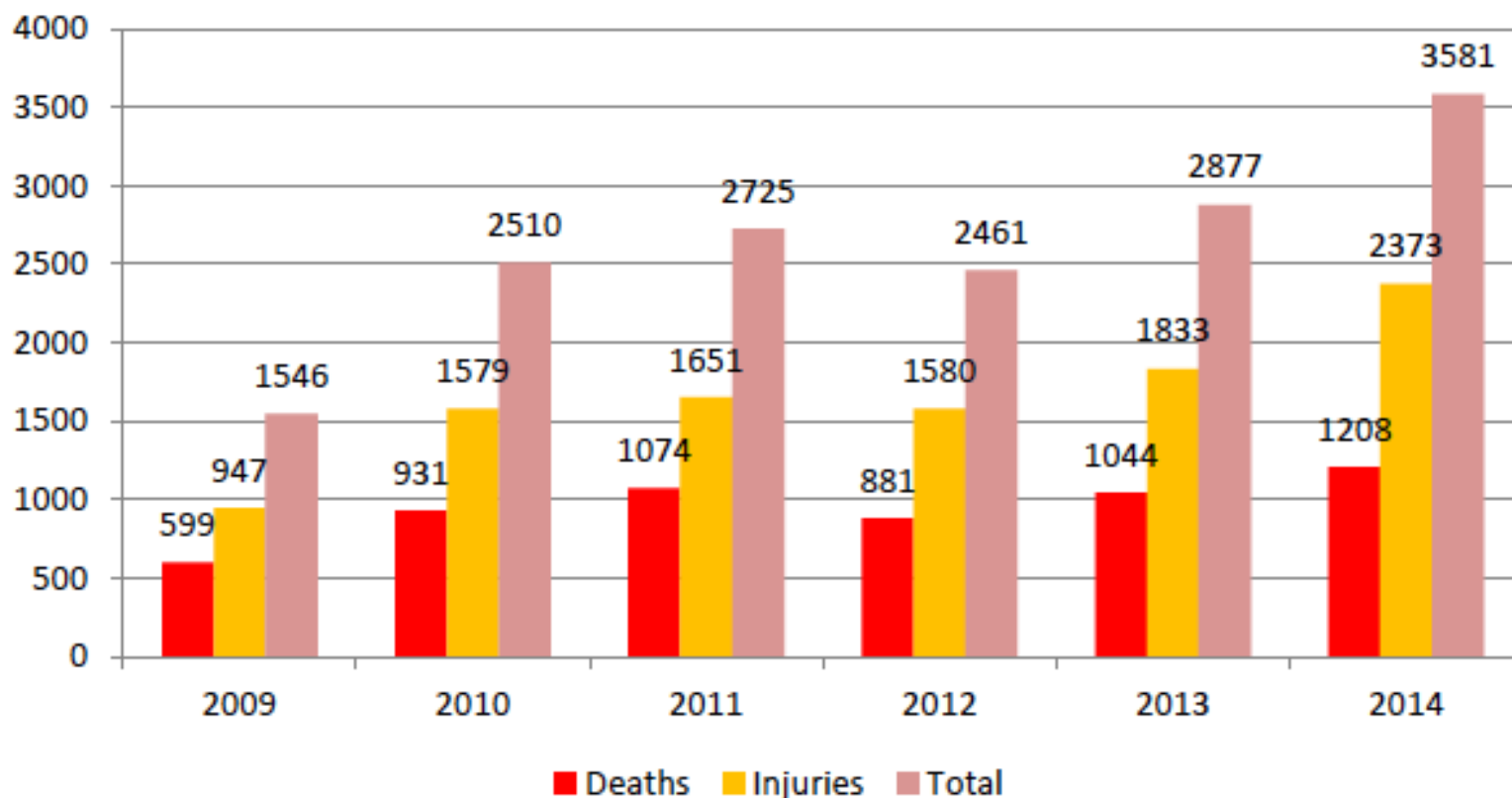


Source: UNAMA/UNHCR, **Afghanistan Midyear Report on Protection of Civilians in Armed Conflict:**

2014 http://unama.unmissions.org/LinkClick.aspx?fileticket=m_XyrUQDKZg%3d&tabid=12254&mid=15756&language=en-US, July 2014, pp. 7

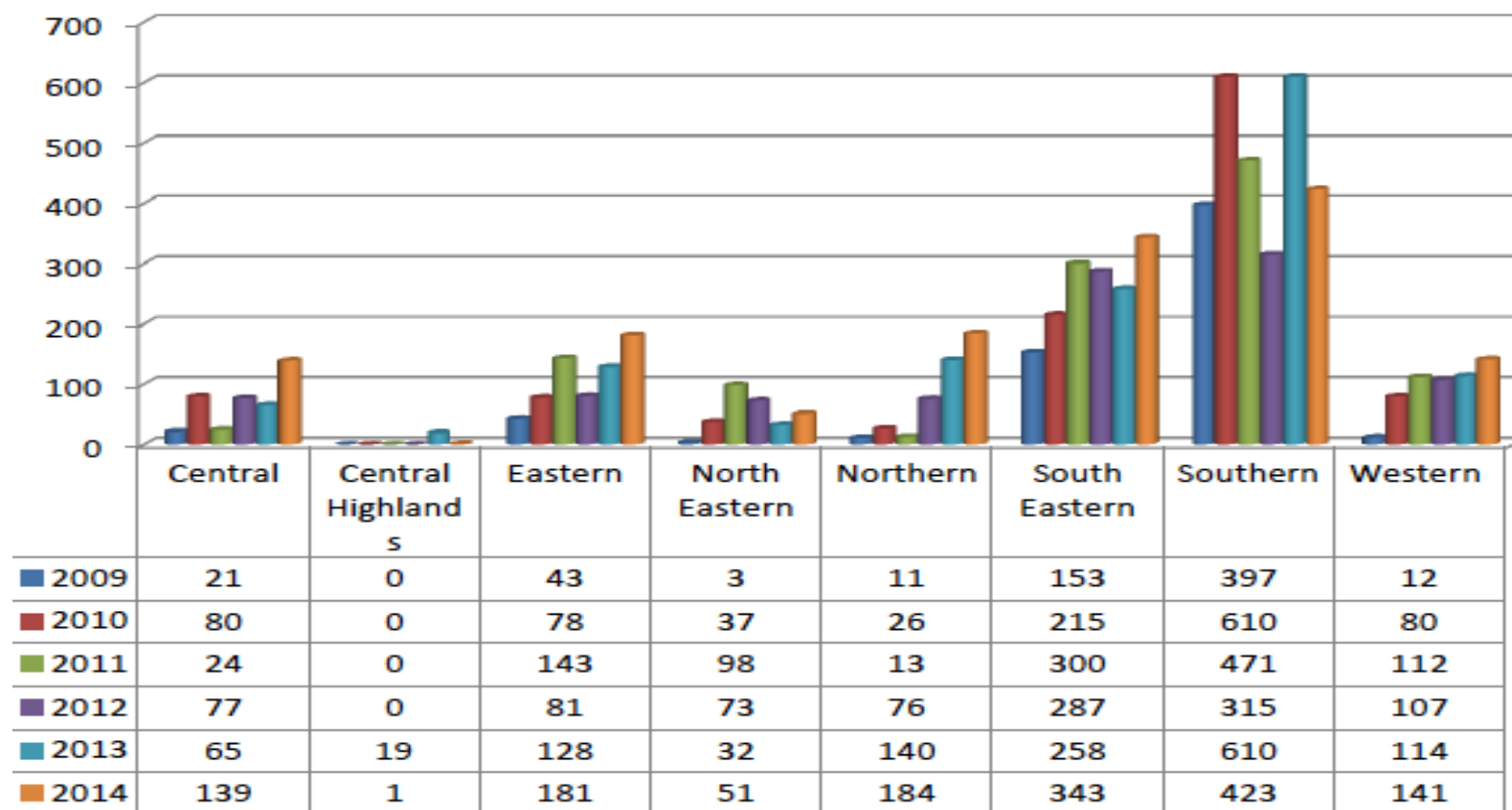
Steadily Increasing Impact of Taliban and Insurgents with 24% Rise in 2014

Civilian Deaths and Injuries by Anti-Government Elements
January to June: 2009 - 2014



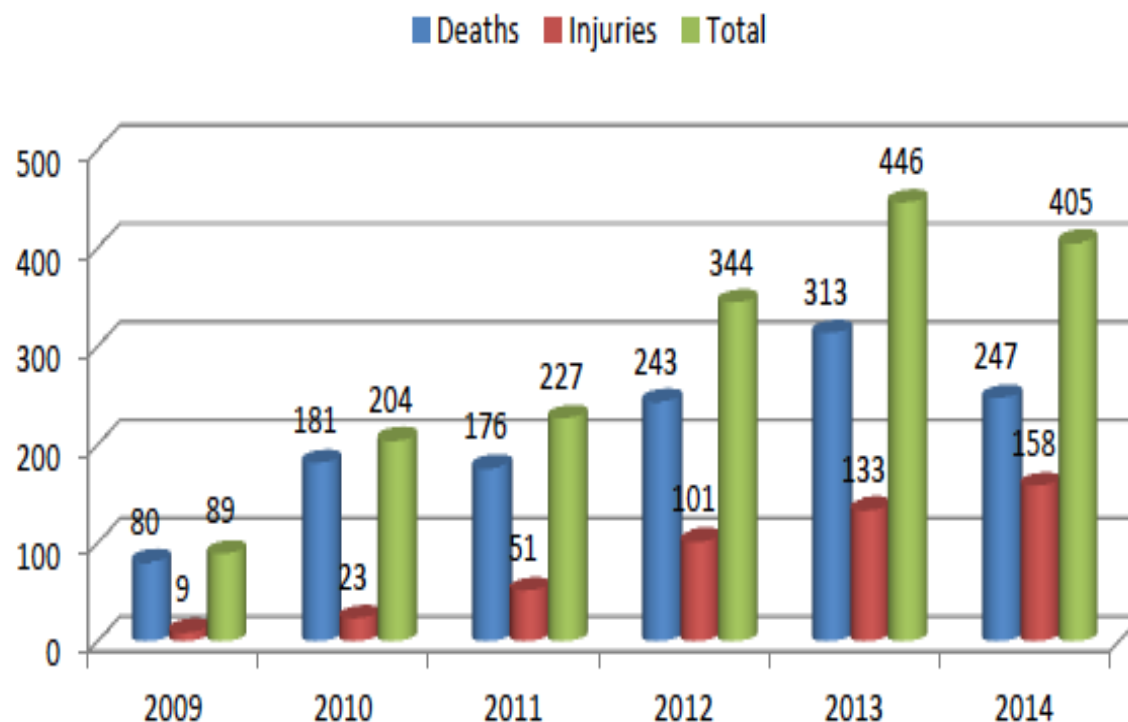
Expanding National Coverage of Taliban Attacks Goes Far Beyond 10 Districts

**Civilian Deaths and Injuries: IEDs by region
January to June 2009 - 2014**



Increasing Lethality of Targeted Attacks

Civilian Deaths and Injuries by AGE Targeted and Wilful Killings January to June: 2009 - 2014



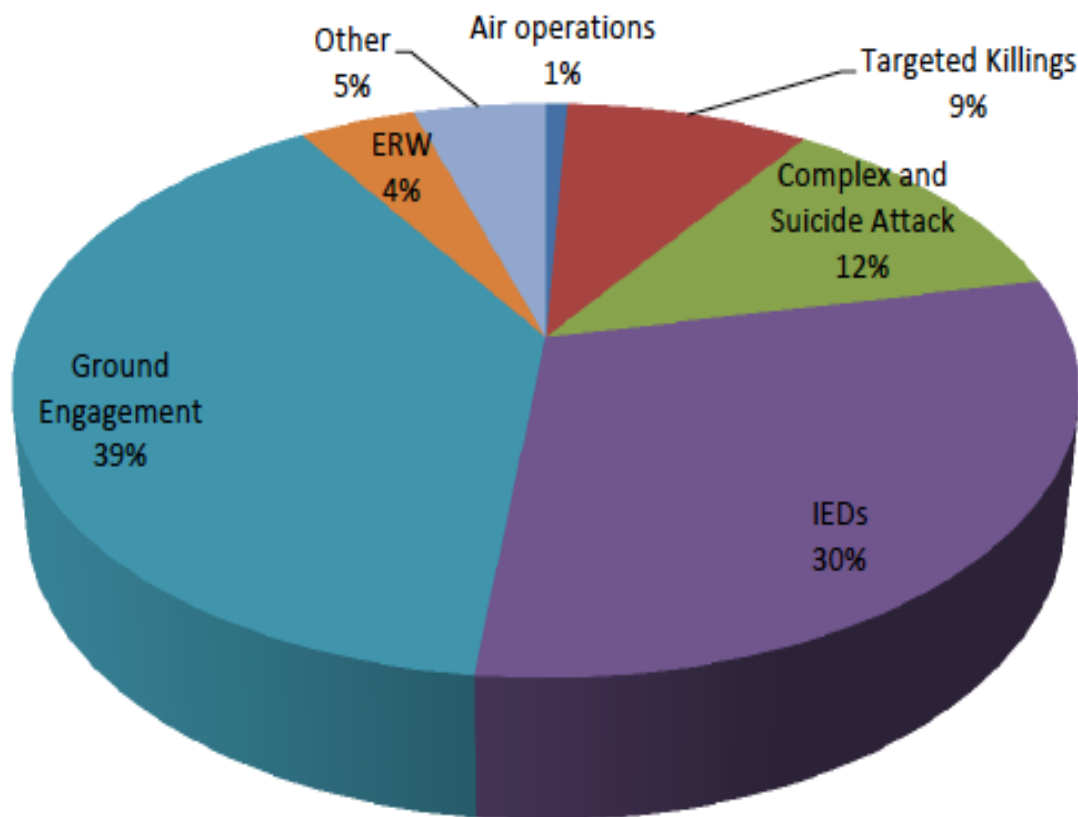
Targeted killings accounted for nine per cent of all civilian casualties in the first half of 2014. UNAMA documented 263 civilian deaths and 165 injured (428 civilian casualties) from targeted killings, a 10 per cent drop from the same period in 2013.

Of the 428 civilian casualties from targeted killings, 95 per cent – 405 civilian casualties (247 deaths and 158 injured) – were attributed to Anti-Government Elements. These included killings of tribal elders, civilian Government officials, mullahs and civilian justice officials.

Of the 428 civilian casualties from targeted killings, the Taliban claimed responsibility for 39 separate incidents of targeted killings which resulted in 82 civilian casualties (54 civilian deaths and 28 injured), more than doubling the civilian casualties claimed by the Taliban in 2013.

Ground Combat Continues to Intensify - I

Civilian deaths and injuries by tactic and incident type January to June 2014



The sharp increase in civilian deaths and injuries in 2014 resulted from escalating ground engagements between Anti-Government Elements and Afghan national security forces particularly in civilian-populated areas. In the first half of 2014, increasing numbers of Afghan civilians were killed and injured in ground combat. For example, civilian deaths from mortars, rockets and grenades more than doubled from the same six-month period in 2013.

UNAMA documented 1,901 civilian casualties (474 civilian deaths and 1,427 injured) from ground engagements alone, up 89 per cent from 2013.⁹ Ground combat was the leading cause of civilian casualties in the first half of 2014, accounting for 39 per cent of all civilian deaths and injuries. Improvised explosive devices (IEDs) used by Anti-Government Elements – the second highest cause of civilian casualties – also killed and injured Afghan civilians at unprecedented levels.

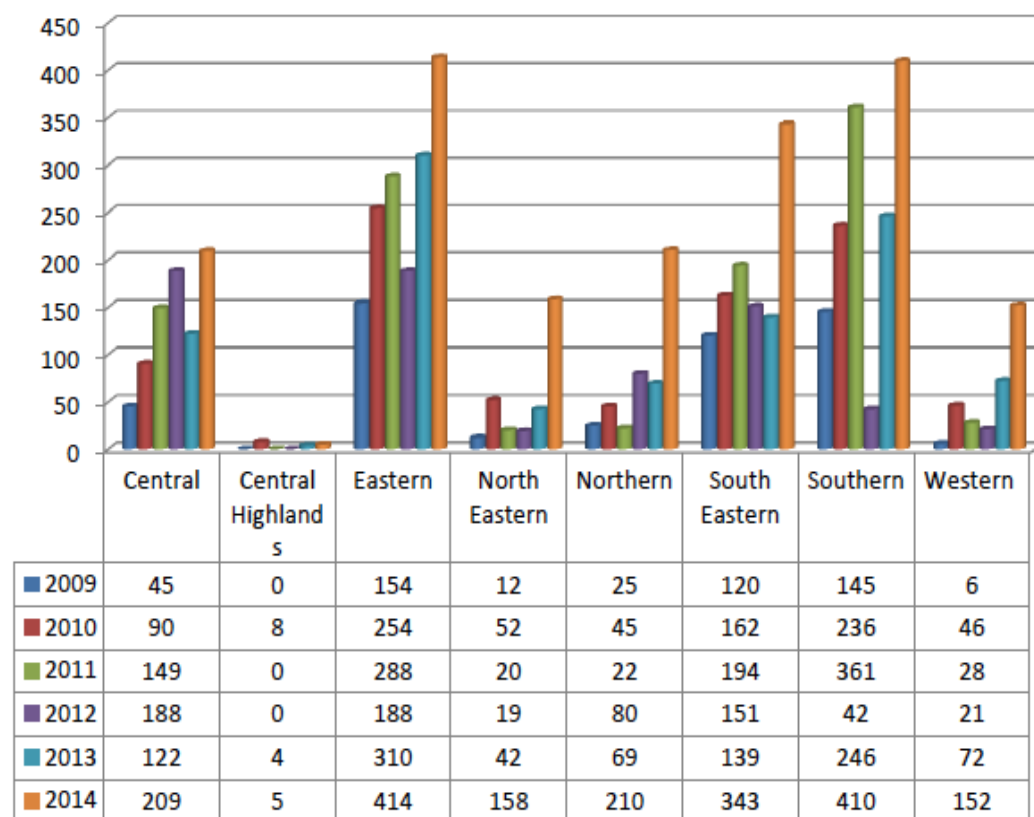
Between 1 January and 30 June 2014, UNAMA documented 1,463 civilian casualties (463 civilian deaths and 1,000 injured) a seven per cent. In the first six months of 2014, suicide and complex attacks caused 583 civilian casualties which killed 156 civilians and injured 427, a seven per cent decrease in civilian casualties from such attacks compared to the first six months of 2013. Suicide and complex attacks were the third leading cause of civilian deaths and injuries in the first half of 2014, after ground engagements and IEDs.

Together, ground engagements and IED tactics, which included suicide and complex attacks, accounted for 81 per cent of all civilian casualties in the first six months of 2014.

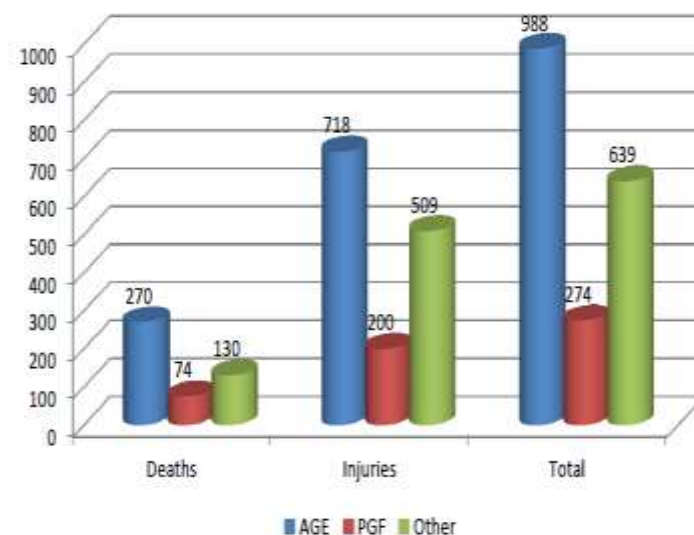
Targeted killings accounted for nine per cent of all civilian casualties. Between 1 January and 30 June 2014, UNAMA documented 428 civilian casualties (263 civilian deaths and 165 injured) from targeted and willful killings (or attempts to kill), a 10 per cent decrease from the same period in 2013.²⁰ These included killings of tribal elders, civilian Government officials, mullahs and civilian justice officials.

Ground Combat Continues to Intensify - II

**Civilian Deaths and Injuries:
All Ground Engagements by region
January to June 2009 - 2014**



**Civilian Deaths and Injuries: Ground Engagements
by Party to the Conflict
January - June 2014**



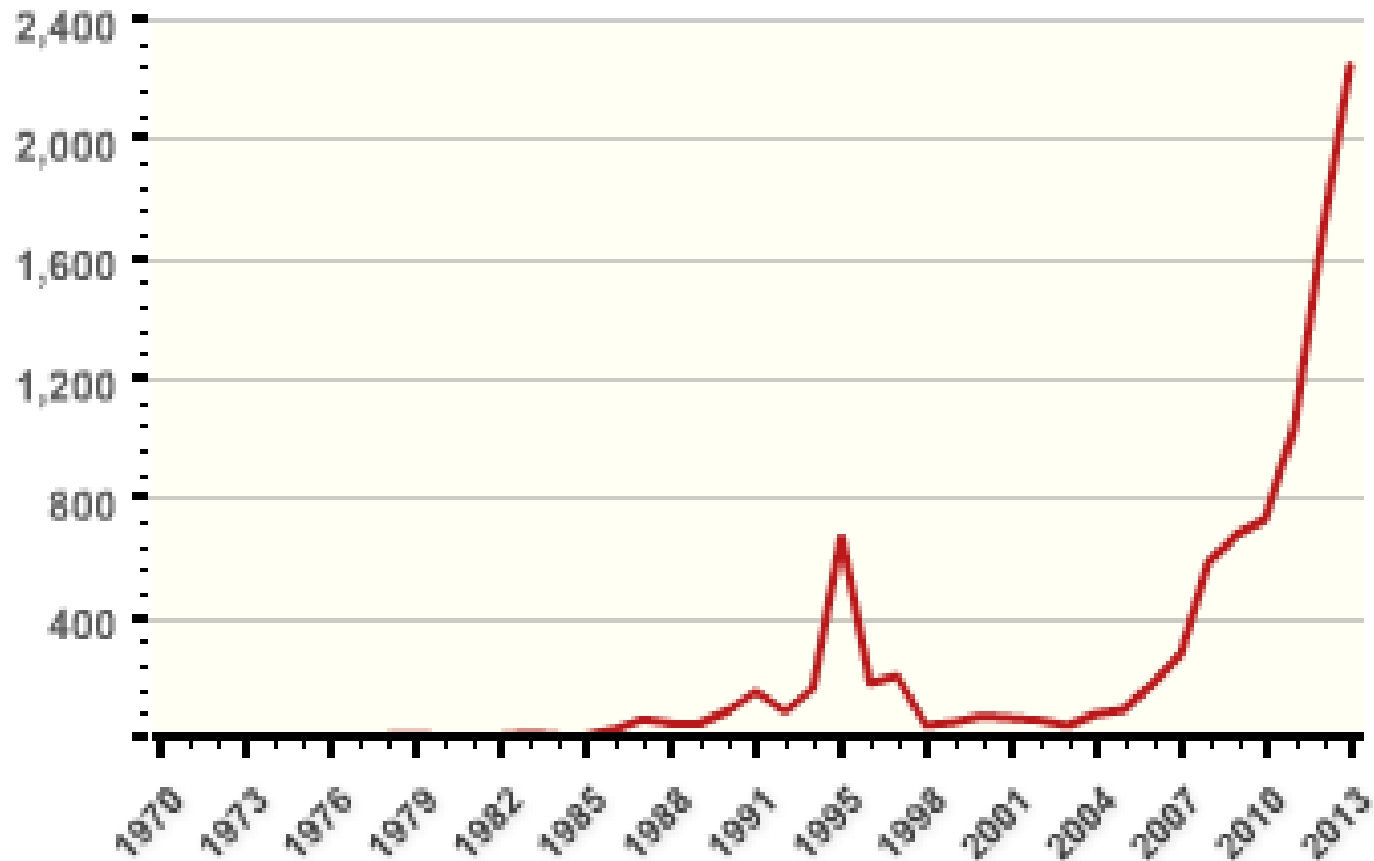
Pressure from the Deteriorating Situation in Pakistan

State Department Ranking of Ten Most Violent States in Terms of Terrorism in 2012

Country	Total Attacks	Total Killed	Total Wounded	Average Number Killed per Attack	Average Number Wounded per Attack
Pakistan	1404	1848	3643	1.32	2.59
Iraq	1271	2436	6641	1.92	5.23
Afghanistan	1023	2632	3715	2.57	3.63
India	557	231	559	0.41	1.00
Nigeria	546	1386	1019	2.54	1.87
Thailand	222	174	897	0.78	4.04
Yemen	203	365	427	1.80	2.10
Somalia	185	323	397	1.75	2.15
Philippines	141	109	270	0.77	1.91
Syria ^[2]	133	657	1787	4.94	13.44

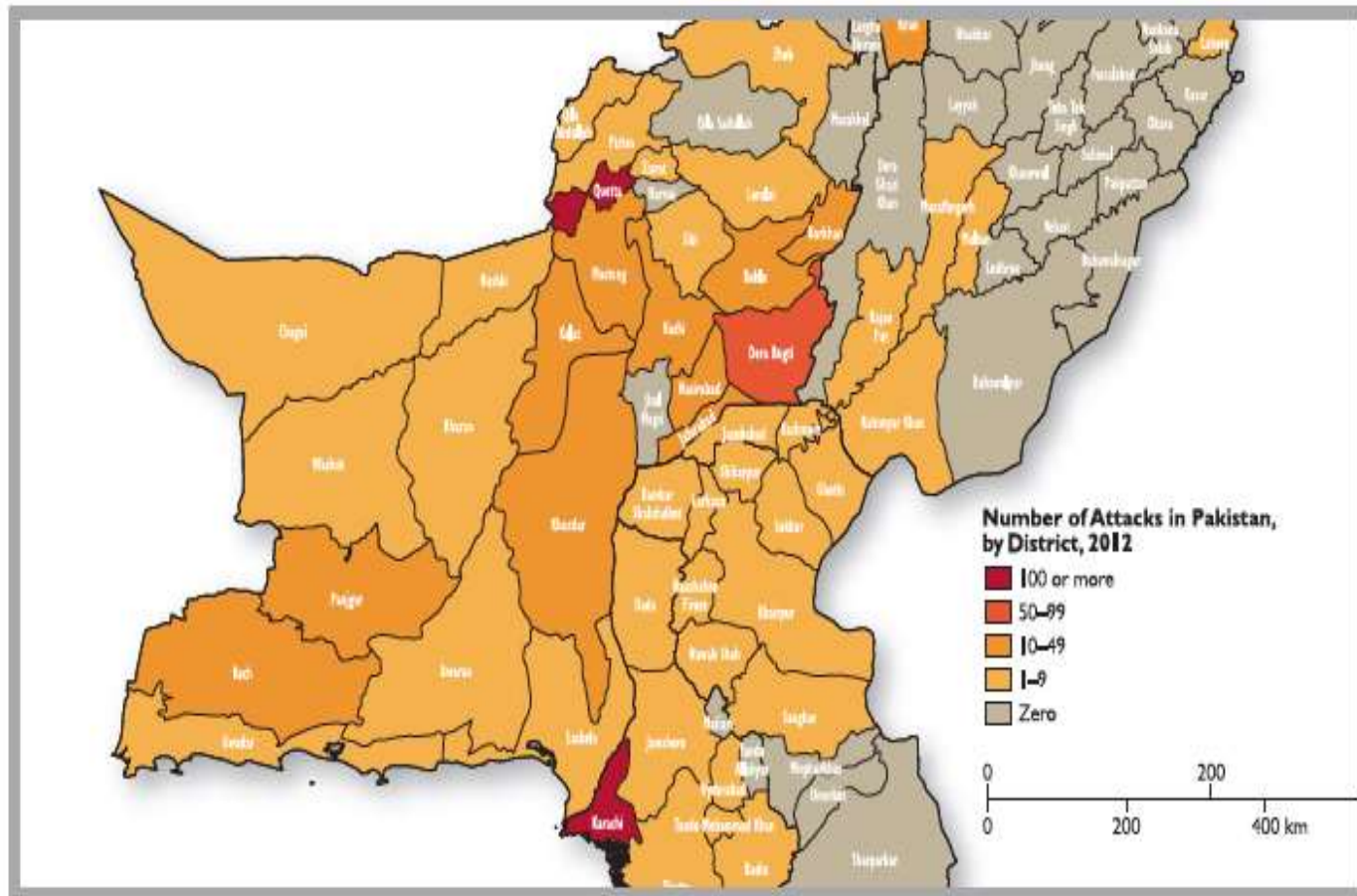
Source: Bureau of Counterterrorism, Statistical Annex, *Country Reports on Terrorism 2012*, US State Department, April 2013, pp. 16-17. For trend graph through 2013, see <http://www.start.umd.edu/gtd/search/Results.aspx?chart=overtime&search=Pakistan>.

State Department Estimate of Trend in Number of Terrorist Incidents in Pakistan



Source: GTD, Global terrorism Data Base, "Pakistan,"
<http://www.start.umd.edu/gtd/search/Results.aspx?chart=overtime&search=Pakistan>.

USIP Map of Widening Areas in Terrorist Incidents in Pakistan

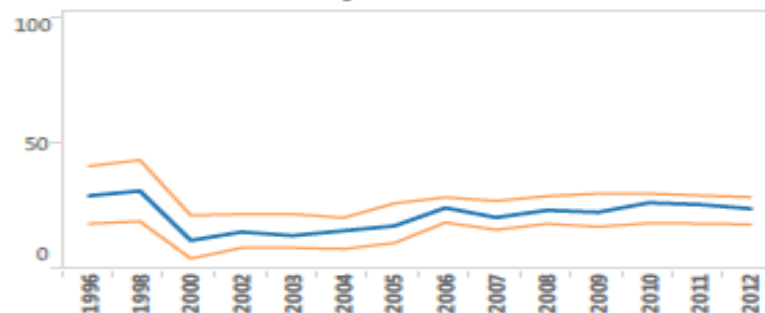


Source: http://www.usip.org/sites/default/files/PW93-Mapping_Conflict_Trends_in_Pakistan.pdf

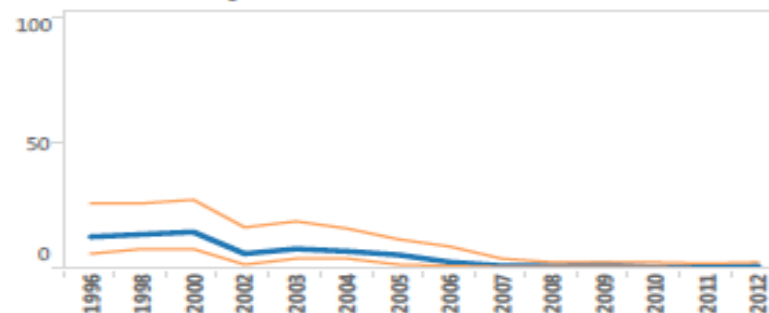
World Bank Estimate of Weak Governance and Lack of Security in Pakistan

Income Group, Region, or Country: Pakistan

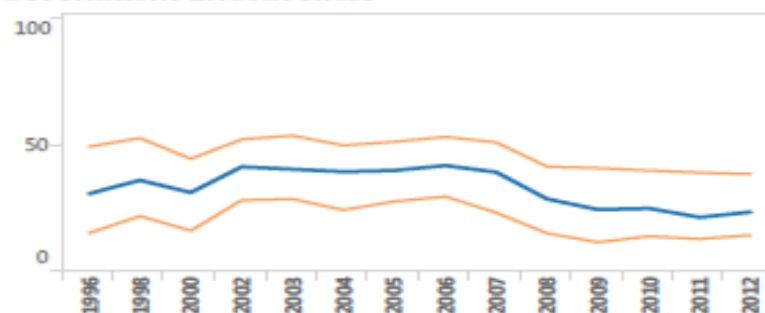
Voice and Accountability



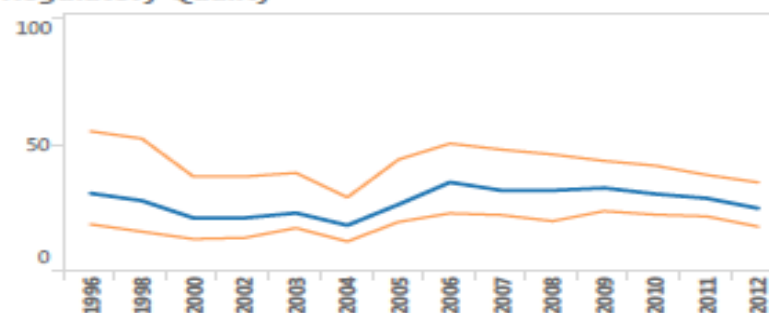
Political Stability and Absence of Violence/Terrorism



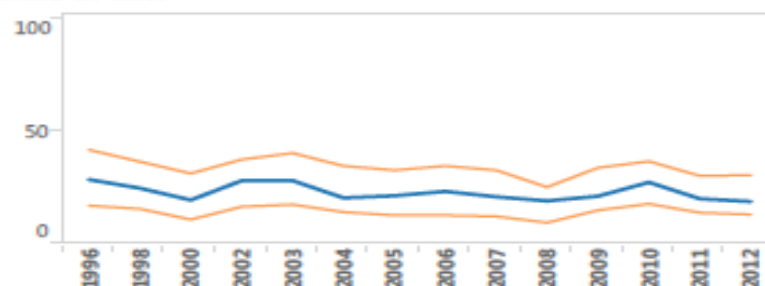
Government Effectiveness



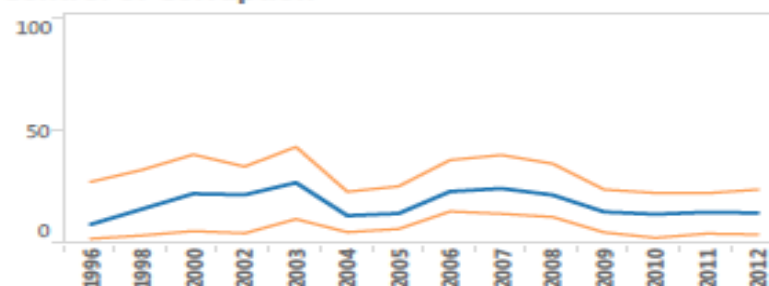
Regulatory Quality



Rule of Law



Control of Corruption



Layered Defense and the Growing Challenge of Post- 2014 Security

Key Warfighting Challenges

- Acceptance that as long as Taliban and others have sanctuary in Pakistan, war will last as long as it lasts.
- End focus on tactical clashes, focus on political-military control and protection of key populated areas and LoCs.
- Responding to the changing threat in a Political-Military War.
 - Tests of 2015 campaign season: “Coming out of the sanctuary closet.”
 - Threat ability to choose time and place, intensity and persistence of operations.
 - New forms of high profile attacks, political-military structures at urban and district level, focus on ANSF, officials, advisors, and NGOs.
 - LOC and commercial threats.
 - New role of narcotics, power brokers, corruption in poorer economy
- Ensuring popular support of government and ANSF is critical. Deal with Security vs. hearts and minds dilemmas on Afghan terms.
 - Reshaping role of US and other “partners,” advisors, “enablers” to win popular support.

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 extremely uncertain given the limited size and duration of the US advisory effort.

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 population and 18 major population clusters. Some do not face major threats, but many do face serious risks.

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.

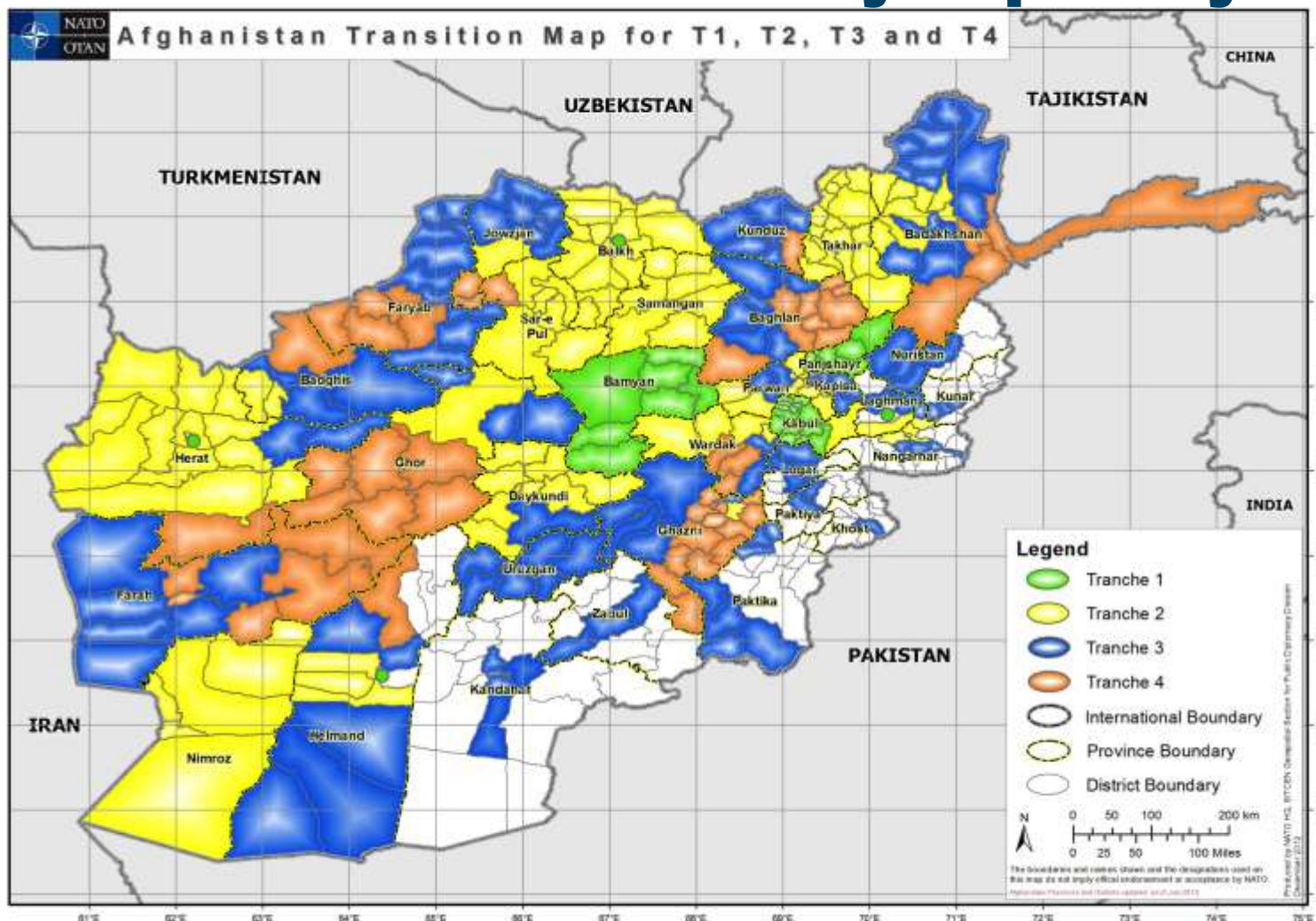
General Dunford on “Resolute Support” and on Post-2014 Mission

- 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.

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

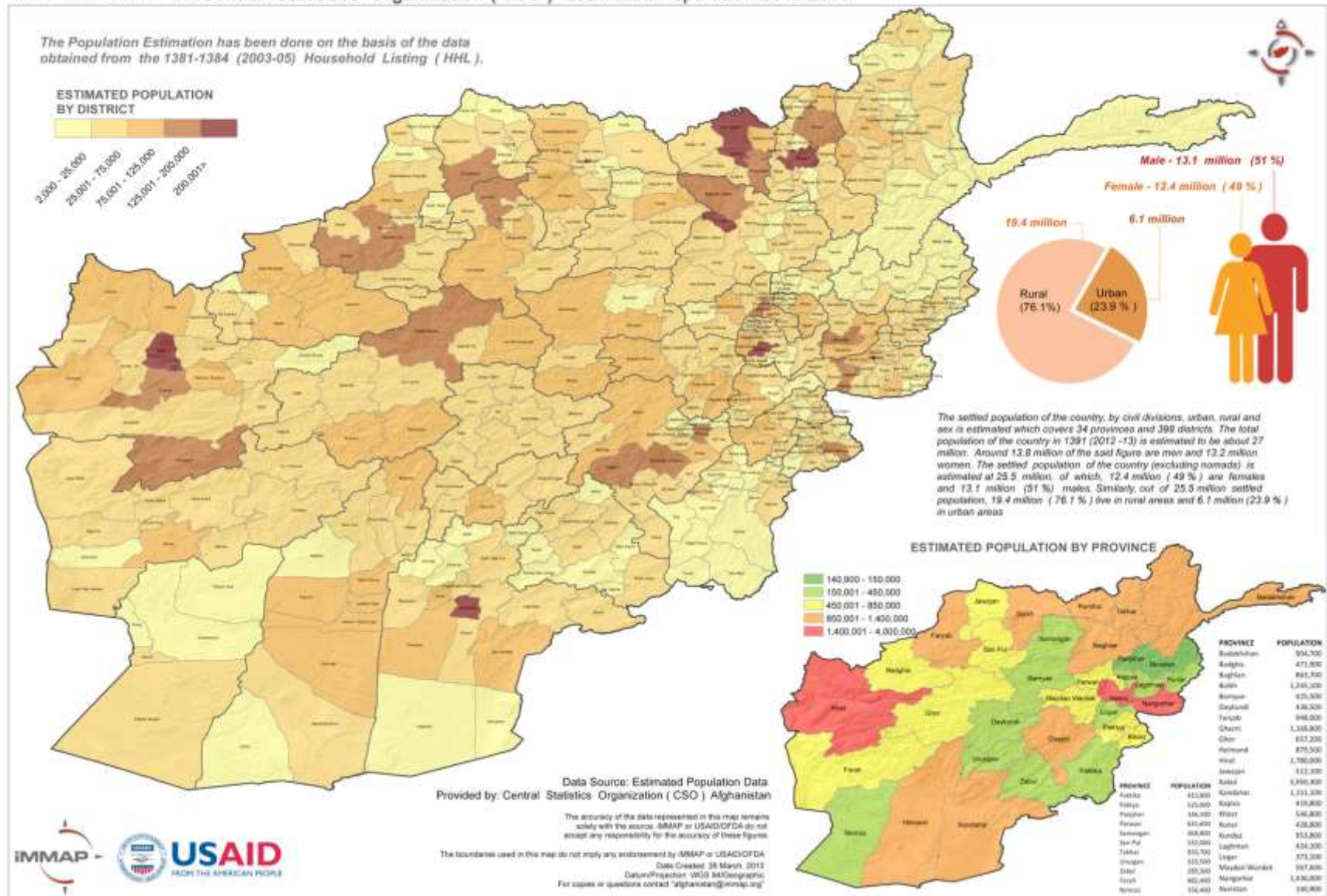
- **Taliban not popular, but with so many Afghan government challenges, people focus on survival.**
- **No evidence that the “surge” has defeated Taliban. Won’t know the balance of power until US and ISAF military are largely gone and a new government is in place – i.e., 2015 campaign season.**
- **Pakistan 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.**

Afghanistan's Divisive Demographics

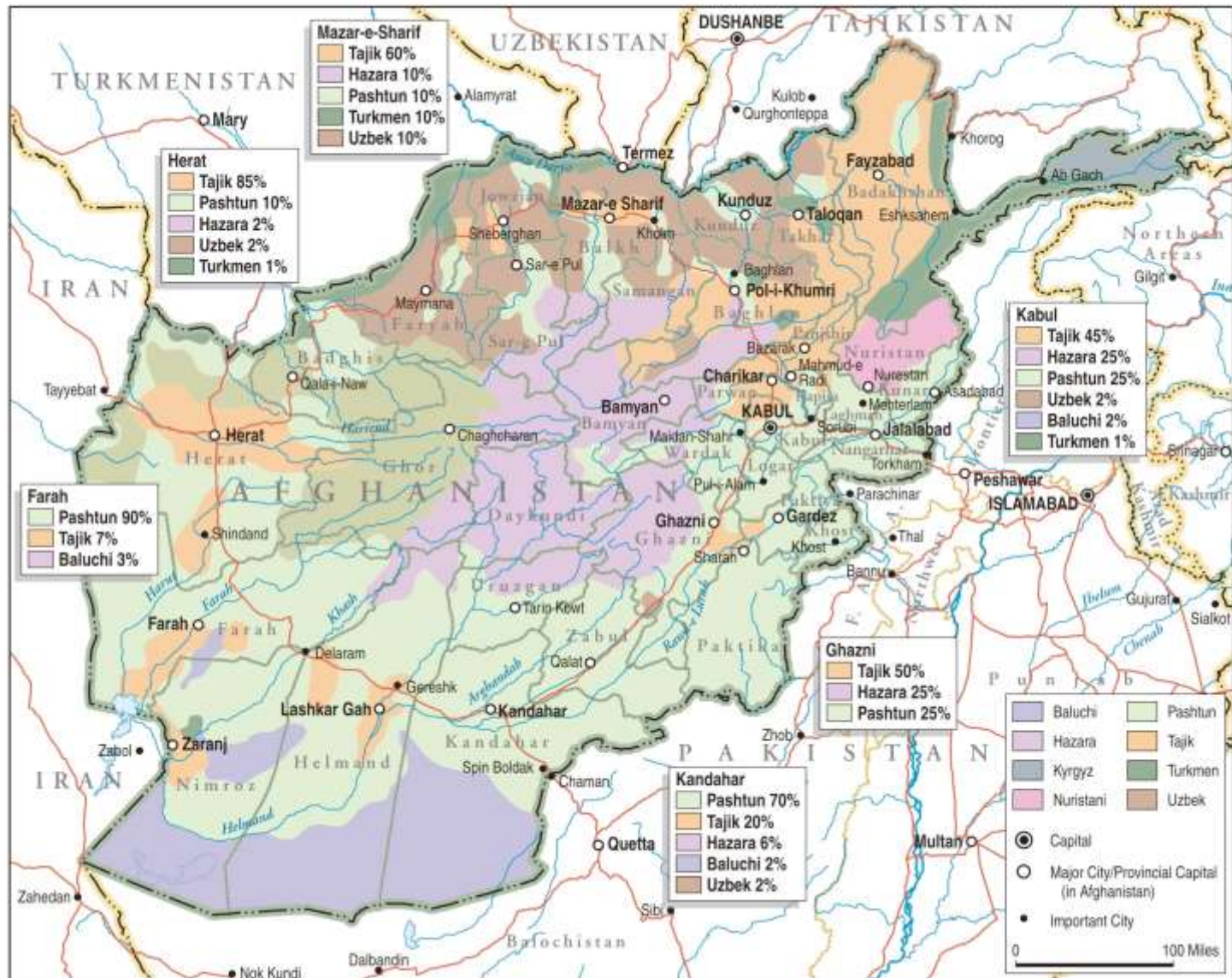
- **Total population: 31,822,848 (July 2014 est.)**
 - Pashtun 42%, Tajik 27%, Hazara 9%, Uzbek 9%, Aimak 4%, Turkmen 3%, Baloch 2%, other 4%
 - Sunni Muslim 80%, Shia Muslim 19%, other 1%
- **Population 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)**
- **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?**

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

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

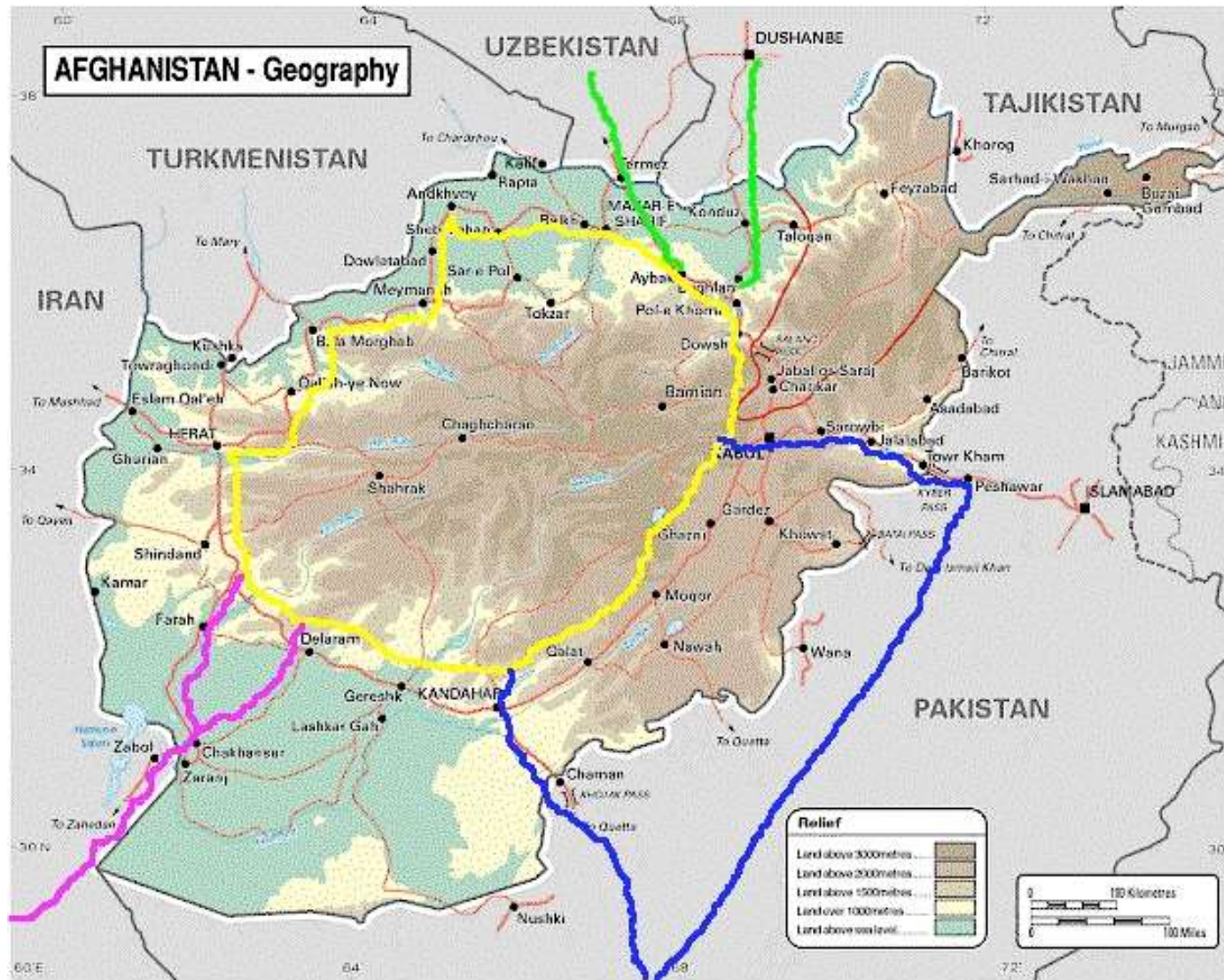


Layered Defense : Ethnicity and Population



Source: Google,  <http://www.google.com/imgres?imgrefurl=http%3A%2F%2Fjoshberer.wordpress.com%2Fmaps%2Firan-afghanistan-and-central-asia%2F&tbnid=us2rf909GtHXXM:&docid=R6PAoMQ1k3fRQM&h=2054&w=2574>.

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

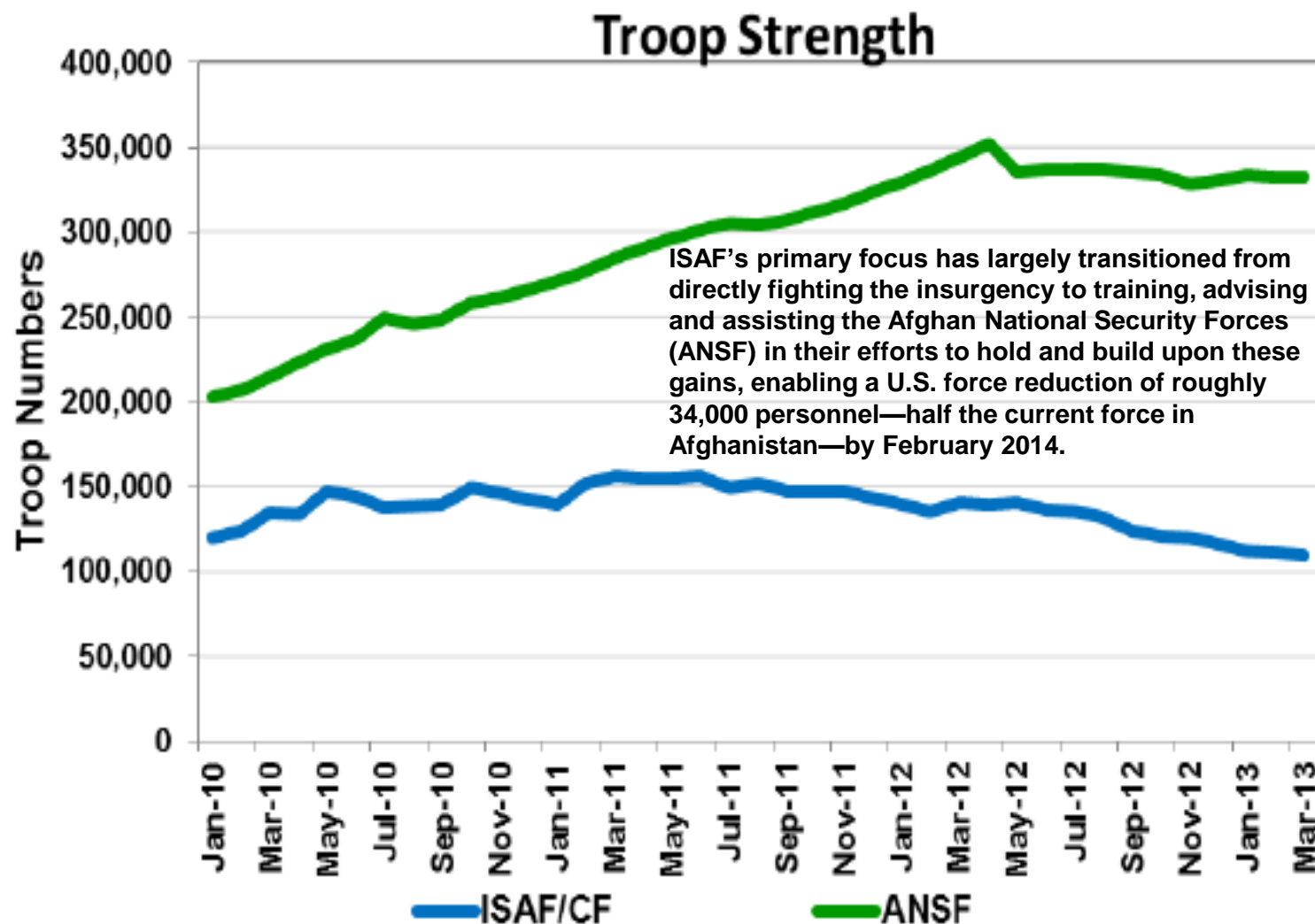


The Impact of ISAF Cuts and Shifting the Burden to the ANSF Through Spring 2014

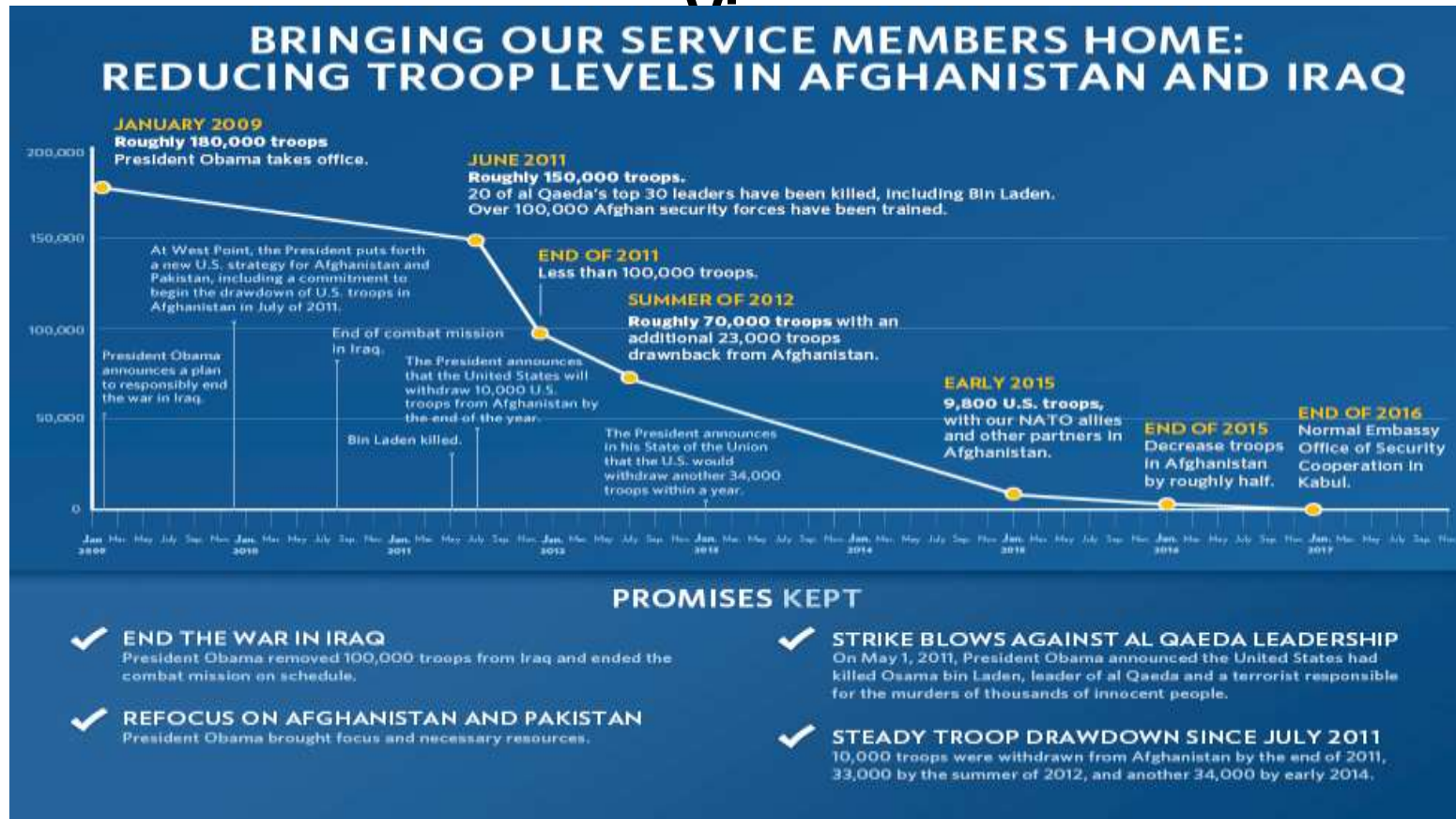
General Dunford on “Resolute Support” and on Post-2014 Mission

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



















































Cuts in US Forces in Afghanistan and Iraq: White House



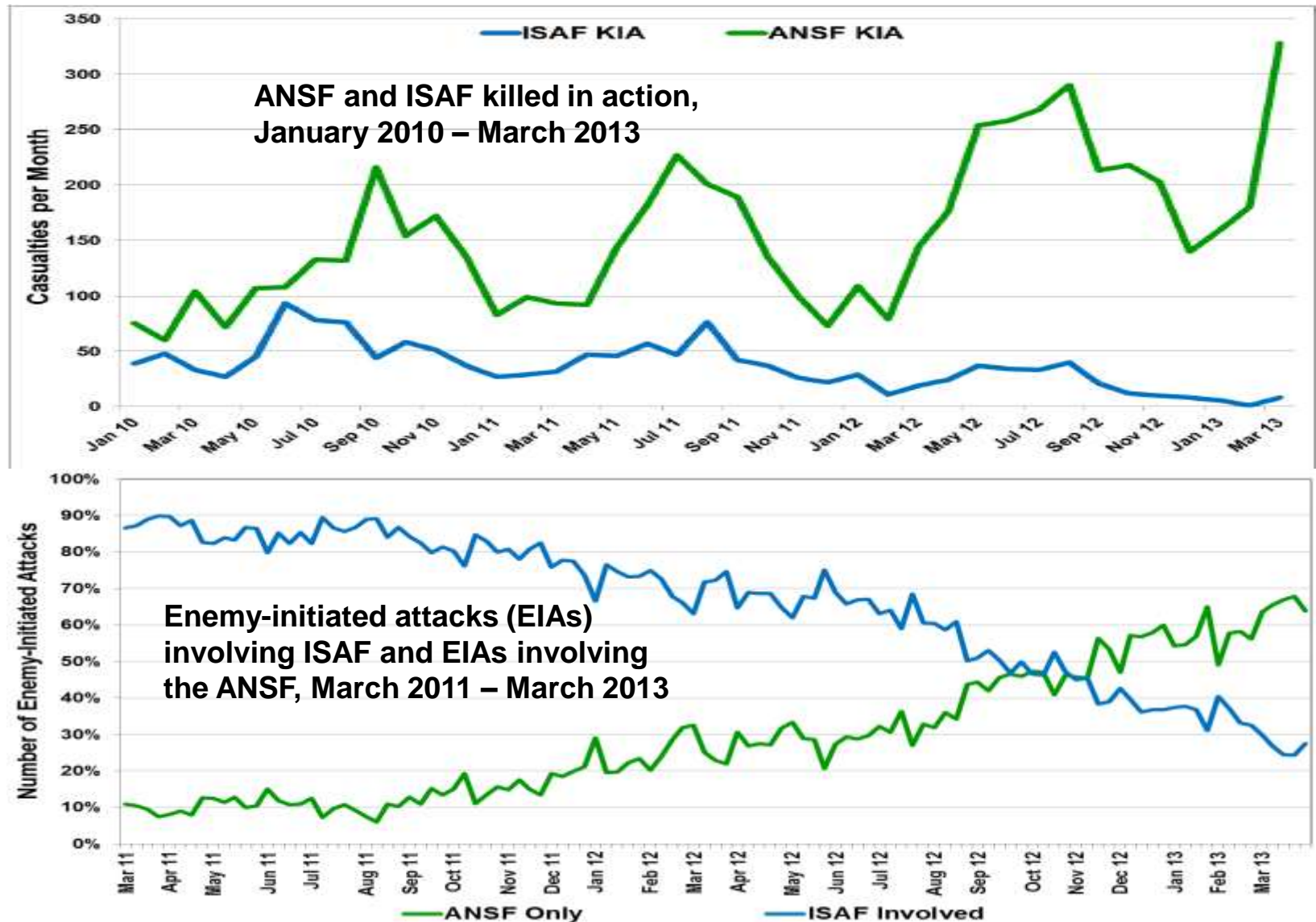
The troop surge that the President announced at West Point in December 2009 set the conditions that allowed us to push back the Taliban and build up Afghan forces. In June 2011, the President announced that we had completed the surge and would begin drawing down our forces from Afghanistan from a peak of 100,000 troops. He directed that troop reductions continue at a steady pace and in a planned, coordinated, and responsible manner. As a result, 10,000 troops came home by the end of that year, and 33,000 came home by the summer of 2012. In February 2013, in his State of the Union address, the President announced that the United States would withdraw another 34,000 American troops from Afghanistan within a year -- which we have done.

Today the President announced a plan whereby another 22,000 troops will come home by the end of the year, ending the U.S. combat mission in December 2014. At the beginning of 2015, and contingent upon the Afghans signing a Bilateral Security Agreement and a status of forces agreement with NATO, we will have 9,800 U.S. service members in different parts of the country, together with our NATO allies and other partners. By the end of 2015, we would reduce that presence by roughly half, consolidating our troops in Kabul and on Bagram Airfield. One year later, by the end of 2016, we will draw down to a normal embassy presence in Kabul, with a security assistance component, as we have done in Iraq. Beyond 2014, the mission of our troops will be training Afghan forces and supporting counterterrorism operations against the remnants of al-Qa'ida.

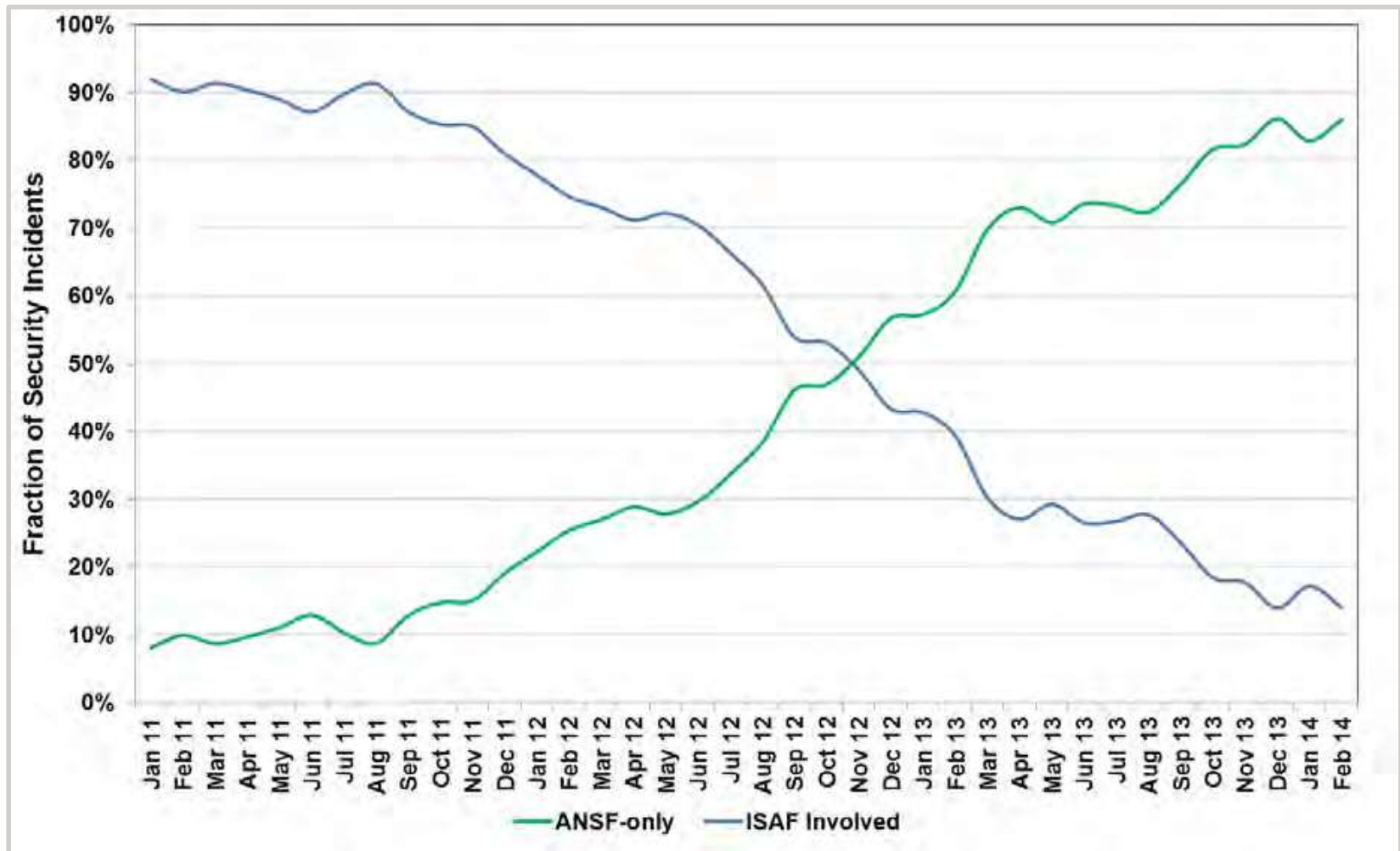
ISAF Forces as of June 1, 2014

	Albania	72		Germany	2,695		Poland	968
	Armenia	121		Greece	10		Portugal	66
	Australia	356		Hungary	100		Romania	1,002
	Austria	3		Iceland	3		Slovakia	275
	Azerbaijan	94		Ireland	7		Slovenia	4
	Bahrain	0		Italy	2,000		Spain	247
	Belgium	147		Jordan	1,069		Sweden	219
	Bosnia & Herzegovina	53		Republic of Korea	50		The former Yugoslav Republic of Macedonia *	152
	Bulgaria	378		Latvia	31		Tonga	55
	Croatia	146		Lithuania	83		Turkey	457
	Czech Republic	250		Luxembourg	1		Ukraine	27
	Denmark	165		Malaysia	2		United Arab Emirates	35
	El Salvador	0		Mongolia	40		United Kingdom	5,200
	Estonia	20		Montenegro	25		United States	32,800
	Finland	95		Netherlands	200		Total	49,902
	France	177		New Zealand	2			
	Georgia	805		Norway	67			

The Burden of Fighting and Casualties Has Shifted to the ANSF (But High Casualties are not a Measure of Merit)



Percentage of Security Incidents Involving ANSF and ISAF Forces



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

The Declining Role of US Airpower

Combined Forces Air Component Commander 2010-2014 Airpower Statistics

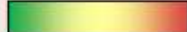
As of 30 Apr 2014

OPERATION ENDURING FREEDOM/International Security Assistance Force

Close Air Support

Sorties		Sorties with at least one weapon release	
2010	33,707	2010	2,517
2011	34,514	2011	2,678
2012	28,768	2012	1,975
2013	21,785	2013	1,407
2014	6,042	2014	220

Number of Weapon Releases

Less Activity  More Activity

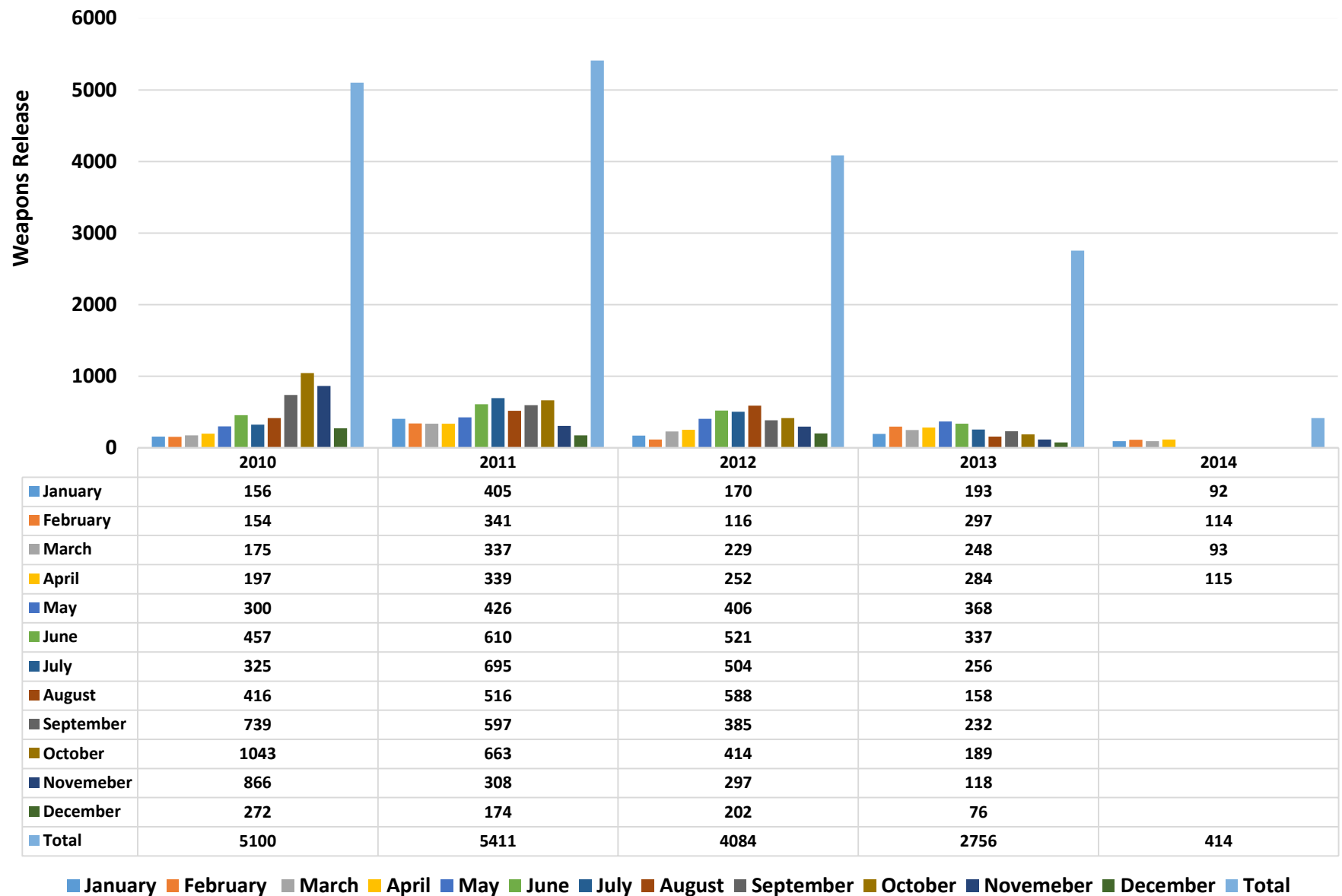
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	156	154	175	197	300	457	325	416	739	1,043	866	272	5,100
2011	405	341	337	339	426	610	695	516	597	663	308	174	5,411
2012	170	116	229	252	406	521	504	588	385	414	297	202	4,084
2013	193	297	248	284	368	337	256	158	232	189	118	76	2,756
2014	92	114	93	115									414

- Some figures may have changed due to data re-calculation and re-verification

Combined Data

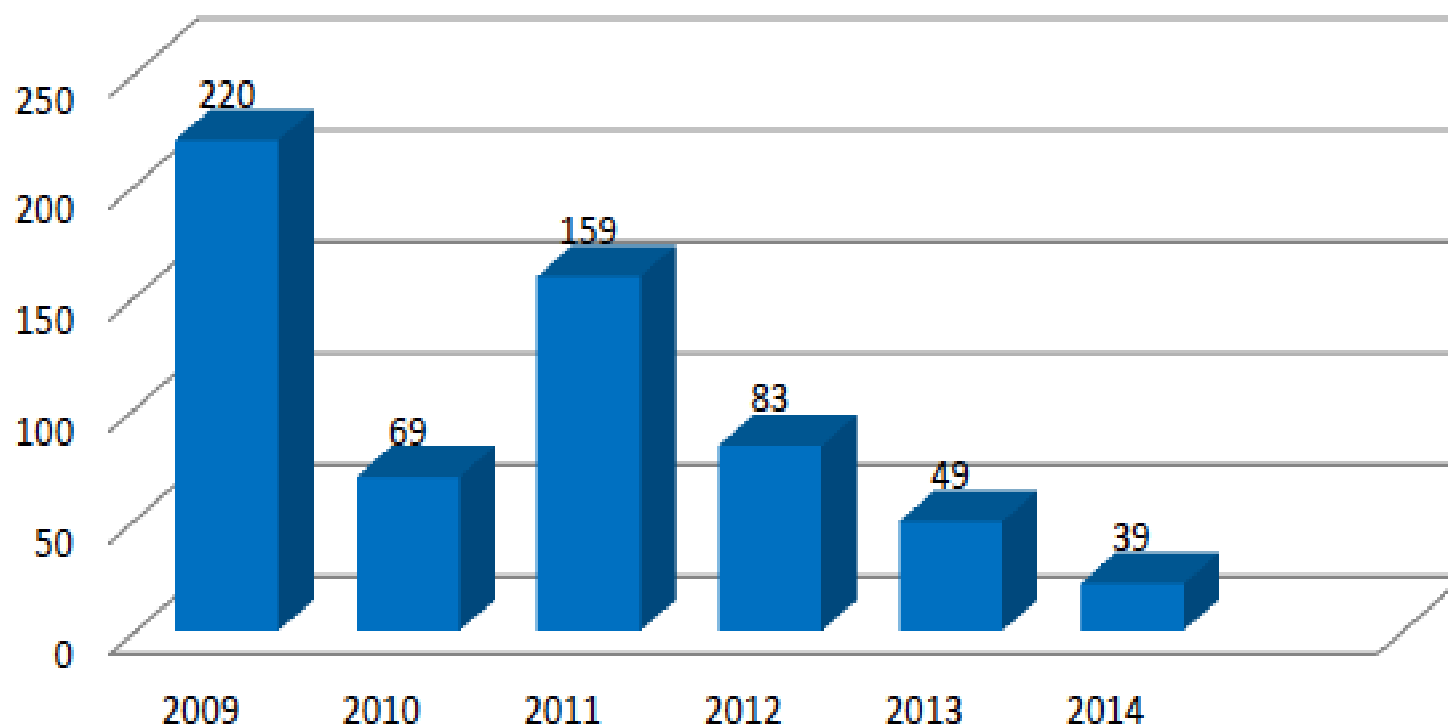
	2010	2011	2012	2013	2014
Intel, Surveillance and Recon Sorties	28,747	38,198	34,937	31,049	8,628
Airlift Sorties	63,000	57,000	39,000	32,000	6,000
Airlift Cargo (Short Tons)	295,000	241,000	265,000	201,000	57,000
Airlift Passengers	1,368,000	1,233,000	749,000	506,000	93,000
OEF Supplies Airdropped (Pounds)	60,461,000	80,199,000	41,952,000	10,883,000	12,000
Tanker Sorties	17,296	19,469	16,007	12,319	3,544
Fuel Offloaded (Millions of Pounds)	1,050	1,095	980	723	217
Aircraft Refuelings	82,603	90,476	67,020	53,266	15,076
Casualty Evacuation Sorties	3,712	2,959	2,171	576	70
Saves	1,888	1,611	1,187	219	18
Assists	2,964	2,121	1,646	477	57

Sorties with Weapons Release



Steadily Dropping Impact of Airpower on Civilian Casualties

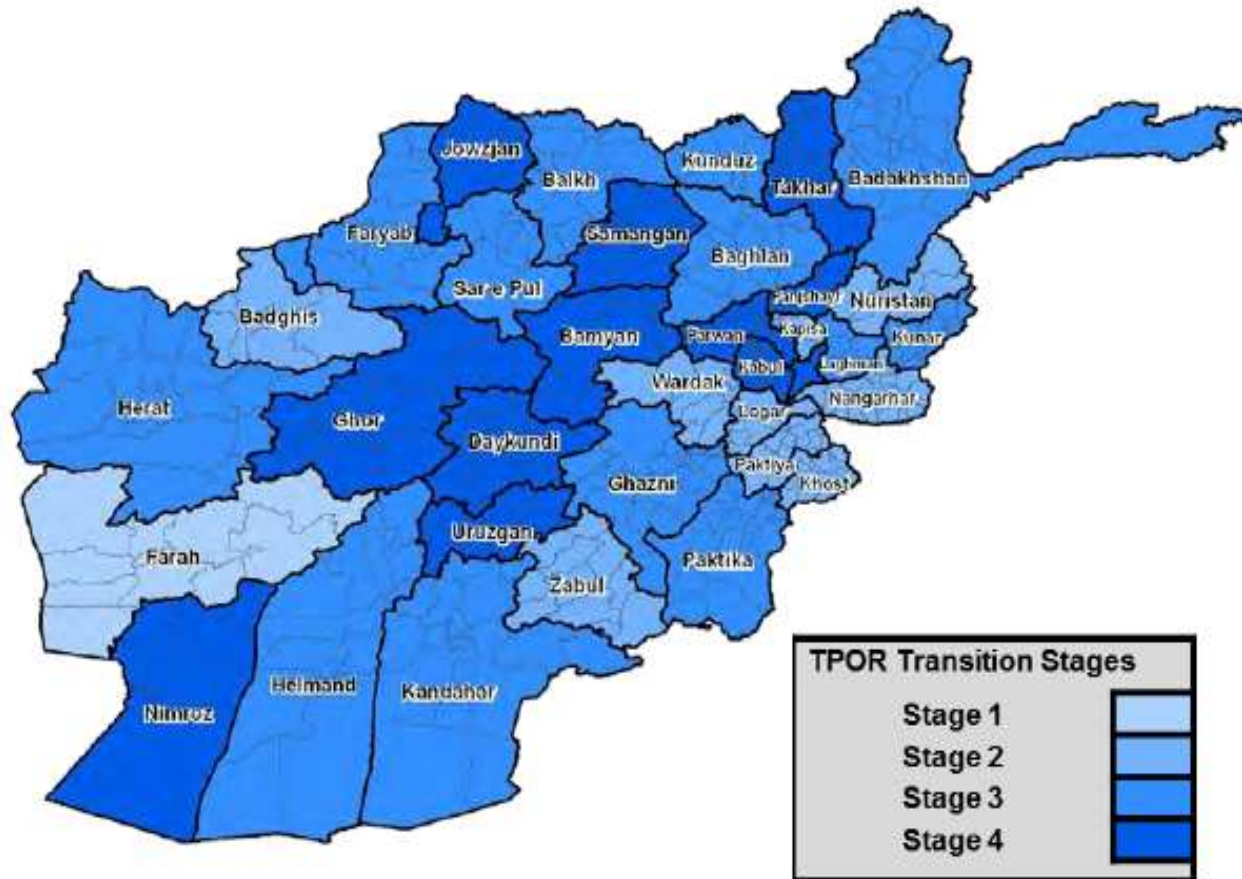
Civilian Deaths and Injuries by Aerial Operations
1 January to 30 June 2009 - 2014



Source: UNAMA/UNHCR, **Afghanistan Midyear Report on Protection of Civilians in Armed Conflict:**

2014 http://unama.unmissions.org/LinkClick.aspx?fileticket=m_XyrUQDKZg%3d&tabid=12254&mid=15756&language=en-US, July 2014, p. 50.

ISAF Assessment of Transition Stages, March- December 2013



Stage 1:
Local Support

Stage 2:
Tactical Support

Stage 3:
Operational Support

Stage 4:
Strategic Support

Uncertain Future CIA Support for US Military

- Press reports indicate CIA will withdraw operational elements in Afghanistan by end 2014. Quotes US officials as saying,

"CIA Director John Brennan informed U.S. military commanders in March that his agency would start to shutter Afghan operations outside Kabul, the capital, removing CIA clandestine officers and analysts as well as National Security Agency specialists responsible for intercepting insurgents' communications, which have been a rich source of daily intelligence, the officials said. ...Pentagon officials warn that the CIA drawdown is coming at a time when insurgent attacks normally intensify, after a winter lull. As a result, the plan has strained relations between the agency and military commanders in Kabul..."

"The CIA footprint is entirely dependent on the military's," a senior U.S. official said Thursday. "There is no stomach in the building for going out there on our own," said a former CIA operator who has spoken to current officers about the pullback. "We are not putting our people out there without U.S. forces."

John Maguire, who retired from the CIA in 2005 after 23 years as a case officer, noted that CIA officers on horseback were the first U.S. forces into Afghanistan after the terrorist attacks of Sept. 11, 2001. He criticized the spy service for the current drawdown. "There is ample evidence and a long historical record of the agency working alone in any number of difficult and dangerous places, and if they can't do it by themselves without the military, then they should close the organization," he said.

The CIA also plans this summer to stop paying the salaries of Afghan paramilitary forces that it has armed and trained for more than a decade to help fight the Taliban-led insurgency in the country's east, near the Pakistani border. It is unclear what will happen to the militias. The Pentagon is trying to persuade the CIA to slow its withdrawal, arguing that keeping CIA and NSA operators in the field as long as possible would help prevent a surge in militant attacks before the end of the year, when most U.S. troops are due to leave.

...The spy service already has sharply cut the pace of lethal drone strikes in Pakistan, flown from airfields in Afghanistan. One official said the agency was making plans to continue operating the armed drones on a much smaller scale, from Bagram.

The Challenge of Shifting the Burden to the ANSF

Challenges in Shifting from ISAF to the ANSF

The development of the ANSF has been rushed forward to meet a deadline of the end of 2014 for removing outside combat forces with less and less emphasis on the actual progress in the ANSF and “conditions based” criteria shaped by the outcome of the fighting and the potential post-transition strength of the Taliban and other insurgents.

ISAF and NTM-A have made it repeatedly clear that the transfer of responsibility for security is a formal one, and that the ANSF will need substantial outside assistance through at least 2016. The key challenges involved are summarized in **Page 37**.

The development of the ANSF presents much broader problems, however, in that **Pages 38 and 39** show more than 40% half of the force consists of police with little real paramilitary, much less intense warfighting capability. There have also been discussions of major cuts in the force – down to levels approaching 250,000 men for fiscal reasons before the ANSF had had to deal with the insurgent threat on its own for even one campaign season.

Moreover, even the Army is relatively lightly equipped and its real world mobility and maneuver capability away from fixed based and support facilities is limited. (Page 39.)

These has, however, been real progress in shifting the burden of the fighting to the ANSF, and this is shown in **Pages 40-43**.

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.

UNAMA Warning that Reductions in ISAF Forces Are Not Compensated for by ANSF

UNAMA observed that the stark rise in civilian deaths and injuries in crossfire and ground engagements in the first six months of 2014 was mainly attributed to the changing dynamics of the conflict. Women and children casualties rose significantly as ground fighting between Anti-Government Elements and Afghan security forces in 2014 increasingly concentrated in civilian-populated areas.

The closure and transfer of more than 86 ISAF bases in the last half of 2013 also had an impact on civilian protection. In the first half of 2014, UNAMA observed a direct correlation between closures and a rise in civilian casualties in some areas – particularly from ground engagements. In previous years, the robust and well-armed presence of hundreds of ISAF Forward Operating Bases and Command Outposts often prevented the movement of Anti-Government Elements into the more populated areas of districts.

In response to an increased presence of Anti-Government Elements in some districts, Afghan forces initiated their own operations to protect territory, notably increasing check points and patrols, as well as responding to attacks launched against them. This resulted in an increase in fighting in civilian-populated areas, which often led to civilian casualties.

UNAMA also noted that the closure of international military bases and subsequent heavy demands placed on Afghan security forces, exacerbated by an environment of political uncertainty – pending electoral results and an unsigned Bilateral Security Agreement (BSA) between the United States and the Government of Afghanistan – opened up space for Anti-Government Elements in some areas to challenge Afghan forces for control of key routes and terrain. In some areas the perceived lack of control by Afghan security forces appeared to encourage Anti-Government Elements to bring together larger attack groups which resulted in higher civilian casualties. In other areas, Afghan forces were able – for a range of reasons – to hold territory after the closure of ISAF bases which resulted in fewer civilian casualties in those areas.

Both conflicting parties also increasingly relied on stand-off tactics such as mortars and rockets to avoid their own losses and repel the opposite side, which also resulted in civilian casualties.

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	AUTL
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

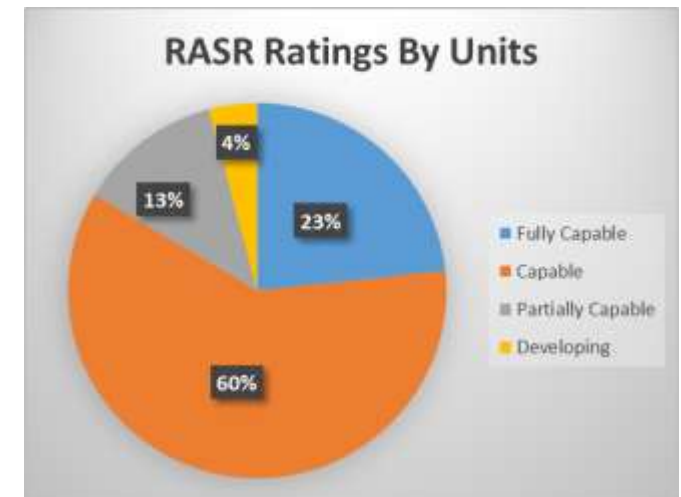
ANA Comm: Status Summary							
Item	Total Required		Total Acquired		Total Delivered		
	Tashkil 1391v2 (plus float)	Enabler/ AR2VP	ASFF Acquired	Over/Under (Required)	ASFF Delivered	Transferred	Over/Under (Required)
HF Radios	11,615	2,334	12,268	(1,681)	12,101	9	(1,839)
VHF Radios	72,082	121	71,538	(665)	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

Regional Command ANSF Status Report (RASR)

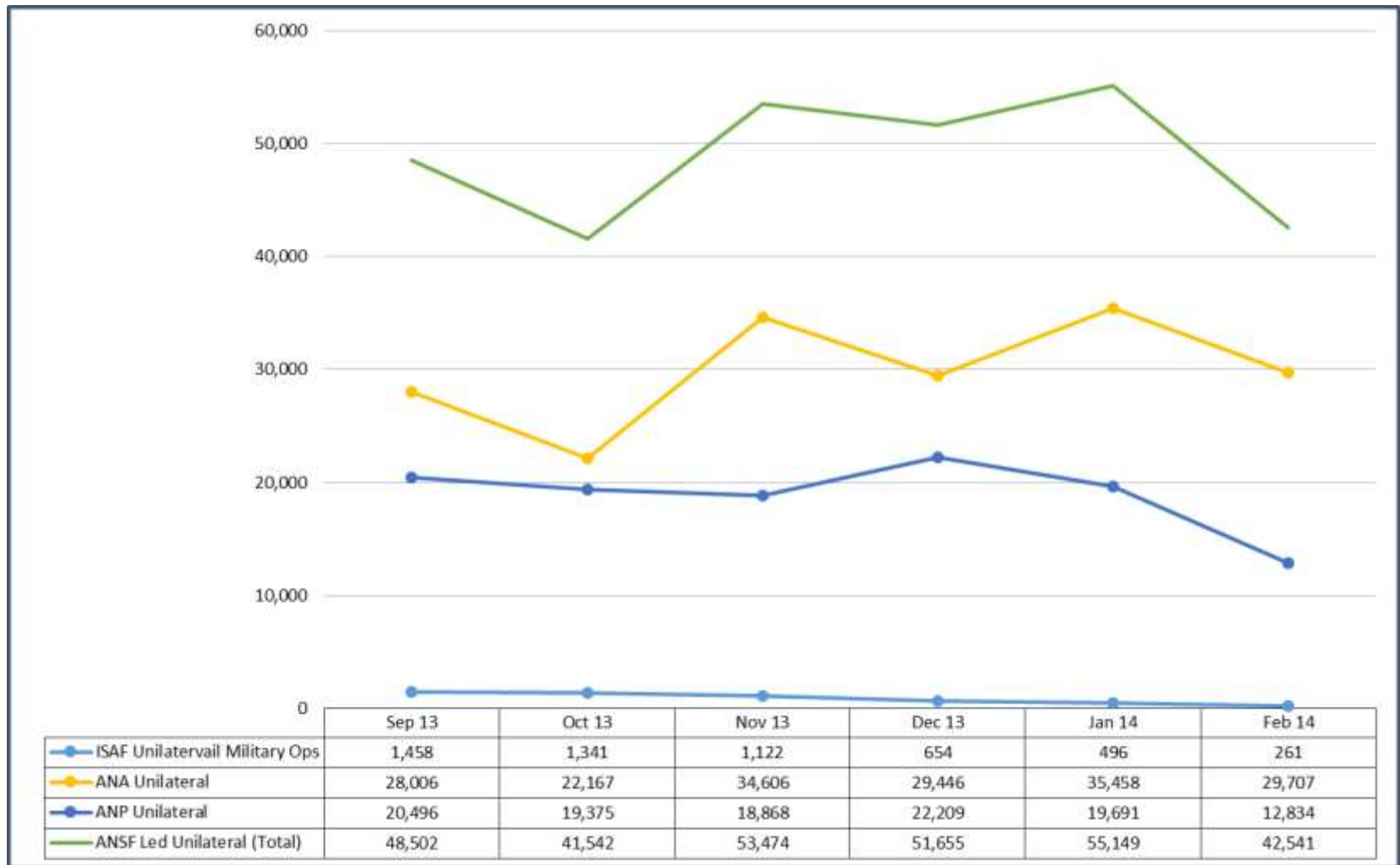
Rating Definition Levels (RDLs)	Corps/ Div HQ	IN Bde	Corps ENG KDK	Corps SIG KDK	Corps/ DIV MI KDK	OCC-R	AUP Type-A HQ	ABP Zone HQ	ANCOP Bde HQ	MSF KDK*	Total RASR Assessed Units
Fully Capable	1	10	0	0	1	0	2	1	2	0	17
Capable	6	13	3	2	2	6	3	5	2	2	44
Partially Capable	0	0	2	2	1	1	2	0	1	0	9
Developing	0	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

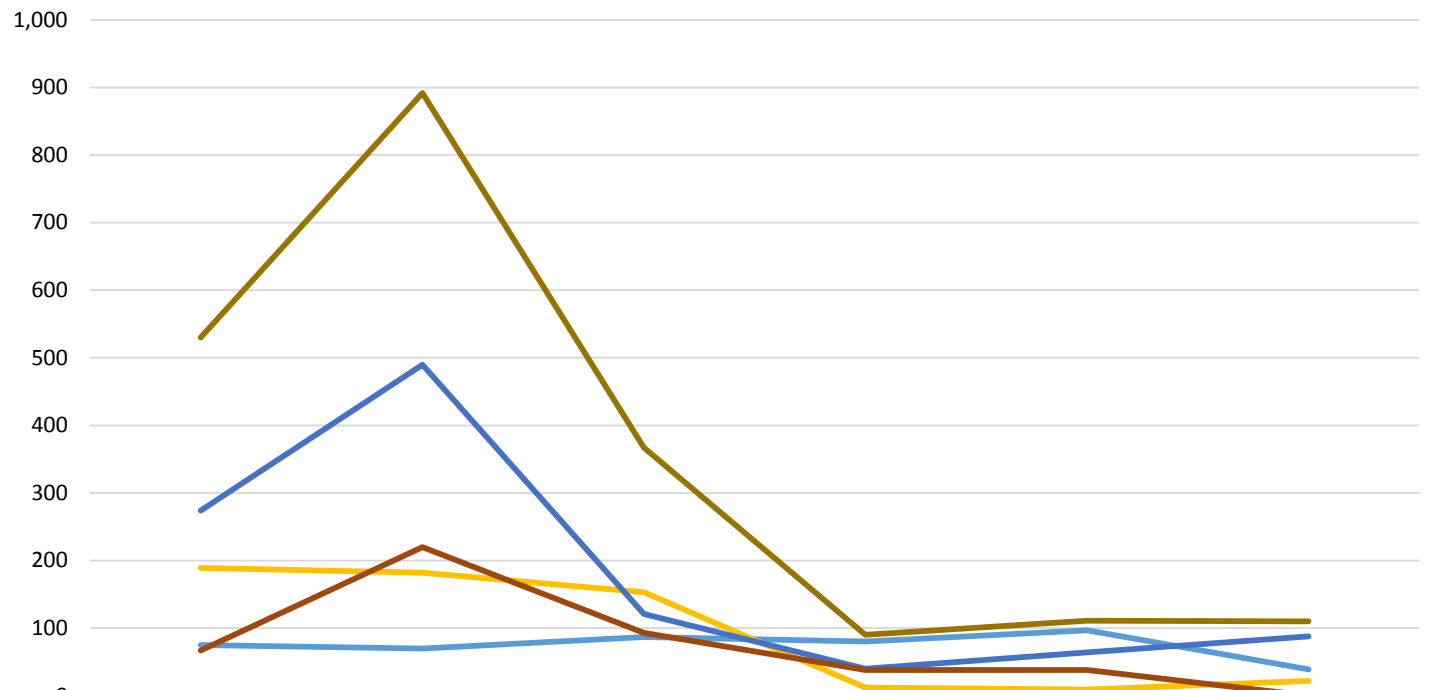
* IJC RASR assigns "Awaiting Fielding" status to units who have completed CFC but have not yet graduated from ABS, thus have 3 MSF KDKs waiting. ISAF defines fielding IAW Tashkil 1392 as all units who completed CFC, thus assigns only 2 MSF KDKs "Awaiting Fielding" status.



ISAF and ANSF Unilateral Operations

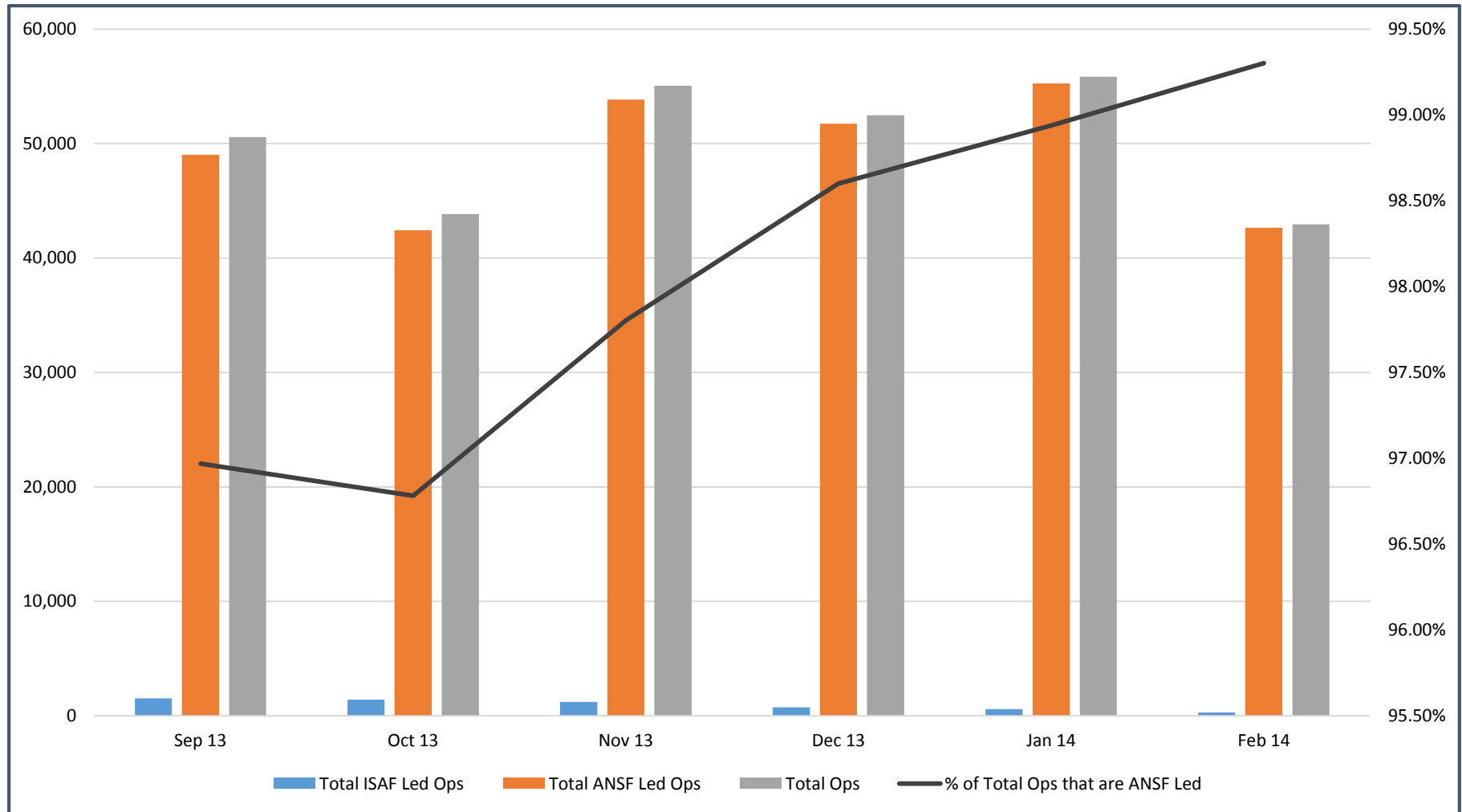


ISAF and ANSF Led Operations



	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

Total ISAF and ANSF Led Operations



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

Shifting Pattern of Partnership

3/2013-9/2013

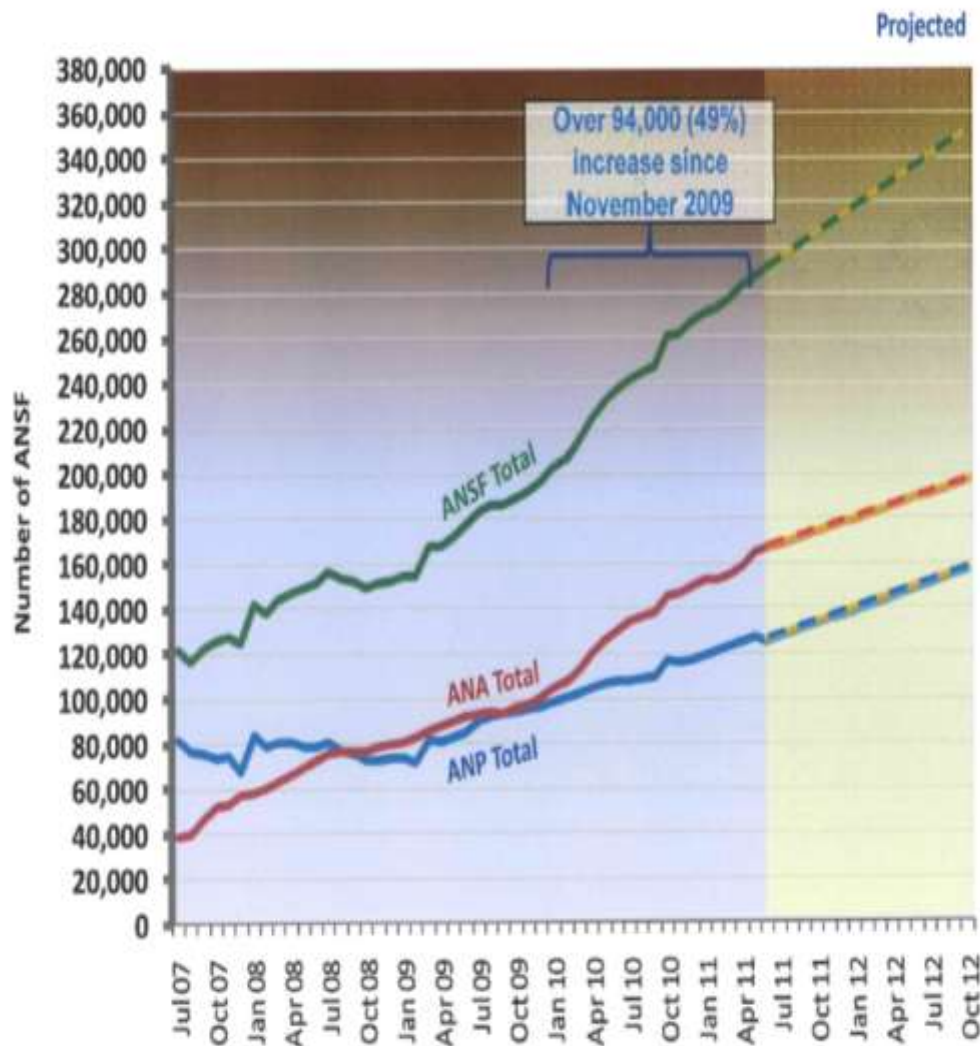
Operational Category	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
ISAF Unilateral Military Ops	2,345	2,494	2,632	2,192	1,303	1,458
ISAF Unilateral Police Ops	0	0	0	0	0	0
ISAF Led Unilateral Ops (Total)	2,345	2,494	2,632	2,192	1,303	1,458
ANA Unilateral	13,492	23,601	16,798	13,059	23,432	28,006
ANP Unilateral	16,391	25,025	22,275	18,440	25,565	20,496
ANSF Led Unilateral (Total)	29,883	48,626	39,073	31,499	48,997	48,502
ISAF Led Combined (ANA)	394	198	254	232	177	75
ISAF Led Combined (ANP)	0	0	0	0	0	0
ISAF Led Combined/Enabled Ops (Total)	394	198	254	232	177	75
ANA Led Combined	624	565	641	591	248	189
ANA Led Enabled	382	226	245	340	279	274
ANA Led Combined/Enabled Ops (Total)	1,006	791	886	931	527	463
ANP Led Combined	0	0	0	0	0	0
ANP Led Enabled	427	442	384	272	251	67
ANP Led Combined/Enabled Ops (Total)	427	442	384	272	251	67
ANSF Led Combined/Enabled Ops (Total)	1,433	1,233	1,270	1,203	778	530
Total Ops	34,055	52,551	43,229	35,126	51,255	50,565
Total ISAF Led Ops	2,739	2,692	2,886	2,424	1,480	1,533
Total ANSF Led Ops	31,316	49,859	40,343	32,702	49,775	49,032
% of Total Ops that are ISAF Led	8%	5%	7%	7%	3%	3%
% of Total Ops that are ANSF Led	92%	95%	93%	93%	97%	97%
	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13

Shifting Pattern of Partnership

9/2013-2/2014

Operational Category	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14*
ISAF Unilateral Military Ops	1,458	1,341	1,122	654	496	261
ISAF Unilateral Police Ops	0	0	0	0	0	0
ISAF Led Unilateral Ops (Total)	1,458	1,341	1,122	654	496	261
ANA Unilateral	28,006	22,167	34,606	29,446	35,458	29,707
ANP Unilateral	20,496	19,375	18,868	22,209	19,691	12,834
ANSF Led Unilateral (Total)	48,502	41,542	53,474	51,655	55,149	42,541
ISAF Led Partnered (ANA)	75	70	87	80	97	39
ISAF Led Partnered (ANP)	0	0	0	0	0	0
ISAF Led Partnered Ops (Total)	75	70	87	80	97	39
ANA Led Partnered	189	182	153	12	9	22
ANA Led Enabled	274	490	121	40	64	88
ANA Led Partnered/Enabled Ops (Total)	463	672	274	52	73	110
ANP Led Partnered	0	0	0	0	0	0
ANP Led Enabled	67	220	93	38	38	0
ANP Led Partnered/Enabled Ops (Total)	67	220	93	38	38	0
ANSF Led Partnered/Enabled Ops (Total)	530	892	367	90	111	110
Total Ops	50,565	43,845	55,050	52,479	55,853	42,951
Total ISAF Led Ops	1,533	1,411	1,209	734	593	300
Total ANSF Led Ops	49,032	42,434	53,841	51,745	55,260	42,651
% of Total Ops that are ISAF Led	3%	3%	2%	1%	1%	1%
% of Total Ops that are ANSF Led	97%	97%	98%	99%	99%	99%
	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14*

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

ANSF: Overall Lack of Weapons Accountability

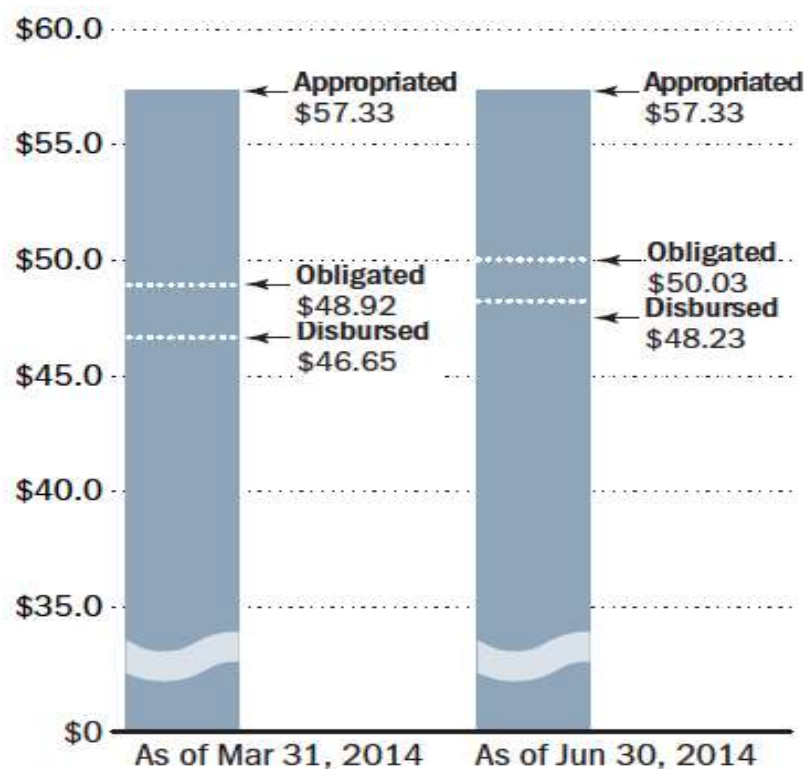
- ...missing information concerning when 50,304 weapons were shipped out of the U.S. or when they were received by CSTC-A in Afghanistan. ...had serial numbers for 2,461 weapons that were entered into the database two or more times, which resulted in duplicative records.
- 14,822 serial numbers that were required to be documented in ...did not have corresponding records ...
- Of the 474,823 total serial numbers recorded, 203,888 weapons (43 percent) were missing information and/or were duplicative.
- SCIP contained 59,938 serial numbers with no shipping or receiving dates.¹¹
- 22,806 serial numbers in SCIP and 24,520 serial numbers in were repeated two or three times.
- 410,911 (87percent) of the 474,823 data entries we reviewed in ...did not contain a title transfer date.
- Does not include substantial unaccountability for vehicles, ammunition, and wide range of other equipment.

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

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

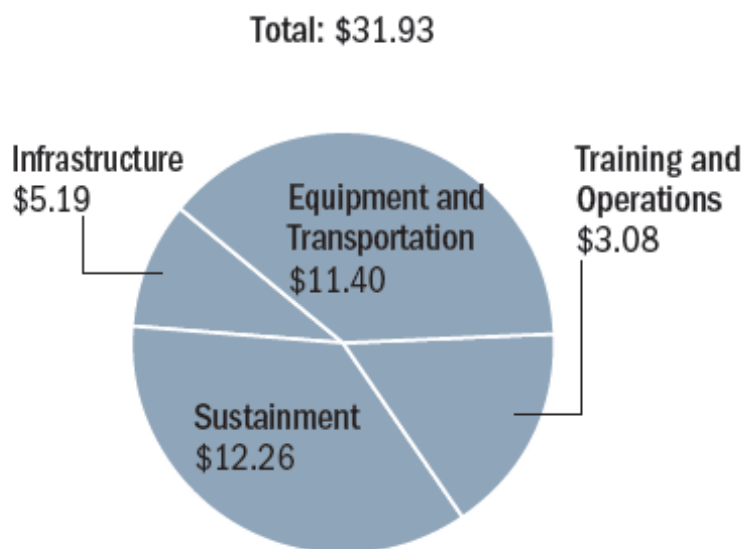


ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

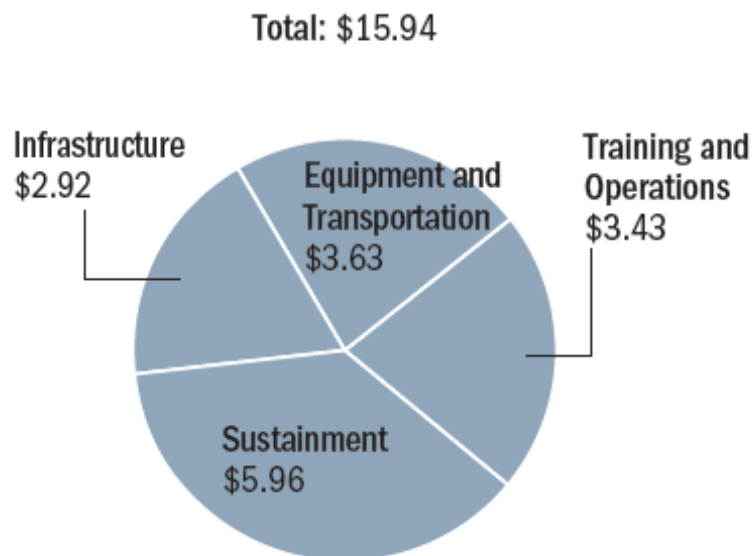


DoD Funding: ANA vs. ANP

ASFF DISBURSEMENTS FOR THE ANA
BY SUBACTIVITY GROUP,
FY 2005–JUNE 30, 2014 (\$ BILLIONS)



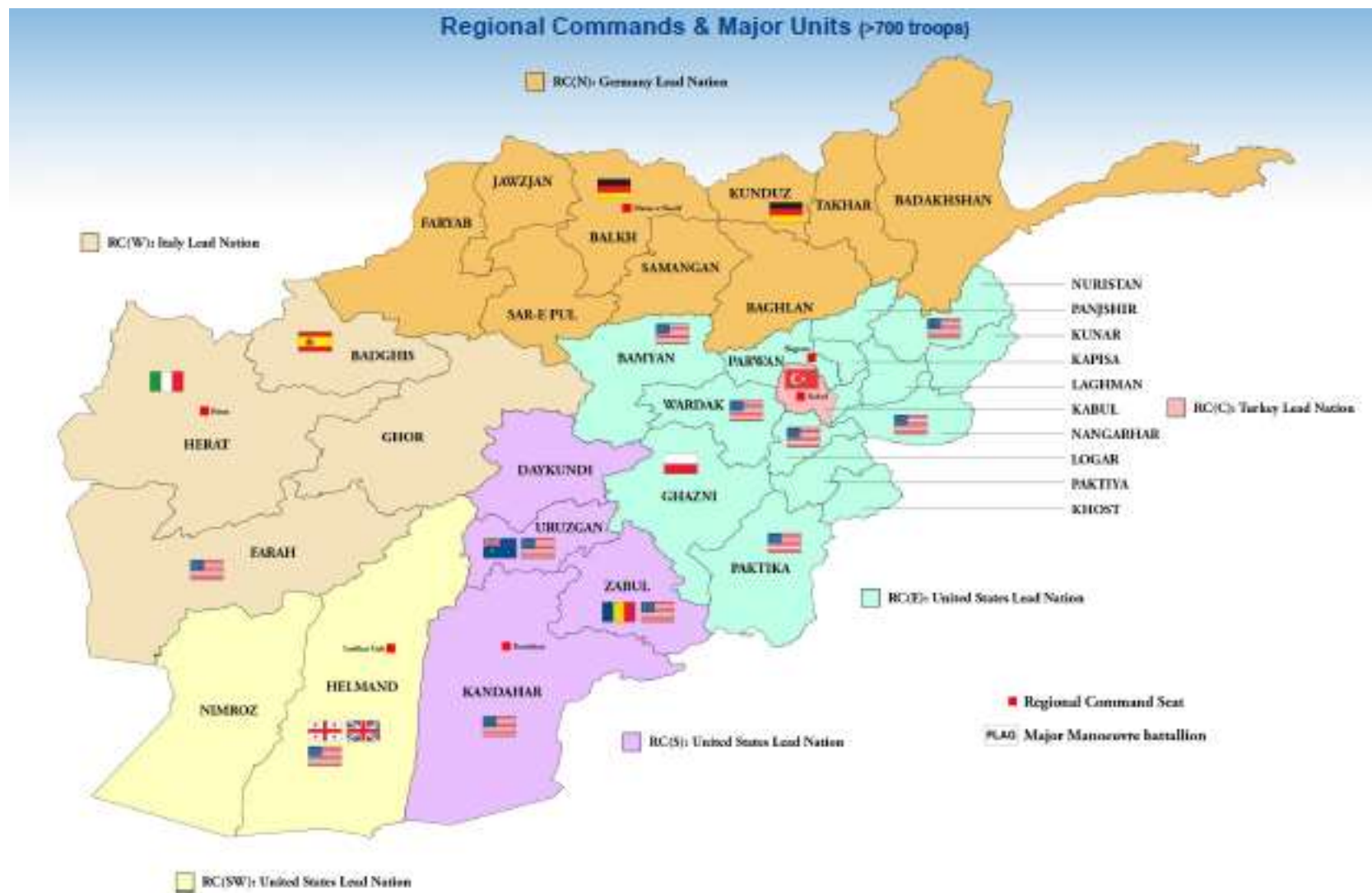
ASFF DISBURSEMENTS FOR THE ANP
BY SUBACTIVITY GROUP,
FY 2005–JUNE 30, 2014 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 7/17/2014.

Transitioning Out: Who Had What Areas. Racing to the Exits in Real World Terms



Challenges in Shifting from ISAF to the ANSF

The development of the ANSF has been rushed forward to meet a deadline of the end of 2014 for removing outside combat forces with less and less emphasis on the actual progress in the ANSF and “conditions based” criteria shaped by the outcome of the fighting and the potential post-transition strength of the Taliban and other insurgents.

ISAF and NTM-A have made it repeatedly clear that the transfer of responsibility for security is a formal one, and that the ANSF will need substantial outside assistance through at least 2016. The key challenges involved are summarized.

The development of the ANSF presents much broader problems, however, in that show more than 40% half of the force consists of police with little real paramilitary, much less intense warfighting capability. There have also been discussions of major cuts in the force – down to levels approaching 250,000 men for fiscal reasons before the ANSF had had to deal with the insurgent threat on its own for even one campaign season.

Moreover, even the Army is relatively lightly equipped and its real world mobility and maneuver capability away from fixed based and support facilities is limited. (Page 39.)

These has, however, been real progress in shifting the burden of the fighting to the ANSF, and this is shown in other charts in this section.

Key Force-wide Challenges

- Responding to the changing threat in a Political-Military War.
- Transitioning from “their way” to “our way:” new chain of command, supply and sustainment, role of NCOs, O&M, etc.
- New Top Down Leadership: New President, Mol, MoD to District level.
- Evolution of effective overall command structure.
- Funding and management of resource; effective flow of money.
- Redefining force structure and force plans.
- Reshaping C3I/BM, IS&R, ensuring force cohesion and responsiveness
- Role of ANA vs. ANP and ALP, rule of law
- Promotion, enlistment
- Leave and recovery. AWOL and attrition.
- National, regional, ethnic, and sectarian politicization.
- Training cycle: Shifting from “force generation” to “force effectiveness.”
- Reshaping role of US and other “partners,” advisors, “enablers.”

The Challenge of the ANA

Key ANA Transition Challenges

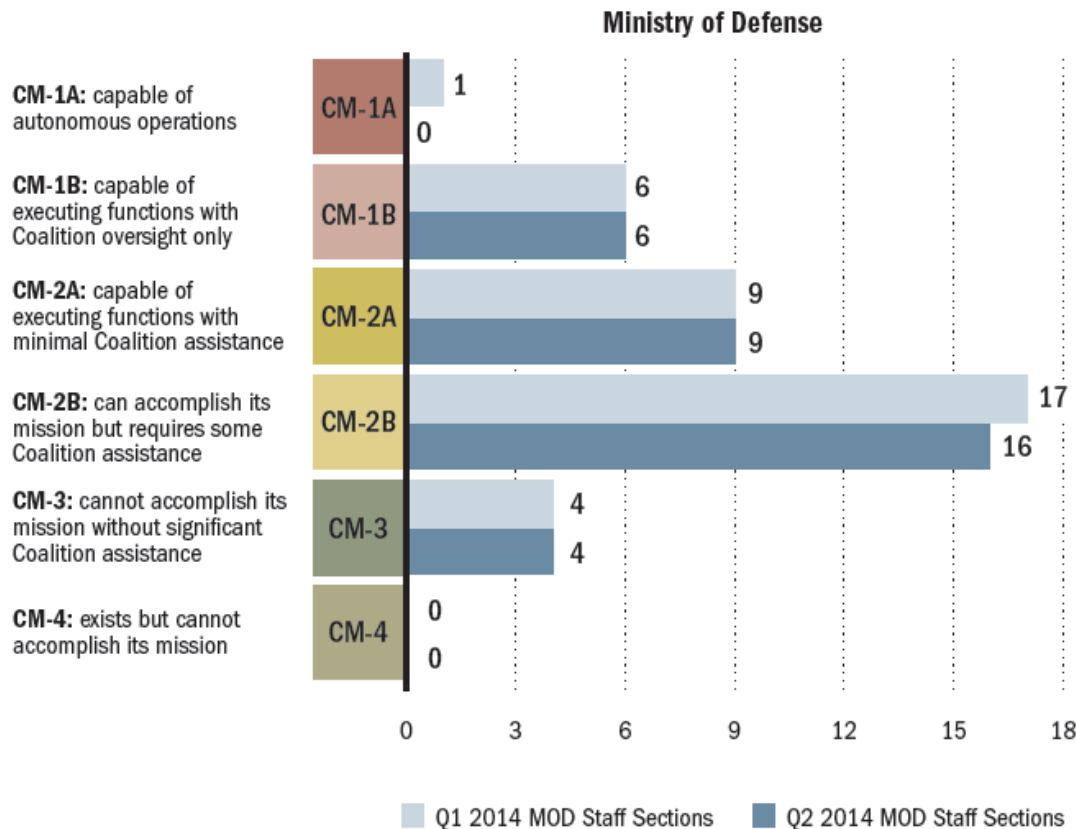
- **Set real-world Afghan limits to corruption and waste. Effective pay, contracting, fiscal management**
- **Defining real needs for post-Transition force structure based on emerging post-2014 military requirements, funding, and force management needs.**
- **Converting from force generation mode to war fighting capability mode.**
 - **Combat effectiveness and order of battle vs. resource measures**
 - **Top down strategic focus as well as bottom up tactical forces.**
 - **Intelligence-based, civil-military operations. Limiting impact of power brokers.**
 - **Sustainability, O&M, repair, supply push vs. demand pull, medical, mobility.**
- **Converting from outside shaped structure and systems to doing it the Afghan way.**
 - **AWOL, attrition, stable personnel.**
 - **Recruitment, promotion, pay and privileges.**
 - **Role of junior officers and NCOs.**
 - **Civil-military interface.**
 - **Medical services/medevac, post-trauma support.**
- **Shifting to effective training/recovery and leave cycles.,**
- **Creating fully effective MOD, Corps, other higher command, procurement, logistic, training structures.**

**1B Coalition oversight
1A Department or
institution capable of
autonomous
operations.**

MDB Results - As of 31 December 2013						
Assessed Area	Current CM Rating	Expected Date of CMIB		Assessed Area	Current CM Rating	Expected Date of CMIB
Ministry of Defense	CM1B	1Q 2012		CoGS	CM2A	Post 2014
First Deputy MoD	CM2A	Post 2014		Vice CoGS	CM2A	Post 2014
AMoD S&P (Prog & Analysis)	CM3	Post 2014		VCoGS-Air	CM2B	Post 2014
AMoD Strategy & Policy (S&P)	CM2B	4Q 2014		Sergeant Major of the Army	CM2B	3Q 2014
AMoD Intelligence	CM2B	Post 2014		Director of General Staff (DoGS)	CM2A	Post 2014
AMoD Acquisition Tech & Logistics	CM2B	3Q 2014		GSG1 Personnel	CM2B	Post 2014
Acquisition Agency	CM2B	1Q 2014		GSG2 Intelligence	CM2B	2Q 2014
AMoD Personnel	CM1B	3Q 2013		GS G3 Operations	CM2A	Post 2014
AMoD Education	CM2B	3Q 2014		GS Engineer	CM3	Post 2014
AMoD Reserve Affairs	CM2B	3Q 2014		GSG4 Logistics	CM2B	3Q 2014
AMoD Chief of Legal Dept.	CM3	Post 2014		GSG5 Policy & Planning	CM1B	1Q 2013
MoD Chief, Finance	CM2B	Post 2014		GSG6 Communications	CM1B	4Q 2013
MOD Chief, Construction & Property Management Division (CPMD)	CM2B	1Q 2014		GS G6 Comm. Support Unit	CM1A	1Q 2012
MoD Inspector General	CM2B	2Q 2014		GSG7 Force Structure, Training & Doctrine	CM2A	Post 2014
Director Strategic Communications	CM2B	1Q 2014		GSG8 Finance	CM2A	Post 2014
MoD Chief, Parl, Soc. & Public Affairs	CM1B	1Q 2012		Chief Religious & Cultural Affairs (RCA)	CM2B	3Q 2014
(CFA) Gender Integration	CM3	Post 2014		GS Inspector General	CM2A	Post 2014
(CFA) Civilianization	CM2B	3Q 2014		GS Legal Department	CM2A	Post 2014
				ANA Recruiting Command (ANAREC)	CM1B	4Q 2011
		CM4		CM2B		CM1B
		CM3		CM2A		CM1A

MoD Readiness: June 2014

DOD reported this quarter no improvements in developing MOD and MOI capacity to perform critical functions



This quarter, SIGAR was provided CM ratings for 35 MOD staff sections and cross-functional areas, down from 37 last quarter and 46 in quarters prior.

Six offices were rated CM-1B; the others are not expected to attain this rating until after 2014.

The only office that had achieved the top rating of CM-1A as of last quarter, the Communications Support Unit, did not retain that rating this quarter

Regular Forces are 45% of Total Authorized and Actual ANSF Strength in May 2014

ANSF ASSIGNED FORCE STRENGTH, MAY 2014

ANSF Component	Current Target	Status as of 5/2014	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by December 2012	181,439 (97%)	-5,561 (3%)
Afghan National Police	157,000 personnel by February 2013	152,123 (97%)	-4,877 (3%)
Afghan Air Force	8,000 personnel by December 2014	6,731 (84%)	-1,269 (16%)
ANSF Total	352,000	340,293 (97%)	-11,707 (3%)

However, ANA strength continues to include 9,647 civilian personnel.

ANA & AAF Manning by Corps

ANA STRENGTH, QUARTERLY CHANGE

ANA Component	Authorized			Assigned		
	Q1 2014	Q2 2014	Quarterly Change	Q1 2014	Q2 2014	Quarterly Change
201st Corps	18,130	18,130	None	17,489	17,606	117
203rd Corps	20,798	20,798	None	20,029	22,114	2,085
205th Corps	19,097	19,097	None	17,891	18,534	643
207th Corps	14,879	14,879	None	13,806	14,204	398
209th Corps	15,004	15,004	None	14,554	14,674	120
215th Corps	17,555	17,555	None	16,310	16,999	689
111th Capital Division	9,174	9,174	None	8,921	8,356	-565
Special Operations Force	12,149	11,013	-1,136	10,458	10,649	191
Echelons Above Corps ^a	34,866	36,002	1,136	29,727	36,610	6,883
TTHS ^b	-	-	-	24,356 ^c	12,299 ^d	-12,057
Civilians	-	-	-	9,236	9,394	158
ANA Total	161,652	161,652	None	182,777	181,439	-1,338
Afghan Air Force (AAF)	7,097	7,370	273	6,513	6,478	-35
AAF Civilians	-	-	-	250	253	3
ANA + AAF Total	168,749	169,022	273	189,540	188,170	-1,370

Notes: Quarters are calendar-year; Q1 2014 data is as of 3/31/2014; Q2 2014 data is as of 5/31/2014.

^a Includes MOD, General Staff, and Intermediate Commands

^b Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel.

^c Includes 4,701 cadets

^d Includes 5,157 cadets

Source: CSTC-A, responses to SIGAR data calls, 3/31/2014 and 7/1/2014.

Core Force Structure Very Light, Few Enablers

Afghan National Army (ANA) 179,000

5 regional cmd.

FORCES BY ROLE

SPECIAL FORCES

1 spec ops div (1 SF gp; 2 cdo bde (total: 5 cdo bn))

MANOEUVRE

Mechanised

2 mech bde HQ

5 mech inf bn (2 more forming)

Light

1 (201st) corps (1 cdo bn, 2 inf bde, 1 mech bde, 1 EOD coy)

3 (207th, 209th & 215th) corps (1 cdo bn, 3 inf bde, 1 EOD coy)

2 (203rd & 205th) corps (1 cdo bn, 4 inf bde, 1 EOD coy)

1 (111st Capital) div (2 inf bde)

COMBAT SUPPORT

1 int bn

1 sigs bn

EQUIPMENT BY TYPE

APC 673

APC (T) 173 M113A2†

APC(W) ε500 MSFV (inc variants)

TOWED 109: 122mm 85 D-30†; 155mm 24 M114A1†

MOR 82mm 105 M-69†

MSL • SSM SS-1 *Scud*†

MW Bozena

Afghan Air Force (AAF) 6,800

EQUIPMENT BY TYPE

AIRCRAFT

TPT 37: **Medium** 2 C-130H *Hercules*; **Light** 35: 6

Cessna

182; 26 Cessna 208B; 3 PC-12

TRG 2 L-39 *Albatros*†

HELICOPTERS

ATK 11 Mi-35

MRH 46+: 6 MD-530F; 40+ Mi-17

Paramilitary 152,350

Afghan National Police 152,350

Under control of Interior Ministry. Includes 85,000

Afghan Uniformed Police (AUP), 15,000 Afghan

National Civil Order Police (ANCOP), 23,000 Afghan

Border Police (ABP), Police Special Forces (GDPSU)

and

Afghan Anti-Crime Police (AACP).

Key Equipment Levels and Shortfalls: 4/2014

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

ANA Vehicles: Status Summary											
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	AUTL
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

US Investment in ANA Equipment

CUMULATIVE U.S. COSTS TO PROCURE ANA EQUIPMENT (\$ MILLIONS)

	Weapons	Vehicles	Communications	Total
April 2013	\$878.0	\$5,556.5	\$580.5	\$7,015.0
July 2013	622.8	5,558.6	599.5	6,780.9
October 2013	447.2	3,955.0	609.3	5,011.5
December 2013	439.2	4,385.8	612.2	5,437.2
March 2014	461.2	4,385.8	670.3	5,517.3
July 2014	461.2	4,385.8	670.3	5,517.3

Source: CSTC-A, responses to SIGAR data calls, 4/1/2013, 7/2/2013, 10/1/2013, 12/30/2013, 3/31/2014, and 7/1/2014.

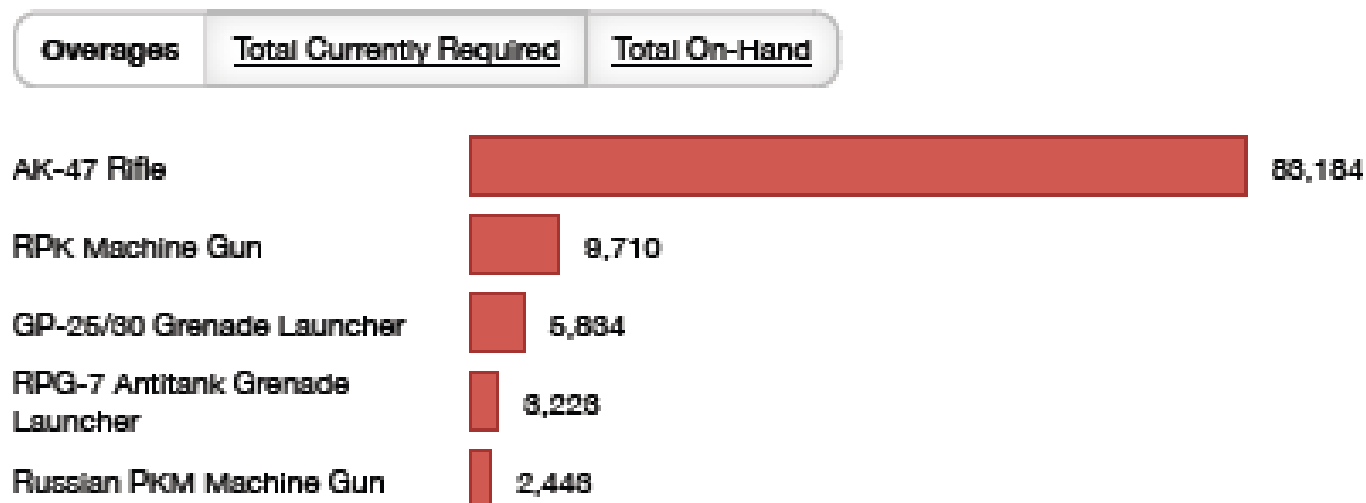
COST OF U.S.-FUNDED ANA WEAPONS, VEHICLES, AND COMMUNICATION EQUIPMENT

Type of Equipment	Procured	Remaining to be Procured
Weapons	\$461,197,802	\$32,055,904
Vehicles	4,385,763,395	8,260,489
Communications	670,307,101	48,810,799
Total	\$5,517,268,298	\$89,127,192

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

ANA: Lack of Weapons Accountability

Afghan Army Extra Weapons



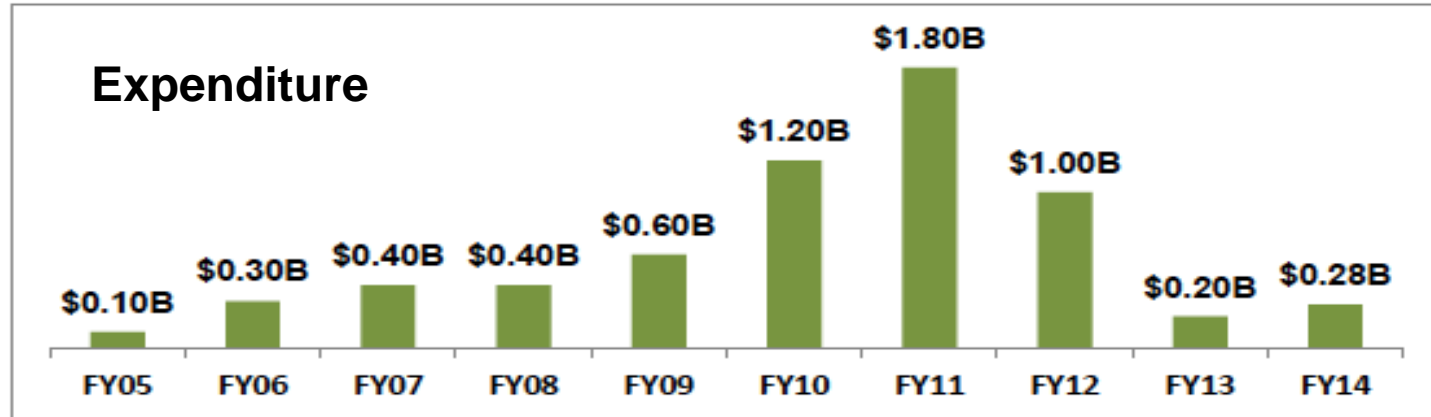
Created with [Datavrapper](#)

Source: [SIGAR analysis of CSTC-A data](#); Chart: LINDSEY COOK, [Get the data](#)

Does not include substantial unaccountability for vehicles, ammunition, and wide range of other equipment.

Source: Tom Risen, "U.S.-Supplied Weapons Vulnerable After Afghanistan Withdrawal Weapons given to Afghanistan have gone missing before, and it may, happen again," **USN&WR**, July 28, 2014 | 12:01 a.m. EDT and SIGAR, "Afghan National Security Forces: Actions Needed to Improve Weapons Accountability," SIGAR 14-84 Audit Report, July 2014.

Maturing ANA Infrastructure 4/2014



Project Status

Force	Complete	In Progress	Acquisition	Planned	TOTAL
111	11	10	0	0	21
201	13	2	0	0	15
203	13	7	0	0	20
205	14	6	0	1	21
207	13	2	0	0	15
209	24	4	0	1	29
215	11	4	0	0	15
AAF	21	10	0	1	32
Ministry	2	1	0	1	4
SOF	20	13	2	0	35
Support	102	6	0	2	110
Training	37	13	1	5	56
Feb (SM)	281	78	3	11	373
Jan (SM)	268	99	5	2	374

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%)

ANA Attrition by Corps/Division March 2014

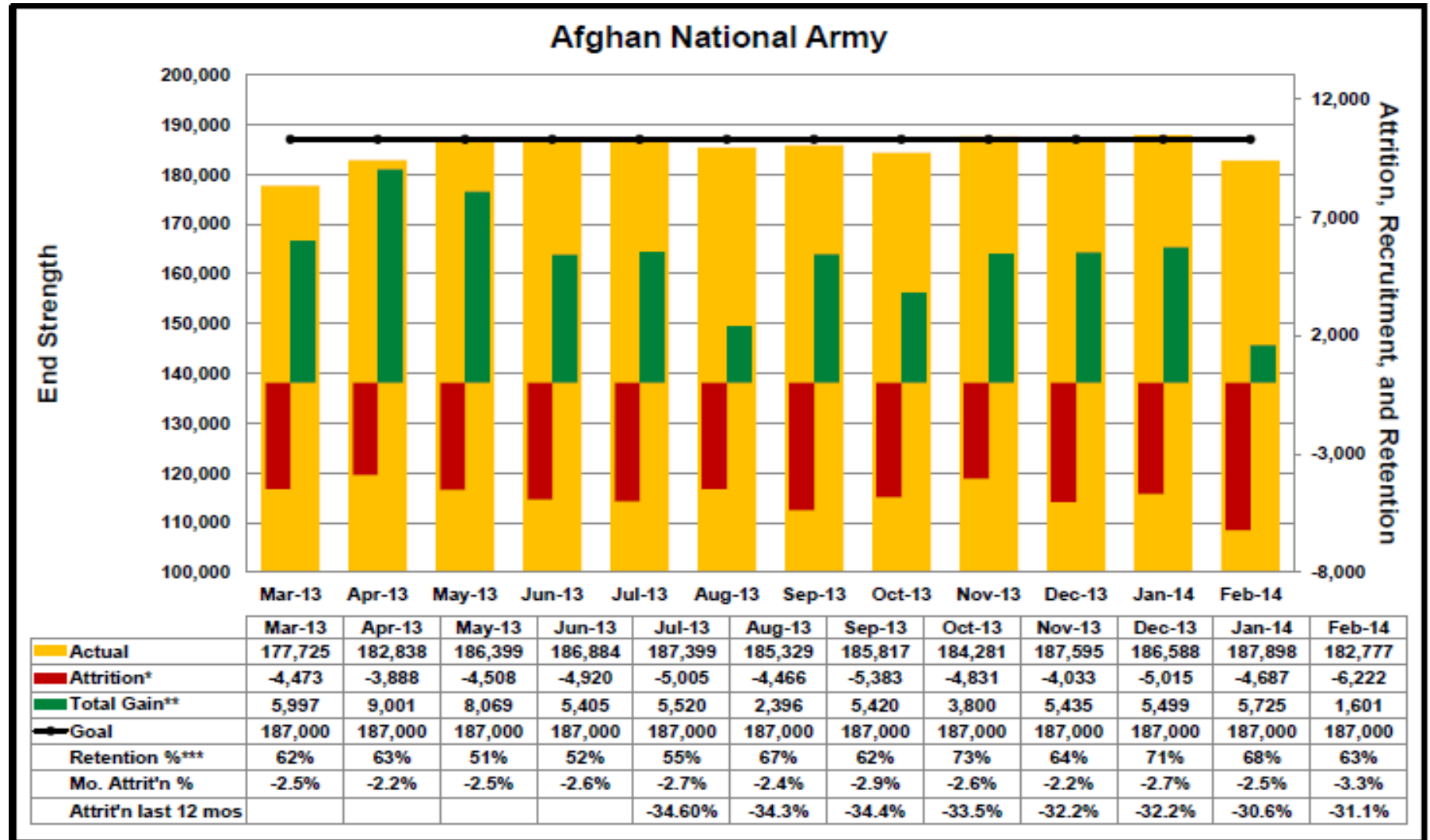
ANA	Attrition*
201 Corps	1.6%
203 Corps	1.8%
205 Corps	2.0%
207 Corps	2.6%
209 Corps	2.1%
215 Corps	4.1%
111 Div	1.2%
SOF	0.9%
EAC****	0.7%
ANA Total	1.8%

- 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

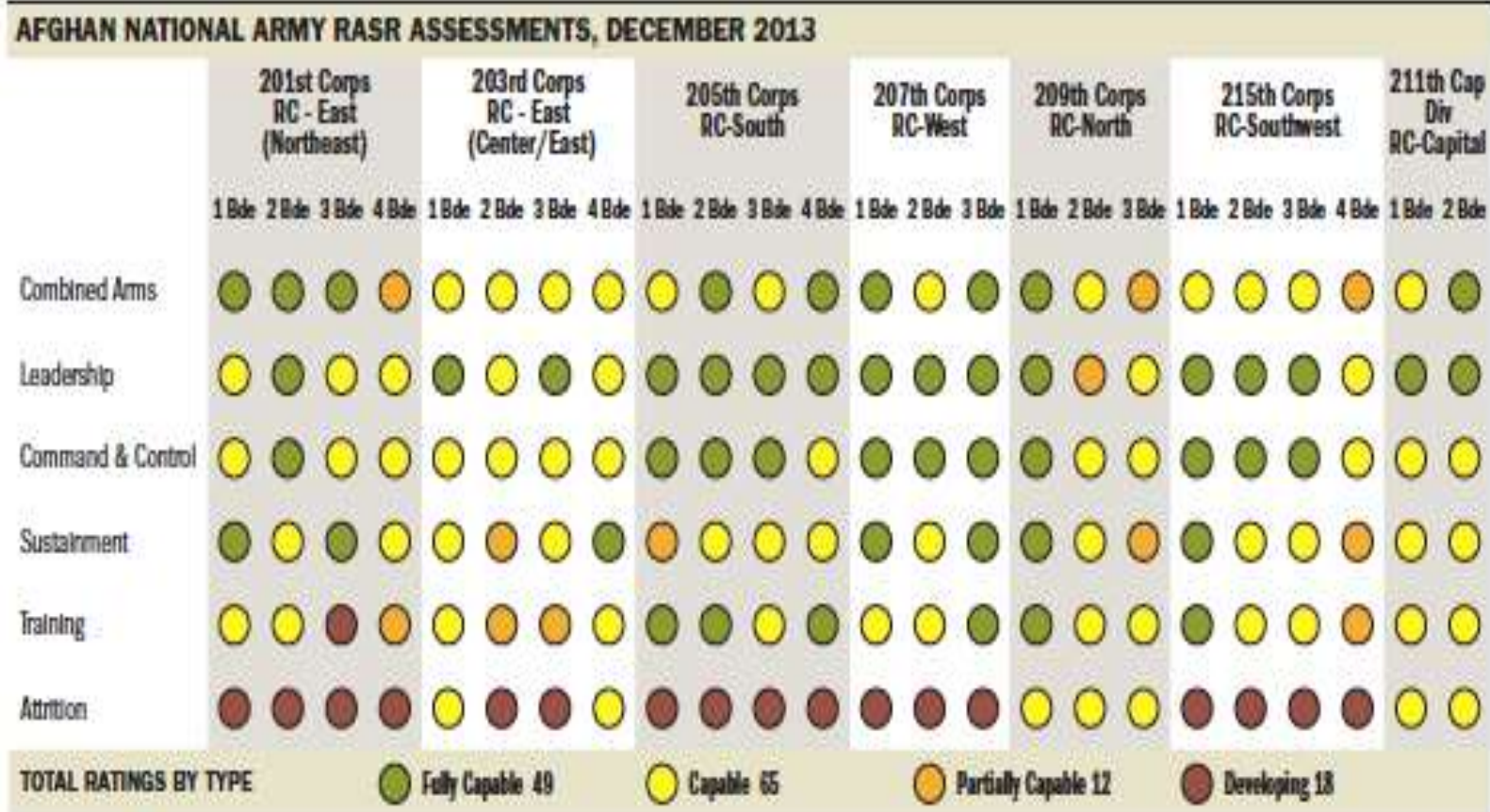
*ANA attrition decreased slightly from 3.3 percent (Feb) to 1.8 percent (march) in Solar Month March 14.

****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



ANA Force Generation Readiness 12/2013



Note: Bde = Brigade

Source: LIC, Regional ANSF Status Report, December 2013.

Regional Command ANSF Assessment Report (RASR) rates ANA brigades in six areas: • Combined Arms (planning and conducting joint operations using multiple types of weapons), • Leadership, • Command & Control, • Sustainment. • Training (conducting training), • Attrition

ANA Readiness 6/2014

REGIONAL ANSF STATUS REPORT - ANA ASSESSMENTS, QUARTERLY CHANGE																				
	Fully Capable				Capable				Partially Capable				Developing				Not Assessed			
	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-
Combined Arms Operations	8	8	0		12	14	2		3	2	-1		0	0	0		1	0	-1	
Leadership	15	16	1		6	6	0		2	2	0		0	0	0		1	0	-1	
Command & Control	9	12	3		14	12	-2		0	0	0		0	0	0		1	0	-1	
Sustainment	6	5	-1		11	14	3		6	5	-1		0	0	0		1	0	-1	
Training	6	6	0		13	14	1		3	3	0		1	1	0		1	0	-1	
Attrition	1	5	4		9	8	-1		0	0	0		14	11	-3		0	0	0	

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0-1.99% = Fully Capable; 2-2.99% = Capable; 3%+ = Developing. Quarters are calendar-year.

Sources: IJC, March 2014 RASR Status Report, Executive Summary, 4/9/2014; IJC, June 2014 RASR Status Report, Executive Summary, 6/1/2014.

Regional Command ANSF Assessment Report (RASR) rates ANA brigades in six areas: • Combined Arms (planning and conducting joint operations using multiple types of weapons), • Leadership, • Command & Control, • Sustainment, • Training (conducting training), • Attrition

For the ANA, the latest RASR report provides assessments of 24 brigades (22 brigades within corps and two brigades of the 111th Capital Division). Of those, 92% were “fully capable” or “capable” of planning and conducting joint and combined-arms operations. This is an increase from the 87% assessed at those levels last quarter. This was due to one brigade improving from “partially capable” to “capable” and one brigade, not assessed last quarter but earlier deemed “capable,” being assessed as “capable.” In most assessment categories, the ANA’s capability showed some improvement.

Significant improvement was reported in attrition with 54% of brigades rated “fully capable” or “capable,” an increase over the 42% rated last quarter. Forty-six percent of brigades were still considered “developing,” meaning that attrition in these brigades is 3% or more per month. However, this is a notable improvement from the last two quarters, when 58% and 71% were rated as “developing.” In other areas, most ANA brigades were rated “fully capable” or “capable,” including leadership (92%), command and control (100%), sustainment (79%), and training (83%).



ANA SOF: February 2014

ANASOC RDLs (Rating Definition Levels)	HQs	Units		Total Units & HQs
	DIV/BDEs	KDKs	SPT Units	
Fully Capable	0	0	0	0
Capable	0	4	2	6
Partially Capable	3	5	5	13
Developing	0	0	0	0
Not Assessed	0	0	0	0
Totals	3	9	7	19

Operational Category	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
ISAF SOF Unilateral Ops (Total)	5	12	5	1	0	4
GDPSU & ANASF/CDO Unilateral Ops (Total)	126	111	219	228	211	249
ISAF Advised Ops (with ANSF in lead)	163	93	136	70	50	82
ANSF- Led ISAF Enabled Ops	199	185	244	217	253	133
ISAF - Led Partnered Ops	3	1	2	19	27	0
Total Partnered, Enabled, or Advised SOF Ops (Total)	365	279	382	306	330	215
Total Ops	496	402	606	535	541	468
Total ISAF Led Ops	8	13	7	20	27	4
Total ANSF Led Ops	488	389	599	515	514	464
% of Total Ops Led by ISAF	2%	3%	1%	4%	5%	1%
% of Total Ops Led by ANSF	98%	97%	99%	96%	95%	99%

Note: Special operations recorded above include operations carried out by ISAF SOF, GDPSU, and ANASF/CDO units, but do not include operations conducted by TF 94-7.1 Effective May 2013 ANA SF CDO ops were added to this table.

Previously, only ISAF SOF and GDPSU ops were included. Effective June 2013, National Directorate of Police Security (NDS) were added into this table.

NDS = National Directorate of Security; GDPSU = General Directorate of Police Special Units; CDO = commandos; Ktah.

Khas = specialized Afghan commandos in the ANASF.

Color scheme: Combined is purple, ANSF is green, coalition is blue, summary statistics are orange.

Key ANA Political Challenges

- **Ensuring key elements like SOF and ANCOPs and best units do not become either coup-oriented or tools of President and political control.**
- **Limiting corruption and role of power brokers.**
- **Preventing emergence of local “war lords.”**
- **Ensuring tight limits on treatment of civilians, focus on effective civil-military relations. Focus on popular “strategic communications,” trust, and respect.**
 - **Rules of engagement. Limit civil casualties, tensions, and conflicts.**
 - **“Hearts and minds” is not just a cliché, it is a critical reality.**
- **Provincial and District civil-interface.**
- **Lead role in making layered defense effective – relations and controls over with elements of police and ALP.**
- **Limits to internal ethnic, tribal, regional, and sectarian tensions – elitism.**
- **Forcing effective cooperation, combined operations across unit and command lines.**
- **Accountability**

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%

The Challenge of the ANAF

The Challenge of the ANAF

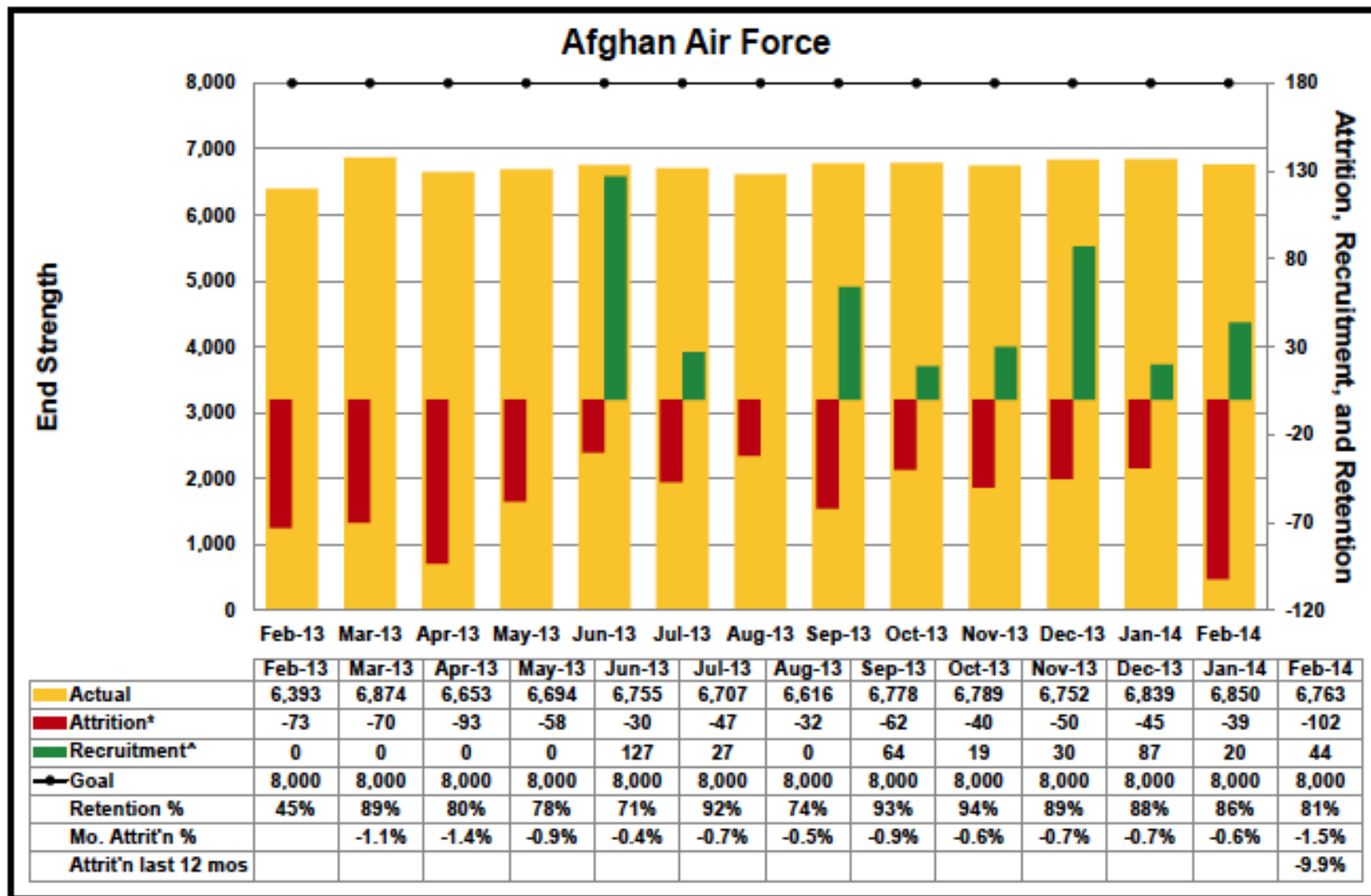
The ANAF presents the problem that it was never supposed to be ready before 2016. It also raises the issue that close air support is one of the few rapid reaction tools that can deal with a crisis in land combat, land medevac can be too slow in many areas, and air mobility is another asset that save a unit under fire, provide a key tactical advantage. Or deal with serious terrain distance issues.

There is no current public plan for dealing these issues or to indicate whether any US and other ISAF air enablers will be present after 2014. There is no indication of how the afghan could manage air assets effectively, or deal with the problem of civilian casualties that became serious for ISAF. ANAF contracts have also been a source of corruption and waste in the past.

The key challenges affecting the ANAF are listed on **Page 74**.

The status of the ANAF as of December 2013 is summarized on **Page 75**.

ANAF Attrition & Recruitment March 13-Feb 14



US Investment in ANAF Equipment

U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2015 (\$ THOUSANDS)

Funding Category	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (request)
Equipment and Aircraft	\$461,877	\$778,604	\$1,805,343	\$111,129	\$2,300	\$21,442
Training	62,438	187,396	130,555	141,077	164,187	123,416
Sustainment	143,784	537,650	571,639	469,230	520,802	780,370
Infrastructure	92,200	179,600	113,700	53,000	0	0
Total	\$760,299	\$1,683,250	\$2,621,237	\$774,436	\$687,289	\$925,228

Key ANAF Transition Challenges

- **Defining real needs for post-Transition force structure based on emerging post-2014 military requirements, funding, and force management needs.**
- **Converting from outside shaped structure and systems to doing it the Afghan way.**
 - **Real-world close-air support, rear area, interdiction needs.**
 - **IS&R, Targeting damaging assessment.**
 - **Civil-military impact and rules of engagement.**
 - **Role of air mobility, Medevac.**
 - **Revised command and C3I/BM system.**
 - **Affordable readiness, sustainment, and procurement**
 - **Defining rotary and fixed wing roles and modernization**
- **Workable and responsive structure for joint warfare.**
- **Limits to corruption and waste.**
- **Command effectiveness and accountability.**

The Challenge of the ANP

The Challenge of the ANP

The ANP makes up roughly half of the ANSF, but Page only the small ANCOP portion of the force is fully trained and equipped to lay a paramilitary role in COIN. The MoI and most elements of the ANP – except for the ANCOPs – also present major problems in terms of overall competence, corruption, leadership, extortion and civil abuses, and ties to powerbrokers and narco-traffickers. Some elements make deals with insurgents.

The ANP presents additional problems because it is not supported by an effective justice system in most of the country, courts are also corrupt, the legal system is slow and unresponsive, detention methods lead to abuses, and detention facilities are poor or lacking.

These issues are addressed in depth in the DoD 1230 report and various SIGAR reports, as well as in human rights and other reports. The corruption and inefficiency within elements of afghan Border Police also limits the flow of a key source of revenue to the government. However, it is unclear what overall structure the ANP will have after the end of 2014, what kind of training efforts will exist after Transition, and what types of outside aid will be provided. Key issues involve:

- The range of challenges to ANP forces are shown.
- The trends in Afghan's low ranking in terms of the rule of law and stability.

- The structure and manning of the ANP.
- The highly optimistic estimate of the readiness of the MoI.
- The readiness, build-up, and attrition levels of the ANP. Attrition has generally been lower than in the ANA because the ANP is locally recruited and deployed, but could change radically if the ANP becomes a steady source of casualties.
- As is the case with the ANA, readiness varies sharply by unit even using force generation methods of effectiveness.
- As is the case with the ANA, ethnic structure is a problem, and Tajiks make up roughly 50% of the officers but are only 20% of the population. Few Southern Pashtun are in the ANA and the number in the ANP is limited..
- As is the case with the ANA, readiness varies sharply by region and does not reflect threat levels and priorities.

Key ANP Challenges

- **Set real-world Afghan limits to corruption and waste. “Fix” MoI.” Ensure effective pay, contracting, fiscal management**
- **Define real needs for post-Transition force structure based on emerging post-2014 paramilitary military requirements, funding, and force management needs.**
- **Define role in making layered defense effective – role of MoI, relations with ANA and controls over with elements of police and ALP.**
- **Redefine role of police in terms of paramilitary functions vs. rule of law.**
 - *Ties to effective, timely, and responsive overall justice system: detentions, courts, prisons, reintegration*
- **Accept that police will go “local.” But, set real-world Afghan limits on role power brokers, creation of local power clusters and warlords – ties to local leaders and elements of Taliban.**
 - **Ensure accountability, flow of revenues to government.**
- **Ensure tight limits on treatment of civilians, focus on effective police and civil governance relations. Focus on popular “strategic communications,” trust, and respect.**
 - **Rules of engagement. Limit civil abuses, tensions, and conflicts.**
 - **“Hearts and minds” is not just a cliché, it is a critical reality.**
- **Provincial and District civil-interface.**
- **Limits to internal ethnic, tribal, regional, and sectarian tensions – elitism.**

Mol Readiness: December 2013

CM RATINGS

4 The department or institution exists but cannot accomplish its mission.

3 Cannot accomplish its mission without significant coalition assistance.

2B Can accomplish its mission but requires some coalition assistance.

2A Department or institution capable of executing functions with minimal coalition assistance; only critical ministerial or institutional functions are covered.

1B Coalition oversight

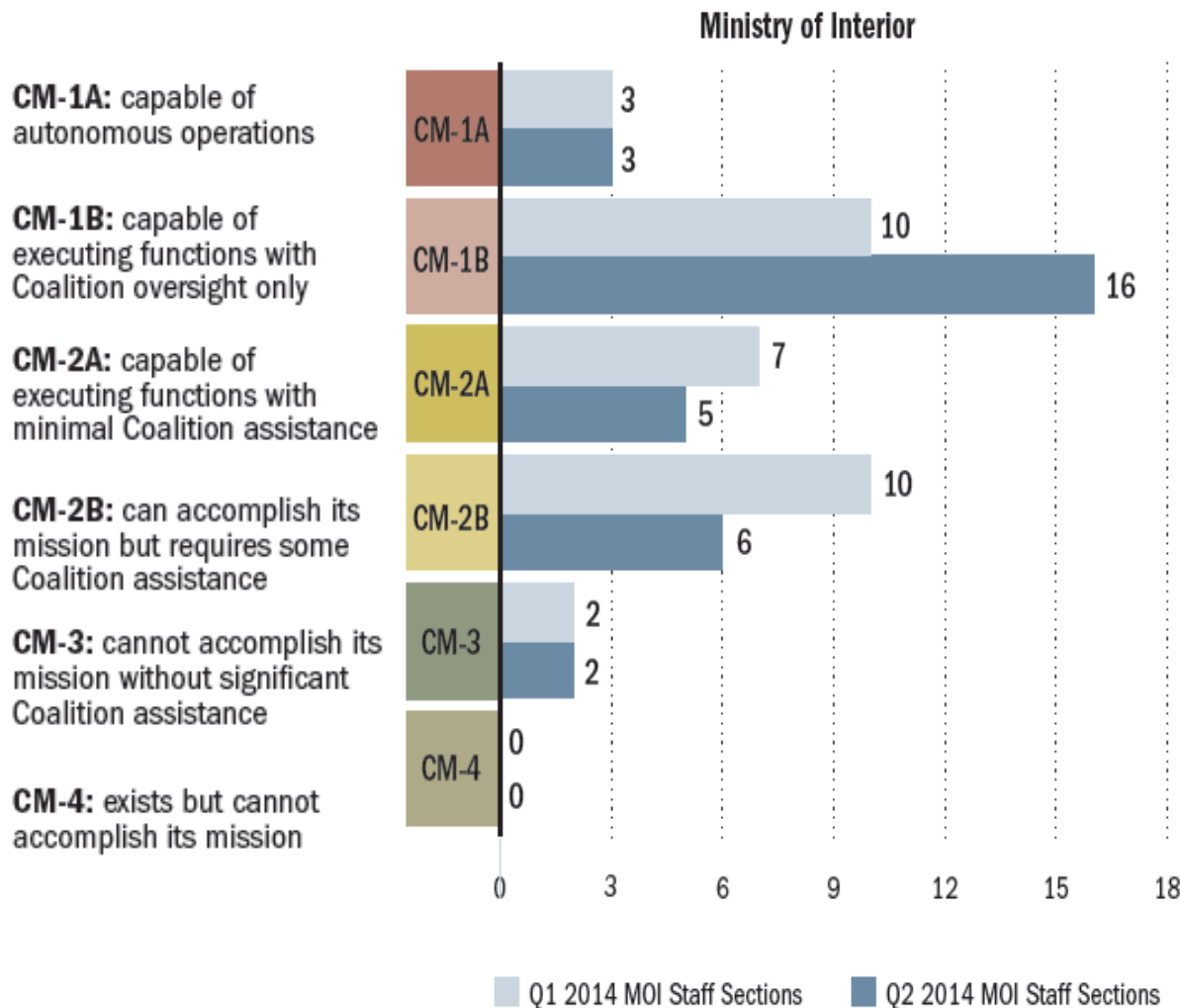
1A Department or institution capable of autonomous operations.

Ministry of Interior Overall Rating	Current CM	Projected 1B Date
CM2A		
Chief of Staff / Special Staff		
Public Affairs	1A	Achieved
Inspector General	3	1Q, 2015
Legal Advisor	1B	Achieved
Legal Affairs	1B	Achieved
Intelligence	2A	2Q, 2014
Democratic Policing	3	N/A
Gender Affairs	2B	4Q, 2014
DM Counternarcotics		
Counternarcotics	2A	4Q, 2014
DM Strategy and Policy		
Strategic Planning	1B	Achieved
Policy Development	1B	Achieved
Force Management	1B	Achieved
DM Support		
Logistics	2B	2Q, 2015
Finance & Budget	2B	1Q, 2015
Facilities & Installation	2B	2Q, 2015
Surgeon Medical	2A	3Q, 2014
Info, Comms & Technology	2B	4Q, 2014
Acquisition & Procurement	2B	3Q, 2014
DM Admin		
Personnel Management	2B	2Q, 2015
Civil Service	2A	3Q, 2014
Training Management	1B	Achieved
Recruiting Command	2B	4Q, 2014
DM Security		
Afghan Uniform Police	1B	Achieved
Fire Services	2B	1Q, 2014
Afghan Border Police (ABP)	2A	4Q, 2014
GDPSU	1B	Achieved
Anti-Crime Police	1B	Achieved
ANCOP	1A	Achieved
Afghan Local Police (ALP)	2A	3Q, 2014
Plans & Operations	1B	Achieved
Force Readiness	1A	Achieved
Counter-IED	2A	2Q, 2014
DM Afghan Public Protection Force (APPF)		
APPF	2B	4Q, 2014

Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, December 2013, p. 30
http://www.defense.gov/pubs/April_1230_Report_Final.pdf, p. 34.

Mol Readiness: June 2014

DOD reported this quarter no improvements in developing MOD and MOI capacity to perform critical functions



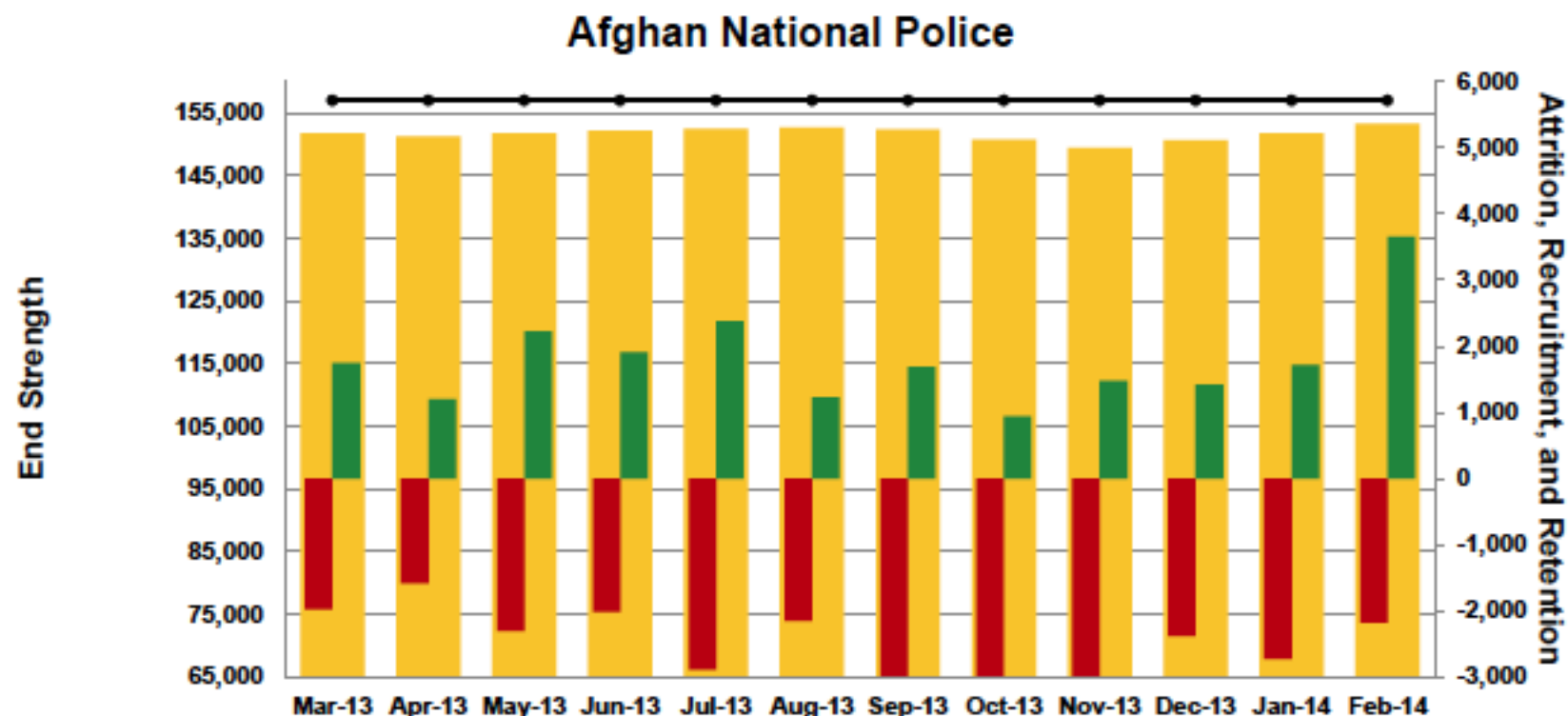
All 32 staff sections at the MOI were assessed; 10 progressed and none regressed since last quarter, according to CENTCOM.

However, the projected date for three staff sections to achieve CM-1B was extended from one quarter to one year.

Three MOI staff sections are rated CM-1A: the Chief of Staff Public Affairs Office, the Deputy Minister for Security Office of the Afghan National Civil Order Police, and the Deputy Minister of Security for Force Readiness. In addition,

MOI staff sections have attained a CM-1B rating; an increase of six since the last reporting period

ANP Manning & Attrition: 3/2013-2/2014

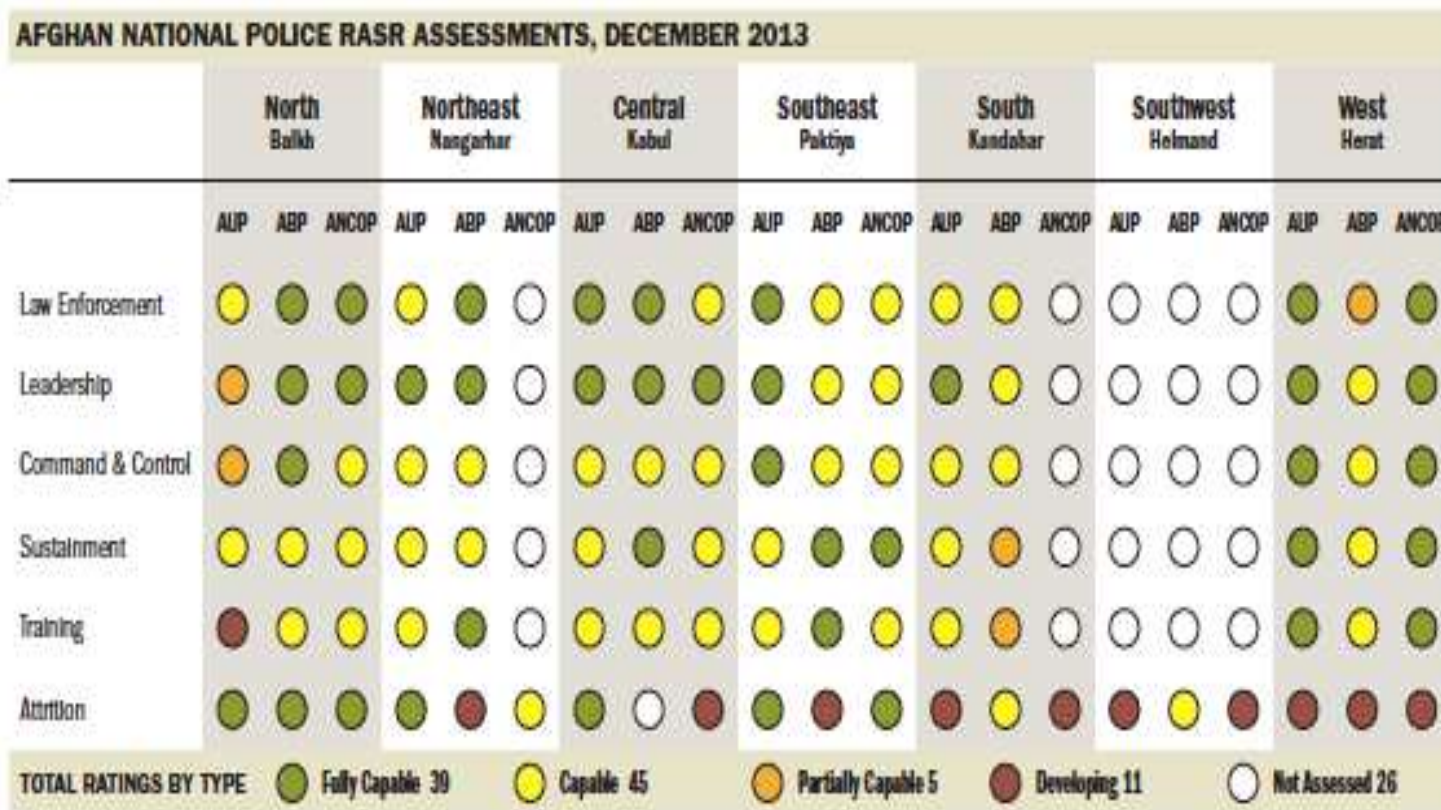


	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
■ Actual	151,766	151,227	151,824	152,191	152,498	152,657	152,336	150,688	149,466	150,683	151,793	153,269
■ Attrition*	-1,973	-1,580	-2,301	-2,019	-2,892	-2,154	-3,173	-3,114	-3,021	-2,377	-2,724	-2,182
■ Total Gain**	1,748	1,199	2,223	1,911	2,376	1,227	1,690	942	1,478	1,419	1,720	3,658
—●— Goal	157,000	157,000	157,000	157,000	157,000	157,000	157,000	157,000	157,000	157,000	157,000	157,000
Retention %	44%	46%	43%	51%	58%	60%	50%	67%	51%	71%	71%	74%
Mo. Attrit'n %	-1.3%	-1.0%	-1.5%	-1.3%	-1.9%	-1.4%	-2.1%	-2.0%	-2.0%	-1.6%	-1.8%	-1.4%
Attrit'n last 12 mos								-18.8%	-19.3%	-19.7%	19.1%	-19.5%

ANP Attrition By Command: 1/2014

ANP Unit	Attrition [^]
AUP Kabul Central	0.42%
AUP Asmaye HQ (101)	0.41%
AUP Shamshad PHQ (202)	1.56%
AUP Pamir PHQ (303)	1.35%
AUP Maiwand PHQ (404)	2.97%
AUP Spinghar PHQ (505)	1.61%
AUP Ansar PHQ (606)	1.37%
AUP Lashkargah PHQ (707)	2.05%
ABP HQ	1.61%
ABP Quick Reaction Unit	1.37%
ABP Kabul Airport	2.05%
ABP Customs Unit	0.00%
Nangarhar ABP (Central) (1st)	2.33%
Gardez ABP (East) (2nd)	4.57%
Kandahar ABP (South) (3rd)	0.62%
Herat ABP (West) (4th)	2.53%
Balkh ABP (North) (5th)	1.60%
Helmand ABP (Southwest) (6th)	5.25%
ANCOP HQ	1.07%
ANCOP 1 st BDE (Kabul)	7.00%
ANCOP 2 nd BDE (Nangarhar)	6.10%
ANCOP 3 rd BDE (M-e-S)	5.48%
ANCOP 4 th BDE (Kandahar)	6.49%
ANCOP 5 th BDE (Gardez)	4.36%
ANCOP 6 th BDE (Herat)	4.64%
ANCOP 7 th BDE (Helmand)	4.18%
ANP Total*	1.81%

ANP Force Generation Readiness 12/2013



Notes: AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police

Source: IJC, Regional ANSF Status Report, December 2013.

Regional Command ANSF Assessment Report (RASR) rates ANA brigades in six areas: • Combined Arms (planning and conducting joint operations using multiple types of weapons), • Leadership, • Command & Control, • Sustainment. • Training (conducting training), • Attrition

ANP Readiness 6/2014

REGIONAL ANSF STATUS REPORT - ANP ASSESSMENTS, QUARTERLY CHANGE

	Fully Capable				Capable				Partially Capable				Developing				Not Assessed			
	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-	Q1	Q2	+	-
Law Enforcement Operations	5	2	-3		10	10	0		3	5	2		0	1	1		3	4	1	
Leadership	10	6	-4		6	8	2		2	2	0		0	0	0		3	6	3	
Command & Control	5	5	0		9	10	1		4	3	-1		0	0	0		3	4	1	
Sustainment	4	1	-3		12	12	0		2	5	3		0	0	0		3	4	1	
Training	5	2	-3		9	8	-1		3	6	3		1	2	1		3	4	1	
Attrition	7	10	3		4	5	1		0	0	0		9	7	-2		1	0	-1	

Notes: Numbers represent brigades. Attrition assessment is based on the following monthly attrition rates: 0–1.99% = Fully Capable; 2–2.99% = Capable; 3%+ = Developing. Quarters are calendar-year.

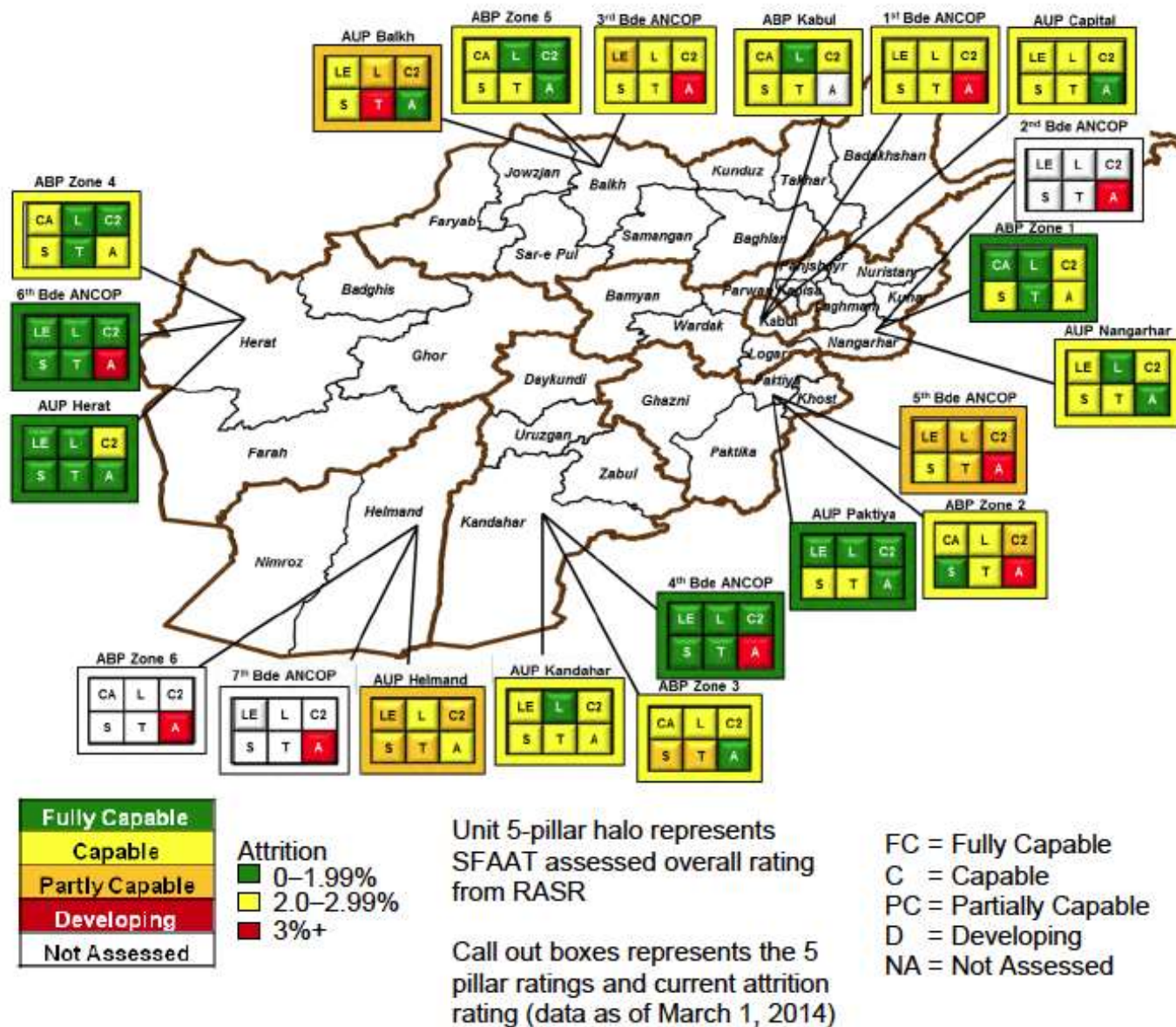
For the ANP, the latest RASR report provides assessments of 18 of 22 regional ANP components—the Afghan Uniform Police (AUP), Afghan Border Police (ABP), and the Afghan National Civil Order Police (ANCOP)—in seven different zones.

IJC notes the four components were not assessed due to reduced Security Force Assistance Advisory Teams coverage. 1 Of the 18 that were assessed, 67% were “fully capable” or “capable” of carrying out law-enforcement operations. The RASR defines law-enforcement operations as “making arrests and prosecuting those arrested.” The common shortfalls are lack of investigative, evidence collection, and crime-scene processing skills. IJC noted that ANP rates of materiel readiness or equipment levels are generally similar to the previous reporting period.

Attrition has improved, but continues to be a challenge for the ANP as 32% of regional components are considered “developing,” meaning attrition in these units is 3% or more per month. That is a reduction since last quarter, when 45% of regional components were considered “developing.” In other areas, the ANP regional components are mostly “fully capable” or “capable”: leadership (88%), command

and control (83%), sustainment (72%), and training (56%). Notwithstanding the RASR assessments, General Joseph F. Dunford, Commander of ISAF and USFOR-A, has told the Congress that the ANSF will need continued support after 2014: “If we leave at the end of 2014, the Afghan security forces will begin to deteriorate, the security environment will begin to deteriorate, and I think the only debate is the pace of that deterioration.”

ANP Readiness by Location 3/2014



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.

ANP Ethnicity: July 31, 2013

Total Population **42%** **27%** **9%** **9%**
13%

	Pashtun	Tajik	Hazara	Uzbek	Others
Ethnic Target	44.0%	25.0%	10.0%	8.0%	13.0%
Officer	13.2%	49.7%	14.9%	7.3%	3.3%
NCO	24.2%	53.5%	33.7%	20.8%	3.9%
Patrolmen	62.6%	35.9%	51.4%	71.8%	7.3%
Officer Delta*	-25.7%	24.7%	-4.9%	-4.9%	-9.7%
Total Force Delta*	-2.1%	18.5%	-4.2%	-2.1%	-7.3%

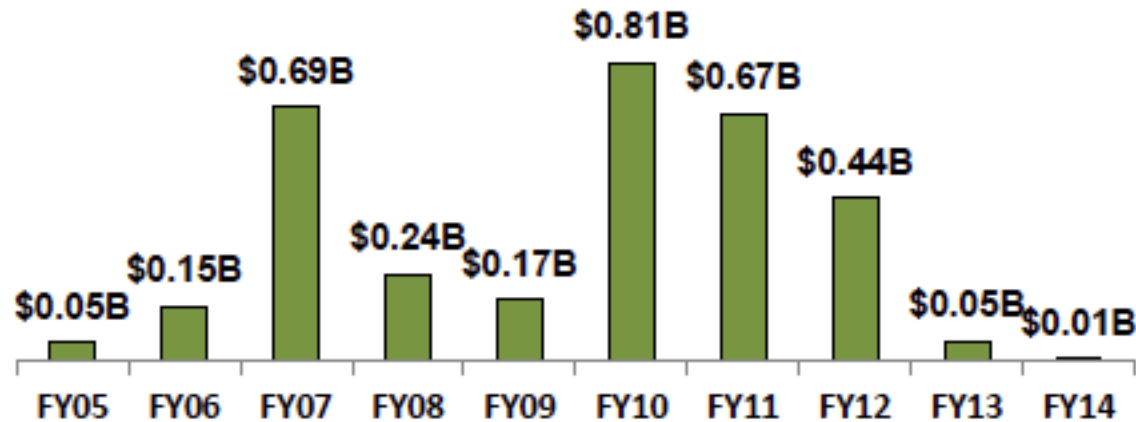
***The Delta represents the difference between the ethnic target and the actual percentage**

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%

Maturing ANP Infrastructure 4/2014

Expenditure



Project Status

Facilities	Complete	In Progress	Acquisition	Planned	Total
AUP	392	55	3	0	450
ABP	100	30	0	0	130
ANCOP	26	7	1	0	34
AACP	21	9	0	0	30
I&S	41	13	2	0	56
Ministry	7	2	2	0	11
Agents	35	0	3	0	38
Feb (SM)	622	116	11	0	749
Jan (SM)	614	124	6	0	744

US Investment in ANP Equipment

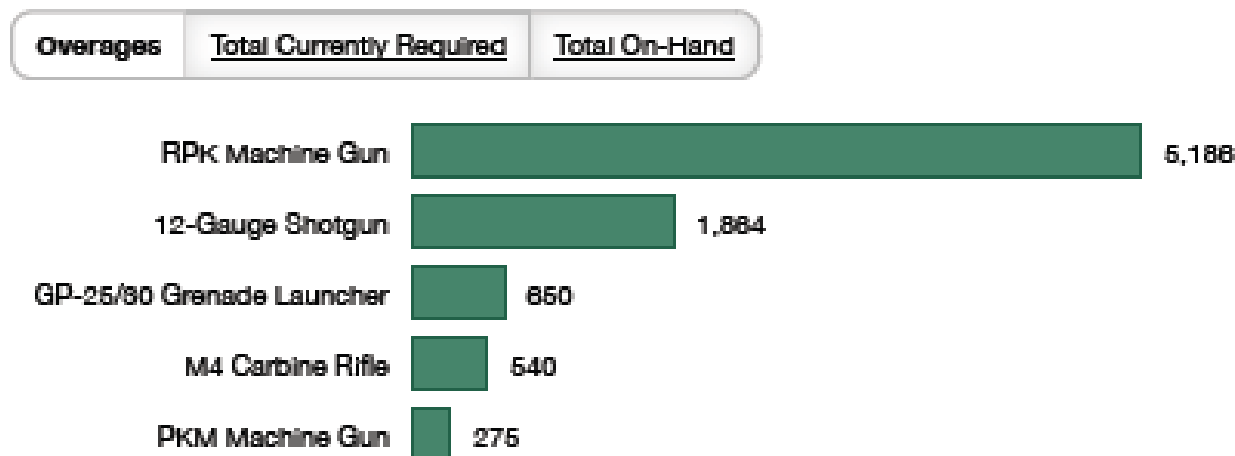
COST OF U.S.-FUNDED ANP EQUIPMENT

Type of Equipment	Procured	Remaining to be Procured
Weapons	\$187,251,477	\$4,093,066
Vehicles	1,966,075,183	3,744,582
Communications Equipment	211,062,672	544,573
Total	\$2,364,389,332	\$8,382,221

Source: CSTC-A, response to SIGAR data call, 7/1/2014.

ANP: Lack of Weapons Accountability

Afghan Police Extra Weapons



Created with [Datavrapper](#)

Source: [SIGAR analysis of CSTC-A data](#); Chart: [LINDSEY COOK](#), [Get the data](#)

Does not include substantial unaccountability for vehicles, ammunition, and wide range of other equipment.

Source: Tom Risen, “**U.S.-Supplied Weapons Vulnerable After Afghanistan Withdrawal**” Weapons given to Afghanistan have gone missing before, and it may, happen again,” **USN&WR**, July 28, 2014 | 12:01 a.m. EDT and SIGAR, “Afghan National Security Forces: Actions Needed to Improve Weapons Accountability,” SIGAR 14-84 Audit Report, July 2014.

The Challenge of the ALP

The ALP

The use of local forces is always a high risk given the problems in controlling them, making them effective, dealing with abuses and corruption, and their potential to turn on the government or create links with insurgents.

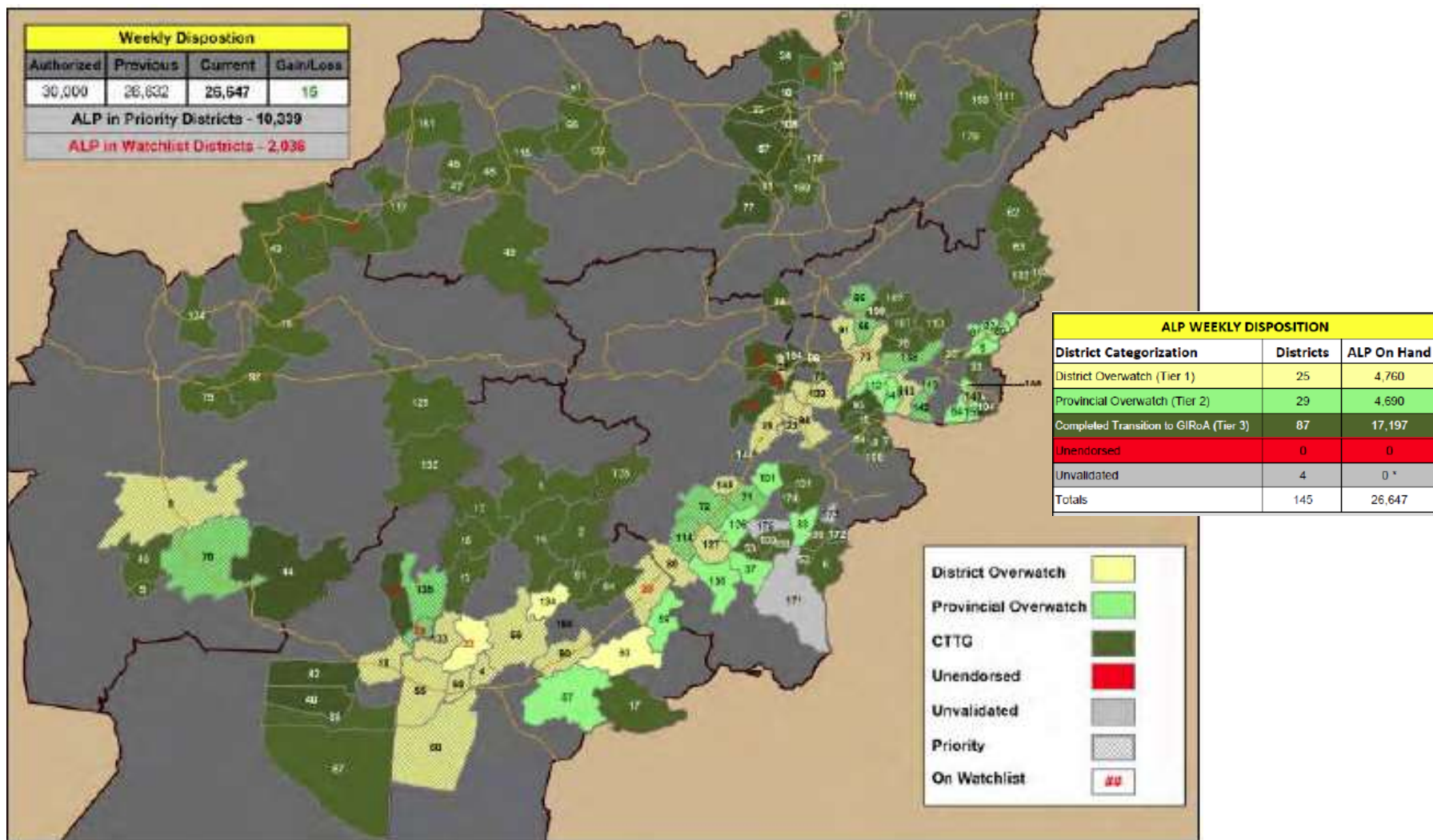
The 1230 report indicated in October 2013 that ALP expansion was expected to reach 28,500 by February, 2014 and 30,000 by December, 2014. It reported that the ALP appeared to be one of the most resilient institutions in the ANSF. It was heavily targeted by EIAs resulting in the highest casualty rate, while recording one of the lowest monthly attrition rates of all ANSF.

As of January 4, 2014, Afghan Local Police (ALP) comprised 25,477 personnel. There were 30,000 personnel by the end of December 2014. The ALP operates in 126 districts in 29 of Afghanistan's 34 provinces..

Capability varied sharply by area, and there were reports of civil abuses and tensions with the ANP and Government. The ALP with US SOF training did, however, generally make ALP units at least somewhat and all ALP units were to fully transfer to the Afghan government by October 2014.

It is not clear how the Afghan Local police or other paramilitary forces like the APPF will be integrated into a post 2-104 structure or what their effectiveness will be.

ALP Locations and Development: 2/2014



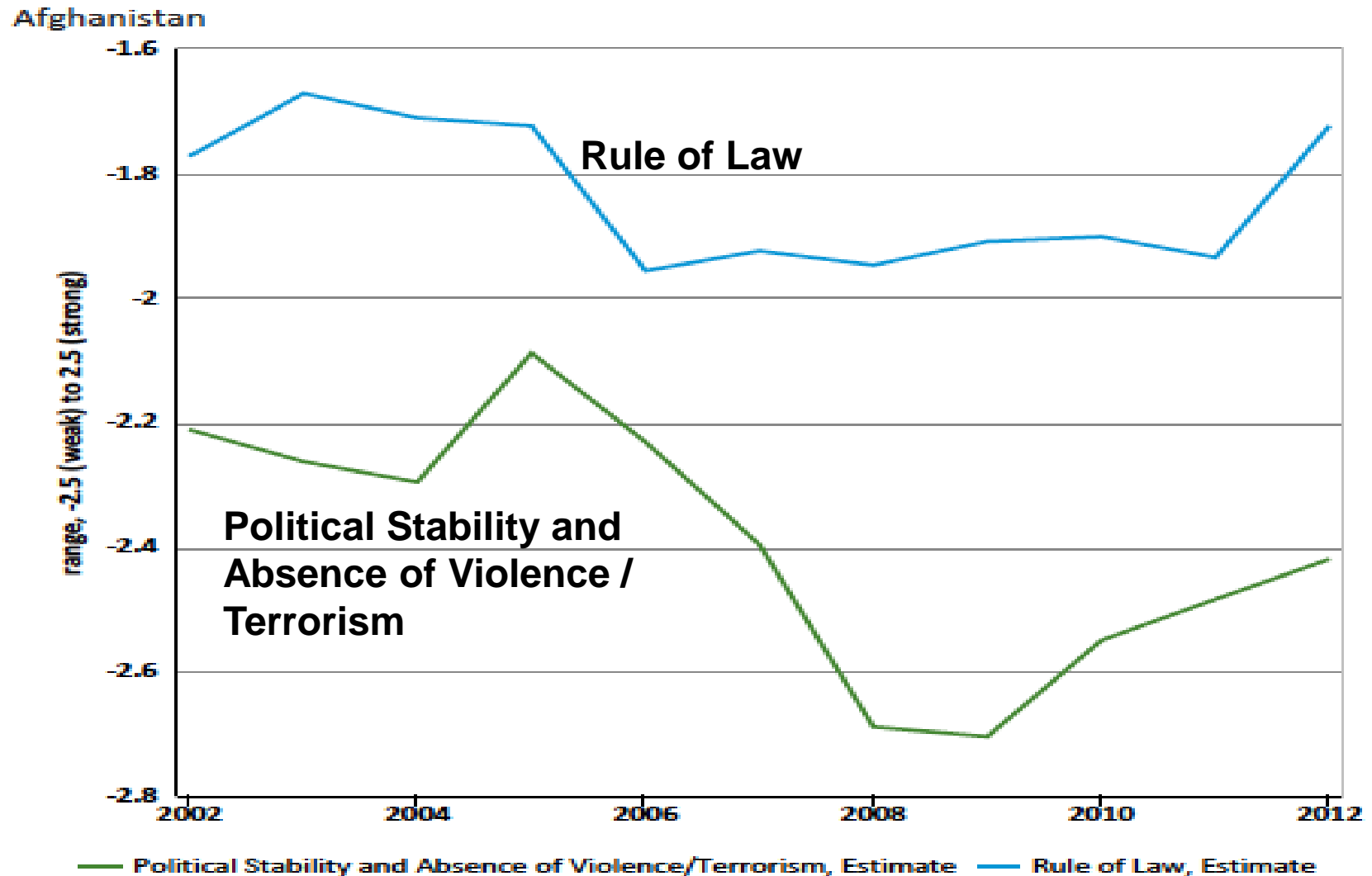
Source: Department of Defense, Report on Progress Toward Security and Stability in Afghanistan, April 2014, p. 54.

Key ALP Challenges

- **Accept that the key is to pay for support and loyalty where it is most needed. *“Bribe your way to victory.”***
- **Define role in making layered defense effective – role of MoI, and controls over with elements of police and relations with ANA .**
- **Set real-world Afghan limits limits to corruption and waste. “Fix” MoI.” Ensure effective pay, contracting, fiscal management, Provincial and District civil-interface.**
- **Define real needs for post-Transition force structure based on emerging post-2014 paramilitary military requirements, funding, and force management needs.**
- **Redefine role of ALP in terms of paramilitary functions vs. rule of law.**
 - *Ties to effective, timely, and responsive overall justice system: detentions, courts, prisons, reintegration*
- **Set real-world Afghan limits on role power brokers, creation of local power clusters and warlords – ties to local leaders and elements of Taliban.**
 - **Ensure accountability, flow of revenues to government.**
- **Ensure tight limits on treatment of civilians, focus on effective police and civil governance relations. Focus on popular “strategic communications,” trust, and respect.**
 - **Rules of engagement. Limit civil abuses, tensions, and conflicts.**
 - **“Hearts and minds” is not just a cliché, it is a critical reality.**
- **Limit internal ethnic, tribal, regional, and sectarian tensions.**

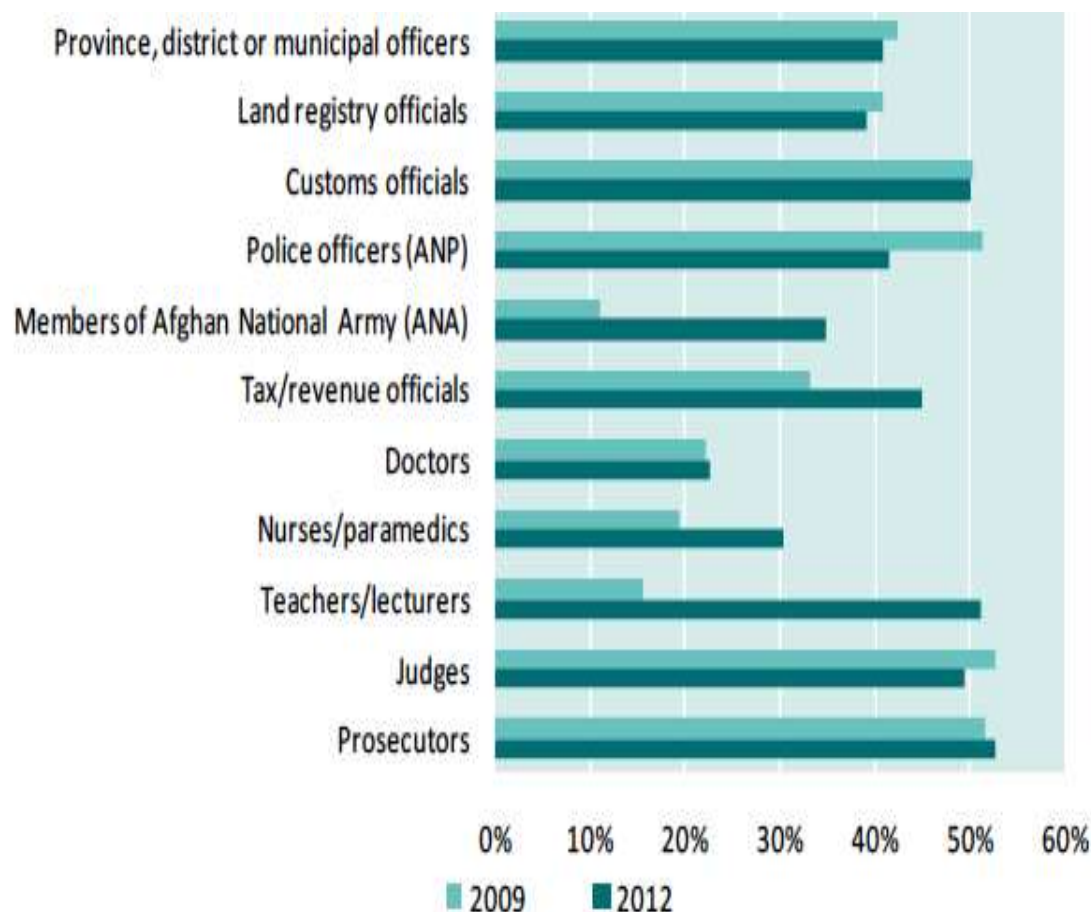
The Challenge of ANSF Corruption and Abuses

World Bank Ranking of Violence and Rule of Law Highly Negative



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.

UN Warnings About ANSF Abuses

With Afghan national security forces leading military operations country wide, UNAMA reinforced the need for improved implementation of directives and rules of engagement mandating civilian protection, and for permanent structures in the Ministries of Defence and Interior to investigate reports of civilian casualties by Afghan forces, initiate remedial measures and take follow-up action. UNAMA's report also called on the Government of Afghanistan to investigate any allegations of human rights violations by Afghan forces as required under Afghan and international law.

Despite reports of improved security due to the presence of Afghan Local Police (ALP), from many communities across Afghanistan, UNAMA recorded 121 civilian casualties (32 civilian deaths and 89 injured) by ALP, almost tripling civilian casualties attributed to ALP from 2012.

Most of these involved ALP members in certain areas committing summary executions and punishments, intimidation, harassment and illegal searches.

The ALP Directorate in the Ministry of Interior reported it investigated more than 100 cases against ALP members in 2013, referring 59 cases to military prosecutors. Despite these encouraging steps, information on any prosecutions, convictions, suspensions or other action taken was not available. UNAMA called for increased efforts to provide accountability for violations by Afghan Local Police.

The UNAMA 2013 report recorded 39 incidents of human rights abuses including killings carried out by Pro-Government armed groups resulting in 55 civilian casualties (18 civilian deaths and 37 injured). The majority of incidents occurred in areas where armed groups held considerable power and influence, including in Uruzgan, Kunduz, Faryab, Baghlan and Jawzjan provinces.

The report urged the Afghan Government to speed up efforts to disband and disarm such groups

State Department Warnings About ANSF and Afghan Government Abuses - I

The most significant human rights problems were torture and abuse of detainees; increased targeted violence and endemic societal discrimination against women and girls; widespread violence, including armed insurgent groups' killings of persons affiliated with the government and indiscriminate attacks on civilians; and pervasive official corruption.

Other human rights problems included extrajudicial killings by security forces; poor prison conditions; ineffective government investigations of abuses and torture by local security forces; arbitrary arrest and detention, including of women accused of so-called moral crimes; prolonged pretrial detention; judicial corruption and ineffectiveness...

There were several credible reports that the government or its agents committed arbitrary or unlawful killings. For example, the UN Assistance Mission in Afghanistan (UNAMA) reported that in January an Afghan Local Police (ALP) commander and several ALP members broke into a home in the Chardara District of Kunduz Province and killed a 65-year-old man and two women before stealing valuables from the home and fleeing. NGOs, UNAMA, and media reports continued to allege that Kandahar provincial chief of police Abdul Raziq facilitated extrajudicial killings.

there were widespread reports that government officials, security forces, detention center authorities, and police committed abuses. NGOs reported that security forces continued to use excessive force, including torturing and beating civilians.

NGOs, UNAMA, and media reports continued to allege that Kandahar provincial chief of police Abdul Raziq facilitated the torture of detainees. UNAMA reported systematic torture at several ANP detention facilities and one Afghan Border Police Station in Kandahar Province. The Afghanistan Independent Human Rights Commission (AIHRC) found multiple individuals detained by the ANP in

State Department Warnings About ANSF and Afghan Government Abuses - II

Kandahar who claimed mistreatment and torture while in ANP custody. Detainees reportedly were tortured at official and unofficial locations, including ANP check posts, ANP headquarters, and other ANP facilities in Kandahar. Methods of torture included beatings with fists and electric cables; kicking; choking; electric shock; and squeezing of testicles.

UNAMA reported that it found “sufficiently reliable and credible” incidents of torture at 10 National Directorate of Security (NDS) facilities as well as at 15 ANP facilities. For example, UNAMA reported systematic torture at the NDS detention facility in Kandahar Province and NDS Department 124 (counterterrorism) in Kabul. A government delegation assigned to investigate the claims made by UNAMA in its January report also found that officials tortured detainees at NDS Department 124, including with electric shocks, beatings, and threats of sexual violence. During its monitoring visits, the International Security Assistance Force (ISAF) also continued to find instances of torture and abuse of detainees who were held at NDS Department 124.

UNAMA also found instances of torture or other mistreatment of detainees held in Afghan National Army (ANA) and ALP custody prior to transfer to the NDS or ANP. Similarly, the government found that 48 percent of detainees interviewed for its investigation (284) had been tortured.

.... Nevertheless, human rights problems persisted, and observers criticized the inadequate preparation and lack of sensitivity of local security forces. Human rights institutions expressed concerns about the limited oversight and accountability that existed for security institutions, especially the ALP, although the Ministry of Interior took some measures at the end of the year to increase accountability of the ALP. For example, the Ministry of Interior worked with the ICRC to increase human rights training for ALP recruits.

Russian Military Scenario Analysis of Probability of Success or Failure

The Main Intelligence Directorate of the General
Staff of the Armed Forces of the Russian Federation



REPORT

made by Lieutenant General
Igor Sergun

SUBJECT:

"Probable scenario of further developments in Afghanistan
after foreign military withdrawal"

Major contingencies in Afghanistan after 2014

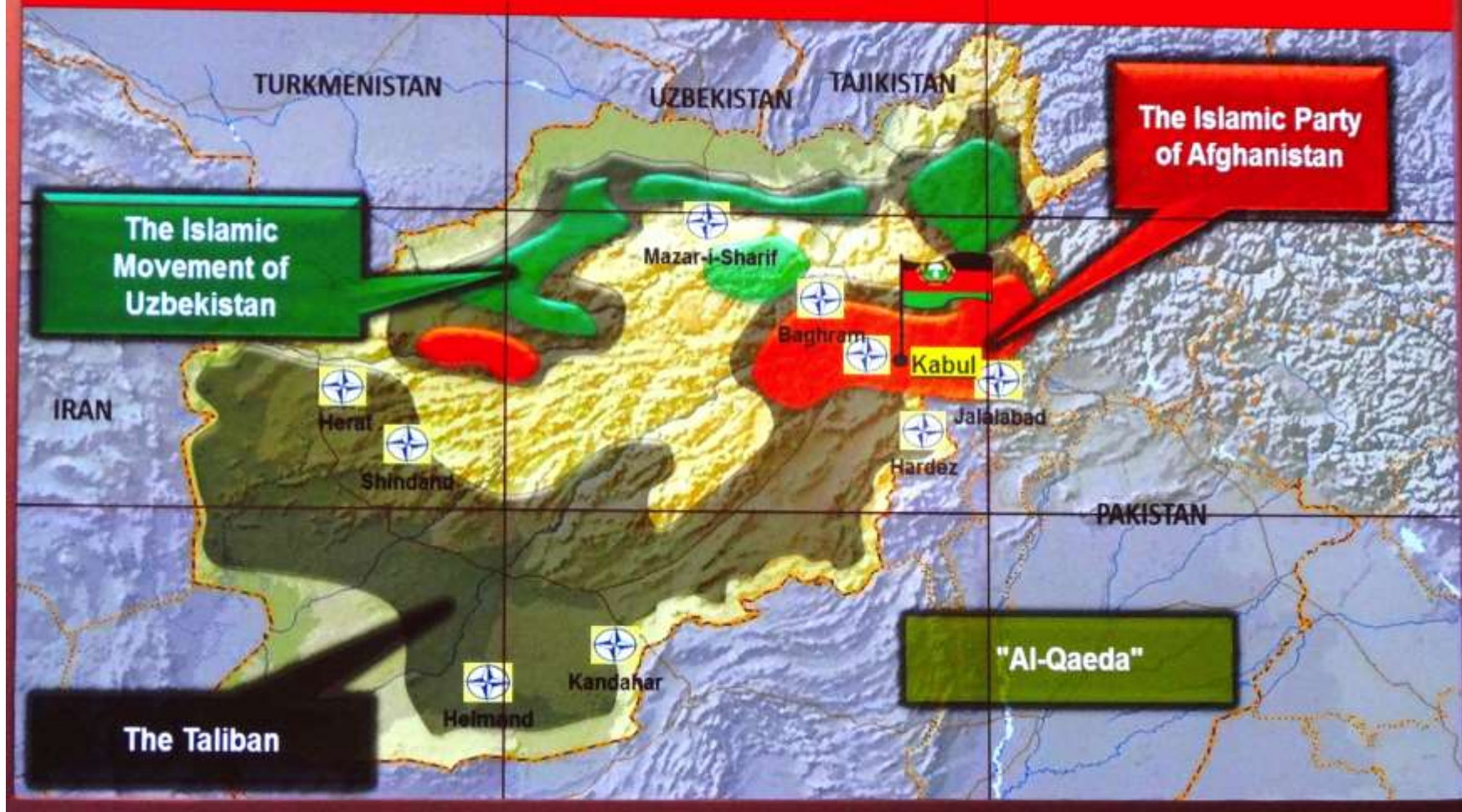
A map of Afghanistan is shown in the background, with its borders and major rivers visible. The map is divided into three horizontal sections by a grid.

Preserving the status quo in limited foreign military presence

Seizure of power by the Taliban

Collapse of Afghanistan into national enclave

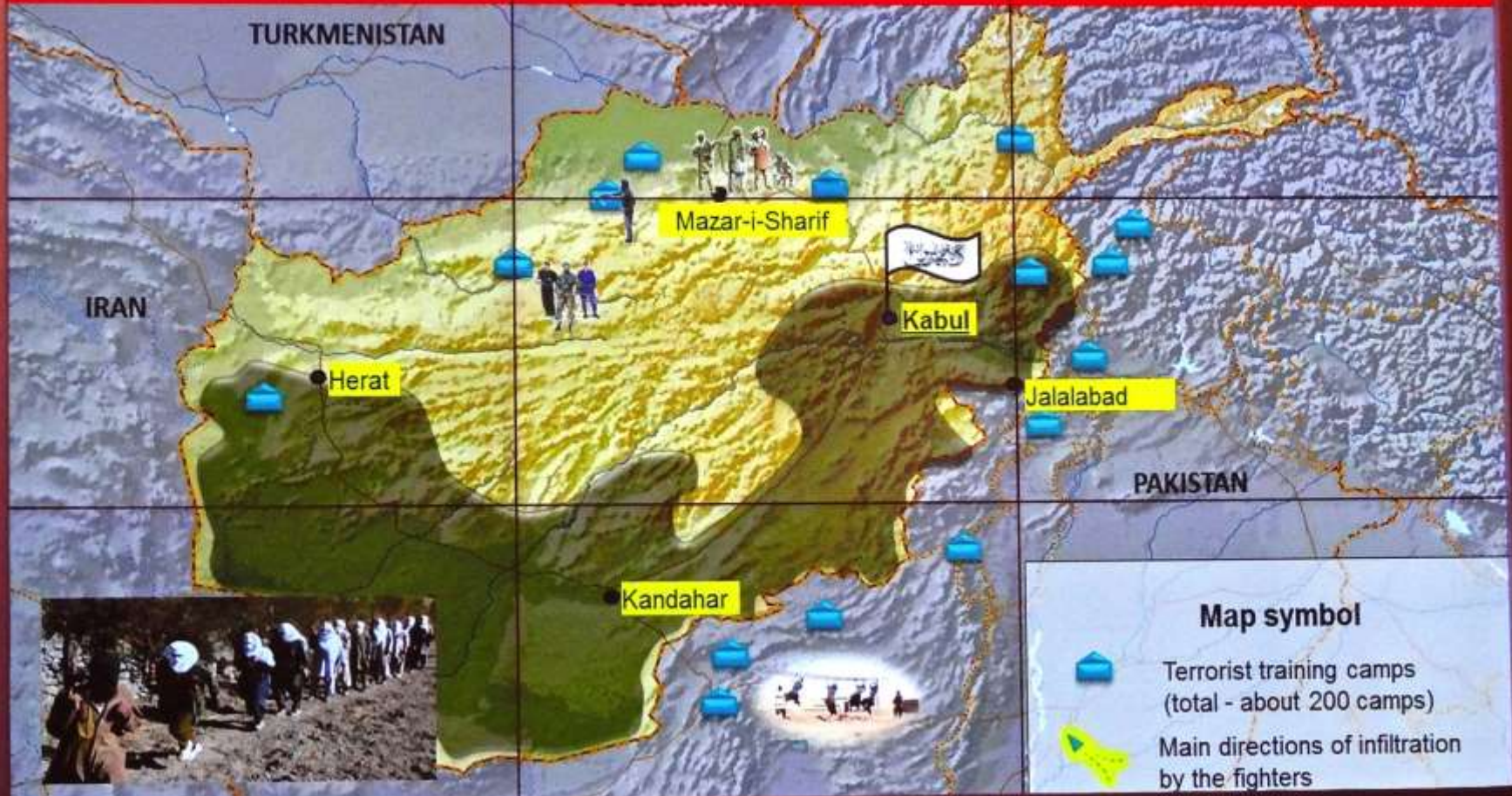
Preserving the status quo in limited foreign military presence



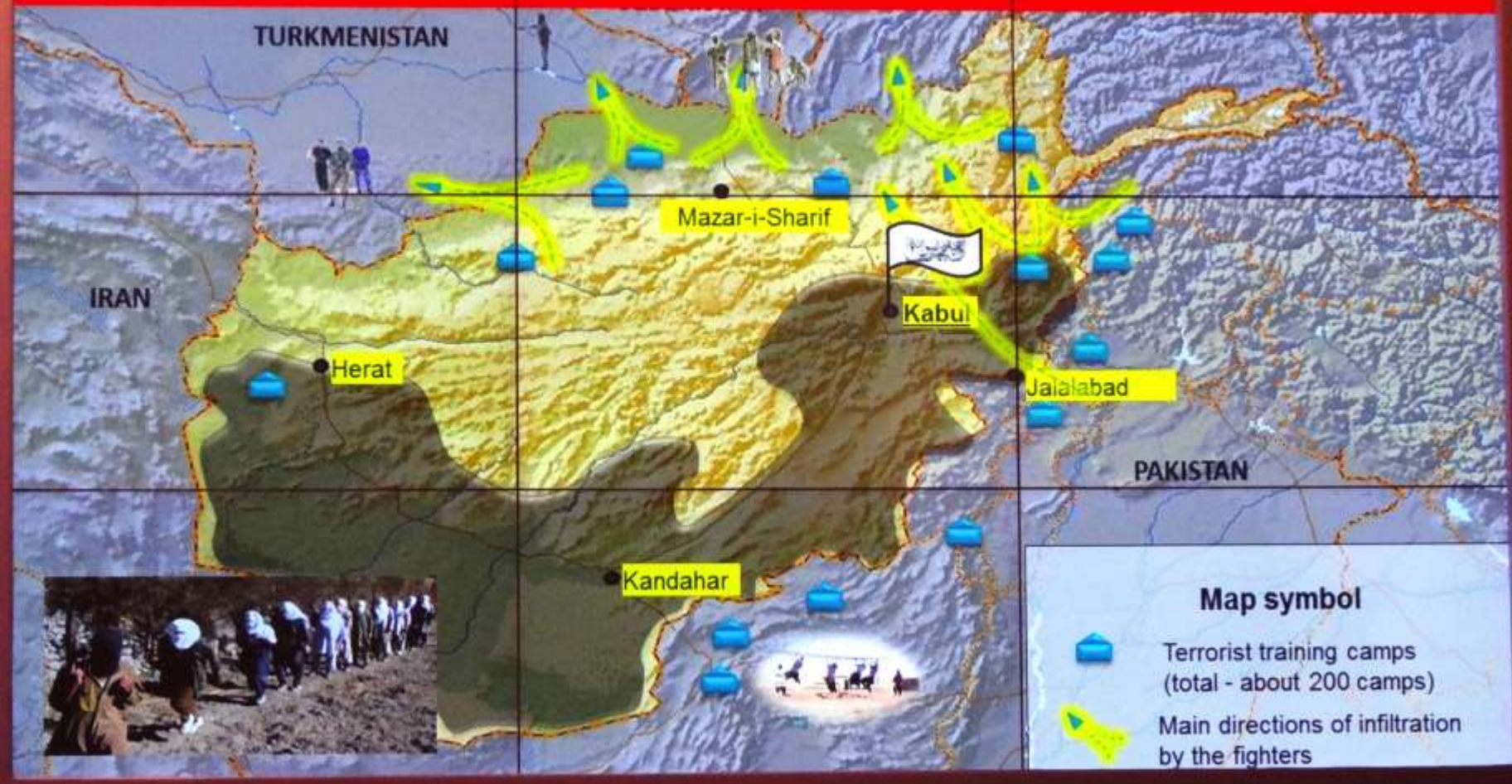
Preserving the status quo in limited foreign military presence



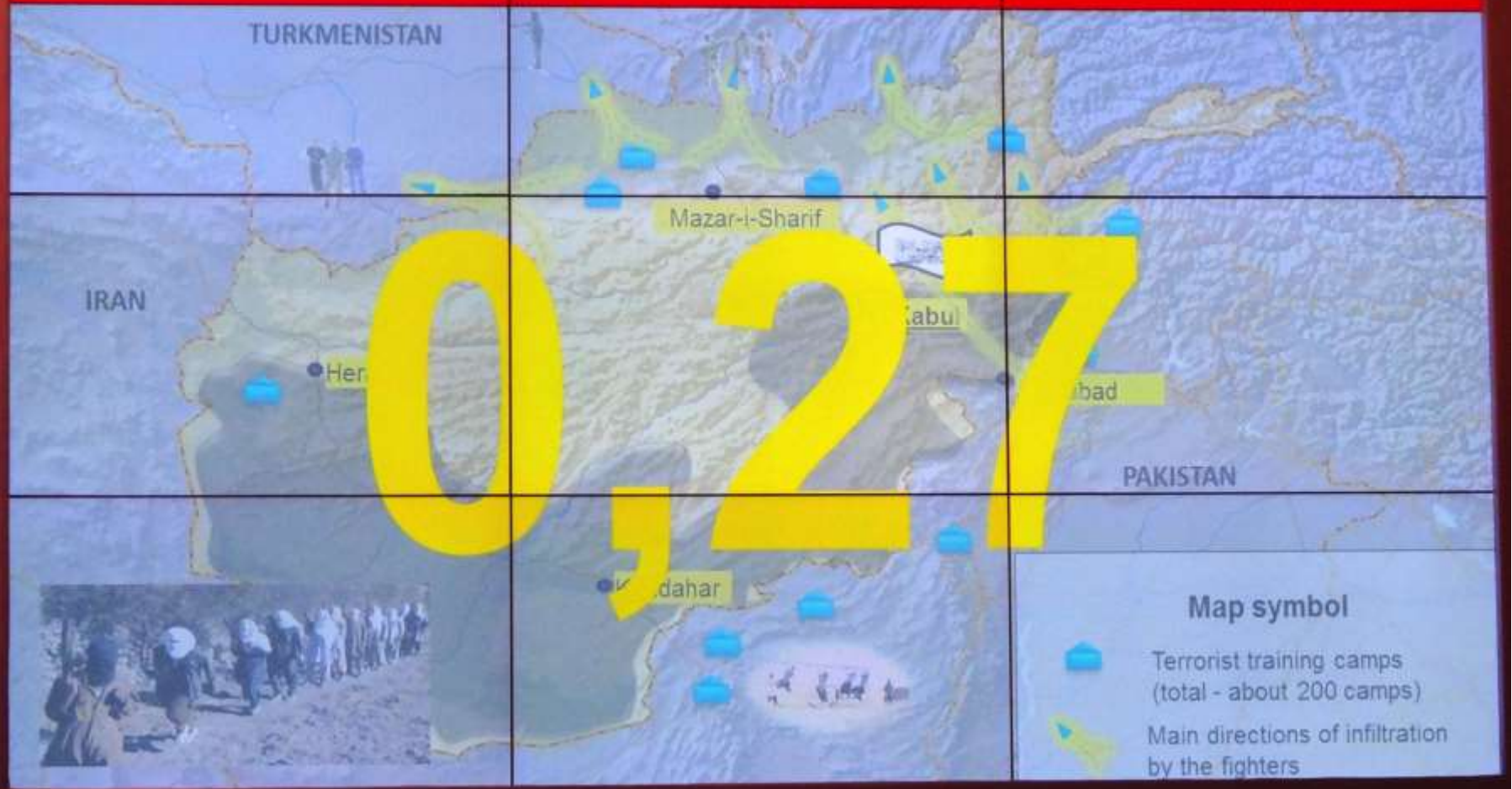
Seizure of power by the Taliban



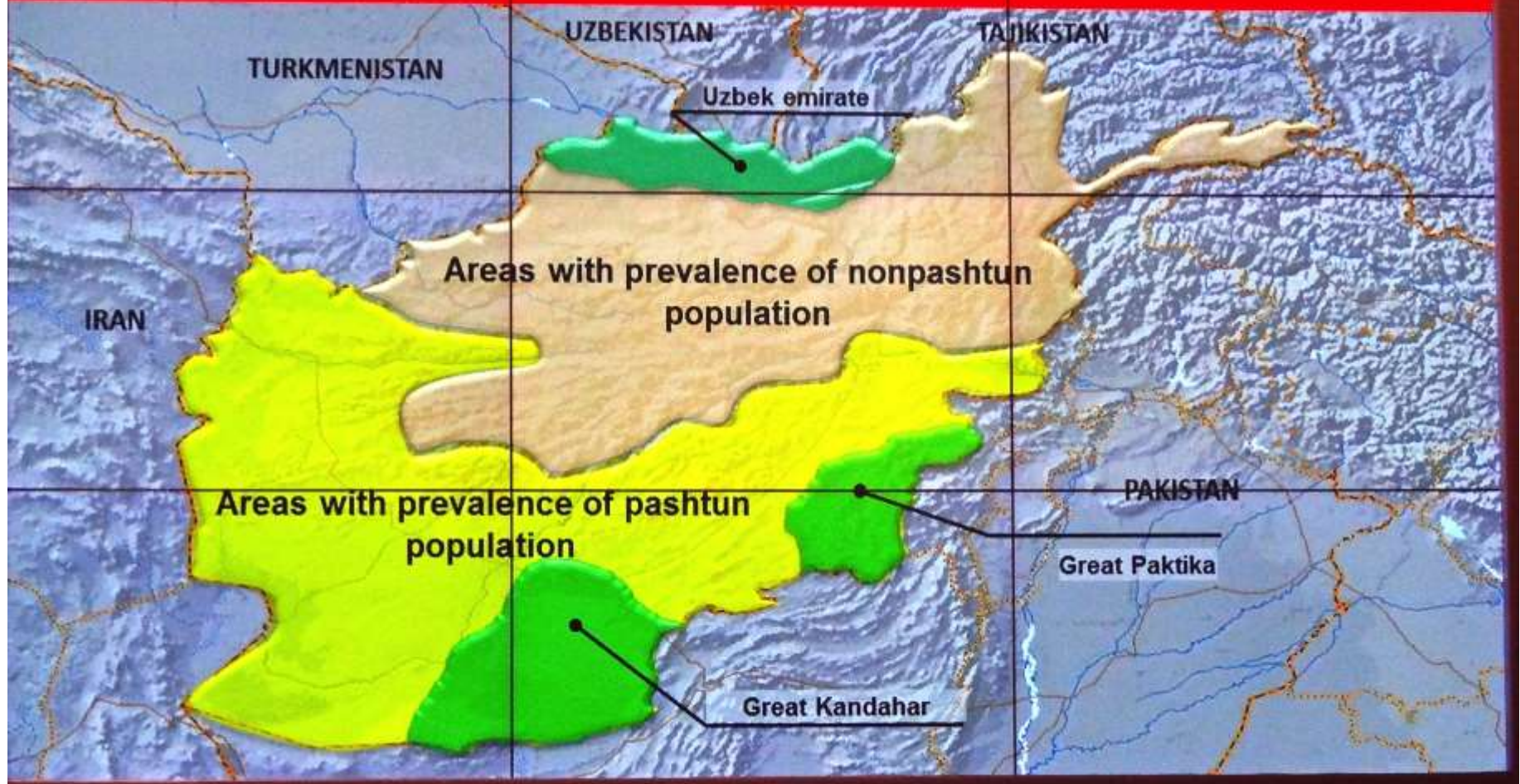
Seizure of power by the Taliban



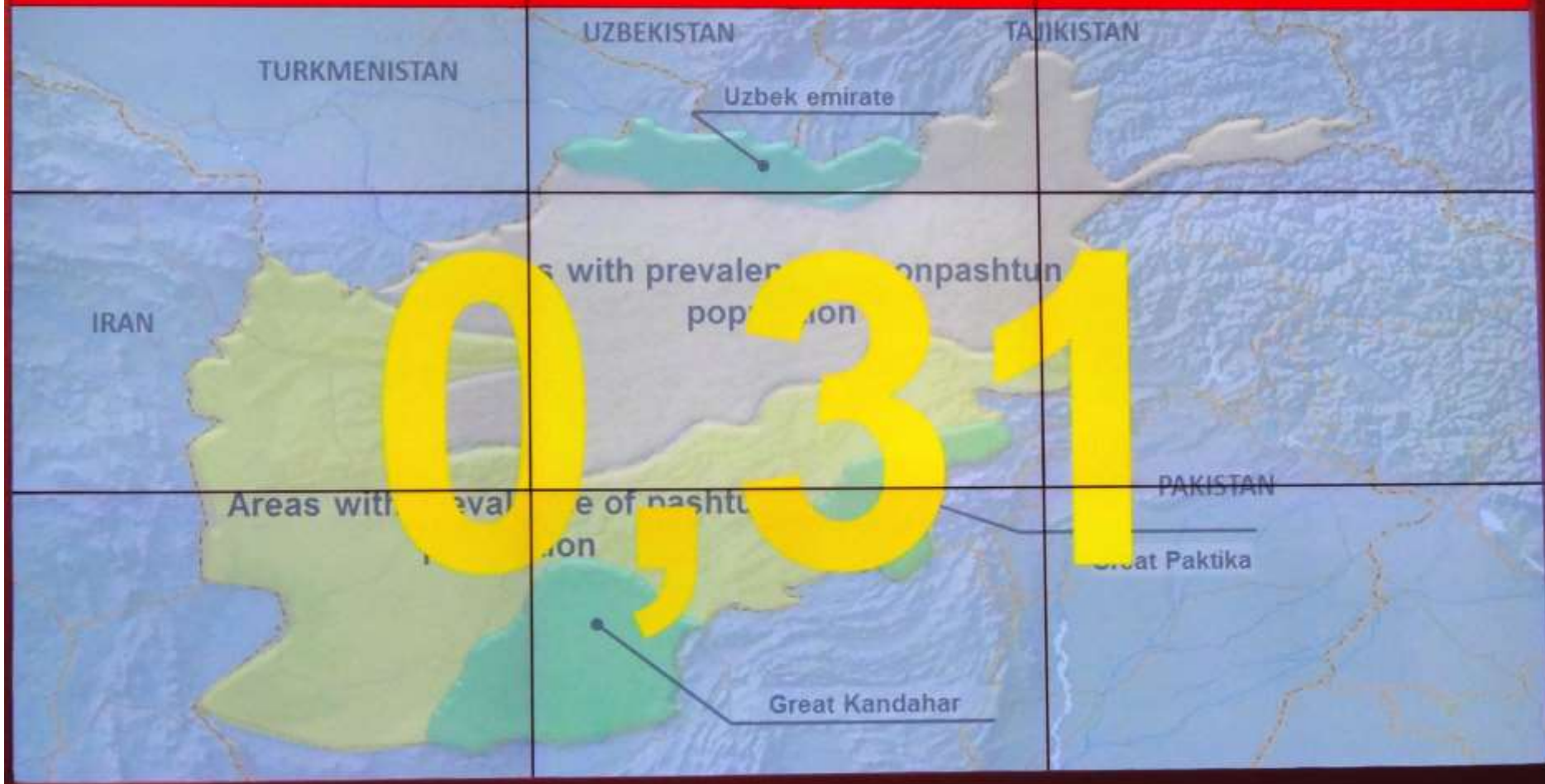
Seizure of power by the Taliban



Collapse of Afghanistan into national enclaves



Collapse of Afghanistan into national enclaves



ISAF withdrawal

To withdraw before 2015:



about 40000 of personnel;



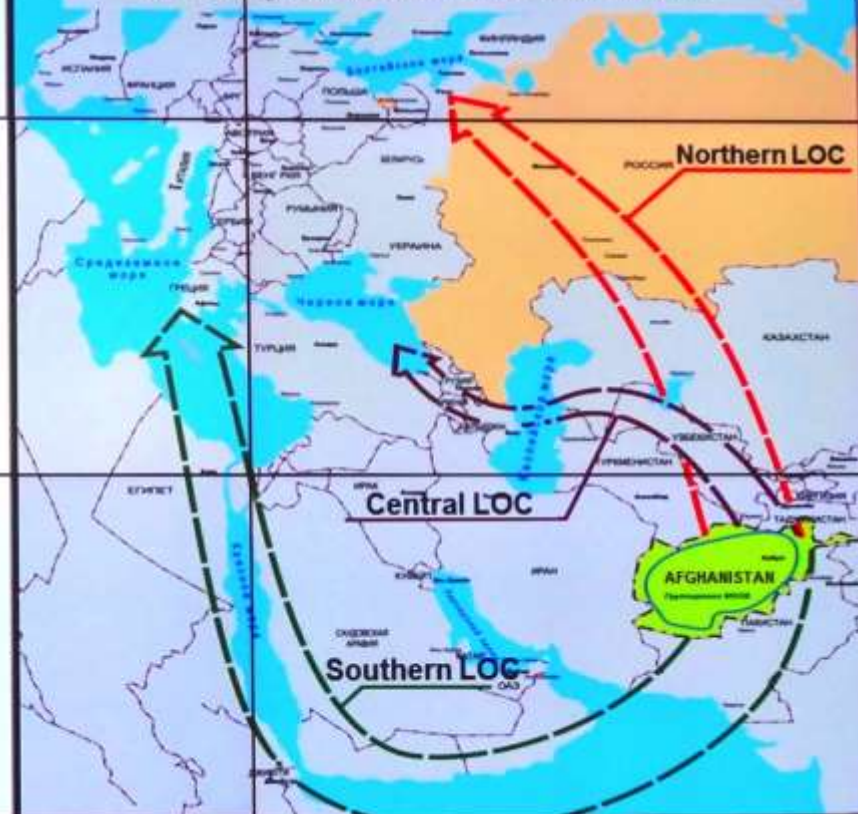
over 40000 units of materiel incl.
armored vehicles and transport;



over 300 helicopters



Main lines of communication (LOC) used by NATO to withdrawal ISAF



ISAF withdrawal

To withdraw before 2015:



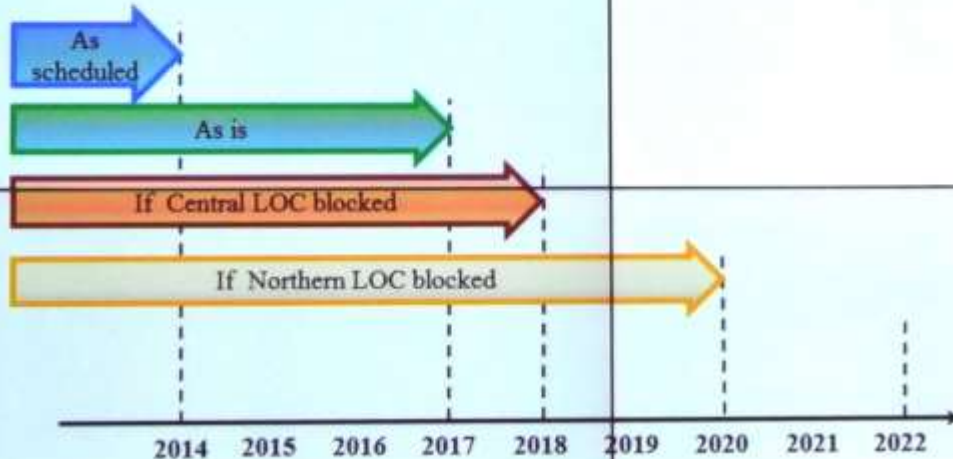
about 40000 of personnel;



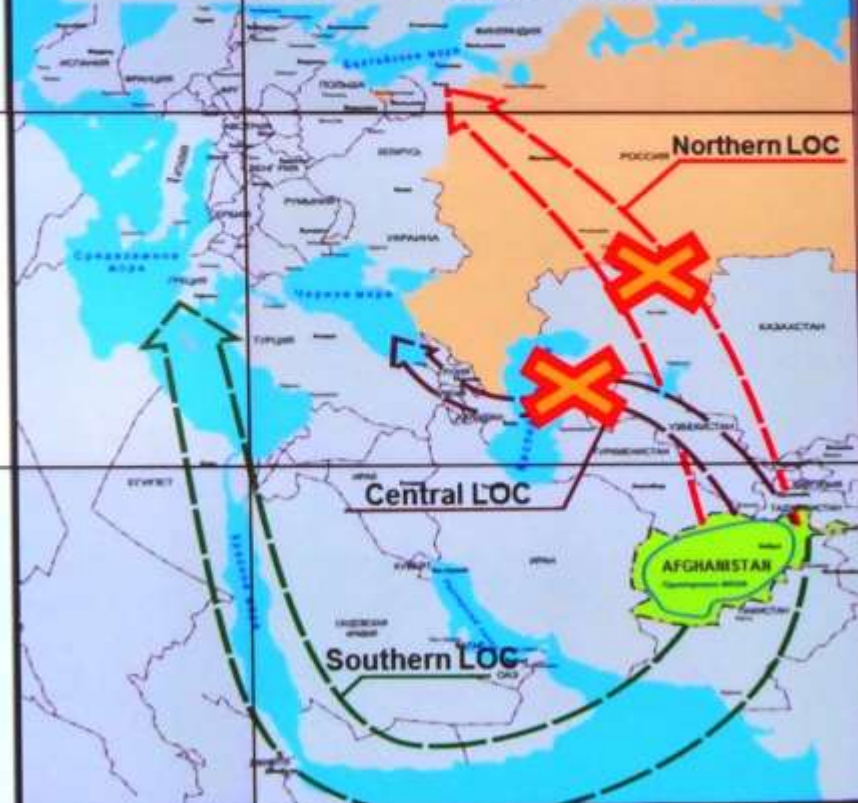
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Main lines of communication (LOC) used by NATO to withdrawal ISAF



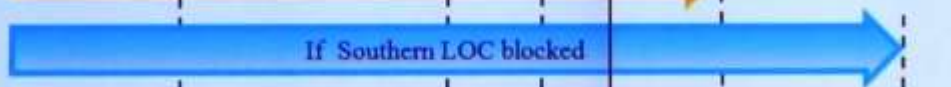
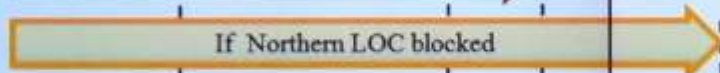
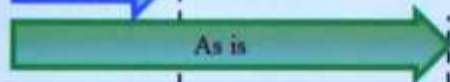
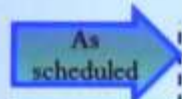
ISAF withdrawal

To withdraw before 2015:

about 40000 of personnel;

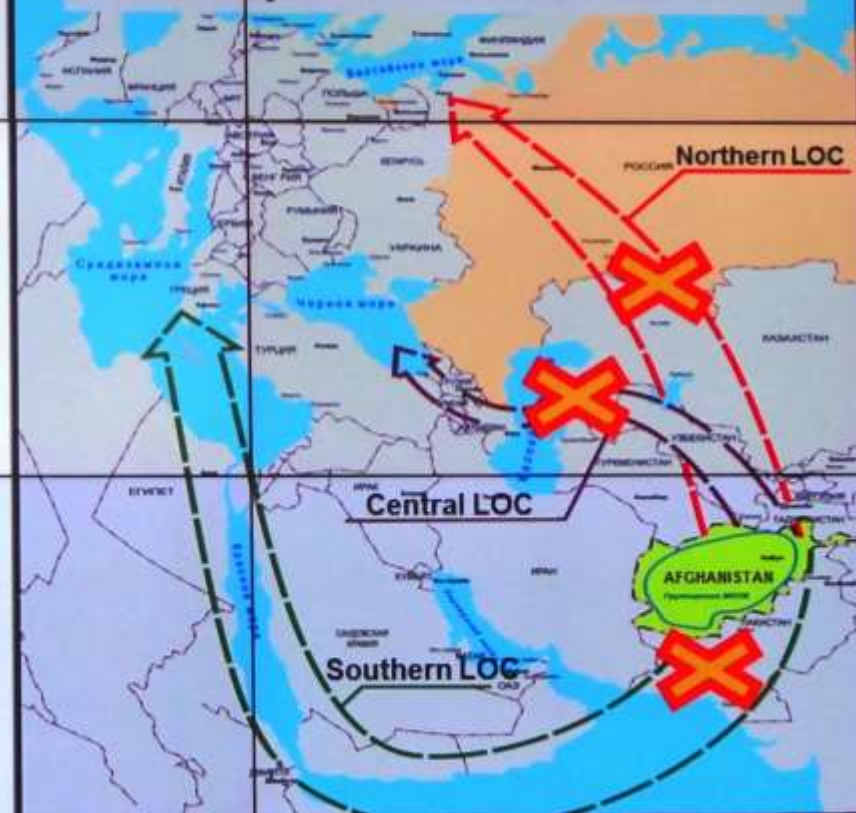
over 40000 units of materiel incl.
armored vehicles and transport;

over 300 helicopters



2014 2015 2016 2017 2018 2019 2020 2021 2022

Main lines of communication (LOC)
used by NATO to withdrawal ISAF

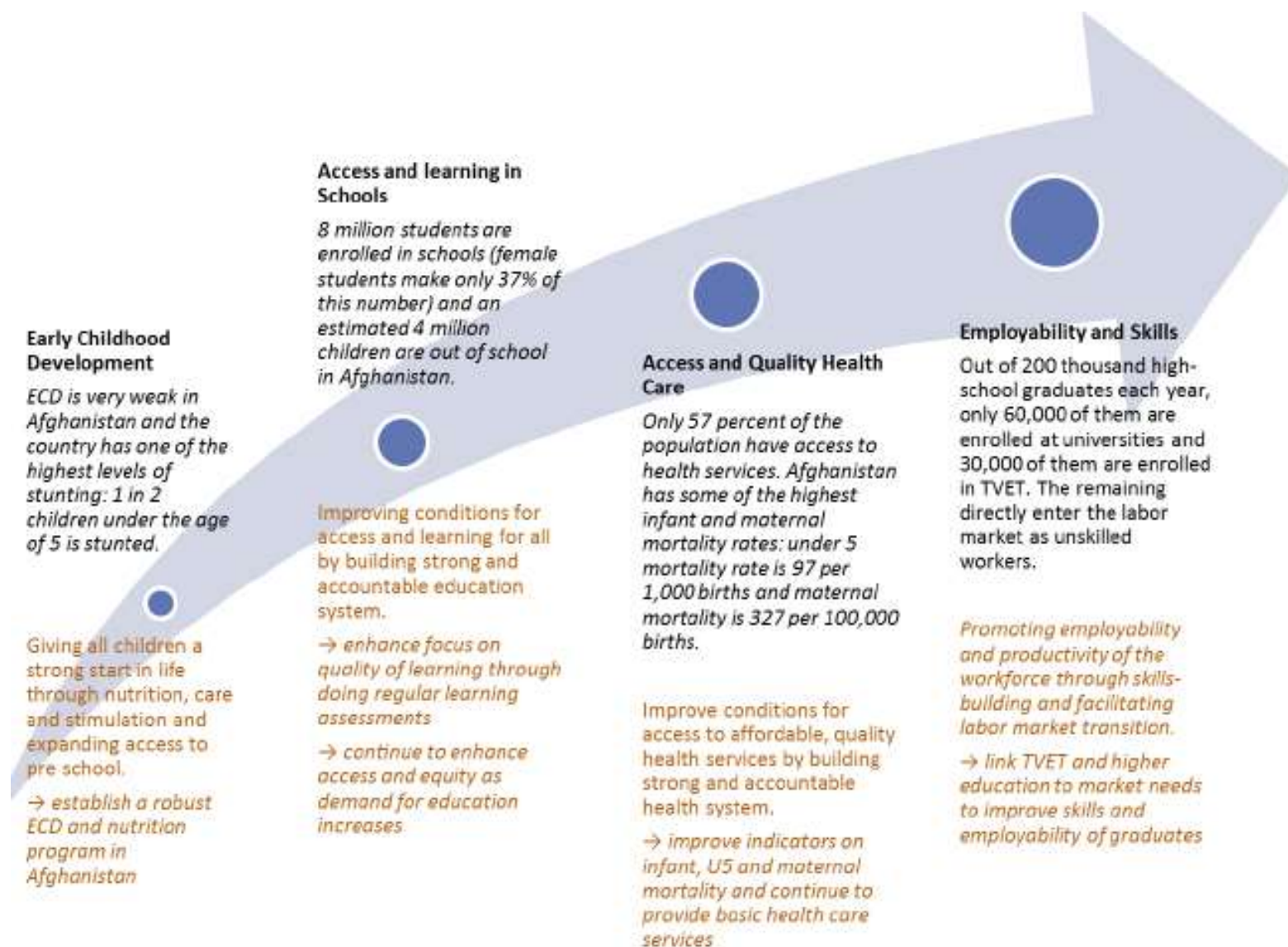


**Progress in Some Areas of
Human Development, *But*
Progress is Often
Exaggerated and Lags
Other Poorest Countries in
the Region**

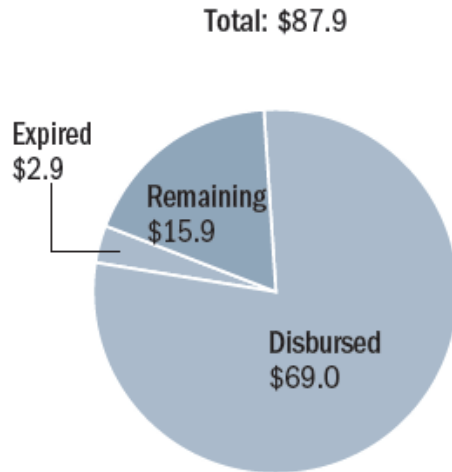
The Uncertain State of Progress

- **UN Human development data reflect progress, but also serious limits to that progress, and input data are very uncertain.**
- **World Bank estimates poverty increasing.**
- **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.**
- **Critical near term challenges in revenues, job creation, electric power, agriculture, and roads.**
- **No major near-term development options before 2020.**
- **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.**

The Human Development Challenge



US Aid Still to Be Disbursed: June 31, 2014



CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2014 (\$ BILLIONS)

	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$57.33	\$50.03	\$48.23	\$8.10
CERP	3.67	2.28	2.26	0.05
AIF	1.22	0.70	0.27	0.87
TFBSO	0.81	0.74	0.58	0.19
DOD CN	2.93	2.61	2.61	0.32
ESF	17.53	14.69	12.09	5.06
INCLE	4.41	3.56	3.00	1.35
Total 7 Major Funds	\$87.90	\$74.61	\$69.04	\$15.95
Other Reconstruction Funds	7.29			
Civilian Operations	8.91			
Total	\$104.10			

As of June, 30, 2014, approximately \$15.9 billion of appropriated funds remained for possible disbursement.

These funds will be used to complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; combat narcotics production and trafficking; and, advance the rule of law, strengthen the justice sector, and promote human rights.

Most of the funding in the pipeline has yet to be obligated. Only \$5.6 billion of the \$15.9 billion remaining has been obligated.

The President's FY 2015 budget request, if appropriated, would add another \$5.8 billion for the seven major reconstruction funds. Amounts requested for four of these funds—ASFF, DOD CN, ESF, and INCLE— account for over 99% of the FY 2015 request. Only \$20 million was requested for CERP and TFBSO combined. No additional funding was requested for the AIF.

DOD 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

USAID ESF: Economic Support Fund

State INCLE: International Narcotics Control and Law Enforcement

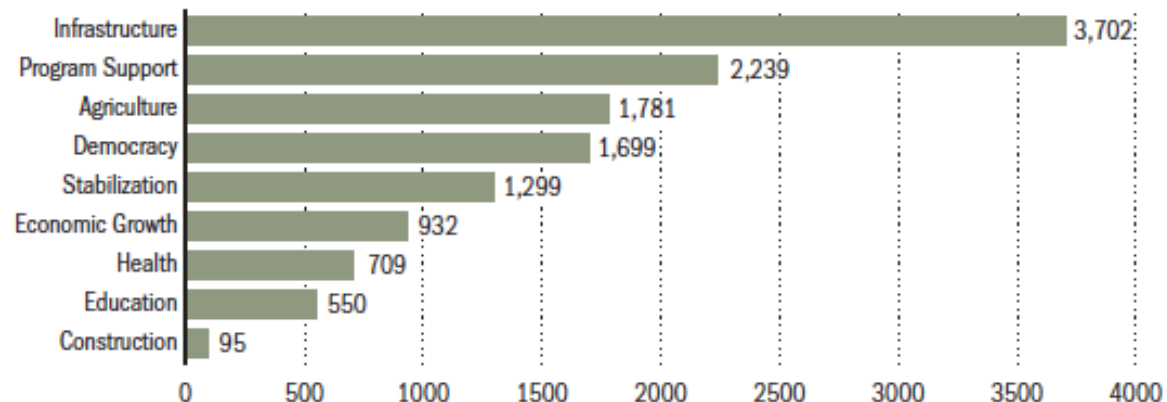
US Development Investment as of 6/30/2014

CUMULATIVE APPROPRIATIONS FOR AFGHANISTAN DEVELOPMENT, AS OF JUNE 30, 2014 (\$ BILLIONS)

Fund	Managing Agency	Appropriated
ESF	USAID	\$17.5
CERP	DOD	3.7
TFBSO	DOD	0.8
AIF	STATE/DOD	1.2
Total		\$23.2

Notes: ESF = Economic Support Fund; CERP = Commander's Emergency Response Program; TFBSO = Task Force for Business and Stability Operations; AIF = Afghanistan Infrastructure Fund.

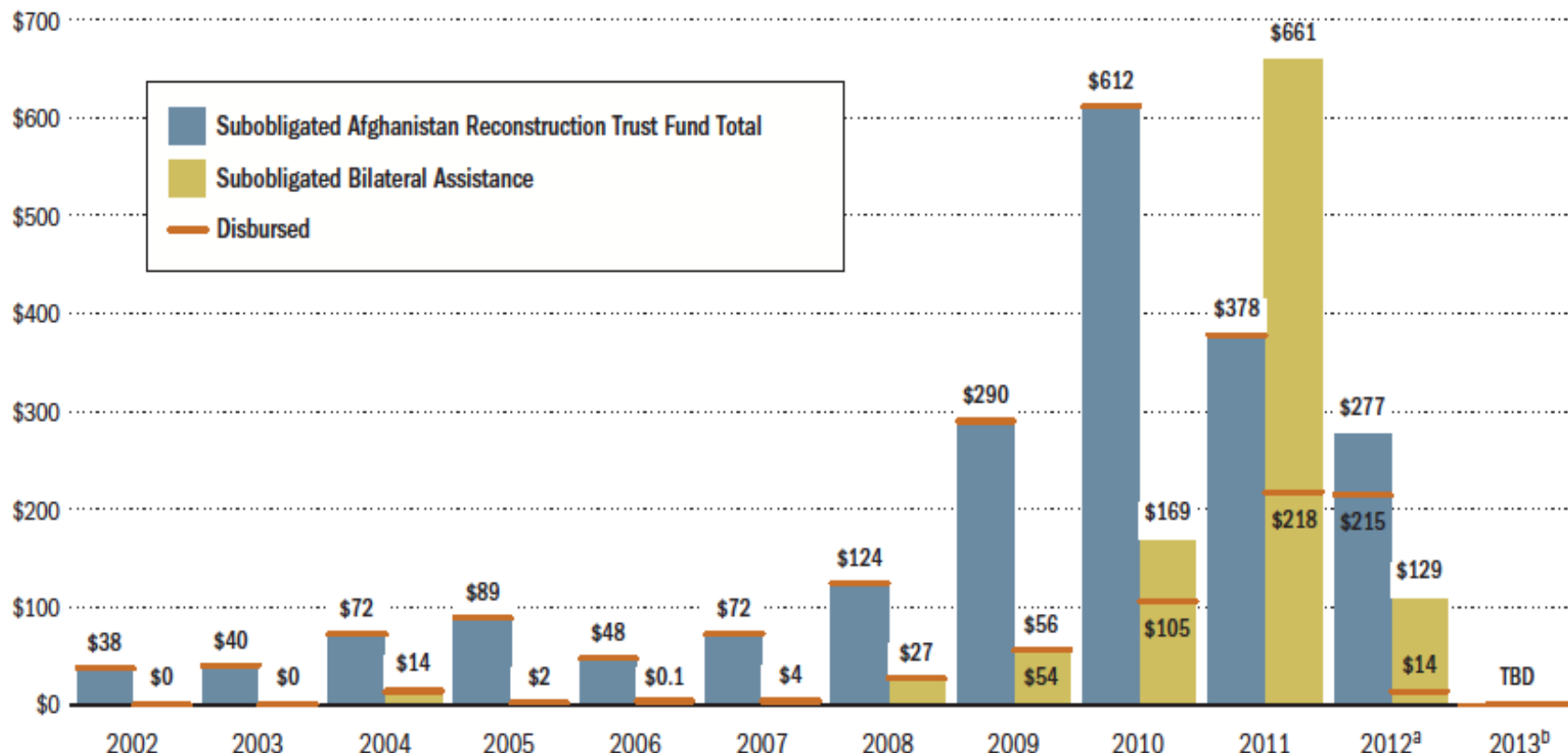
USAID DEVELOPMENT ASSISTANCE, AS OF JUNE 30, 2014 (\$ MILLIONS)



As of June 30, 2014, the U.S. government has provided nearly \$30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts. Of the \$23.2 billion appropriated for these funds, approximately \$18.4 billion had been obligated and \$15.2 billion disbursed as of June 30, 2014

USAID Subobligated and Disbursed as of 6/30/2014

USAID ON-BUDGET ASSISTANCE SUBOBLIGATED AND DISBURSED, FY 2002-FY 2013, AS OF JUNE 30, 2014 (\$ MILLIONS)



Notes: Numbers have been rounded. Subobligation is funding for project-level agreements.

^a Most FY 2012 USAID funding for on-budget assistance had not been disbursed as of June 30, 2014.

^b Spending in 2013 was done from prior fiscal-year funds. Subobligations and disbursements for FY 2013 are not yet known.

Exaggerated and Un-validated State Department and USAID Claims of Success –I

Afghanistan has made real progress in many areas, although more as a result of improved security and massive in-country spending and subsidies to its budget than through development or successful aid.

Dealing with Transition requires realism as to Afghanistan's real situation and needs. After more than a decade of war in Afghanistan and Iraq, the State Department and USAID has never developed credible measures of the effectiveness of aid, or of how much spending actually reaches Afghanistan and the needed aid effort.

Claims are made without any public explanation or transparency as to the uncertainties in the data and controversies over the claims being made. Best case data for trends in Afghanistan are taken out of context, and credit is taken for developments unrelated to aid or only affected by it to a limited degree. World Bank economic update reports in 2011 and 2012 that state aid has only a marginal impact on most Afghans and the Afghan economy are ignored. The impact of civil efforts on an ongoing war and any assessment of needs and priorities of Transition is ignored.

Key issues in developing honest estimates of progress and the ability to sustain it include:

- *Economic growth and increases in GDP/GNI per capita; Five-Fold Increase in Per Capita GDP* : Claims take credit for the impact of favorable rains which are a driving force in the Afghan GDP and stopped in 2012. GDP per capita data ignore gross uncertainties in population estimates and PPP estimates of trends in economy. No assessment of impact of narcotics share of economy, macro-economic impact of corruption and capital outflows.
- *Agriculture*: Extremely high impact assessments for programs limited in scope, implied gains in output that are largely a matter of favorable rains. No estimate of uncertainty in the data
- *Education*: Uncertainties in population, existence of ghost or ineffective schools and teachers, quality of Afghani government reporting, tendency to exaggerate time and years of schooling, uncertain reporting on education by sex.

Exaggerated and Un-validated State Department and USAID Claims of Success –II

- **Democracy and governance:** Estimates only cover output of aid programs. Have stopped reporting on effectiveness of governance by district. Ignore ISAF and NGO estimates of scale of corruption. Do not explicitly assess shortfalls in government personnel in the field and its impact. Ignore far more negative World Bank assessments.
- **Infrastructure:** Take credit for construction, but do not address corruption, effectiveness, or sustainability – already a critical problem with roads.
- **Stabilization:** Ignore UNAMA assessments of trends in civilian killed and wounded, do not map areas of relative success.
- **Dramatic Growth in Afghan Government Revenue Collection:** some reporting ignores recent negative trends, serious shortfalls in projections. Failure to assess corruption and government's ability use revenues effectively. No public assessment of current and projected gaps between revenues and needed post-Transition expenditures.
- **Exceptional Advances for Women:** Real gains and their sustainability are overstated. No mapping of critical problem areas, and areas where legal protection does not exist in real world. Failure to note regressive aspect of Afghan law.
- **New Silk Road, Promoting Regional Connections:** Exaggeration of current and future economic impact, problems in sustaining current roads, political and security problems with Pakistan.
- **Electric power:** Generation capacity is tied estimates of consumers where credibility of data are unclear. Failure to create real world prices and sustainable problems is understated.
- **Medical services and life expectancy:** Use of controversial best case data. No attempt to resolve widely differing estimates of life expectancy.

Most attempts at overviews are now dated, but for examples, see USAID in Afghanistan: Partnership, Progress, and Perseverance, <http://www.usaid.gov/afghanistan/news-information/press-releases/usaidd-afghanistan-partnership-progress-perseverance>; USAID: Top Ten Achievements in Afghanistan, <http://www.usaid.gov/sites/default/files/documents/1871/Top%2010%20Accomplishments.pdf>; US Embassy, Kabul, USAID's Major accomplishments Since 2001, <http://kabul.usembassy.gov/usaidd50.html>.

If You Don't Have Real Education Numbers, Fake a High Estimate

SIGAR July 2014 Report to Congress (That ignores major uncertainties in population data, “ghost” schools, teachers, and corruption.)

The number of students attending school in Afghanistan is often cited as evidence of Afghanistan’s progress in education. For example, in a

Washington Post op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID wrote, “Education is another bright spot [in Afghanistan.] Three million girls and 5 million boys are enrolled in school.” However, the reliability of EMIS—the only database at the MOE tracking education metrics—cannot be confirmed. Data is not available on time, and indicators such as net enrollment ratios, repetition rate, and dropout rate are unavailable. Insecurity limits visits to schools. In the most recent EMIS Statistical Analytical Report from FY 1390, the MOE admitted that only 1,000 schools (7% of all general education schools) were visited for data verification in FY 1390.

Additionally, schools may be tempted to inflate their attendance figures because access to funding (such as EQUIP II School Grants) can be linked to enrollment levels. This quarter, SIGAR learned that USAID’s definitions of enrollment used in EMIS last quarter were double counting the number of students enrolled in Afghanistan. The previous definition of total enrollment added three figures: enrolled, present, and absent students. However, as USAID clarified this quarter, the number of enrolled students is actually the sum of present and absent students. Thus, the total enrollment figures reported last quarter counted each student twice.

...SIGAR is concerned about the accuracy of the data provided on Afghanistan’s educational system.

According to the most recent data available from the Ministry of Education’s (MOE) Education Management Information System (EMIS), Afghanistan had a total of 14,166 primary, lower-secondary, and upper-secondary schools in FY 1391 (March 21, 2012–December 20, 2012).

This quarter, USAID provided two inconsistent sets of MOE data for the number of students enrolled in 1391. Data generated from EMIS shows approximately 7.62 million students were enrolled in primary, lower-secondary, and upper-secondary schools in FY 1391. Of the enrolled students, 6.26 million were categorized as present, while 1.36 million students were considered absent.

Another unspecified MOE source showed higher enrollment numbers—7.78 million students (an additional 160,000 students over EMIS data) enrolled in primary, lower-secondary, and upper secondary schools in FY 1391, with 6.86 million students present and approximately 922,000 students absent.

USAID also provided a third MOE source containing Afghanistan’s total enrollment in general education for FY 1392—8.2 million students enrolled. This number was not broken down into the numbers of students present and absent. The number of days of attendance required for a student to be counted as “present” for the entire year was not known as this report went to press.

According to USAID, the MOE includes absent students in the enrollment total until three years have elapsed, because absent students are considered to have the potential to return to school. However, a MOE Education Joint Sector Review from September 2013 recommended the MOE revise its regulations and no longer consider permanently absent students to be counted as enrolled.

If You Don't Have Real Mortality Numbers, Use a High Estimate

USAID's Afghanistan Mortality Survey (AMS) results are frequently used as evidence that U.S. intervention efforts have contributed to remarkable improvements in Afghanistan's health system.

In a *Washington Post* op-ed published on May 30, 2014, Dr. Rajiv Shah, the Administrator of USAID, cited Afghanistan's "largest increase in life expectancy" to highlight Afghanistan's progress in health.

However, there is an enormous gap between USAID estimates and the estimates of other institutions.... Most institutions estimate a two- to five-year increase in life expectancy over six years, while the mortality survey finds a 20-year increase for the same time period. Reasons why USAID's estimates differ from those of other institutions could include factors such as AMS inability to survey completely in insecure southern provinces, and Afghan cultural reluctance to speak about female and infant mortality with strangers

USAID LIFE EXPECTANCY FINDINGS COMPARED TO OTHER LIFE EXPECTANCY MODELS (YEARS)

	USAID (Afghanistan Mortality Survey)	CIA World Factbook	World Bank (World Development Indicators)	UN Population Division (World Population Prospects)	U.S. Census Bureau (International Database)	World Health Organization (Global Health Observatory)
Estimated Life Expectancy Increase from 2004–2010 (6 years)	20	2.2	3.0	2.6	2	5
Estimated Life Expectancy Increase from 1990–2010 (20 years)	--	Data not available	11.0	12.0	7	11
Estimated Life Expectancy in 2010	62	44.7	59.6	58.4	49	60
Estimated Life Expectancy in 2004	42	42.5	56.6	55.8	47	55
Estimated Life Expectancy in 1990	--	Data not available	48.6	46.4	42	49

Notes: Numbers have been rounded. Data as of 6/17/2014. WHO calculations based on data available from the years 1990, 2000, and 2012.

World Bank Warnings As Early as November 2011 - I

The extremely high level of current annual aid (estimated at \$15.7 billion in 2010) is roughly the same dollar amount as Afghanistan's GDP and cannot be sustained. Aid has funded the delivery of essential services including education and health, infrastructure investments, and government administration. There have been substantial improvements in the lives of Afghans over the last 10 years as a result of this effort. But these inflows, most outside the Afghan budget, have been so high that inevitable waste and corruption, aid dependency and use of parallel systems to circumvent limited Government absorptive capacity have impeded aid delivery and the building of a more effective Afghan state.

The level of public spending -- both on and off budget -- that has been financed by such high aid flows will be fiscally unsustainable for Afghanistan once donor funds decline. Lesser amounts, matched by more effective aid delivery could, in the end, lead to some more positive outcomes. The key issue is how to manage this change and mitigate the adverse impacts, and put aid and spending on a more sustainable path for the longer-term. International experience and Afghanistan's history after the Soviet military withdrawal in 1989 demonstrate that violent fluctuations in aid, especially abrupt aid cutoffs, are extremely damaging and destabilizing.

Large financial inflows outside the Afghan budget and fragmented aid in a situation of weak governance have been major sources of rents, patronage, and political power. This has inadvertently exacerbated grievances and conflicts as the relative strength of elite groups in Afghan society shifted. As aid declines, reliance on the opium economy and other illicit activities could increase. Ensuring that increasingly constrained public funds are well used reinforces the need to maintain and improve upon the significant progress made by the Finance Ministry in establishing public financial management systems and a robust Afghan budget process.

The impact of declining aid on economic growth may be less than expected. Why? Because most international spending "on" Afghanistan is not spent "in" Afghanistan, and much of what is spent in Afghanistan leaves the economy through imports, expatriated profits and outward remittances. Nevertheless, projections suggest that, under even favorable assumptions, real GDP growth may fall from 9% a year over the past decade to 5-6% during 2011-18. Given Afghanistan's annual population growth of 2.8%, this would mean only limited improvement in average per capita income, continuing high rates of underemployment and little progress in reducing poverty. Only growth at the very maximum of the range of plausible scenarios would enable Afghanistan to achieve meaningful reductions in poverty and higher average per capita incomes. For example, with real GDP growth of 6% a year, average per capita income – currently one of the world's lowest at \$528 dollars – would take 22 years or about a generation to double.

Economic growth is much slower under less favorable scenarios. The growth projections are based on a set of assumptions (scenarios) related mainly to security, sources of growth, aid levels, and changes in investment climate. If the assumptions in the less favorable scenarios come to pass—for example, if agriculture performance is poor, if major mining investments (Aynak for copper and Hajigak for iron ore) do not materialize, or if aid declines precipitously over the period – then growth could drop to 3-4%. Deteriorating security and governance would lead to further economic decline. The underdeveloped financial sector and low rates of financial intermediation leave little scope for helping Afghan businesses adjust to slowing growth. Conversely, the decline could be partly mitigated by reducing aid in a gradual, planned manner and by increasing the amount of aid that is actually spent within Afghanistan that would result if more aid channeled through the Afghan budget.

World Bank Warnings As Early as November 2011 - II

Underemployment will increase because the activities affected by declining financial inflows (services, construction) are relatively labor-intensive. Unemployment and especially underemployment in Afghanistan—respectively estimated at 8% and 48%—are already high, even with today’s rapid economic growth. Roughly 6–10% of the working population has benefited from aid-financed job opportunities, most of these in short-term employment. Declining aid, therefore, can be expected to exacerbate underemployment levels (with fewer casual labor opportunities and lower pay for skilled employees).

The impact of the decline will affect some groups more than others. Aid has not been evenly spread across the country. Because of the choices made by donors, and the predominant role of stabilization and military spending, the conflict-affected provinces have had significantly higher per capita aid than the more peaceful (and often poorer) provinces. As a result, the slowdown in aid will be felt more acutely in the conflict-affected areas and in urban centers. If aid declines gradually so that it can be partly offset by growth of the security, mining, and civilian public sectors, the impact could be softened and spread over time. This would allow labor markets more time to adjust.

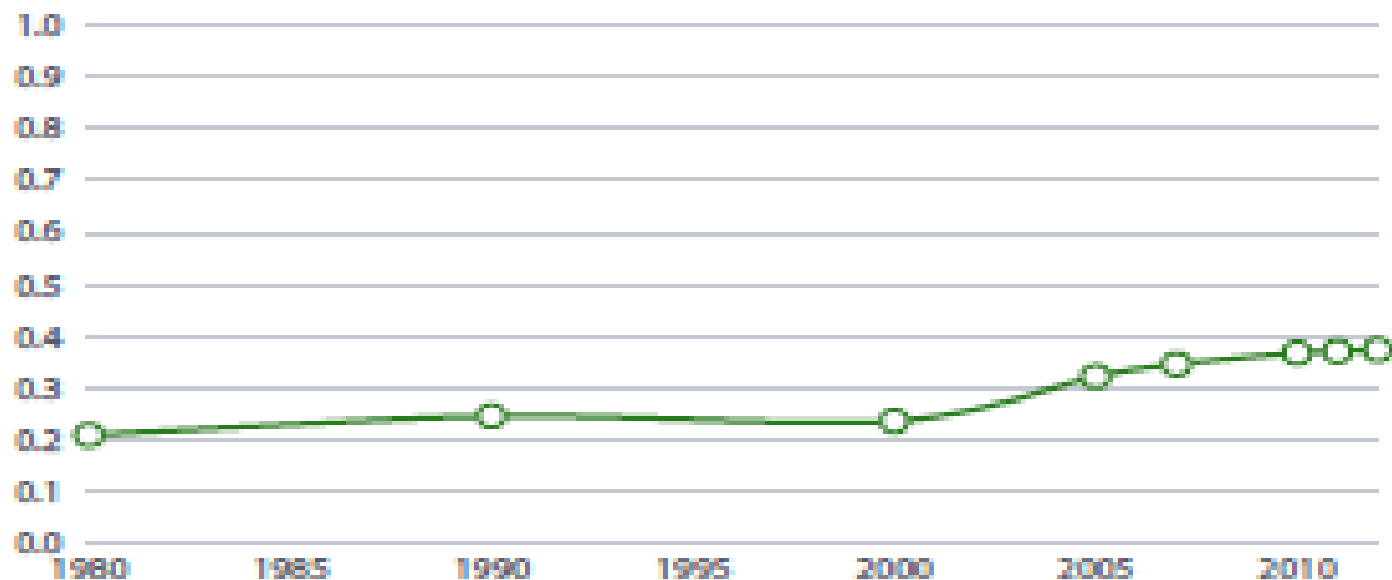
The direct poverty impact of declining international spending might be limited if aid becomes more equally distributed across provinces and the composition shifts toward development programs rather than short-run stabilization activities. Aid disproportionately devoted to the more conflict-affected provinces has had only a modest impact on poverty. Households in the conflict-affected provinces were less poor on average to begin with, so this concentration of aid inadvertently increased inequality amongst provinces and between groups. National programs delivered through the Government, such as NSP [National Solidarity Program], have benefitted Afghans more equitably.

The worst impact of transition will be on the fiscal situation with a projected financing gap of 25% of GDP by 2021/22. Even assuming ambitious targets for robust growth in domestic revenue are met (with a projected rise from 10% of GDP to more than 17% of GDP a decade from now), there will be an unmanageable fiscal gap. This gap arises primarily as a result of operations and maintenance (O&M) spending and the wage bill for security that together will be 17.5% of GDP by 2021. The civilian wage bill will increase to 9%, the non-security operation and maintenance (O&M) expenditure to 4%, other operating spending to 2.5%, and the core development budget to 10% of GDP.

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

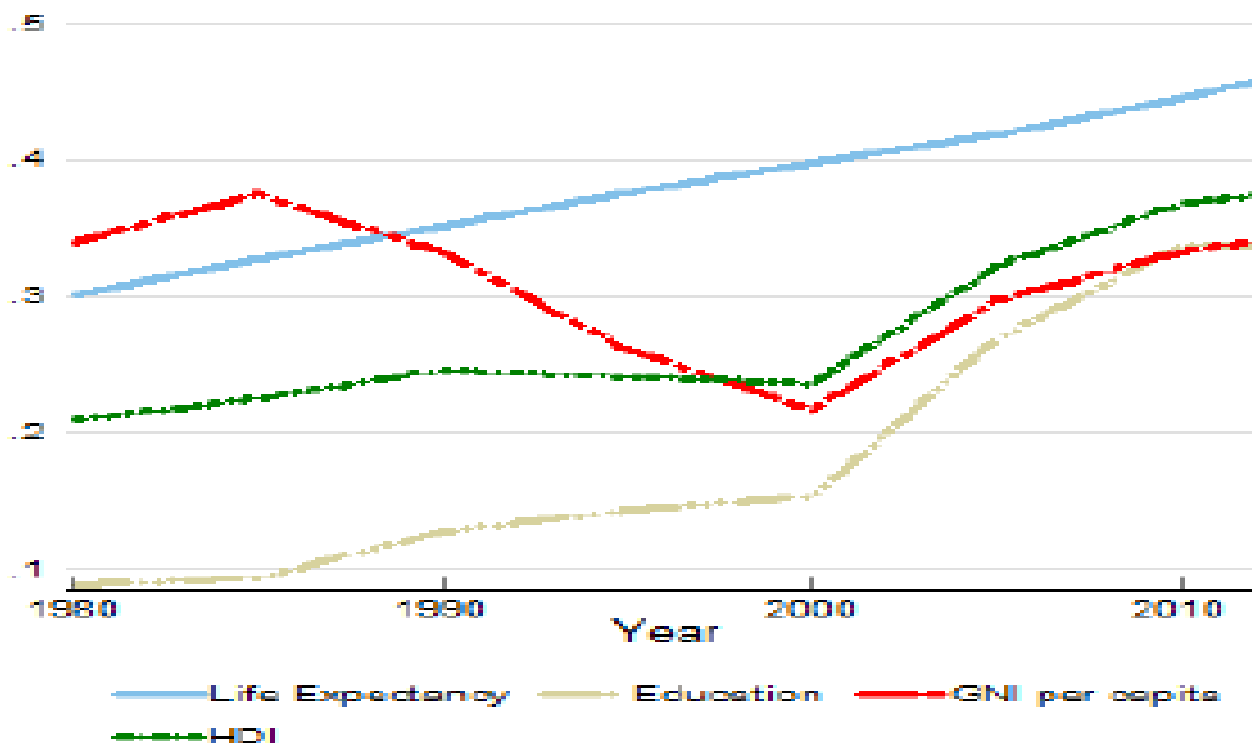
+ Income

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

1,000

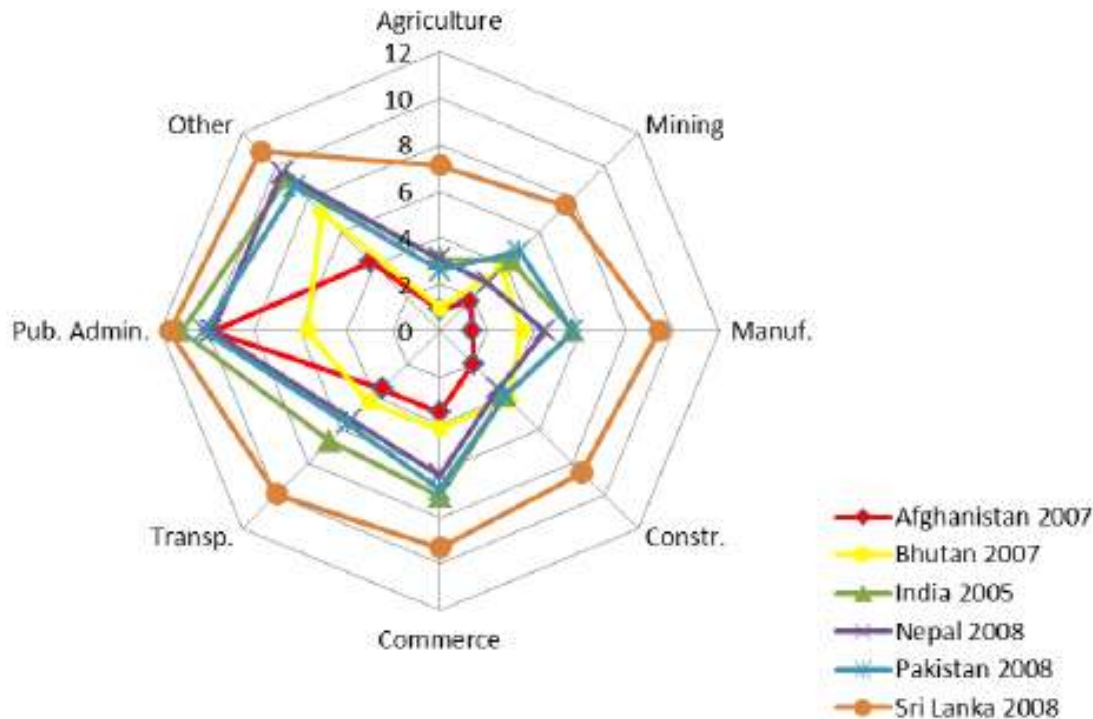
Inequality-adjusted HDI value

UN Human Development Progress by Category: 1980-2012



	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

Still Very Low Education Levels Compared to Other Countries



Source: World Bank 2011 "More and Better Jobs in South Asia"

Decades of conflict have had a long-lasting impact on the human capital stock of the country.

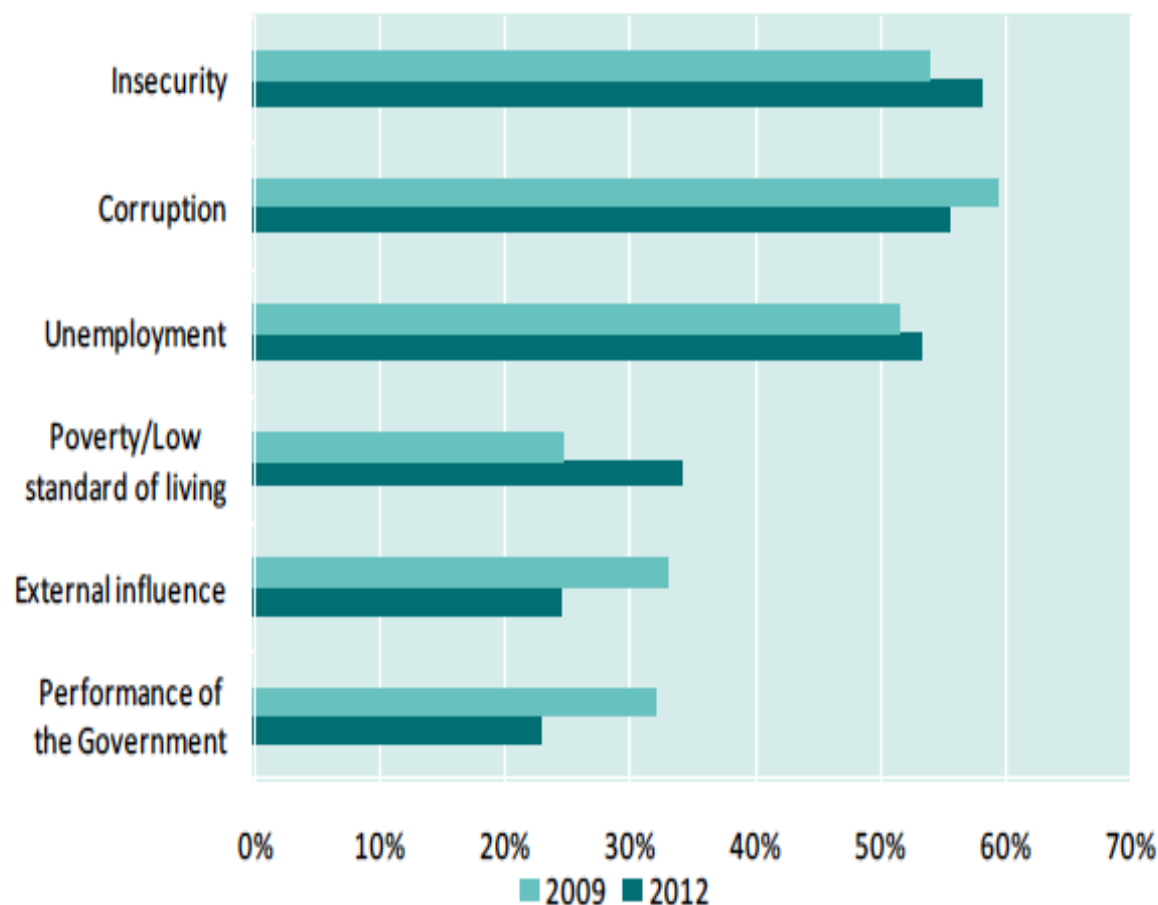
Despite significant improvements in school enrollment rates and education achievement in younger (urban) cohorts, the education gap remains substantial by international standards, also taking into account country's level of development.

In each sector of the economy, the education level of the Afghan labor force is the lowest among South Asia countries.

Particularly challenging are education gaps in sectors crucial for future economic growth and development such as agriculture, mining, construction, commerce and manufacturing.

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.

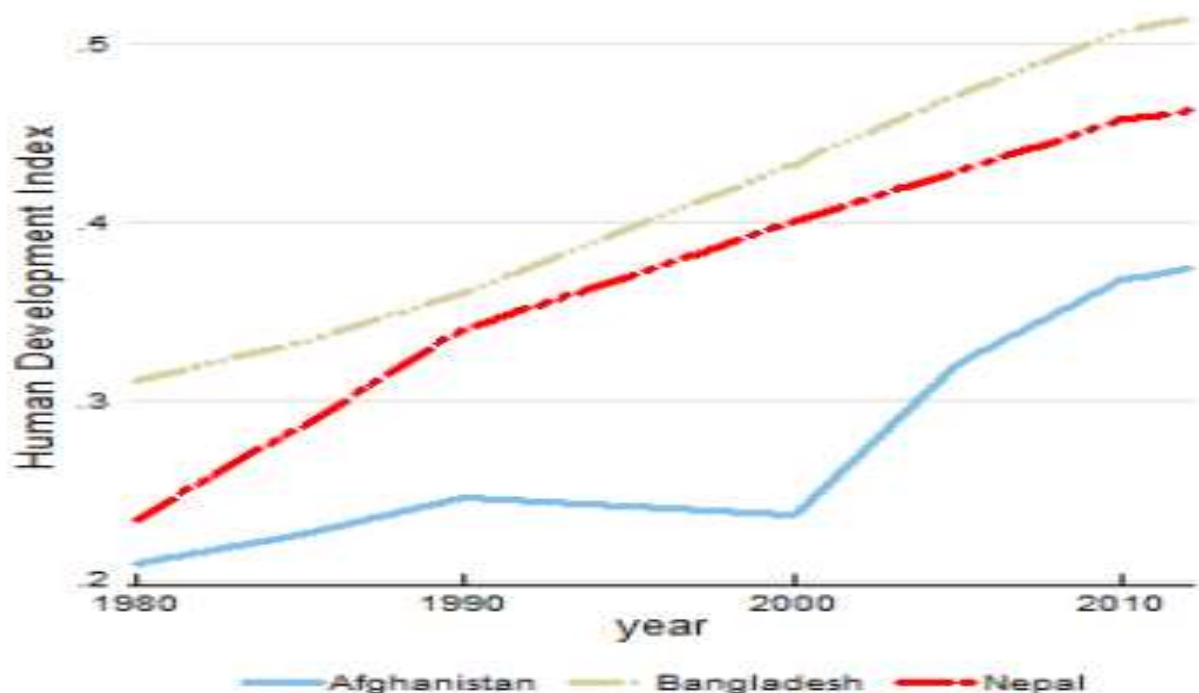
However, worrying trends have also emerged in the past three years: the frequency of bribery has increased from 4.7 bribes to 5.6 bribes per bribe-payer and the average cost of a bribe has risen from US\$ 158 to US\$ 214, a 29 per cent increase in real terms.

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.

In general, there has been no major change in the level of corruption observed in the judiciary, customs service and local authorities, which remained high in 2012, as in 2009.

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 the Quality of Governance

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.

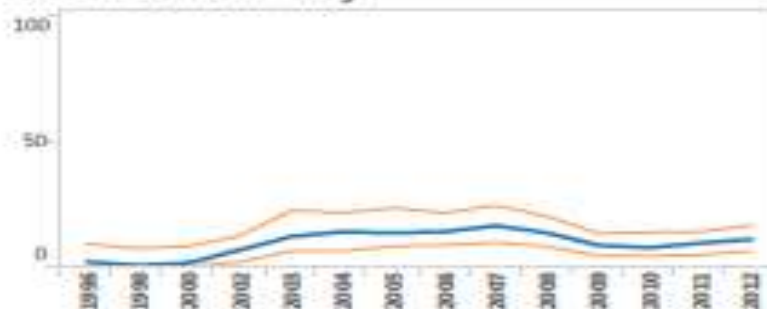
The ability of government's to spend money has never been a measure of effectiveness in showing what that spending accomplishes, but Afghanistan lags badly even in the ability to spend at a time many NGOs are leaving, PRTs will be gone, and it is supposed to manage a far larger share of aid funds.

Again, a Long List of Key Uncertainties

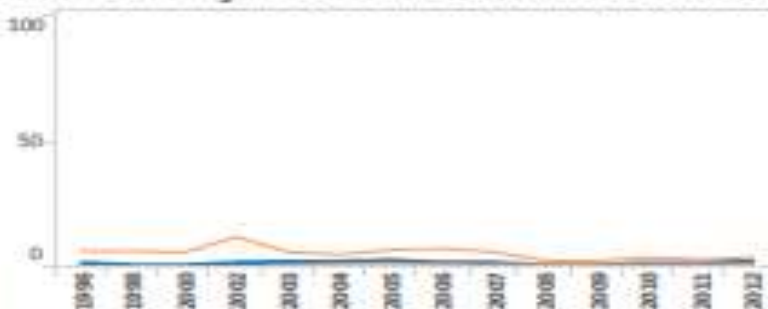
- **When will a new President take office?**
- **Can the new President win popular support... and lead?**
- **How long will it take to form a functional government at all levels – national, provincial, district?**
- **How will the mix of power brokers change?**
- **What security challenges will emerge and when? How will the MoD and MoI 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

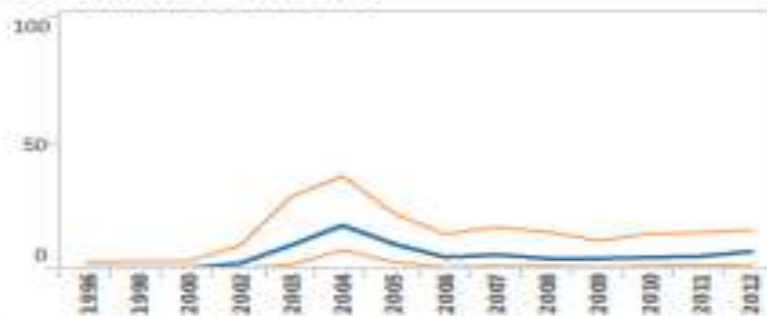
Voice and Accountability



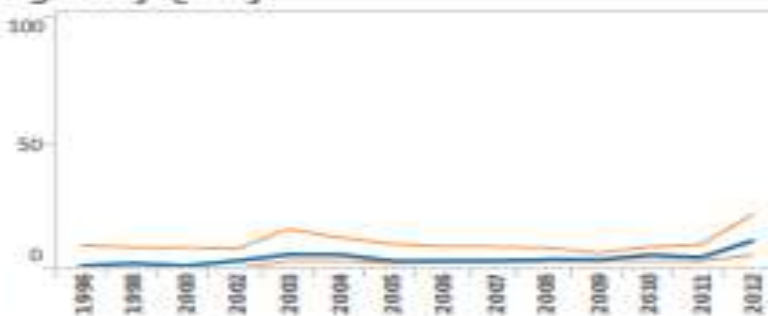
Political Stability and Absence of Violence/Terrorism



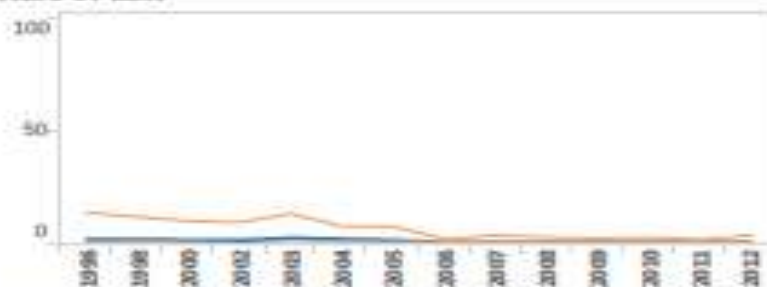
Government Effectiveness



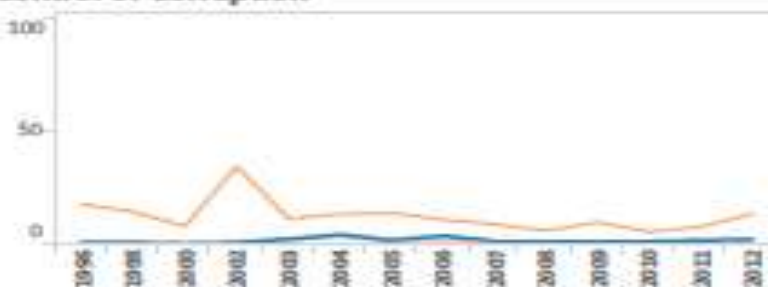
Regulatory Quality



Rule of Law

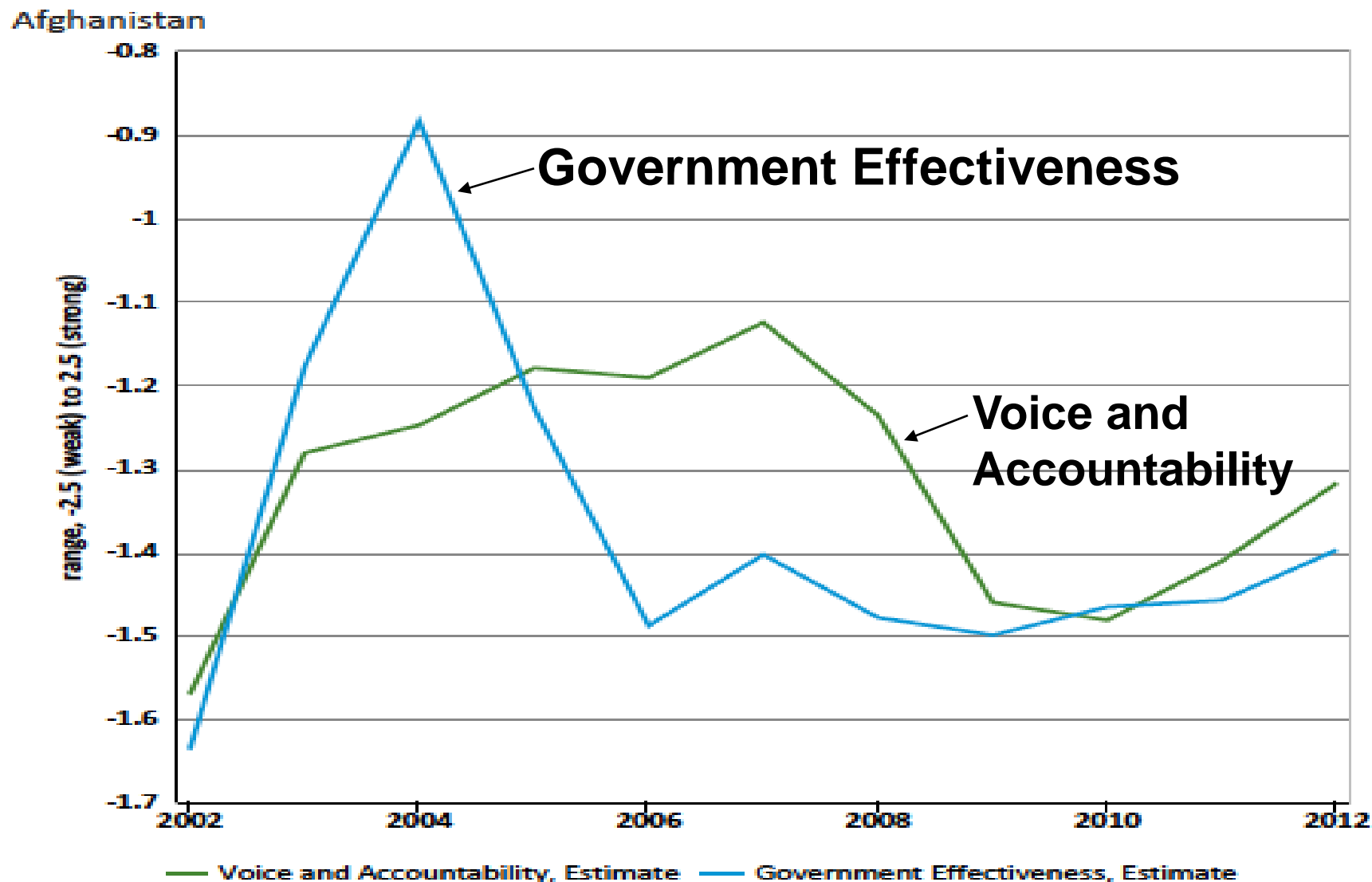


Control of Corruption

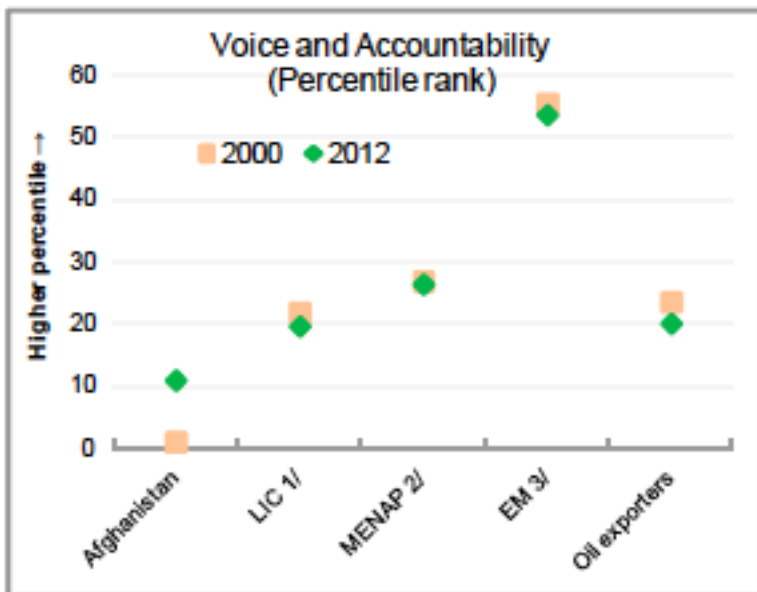
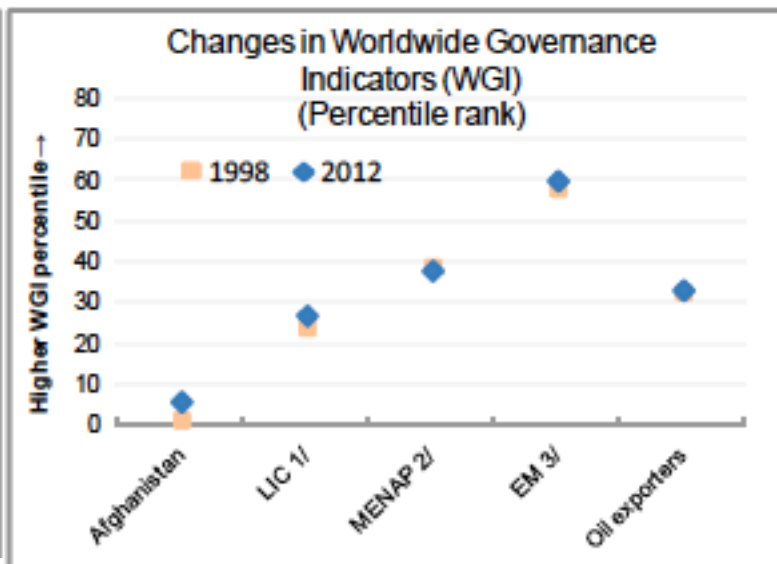
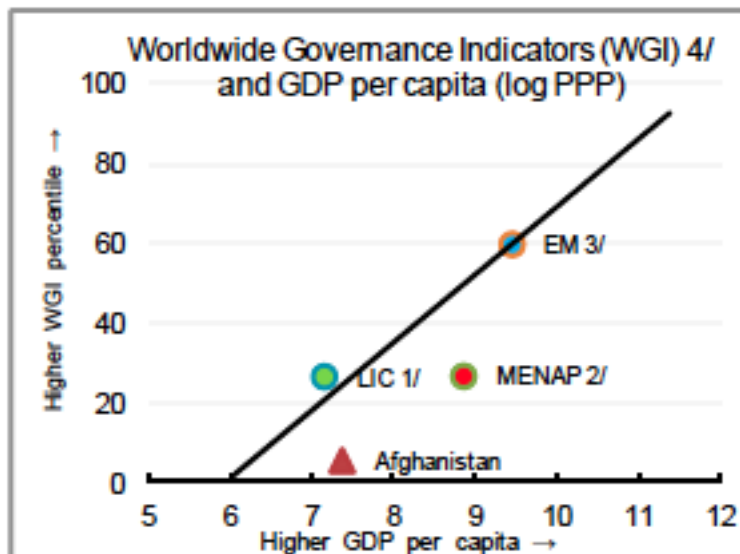


The inner, thicker blue line shows the selected country's percentile rank on each of the six aggregate governance indicators.
The outer, thinner red lines show the indicate margins of error.

World Bank Rankings of Governance Shows Very Uncertain Trends



IMF Estimate of Governance Problems



Sources: World Bank Doing Business Report (2014); World Bank Worldwide Governance Indicators; World Bank Business Environment and Enterprise Performance Survey; and IMF staff calculations.

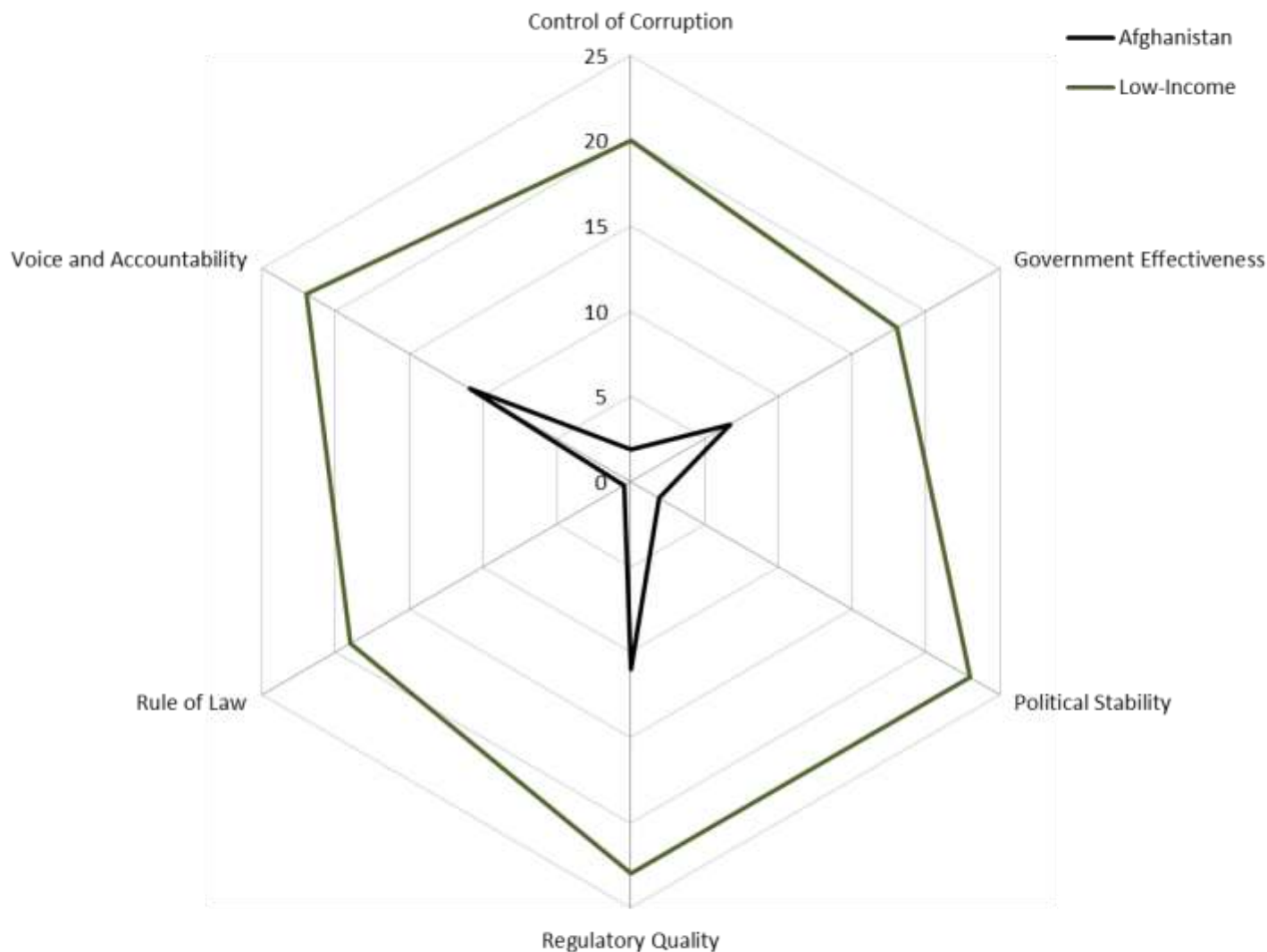
1/ Low income countries;

2/ Middle East, North Africa, and Pakistan;

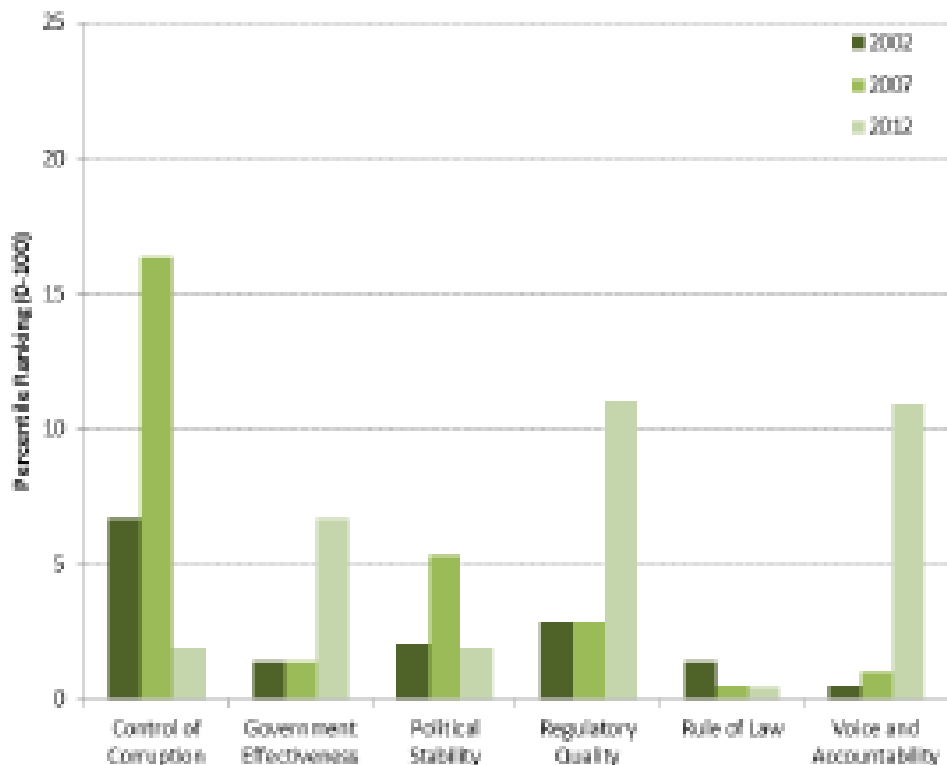
3/ Emerging market economies;

4/ Worldwide Governance Indicators include government effectiveness, regulatory quality, rule of law, and control of corruption; trend line is based on cross-country regression.

Poor Governance Compared to South Asia Average



Declining Quality of Governance in Critical Areas: 2007-2012



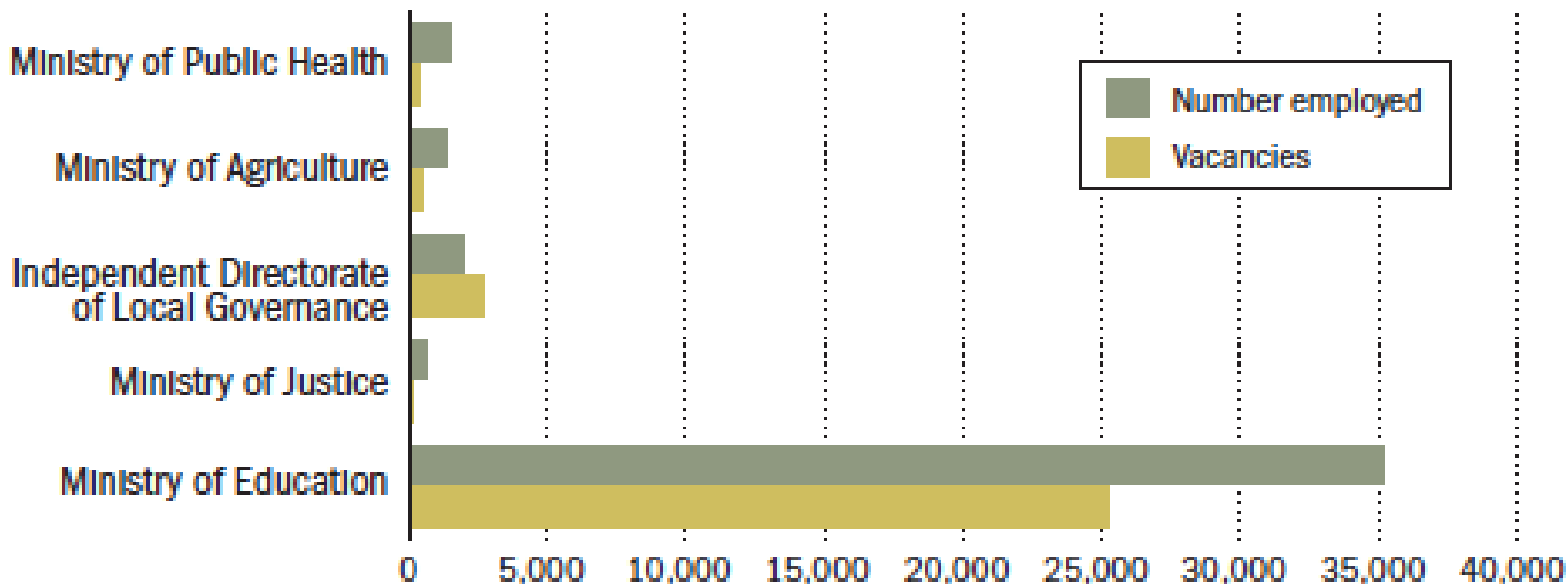
the governance situation appears to have regressed in important areas... While ratings improved for government effectiveness, voice and accountability, and regulatory quality due to the government's laudable progress with PFM reforms, investment climate improvements and government transparency initiatives, control of corruption, rule of law and political stability have fallen back to lower levels.

For a country with such a low starting point as Afghanistan, it can be expected to experience slippage in governance achievements over time. However, there is an urgent need associated with Afghanistan's governance situation: not only is better governance necessary to reduce violence and conflict in the country, but better governance will be absolutely critical for securing the country's financing needs.

Afghanistan will remain aid-dependent for years to come, and although donors have committed sufficient funds to sustain development throughout 2016, the flow of funds is by no means guaranteed. It is, rather, subject to – among other conditions – improvements in governance. Accelerating governance reforms, therefore, is not just a development option for Afghanistan, but is essential for the country to survive.

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.

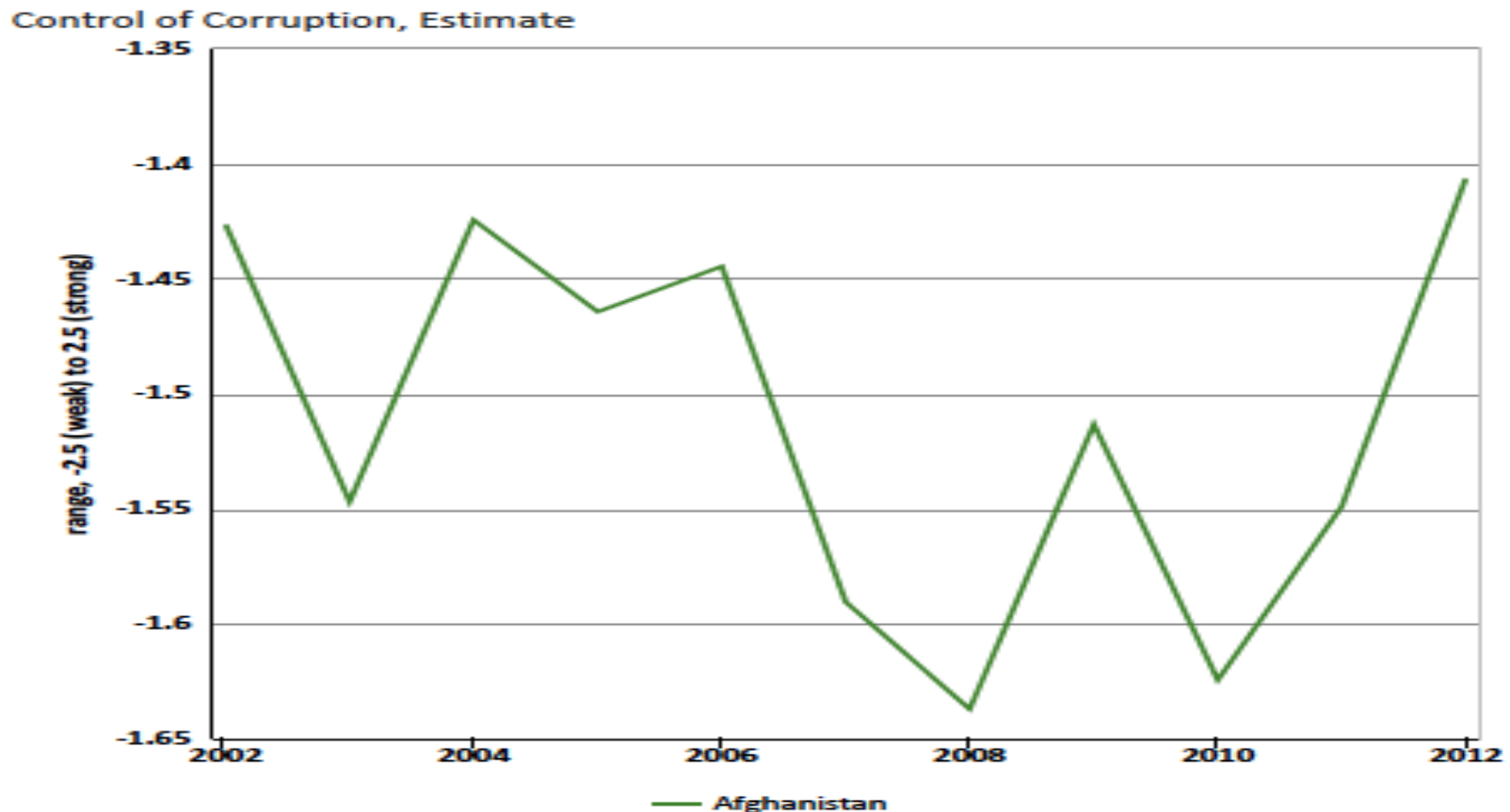
DOD's latest district assessment report, completed in February 2014, found that ...of the 47districts where the Coalition provided oversight and support to VSO, 53% had "adequate" or "effective" governance. The remaining 47% had "poor" or "ineffective" governance. All districts in the report showed the 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.

Source: USAID, ODG, response to SIGAR data call, 3/31/2014.

The Challenge of Corruption

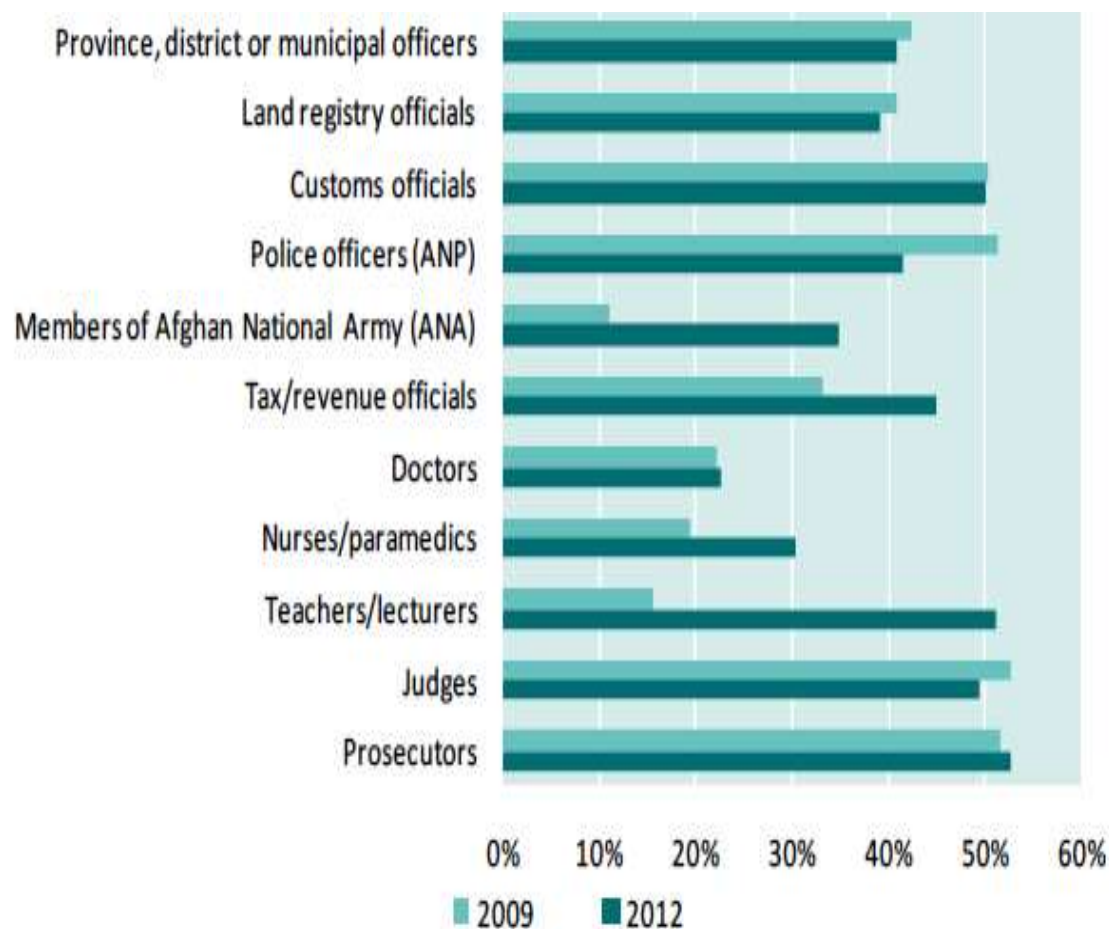
The Challenge of Corruption

- 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.

State Department Reports Growing Afghan Government Corruption in 2013 – I

The law provides criminal penalties for official corruption. The government did not implement the law effectively, and there were reports that officials frequently engaged in corrupt practices with impunity. There were some reports of low-profile corruption cases successfully tried at the provincial level. The government made several commitments to combat corruption, including President Karzai's 2012 decree, but little progress had been made towards implementation at year's end. At the beginning of the year, the Attorney General's Office created a monitoring department, as required by the decree, and it began accepting referred cases. There was no progress on the cases reported as of year's end.

On June 30, a new law organizing the judiciary weakened the Control and Monitoring Department of the Supreme Court. The department had been considered effective in dealing with corruption within the judiciary in the districts and provinces. The new law eliminated the department's authority to conduct investigations, make arrests, and prosecute violators as well as some of its key positions.

Reports indicated corruption was endemic throughout society, and flows of money from the military, international donors, and the drug trade continued to exacerbate the problem. Reports indicated that many Afghans believed the government had not been effective in combating corruption. Corruption and uneven governance continued to play a significant role in allowing the Taliban to maintain its foothold in the east-central part of the country (the five provinces surrounding Kabul) and maintain influence in some parts of the southern provinces.

Prisoners and local NGOs reported that corruption was widespread across the justice system, particularly in connection with the prosecution of criminal cases and "buying" release from prison. There were also reports of money being paid to reduce prison sentences, halt an investigation, or have charges dismissed outright. The practice of criminalizing civil complaints was commonly used to settle business disputes or extort money from wealthy international investors.

During the year reports indicated a rise in incidents of "land grabbing" by both private and public actors. The most common type occurred when businesses illegally obtained property deeds from corrupt officials and sold the deeds to unsuspecting "homeowners," who would then get caught in criminal prosecutions. Other reports indicated that government officials grabbed land without compensation in order to swap the land for contracts or political favors. Occasionally, provincial governments illegally confiscated land without due process or compensation to build public facilities.

State Department Reports Growing Afghan Government Corruption in 2013 – II

There were reports that the Attorney General's Office was unwilling or unable to pursue corrupt officials and that high-level officials who were arrested on corruption-related charges were released subsequent to political pressure. In addition there was anecdotal evidence that accusations of corruption on the part of others were used by corrupt officials to damage their opponents' reputations or to deflect attention from their own misdeeds. There were also reports that the Attorney General's Office compelled international contractors to settle claims made by Afghan subcontractors, regardless of the merits of the commercial disputes involved, and detained foreign employees of the contractors as leverage in the disputes (see section 1.d.).

Provincial police benefited financially from corruption at police checkpoints and from the narcotics industry. It was reported that ANP officers paid higher-level Ministry of Interior officials for their positions and to secure promotions. The justice system rarely pursued corruption cases, especially if they involved police, although authorities arrested and detained a provincial chief of police on drug trafficking charges. During the year the minister of interior also removed more than 40 police officers on charges of corruption, poor performance, and abuse of power, reportedly following a 10-month investigation.

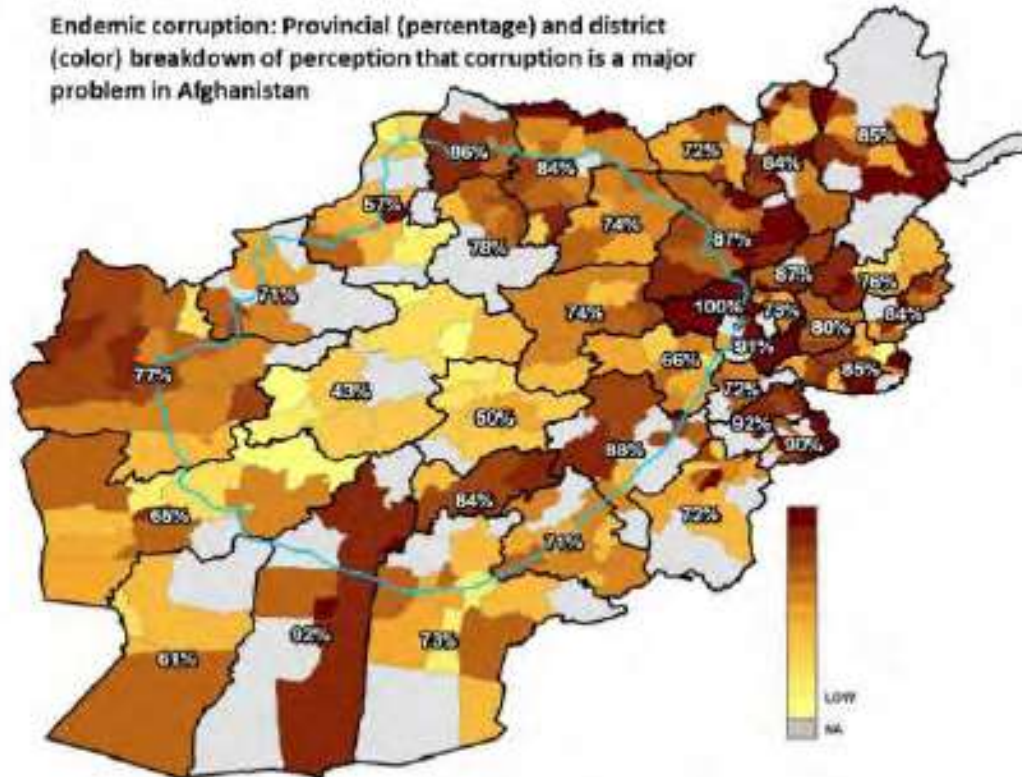
In addition to official impunity issues, low salaries exacerbated government corruption. The international community worked with the national and provincial governance structures to address the problem of low salaries, but implementation of grade reform remained slow.

Credible sources reported that local police in many areas extorted a "tax" and inflicted violence at police checkpoints for nonpayment. Truck drivers complained that they had to pay bribes to security forces, insurgents, and bandits to allow their trucks to pass.

Police also reportedly extorted bribes from civilians in exchange for release from prison or to avoid arrest. Citizens also paid bribes to corrections and detention officials for the release of prisoners who had not been discharged at the end of their sentences.

- See more at: <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>

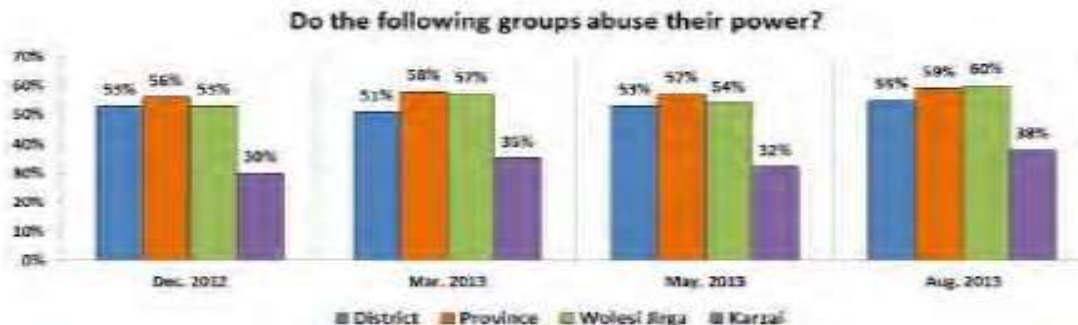
The Regionalization and Rising Scale of Corruption as of 2014



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 73percent 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.



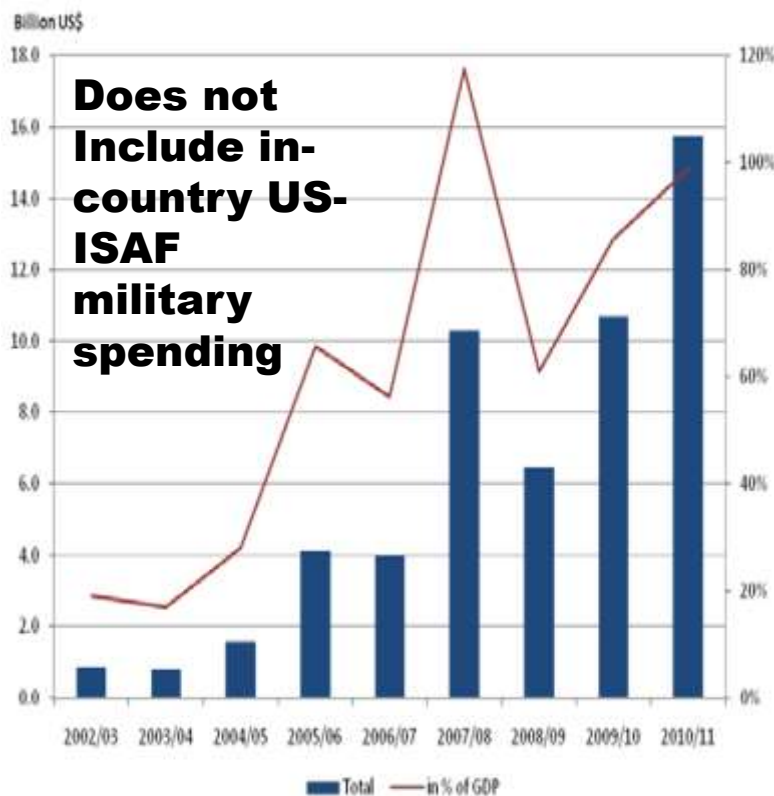
The Financing of Governance Challenge

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.

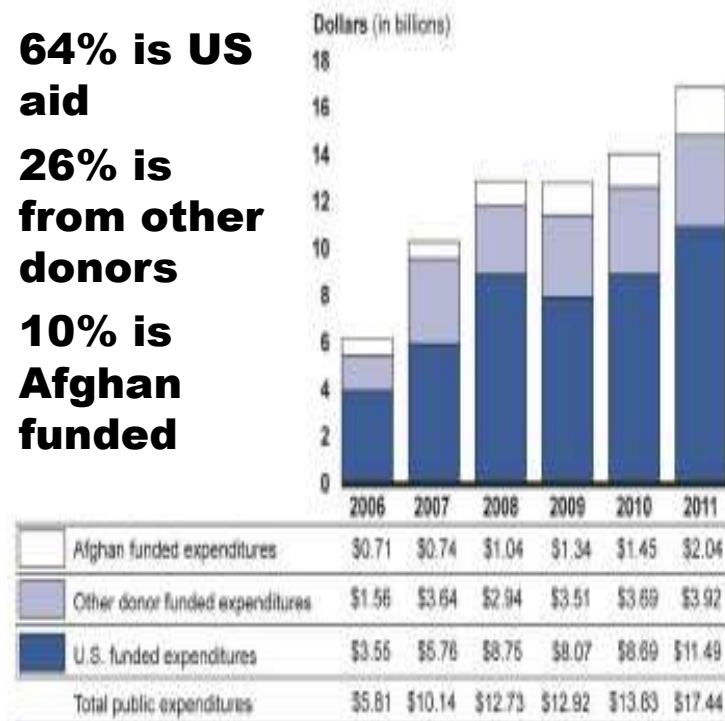
A Budget and Economy Driven by Aid, Military Spending, and Narcotics

Outside Aid Spending Drives GDP After 2003/2004



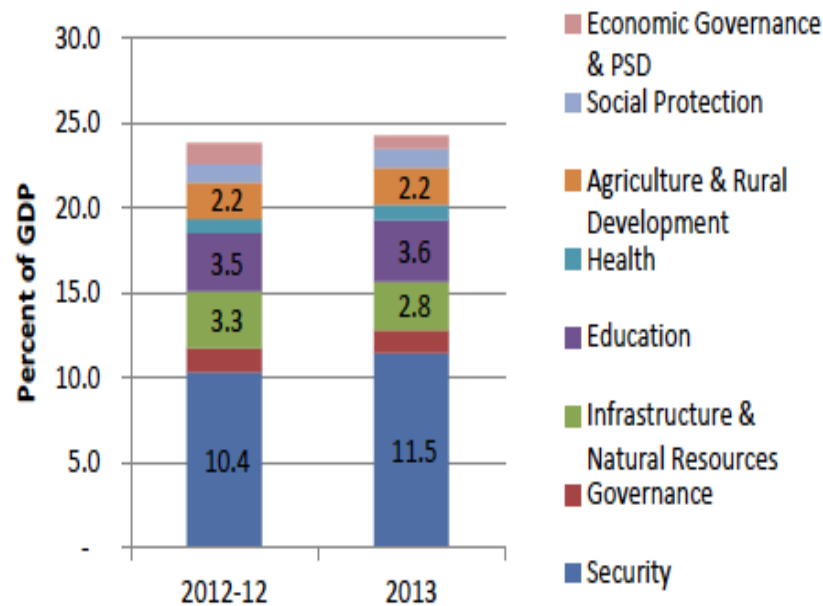
Only 10% of Afghan Budget is Self-Funded

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

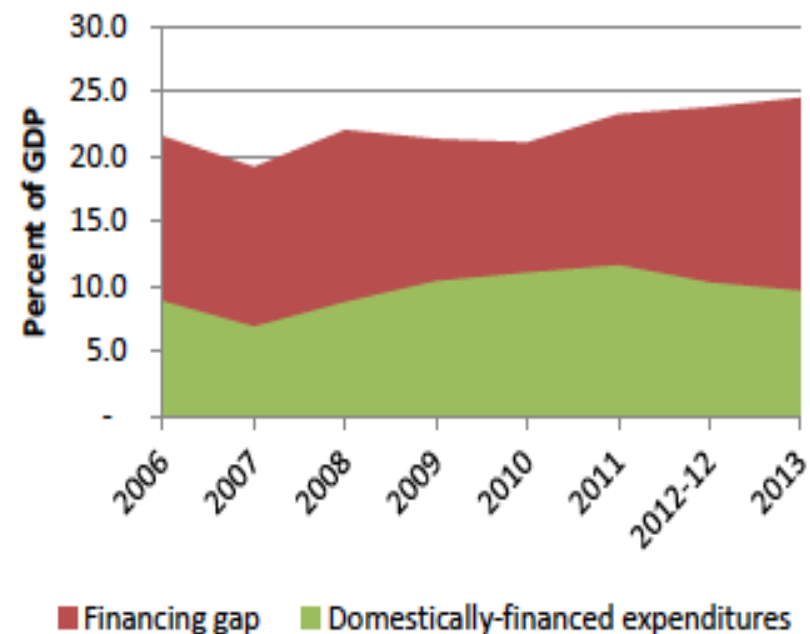


World Bank Estimate of Growing Financing Gap

Core Government Expenditures as % of GDP



Financing Gap in domestic Revenues as % of GDP



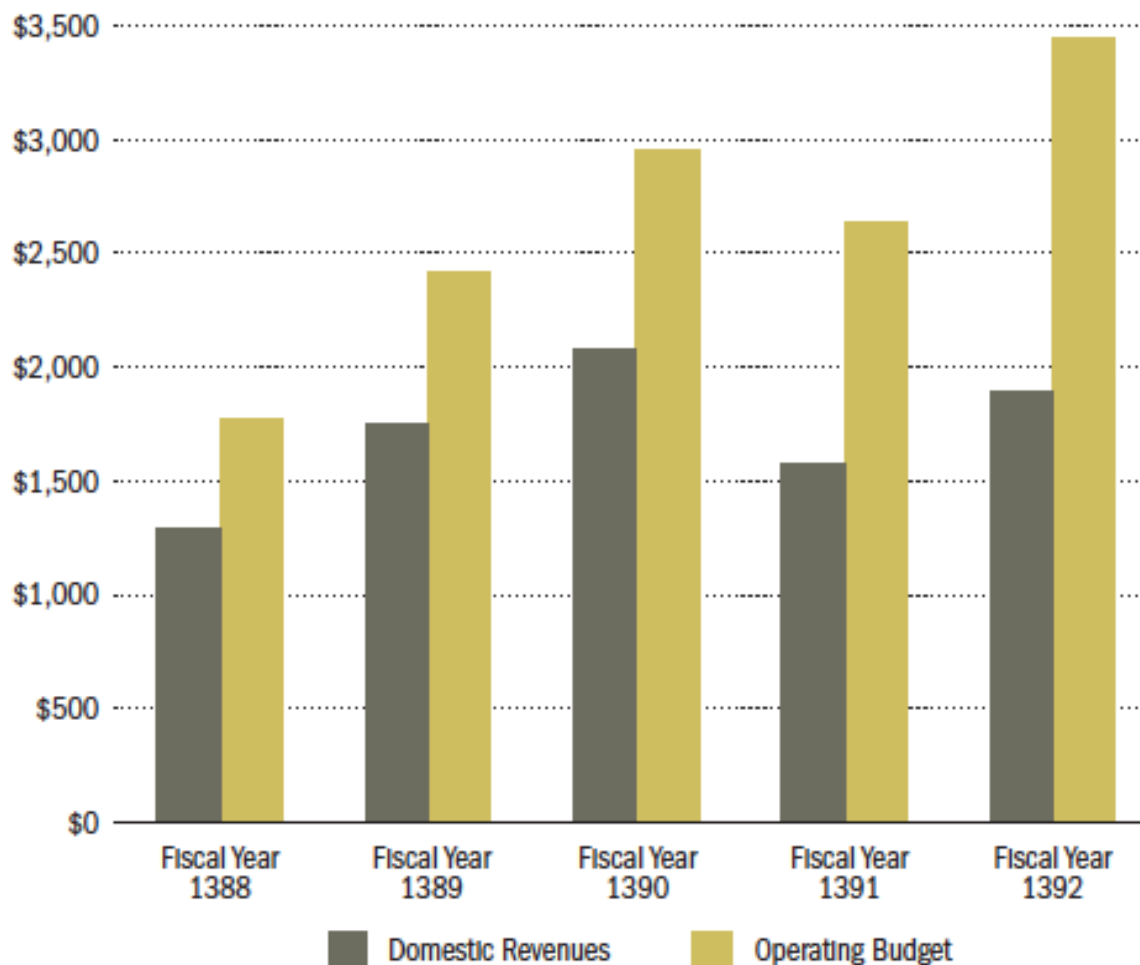
Transition Financing Critically Dependent on No Increase in Security Costs

	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

World Bank: Fiscal Challenges to Transition

Afghanistan's aid dependence is predominantly a fiscal issue. While most civilian and military aid has been delivered in the form of development projects outside of the government's budget system, on-budget aid is an important financing source. While domestic revenues increased to an impressive 11.4 percent of GDP in 2011, Afghanistan can today only finance about 40 percent of its total expenditures on its own.

Moreover, expenditures are expected to increase, as the government will assume more financial responsibilities over the military apparatus and the operation and maintenance of public assets which were built outside of the budget and have not yet been factored into the budget. Finally, Afghanistan will need to continue to invest in expanding public service delivery and physical infrastructure in order to safeguard the gains of the reconstruction process and further support the growth process. Public investment will continue to play a dominant role in Afghanistan's economy, at least until the security situation and the investment climate improves.

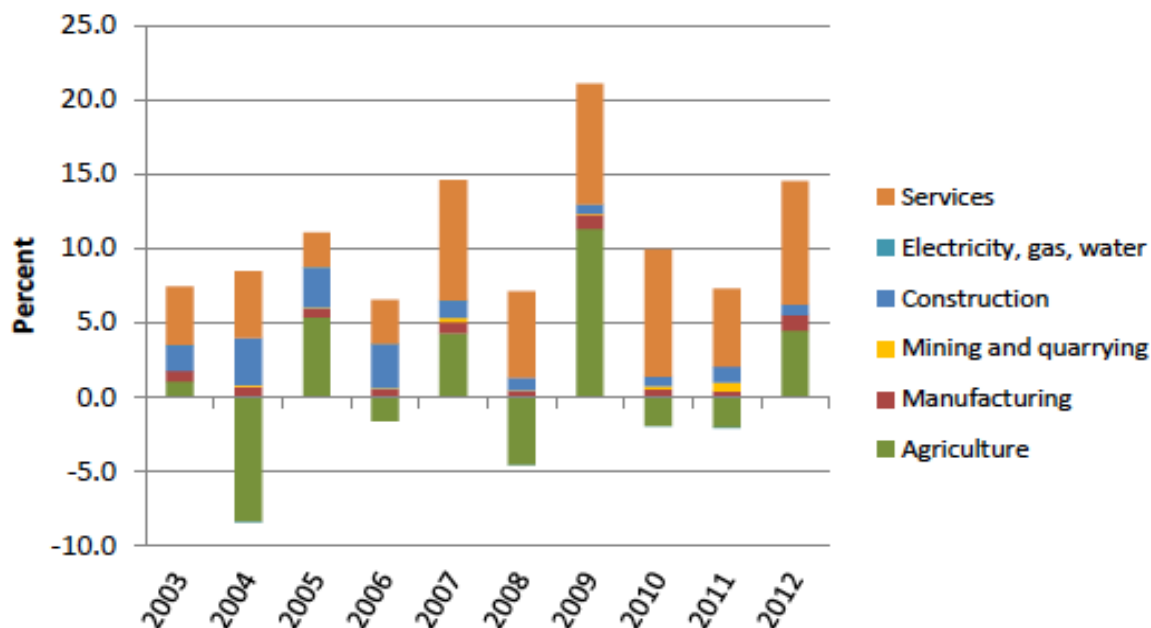
Current projections see a financing gap of 20 percent of GDP in 2025, on the assumption that the government manages to increase domestic revenue to 17 percent. This renders government operations unsustainable without additional external financing. Continued, strong donor engagement in Afghanistan will therefore be of paramount importance to Afghanistan's future development, if not its survival as a state.

Macroeconomic stability has relied heavily on large aid flows. Afghanistan's export base is currently very small and the country receives little foreign direct investment. At the same time, the country is highly dependent on food and oil imports. Consequently, the balance of payment showed a persistently high deficit in the current accounts. So far, the high level of aid have helped to keep the overall balance of payments in surplus and even contributed to a sizable accumulation of international reserves over the years. However, with aid declining, an alternative source of financing will be required to balance payments for imports.

The implications of the transition process, therefore, give urgency to Afghanistan's need for a growth model that provides not only high numbers of jobs but also high levels of fiscal income and foreign exchange earnings to finance Afghanistan's development process. aged in wage-earning employment. At the same time, the fertility rate is very high, at 5.1 percent in 2011/12. Increasing the share of female labor market participation will key to reducing fertility and reducing demographic pressures in the future.

Agriculture, together with services, is still the largest contributor to economic growth. In spite of the structural shift in Afghanistan's economy, agriculture remains one of the largest contributors to economic growth. In 2012, for instance, it contributed over half of the 14.4 percent of GDP growth, thanks to favorable weather conditions and an exceptionally rich harvest. Depending on the harvest in any given year, agriculture accounts for one-fourth to one-third of GDP.

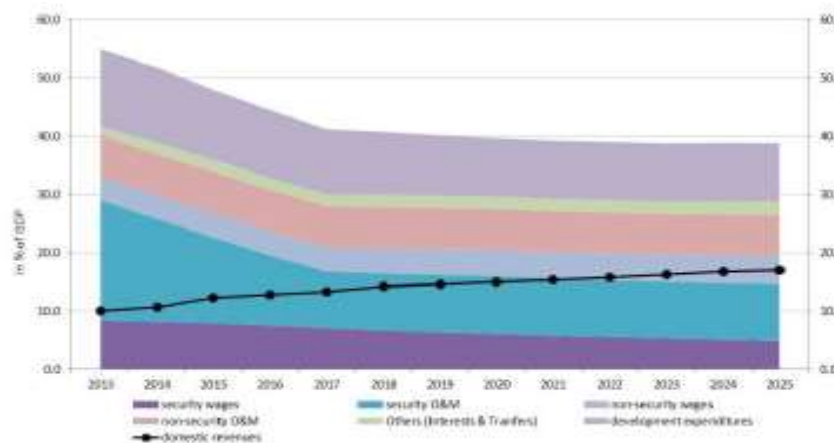
Figure 1.8: Sector Contributions to Real GDP Growth (percentage points)



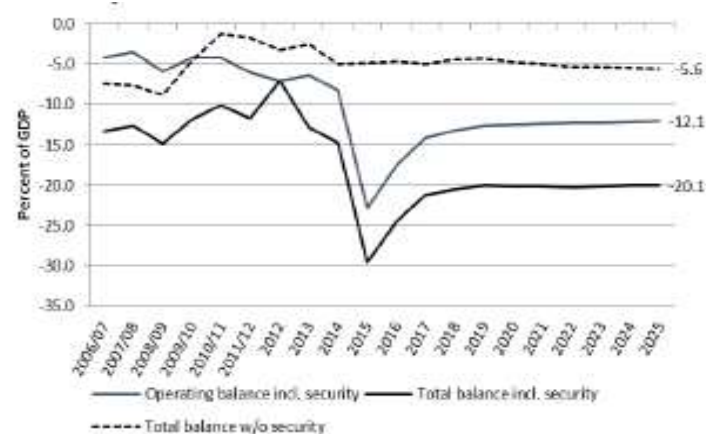
Source: World Bank staff calculations based on CSO data

Afghanistan's economy is dominated by agriculture in more than one dimension. Aside from its direct contribution to GDP, agricultural production feeds into the economic growth process through its impact on aggregate demand and significance in manufacturing. In 2011/12, 49 percent of all households derived their income from agriculture; for 30 percent of all households agriculture constitutes the main income source. Not surprisingly, private aggregate demand is highly correlated with agricultural production (Figure 1.9). Moreover, 96 percent of the manufacturing sector depends on agricultural products for inputs (food and beverages, textiles, and leathers).

Massive Near-Term (Transition) Financing Gaps)



Source: World Bank



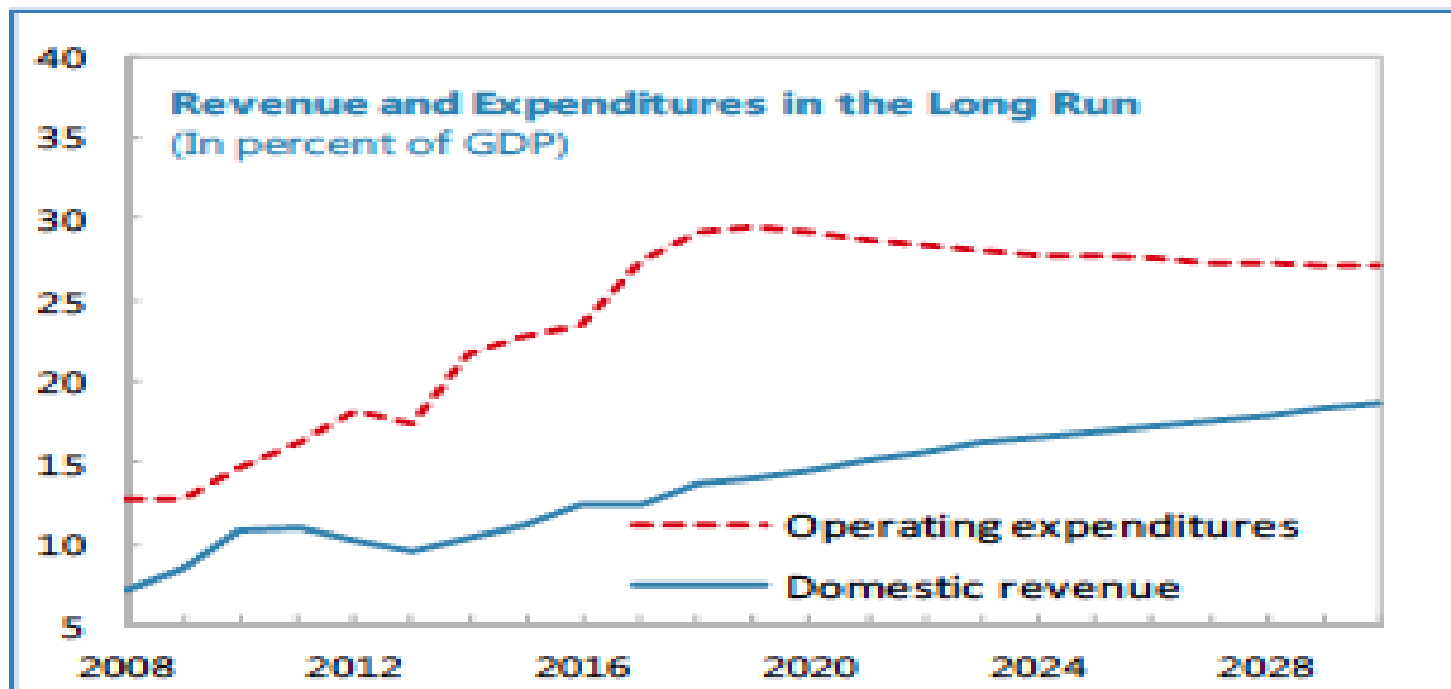
Note: Operating balance = dom. revenue minus operating expenditures. The spike in 2015 is a theoretical construct that assumes the government will take on all off-budget liabilities.

Much of civilian and military aid has been delivered outside of the budget through external, budget contributions. Of the US\$15.7 billion in aid to Afghanistan in 2010/11, only a small portion, roughly 11 percent, was delivered on-budget. Nevertheless, on-budget aid is an important financing source. While domestic revenues significantly increased between from 3 percent in 2002 to 11.4 percent in 2012, they have been insufficient to sustain the government's operation and investment. In 2012, domestic revenues only financed 40 percent of total expenditures; the remainder was financed by foreign grants. The fiscal sustainability ratio, which measures domestic revenue over operating expenditures, was only 60 percent in 2012, which means that Afghanistan can currently not even fully meet the recurrent costs of its public service provision. This renders the operations of the government unsustainable without additional external financing.

The analysis projects revenues to reach more than 17 percent of GDP by 2025 (from current levels of 11 percent), assuming good performance in revenue collection and continued development of extractive industries. However, on-budget expenditures are expected to grow much faster, largely as a result of rising security spending for both operations and maintenance (O&M) and wages for the army and police, which were historically funded by donors outside of the budget.... But it will also be driven by non-security spending, which will increase due to additional O&M liabilities associated with the handover of donor-built assets and with a rising government payroll as civil service reforms unfold.

Security spending is projected to be more than 15.2 percent of GDP in 2021 (about as much as total projected domestic revenue in that year), the civilian wage bill 4.8 percent, and the civilian nonwage O&M bill 7.2 percent. Depending on how many of the O&M liabilities the government takes on, total government spending could assume between 38 percent and 54 percent of GDP by 2025. This would result in a total financing gap of 20 percent of GDP in 2025, and even higher levels in the intermediate years

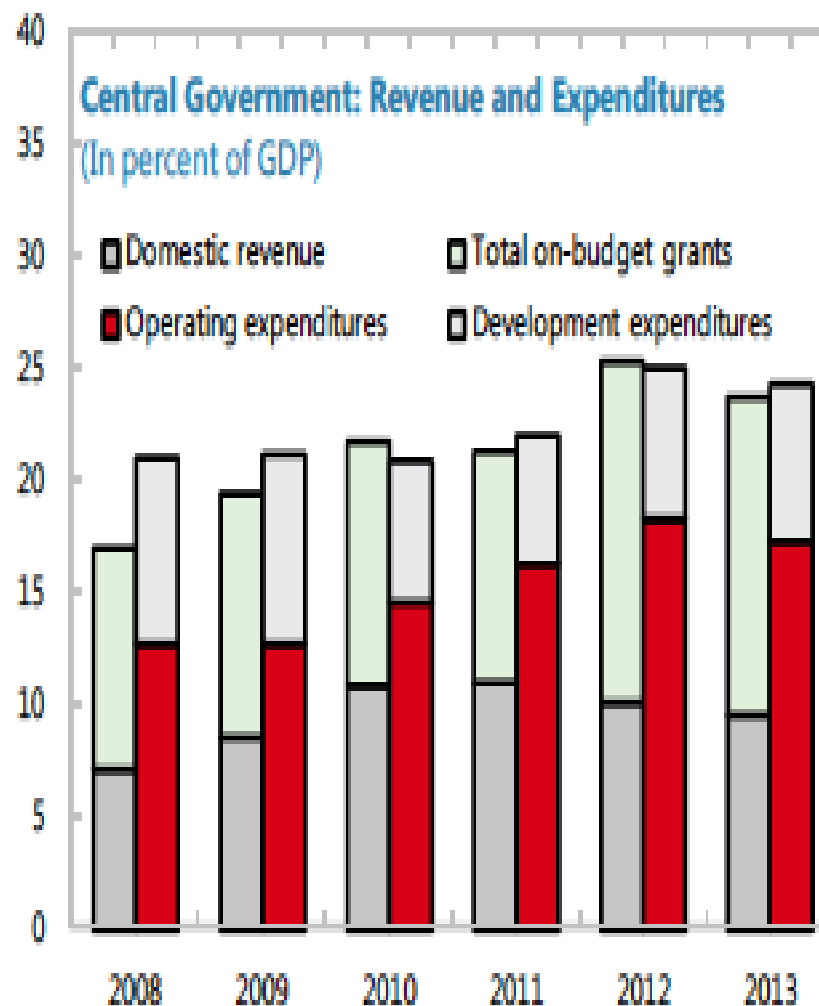
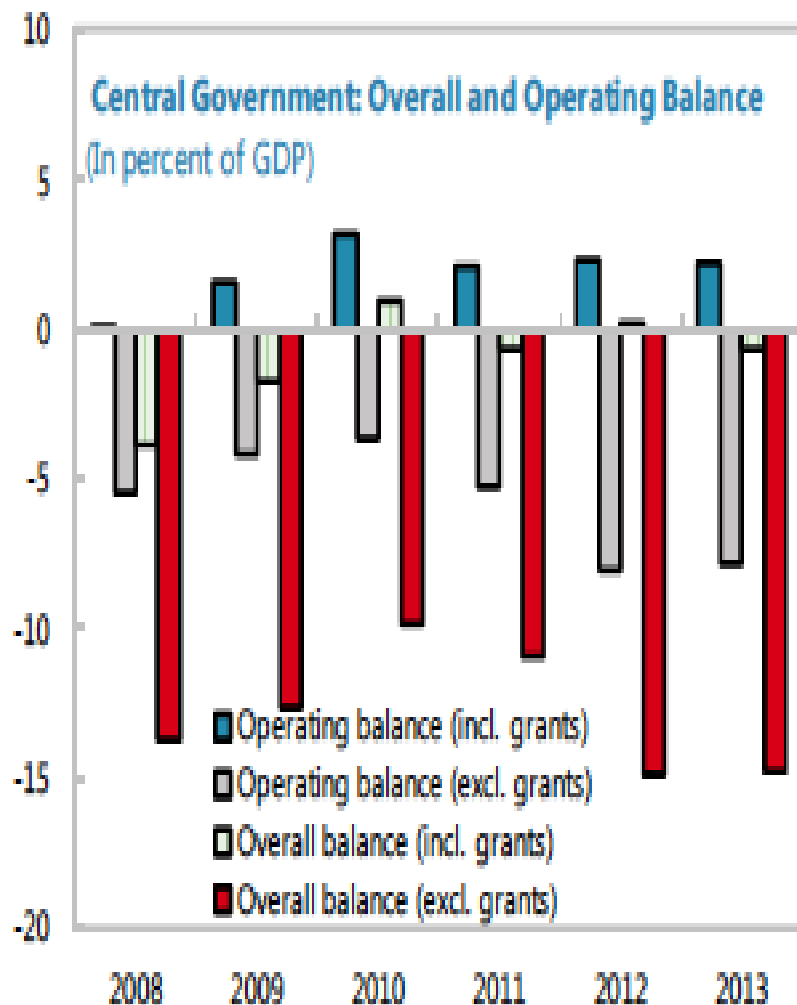
IMF Estimate of Continued Massive Dependence on Outside Aid Through 2028



Afghanistan needs to move toward fiscal sustainability to reduce its dependence on donor support. This will entail revenue mobilization, and better expenditure management including better prioritization and service delivery to assure security and development. Domestic revenues have stagnated due to the economic slowdown, faltering efforts, and leakages, and are expected to rise only slowly, while operating budget expenditures, which were at 15 percent of GDP in 2010 are projected to increase to over 29 percent of GDP by 2018 as part of the security transition. The combination of these factors generates large fiscal vulnerabilities.

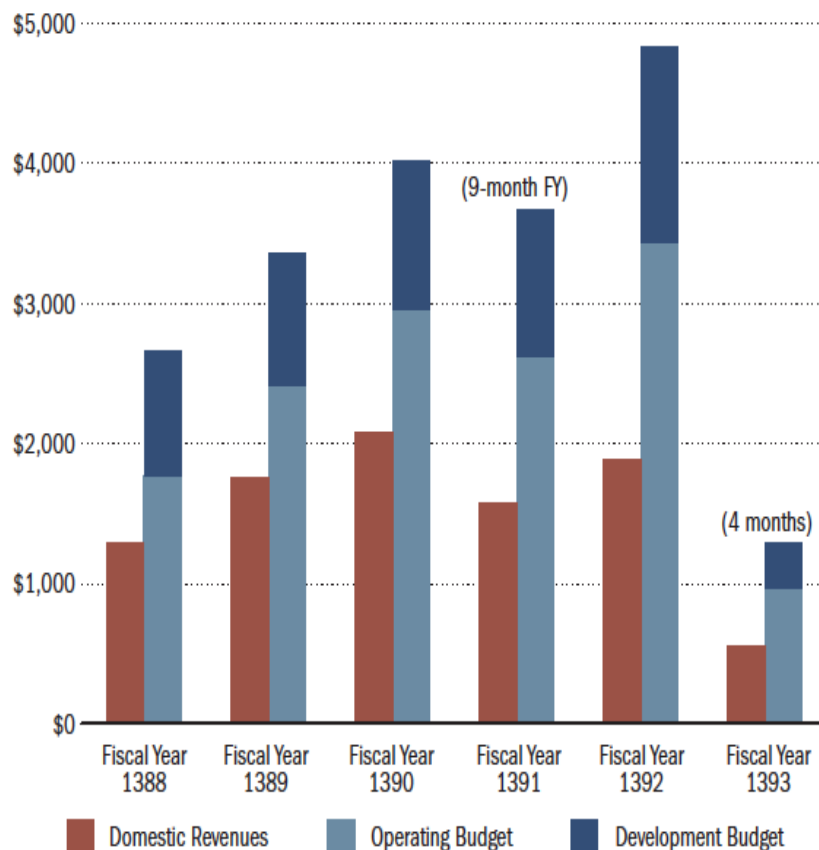
Afghanistan has one of the lowest domestic revenue collections in the world, with an average of about 9 percent of GDP in 2006–13 compared to about 21 percent in low-income countries. Factors behind this poor performance include a very low starting point, low compliance, opposition to new taxes, and a limited set of taxes.

IMF Estimate of Impact of Domestic Revenue Limits and Dependence on Outside Funding



Growing Gap Between Government Revenues and Expenditures: FY1338-FY1339

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



Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years.

...the actual purchasing-power value of the revenue growth is less than it appears. The gap between the government's domestic revenues—derived primarily from taxes and custom duties—and integrated budget (operating budget and development budget) expenditures is large

...The IMF estimated Afghanistan's financing gap, comprising on and off-budget needs, at \$7.7 billion (33% of GDP) on average, annually through 2018. This will limit Afghanistan's ability to pay for discretionary services without significant donor support and is likely to delay its progress to self-reliance

...Revenues as a percentage of GDP have also declined. The World Bank calculated domestic revenues at 9.6% of GDP in calendar year 2013— compared to 10.3% in 2012 and 11% in 2011—as a result of continued government weakness in revenue enforcement as well as the economic slowdown, generally

SIGAR estimate of Afghan Need for Future Donor Aid

Aid has since fallen, but international donors who supplied more than 60% of the country's national budget in 2013 still covered a "financing gap" equivalent to 7.7% of the country's GDP.¹⁶ Much of the reconstruction effort, however, is "off-budget," representing donor-funded programs and projects that the Afghan government does not control or fund.

As donors honor commitments to place more Afghan aid on-budget or simply transfer projects to Afghan control, the pressure on the budget will increase. The IMF and the World Bank "conservatively" estimate that Afghan maintenance of such donor-supplied capital stock—roads, buildings, utility infrastructure, equipment, and such—will cost 15% of Afghanistan's GDP.¹⁷ Supporting such costs on the Afghan budget without donor support would require more than doubling the government's revenue share of GDP, a major challenge.

The Afghan government has estimated its annual development-aid need at \$3.9 billion a year between 2013 and 2020.¹⁸ At various international conferences, the United States and other donors have pledged continuing aid through the "Decade of Transformation" ending in 2025, at which time Afghanistan is expected to achieve financial self-sufficiency. Afghanistan in turn has promised to achieve agreed-upon benchmarks under the Tokyo Mutual Accountability Framework (TMAF) as a condition for further donor assistance.

The ANSF's current authorized size is 352,000. To lessen the cost of sustaining it, the North Atlantic Treaty Organization (NATO) plans to reduce the force to 228,500 by 2017, if security conditions permit. The estimated cost of sustaining this smaller force is \$4.1 billion annually. NATO expects that the Afghan government would pay at least \$500 million annually beginning in 2015.

However, according to the latest Department of Defense (DOD)-commissioned independent assessment by the Center for Naval Analyses (CNA), "in the likely 2015–2018 security environment, the ANSF will require a total security force of about 373,400 personnel." CNA cautions that "a force of lesser size than 373,000 would, in our assessment, increase the risk of instability of Afghanistan and make success less likely for the U.S. policy goal." The CNA estimates that a 373,000-strong ANSF would cost roughly \$5–6 billion per year to sustain.

SIGAR on Declining Fiscal Sustainability

... in the first four months of Afghan FY 1393 (December 21, 2013–December 20, 2014), domestic revenues missed Ministry of Finance budget targets by 20%, with non-tax and customs revenues also falling short of amounts collected for the same period last year.

Afghanistan's fiscal sustainability ratio—domestic revenues versus operating expenses—declined to approximately 57% in the first four months of FY 1393, compared to 60% and 65% in the previous two fiscal years.

Afghan government expenditures are expected to continue rising, which will require continued donor financing and improved domestic-revenue mobilization, according to the World Bank.

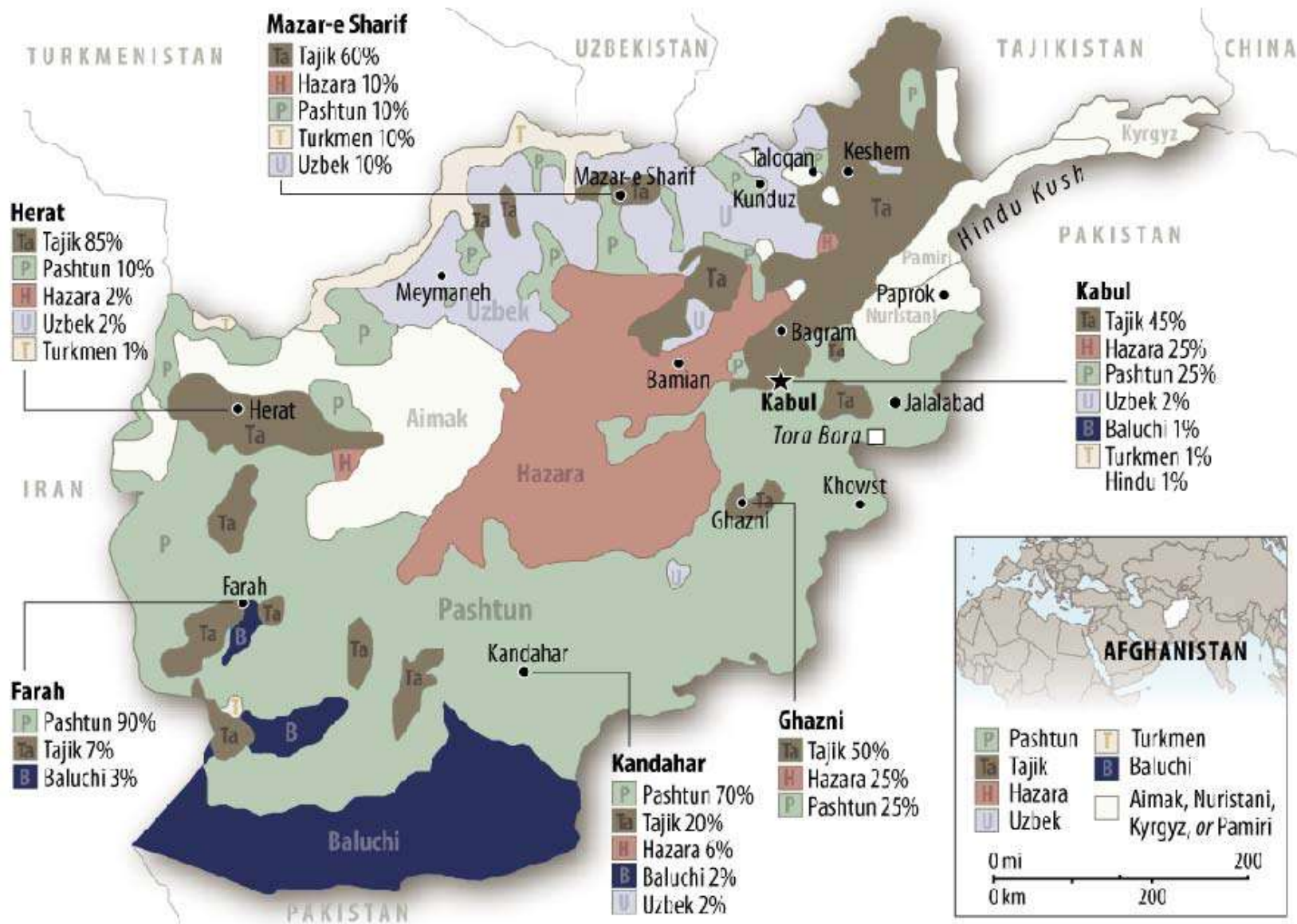
The Challenge of Demographics

Transition must deal with serious ethnic, regional, and sectarian divisions are among the population and critical population pressure 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 uncouned 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 Divisive Demographics

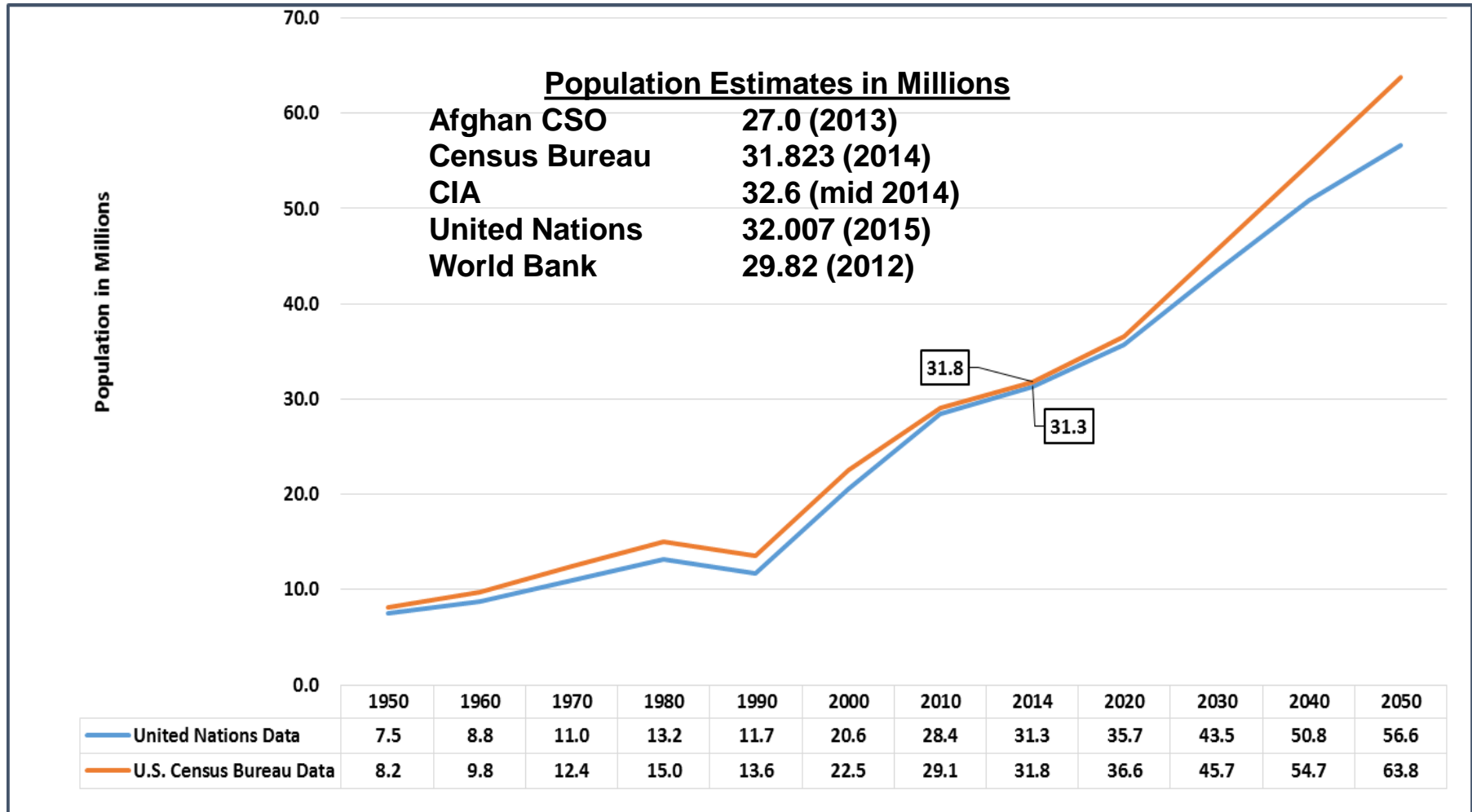
- **Total population: 31,822,848 (July 2014 est.)**
 - Pashtun 42%, Tajik 27%, Hazara 9%, Uzbek 9%, Aimak 4%, Turkmen 3%, Baloch 2%, other 4%
 - Sunni Muslim 80%, Shia Muslim 19%, other 1%
- **Population 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)**
- **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?**



Source: 2003 National Geographic Society. <http://www.afghan-network.net/maps/Afghanistan-Map.pdf>. Adapted by Amber Wilhelm, CRS Graphics.

Notes: This map is intended to be illustrative of the approximate demographic distribution by region of Afghanistan. CRS has no way to confirm exact population distributions

Afghanistan's Demographic Pressure



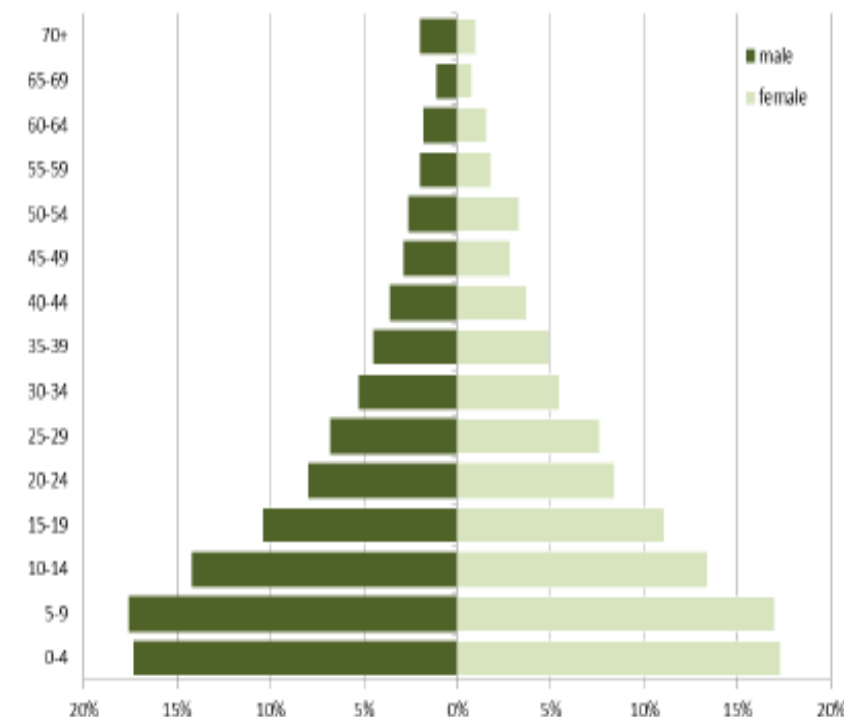
World Bank Estimate of Demographic Challenges

The country is facing huge demographic challenges which will add pressures to the labor market. The Afghan labor market is characterized by a young and fast-growing workforce. Decades of conflict, international migration and relatively high fertility rates make Afghanistan – together with Pakistan and Nepal – one of the youngest countries in South Asia. The proportion of population aged 15 or below is as high as 51.3 percent, meaning that more than one in every two Afghans is economically dependent.

Afghanistan's population pyramid is characterized by a wide base that will maintain a sustained rate of growth in the number of new labor-market entrants for decades to come. Between 2010/11 and 2015/16 alone, the labor force is expected to increase by 1.7 million people, and by an additional 4 million by 2025/26, not accounting for any return migration or changes in participation rates. This means that every year 400,000 to 500,000 will potentially seek jobs.

Afghanistan has one of the highest fertility rates in the world – 5.1 percent in 2011/12. Unless the fertility rate decreases, demographic pressures will continue to rise and reduce the demographic dividend. A high fertility rate, coupled with declining mortality rates, tends to produce a “youth bulge”. Normally, a youth bulge presents an opportunity for growth in the impending years, since it would lower the age dependency ratio, i.e., the population younger than 15 or older than 64 as a share of the number of people of working age.

A decreasing dependency ratio means that a higher proportion of the population contributes to productive, income-raising work, relative to non-active dependents (e.g., elderly and children) which would consequently increase domestic savings and GDP per capita growth. But, a youth bulge could also pose a risk to stability if young people are left without viable jobs or other economic opportunities.



Source: World Bank staff calculation based on NRVA 2011/12

The Poverty Challenge

World Bank: Most of Population Excluded from Economic Growth– March 2014

Growth has so far failed to produce more jobs and income for the poor: First, the volatility of agricultural growth likely hampers prospects for poverty reduction since agriculture accounts for more than half of employment. Poor households in Afghanistan, especially those who subsist on less than richer, wage-earning households. This would explain why growth has not benefited the poor and also perhaps why inequality has increased. Second, the persistent high level of un- and underemployment implies that growth in Afghanistan did not produce sufficient employment opportunities, which might have reduced the poverty impact. Finally, the increase in violence over the same period might have disproportionately affected the poor. Deterioration in the security situation limits the possibilities for public service delivery, the outreach of humanitarian development efforts, and access to markets for the poor. Moreover, insecurity also restricts access to public services, especially for women and children who might refrain from visiting clinics or going to school.

The report identifies four main population segments that have been largely excluded from the growth process and are at risk of being disadvantaged in future:

❑ **The low-skilled workforce.** Literacy levels in the Afghan working population are extremely low, especially among adults and women. Both literacy and education level tends to correlate with lower levels of poverty in Afghanistan.

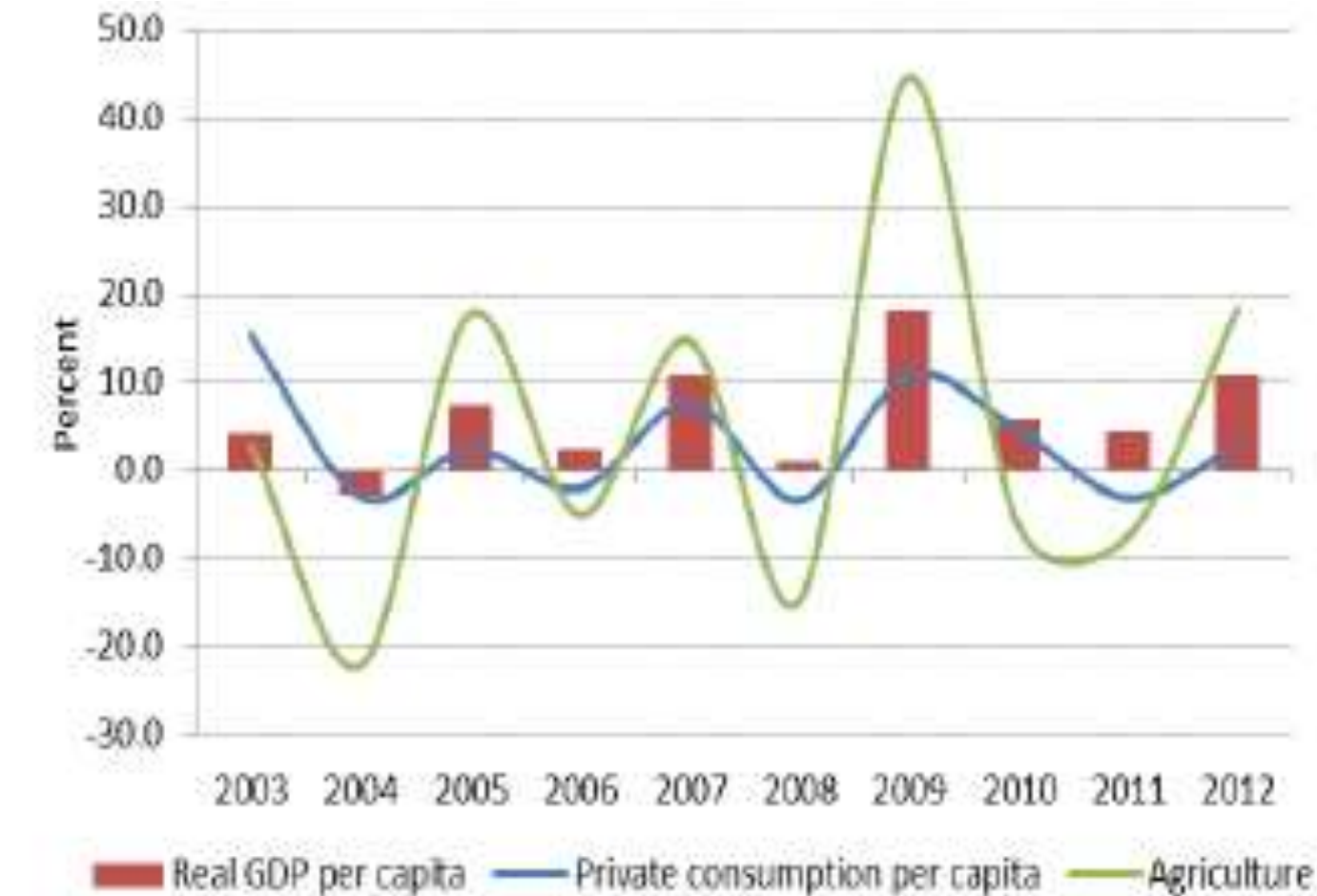
❑ **The rural poor.** Agriculture provides income for around half of Afghanistan's population; for 30 percent of households it constitutes the most important source of income. Agriculture is the main source of livelihood and subsistence for 70-80 percent of the rural population in Afghanistan. Employment in agriculture is characterized mainly by small family businesses that produce mainly for subsistence.

❑ **Youth.** The proportion of population aged 15 or below is as high as 51.3 percent, meaning that more than one in every two Afghans is economically dependent. Young people tend to be better educated on average, especially in urban areas. However, they are also less likely to find paid employment.

❑ **Women.** While almost every man in the age range of 25-50 is economically active, only one in every two women participates in the labor market. While the female participation rate does not appear very low within the South Asian cultural context, women in Afghanistan are much less engaged in wage-earning employment. At the same time, the fertility rate is very high, at 5.1 percent in 2011/12. Increasing the share of female labor market participation will key to reducing fertility and reducing demographic pressures in the future.

Given Afghanistan's annual population growth of 2.8 percent, this would mean only limited improvement in average per-capita income, continuing high rates of un- and underemployment, and little progress in reducing poverty. For example, at a rate of 4.8 percent GDP growth per year, it would take Afghanistan more than 20 years to increase real GDP per capita from its current estimated level to that of the South Asian region (2011), which is US\$786. Convergence to South Asian income levels would then become an even further distant goal. Only growth at the upper level of the range of plausible scenarios would enable Afghanistan to meaningfully reduce poverty and achieve higher per-capita incomes.

World Bank: Limited Growth in GDP per Capita and Personal Consumption



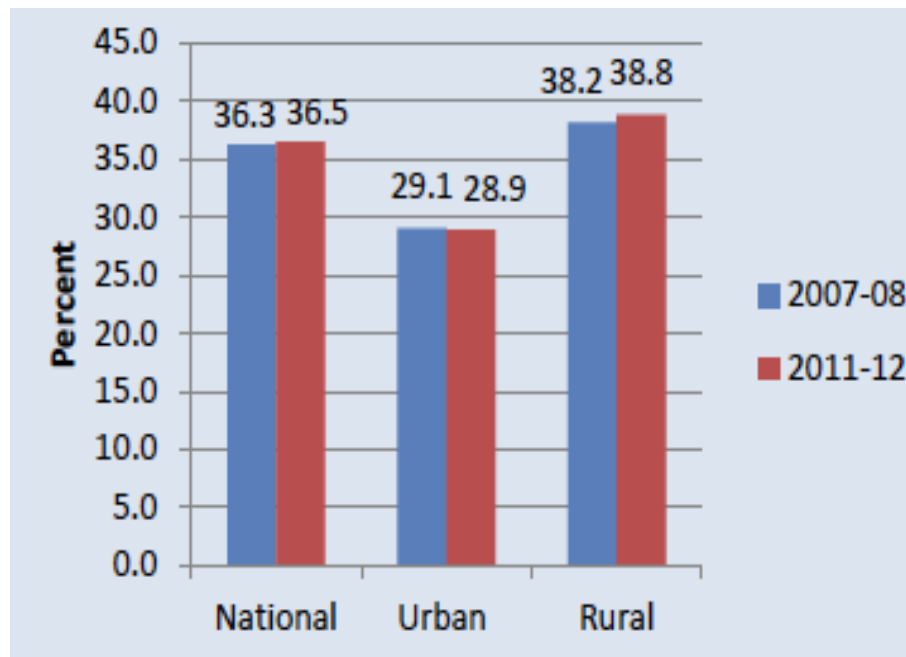
Source: CSO

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.



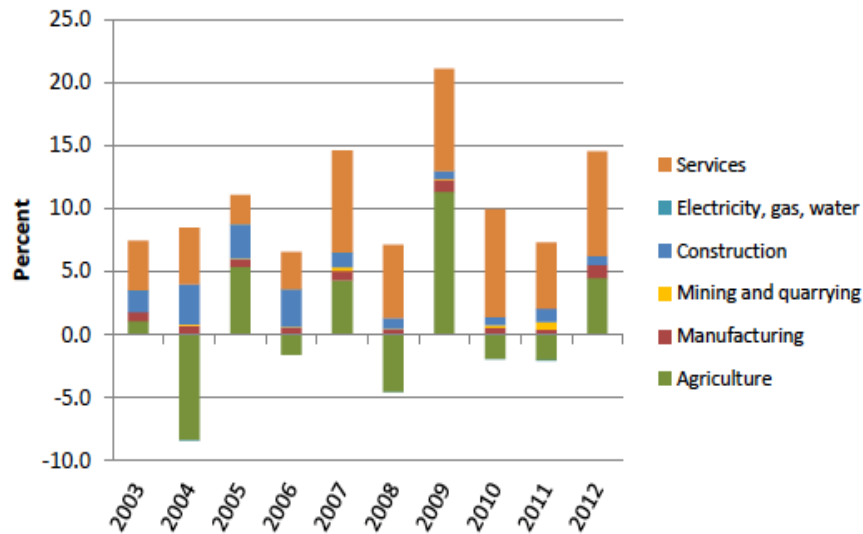
...A number of factors could be contributing to the measured trends. First, the volatility of agricultural production would affect measured poverty trends since agriculture accounts for more than half of employment. It is worth noting that 2010 and 2011, the two years preceding the 2011-12 survey, both 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).

World Bank Estimate of Agricultural & Poverty Challenges

Agriculture, together with services, is still the largest contributor to economic growth. In spite of the structural shift in Afghanistan's economy, agriculture remains one of the largest contributors to economic growth. In 2012, for instance, it contributed over half of the 14.4 percent of GDP growth, thanks to favorable weather conditions and an exceptionally rich harvest. Depending on the harvest in any given year, agriculture accounts for one-fourth to one-third of GDP.

Figure 1.8: Sector Contributions to Real GDP Growth (percentage points)



Source: World Bank staff calculations based on CSO data

Afghanistan's economy is dominated by agriculture in more than one dimension. Aside from its direct contribution to GDP, agricultural production feeds into the economic growth process through its impact on aggregate demand and significance in manufacturing. In 2011/12, 49 percent of all households derived their income from agriculture; for 30 percent of all households agriculture constitutes the main income source. Not surprisingly, private aggregate demand is highly correlated with agricultural production (Figure 1.9). Moreover, 96 percent of the manufacturing sector depends on agricultural products for inputs (food and beverages, textiles, and leathers).

Nassif, Claudia; Joya, Omar; Lofgren, Hans; Gable, Susanna; Redaelli, Silvia; Jordan, Luke; Jaffrin, Guillemette Sidonie. 2014. *Full report*. Vol. 2 of *Afghanistan - Pathways to inclusive growth*. Washington, DC : World Bank Group, Report No: ACS8228, Islamic State of Afghanistan, Pathways to Inclusive Growth, Full Report, March 2014, SASEP, SOUTH ASIA 23, 30-31

... there are indicators as to why growth has failed to produce more jobs and income for the poor. First, the volatility of agricultural growth likely affects prospects for poverty reduction since agriculture accounts for more than half of employment. Although agriculture grew by 45 percent in 2009, it actually contracted in 2008, 2010, and 2011, with limited irrigation and dependence on rain-fed crops contributing to volatility. Poor households in Afghanistan, especially those who subsist on agriculture, have only few risk-coping mechanisms and are more strongly affected by agricultural output contractions than richer, wage-earning households. In many cases, livelihood risks are being managed by disposing household assets or deferring expenditures for health and education services which, in turn, have negative dynamic effects for future income. This would not only explain why growth has not benefited the poor but could also explain the increase in inequality.

Second, the persistent high level of un- and underemployment implies that growth in Afghanistan did not produce sufficient employment opportunities, especially for the poor and underprivileged segments of the population. Finally, the increase in violence over the same period might have disproportionately affected the poor. A deteriorated security situation restricts public service delivery, the reach of humanitarian development efforts, and access to markets for the poor. Moreover, insecurity also restricts access to public services, especially for women and children who might refrain from visiting clinics or going to school

Cannot Meet Food Needs

Notwithstanding agriculture's importance to the economy, Afghanistan is not able to fully meet its food needs. Before the conflicts, Afghanistan was self-sufficient in cereals – and in some years was able even to be a small exporter. Today, however, and despite the large area devoted to cultivation of the primary staple (wheat), Afghanistan remains a highly food-insecure country (Table 1.3). High year-to-year fluctuations in domestic cereal production make the country dependent on food imports and have exposed the economy to external food-price shocks. For example, wheat demand in 2011 stood at 4.69 million tons, while national production was only 3.46 million tons, leaving a food deficit of more than 1.20 million tons. Adding to this a seed demand of 626,000 tons, the overall wheat deficit in 2011 was nearly 1.86 million tons.

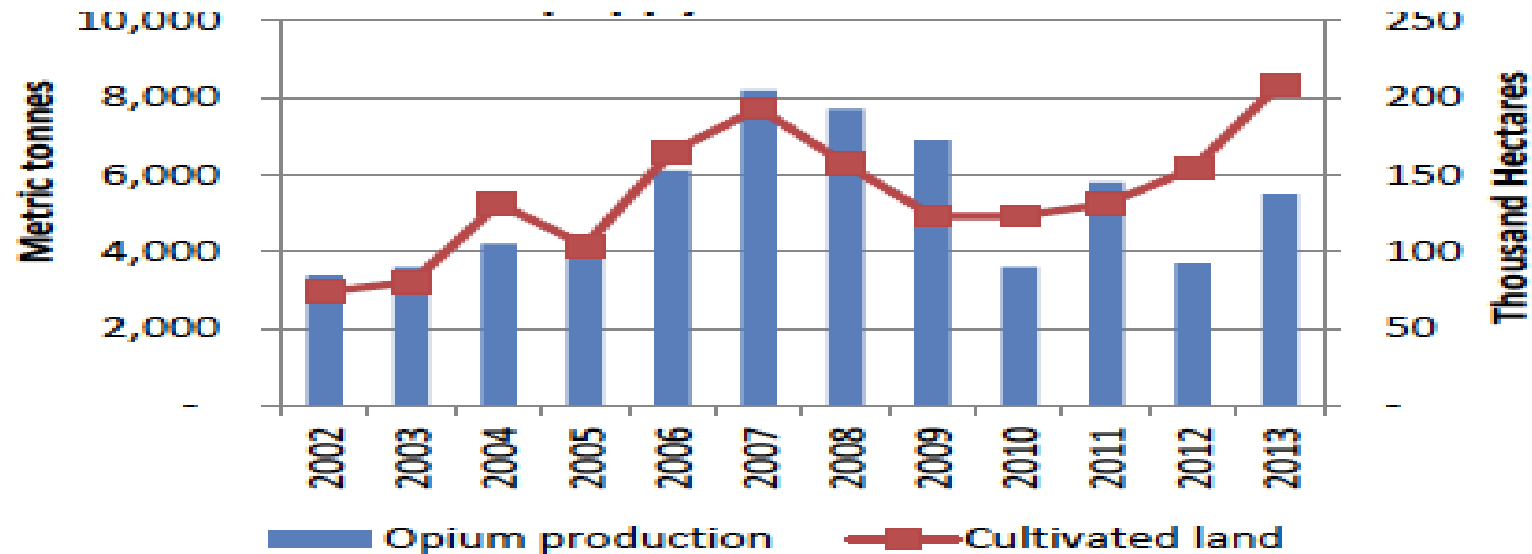
Cereal Production in Afghanistan (thousands of tons)

	2007	2008	2009	2010	2011	2012
Total wheat production	4,343	2,767	5,064	4,532	3,456	5,008
Estimated wheat demand	4,330	4,416	4,505	4,595	4,687	4,362
Seed demand and losses	734	677	806	753	626	1,067
Surplus/shortfall	-721	-2,326	-247	-816	-1,857	-422

Sources: World Food Program (2012); Agriculture Commodity Price Bulletin (year 8, vol. 7), and Agriculture Prospects Report, July 2012

The Challenge of a Narco-Economy

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

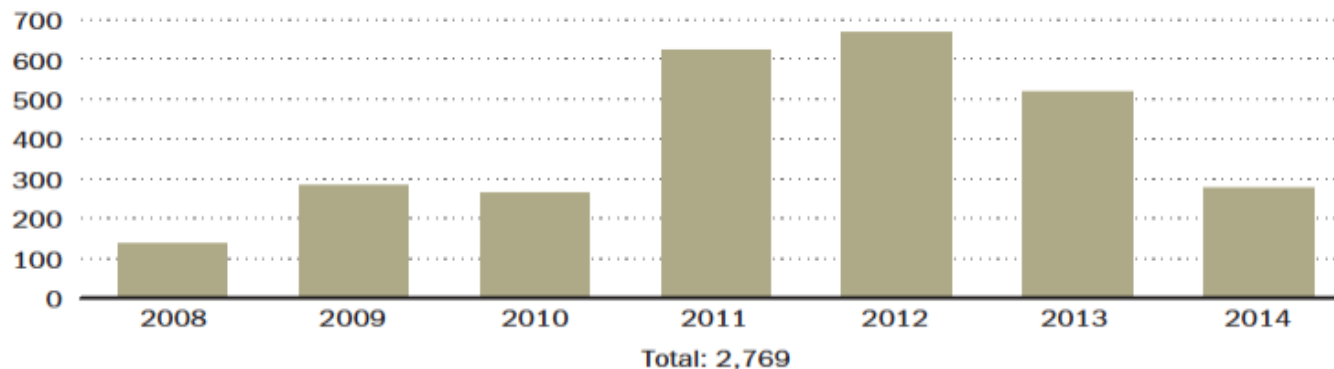


Source: UNODC

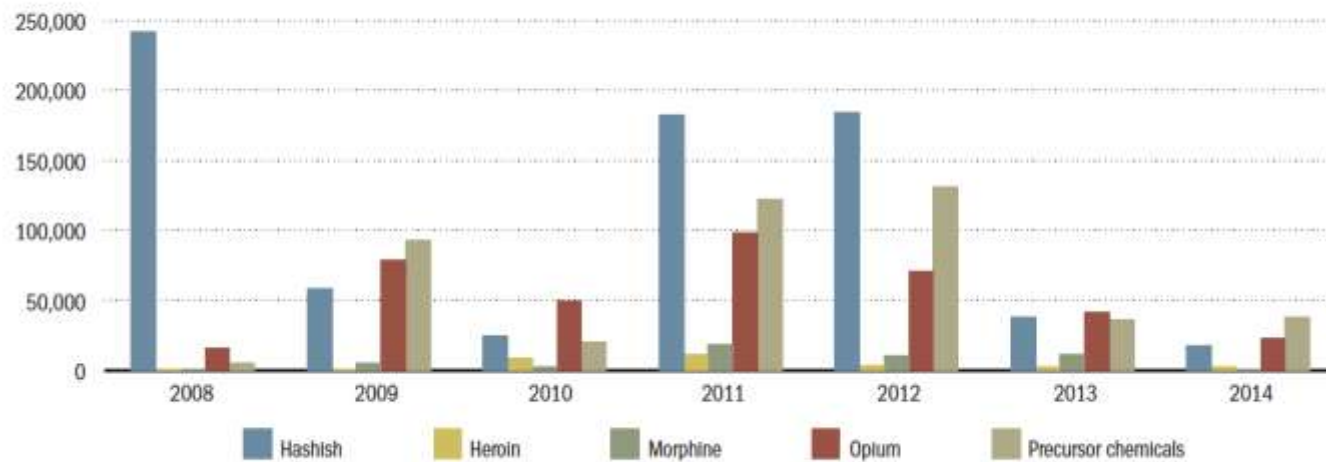
Both opium production and area under poppy cultivation increased considerably in 2013, although this is not reflected in estimated non-opium GDP growth figures for 2013. **According to UNODC data, opium production increased by almost 50 percent to 5,500 tons in 2013, while the total area under poppy 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.

Trends in Counternarcotics Activity: 2008-2014

INTERDICTION OPERATIONS, 2008-2014

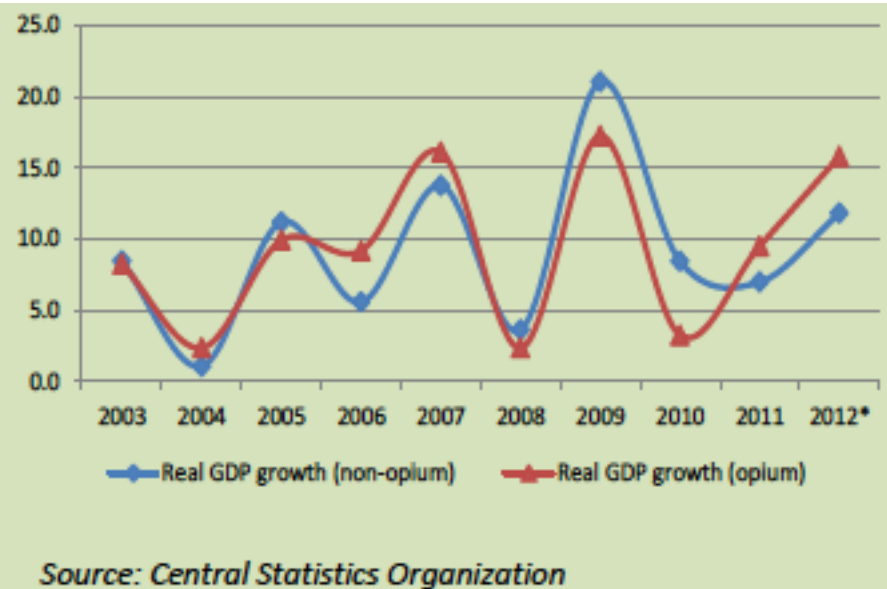
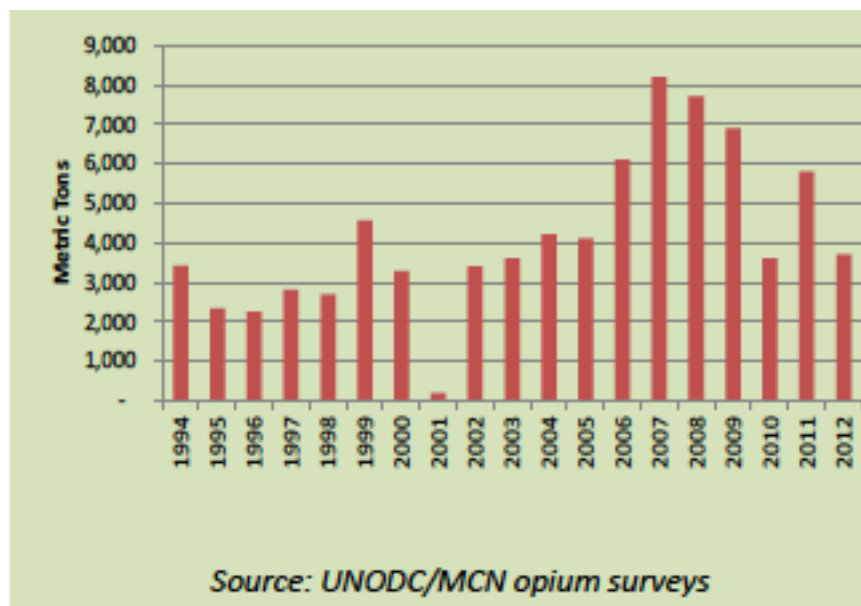


DRUG SEIZURES, 2008-2014 (KILOGRAMS)



Note: Fiscal year.

World Bank Estimate of Opium Economy



Opium Production in Afghanistan

In terms of production and share of GDP, opium's importance has been declining since 2007, when it reached a record production of 8,200 tons. Nowadays, production is closer to 3,700 tons (UNODC, 2012), which amounts to 3.3 percent of GDP in farm-gate value, or 10 percent in export value – compared to 13 percent of GDP by farmgate value in 2007. However, measuring opium production as part of the national income is not straightforward. While the nominal difference between opium-GDP and non-opium-GDP is relatively small – an average of US\$500 million each year – non-opium and opium GDP growth can differ by more than 5 percentage points in some years). However, average opium GDP growth has been only slightly higher than non-opium GDP growth: 9.4 percent compared to 9.2 percent, which suggests that between 2003 and 2012 opium has not been an important driver of economic growth.

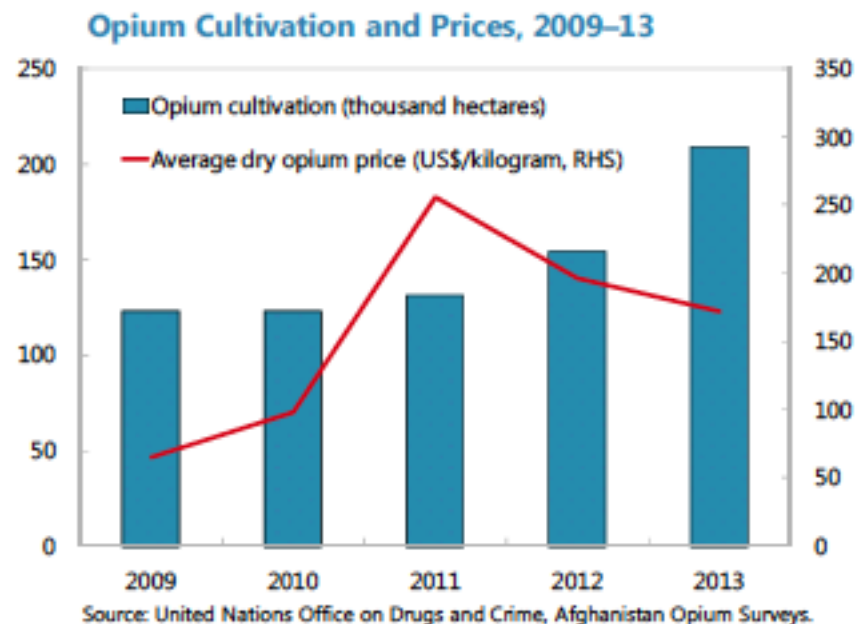
That said, opium is still Afghanistan's single most important cash crop and therefore has significant implications for income and consumption of rural, poor households. The average cash income of poppy-growing households is 52 percent higher than that of households that had never grown poppy. Poppy-growing households also tend to be farther away from markets⁵ This, in turn, adds to the complexity of finding the right approach to reducing opium production, which ultimately hinges on the development of alternative and competitive agricultural supply chains.

IMF Estimate of Opium Economy

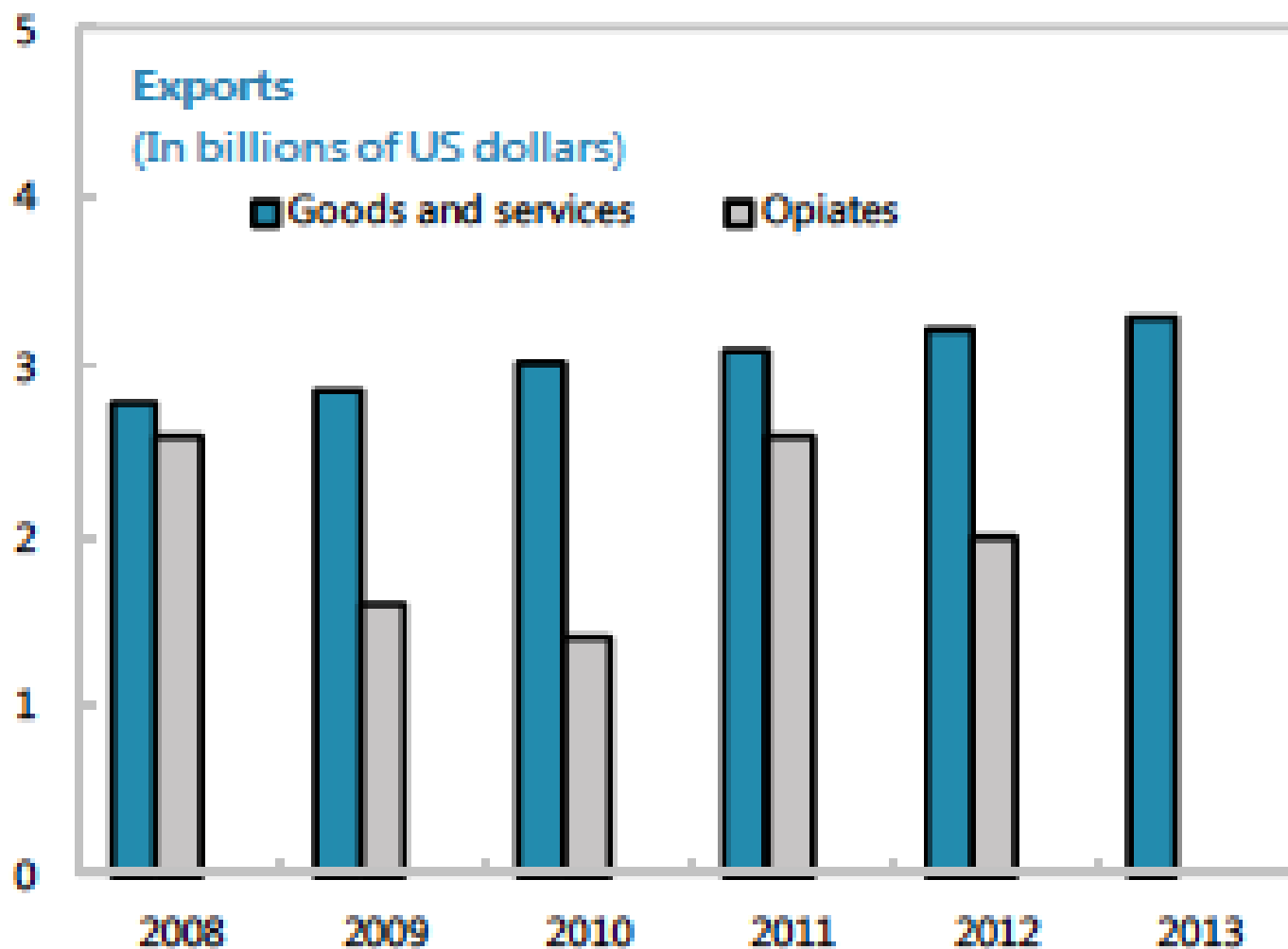
Drug production and trafficking are macro-relevant in Afghanistan. Production includes opium, heroin, morphine, and cannabis. In 2013, the farm-gate value of potential opium production was estimated at 4 percent of GDP. The potential net value of opiates and the value of opiates potentially available for export were estimated at 15 percent and 14 percent of GDP, respectively.¹ The combination of high opium prices and Afghanistan's significant involvement in its cultivation exposes the country to risks of economic instability, as a number of factors could trigger a shock to production and prices which would transmit to the formal economy, including through farmers' incomes. These include climate and water supply, eradication campaigns, external demand, change in policies (e.g., Taliban's ban in 2000), border controls, and conflicts in neighboring countries.

There could be significant distorting effect of the drug industry on the formal economy.²

Resources devoted to drug cultivation and trafficking are diverted from other productive opportunities, decreasing activity in others sectors of the economy. It is also possible that spillovers from the drug sector may increase activity in other sectors.



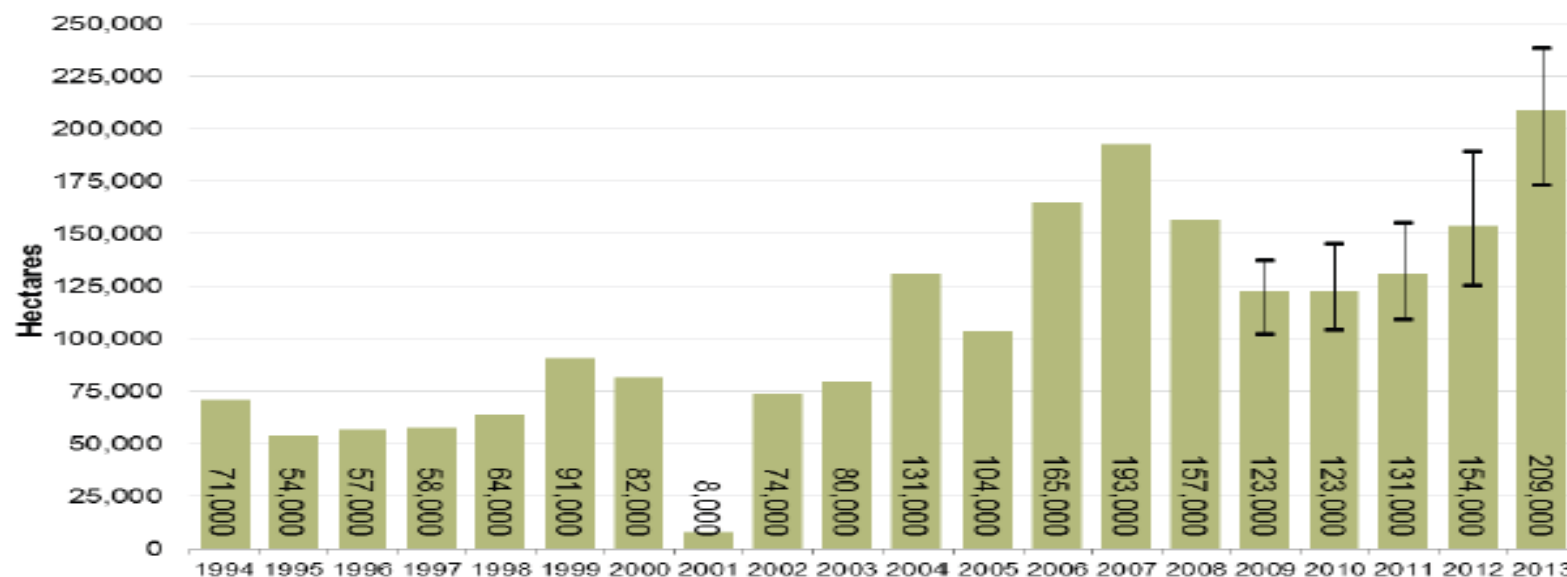
IMF Estimate of Value of Opium vs. Other Exports



UDOC Estimate of Rising Afghan Opium Production 2012 vs. 2012-2013 – Part I

	2012	Change from 2012	2013
Net opium poppy cultivation (after eradication) in hectares (ha)	154,000 ha (125,000–189,000)	36%	209,000 ha (173,000–238,000)
Number of poppy free provinces ²	17	-2	15
Number of provinces affected by poppy cultivation	17	+2	19
Eradication	9,672	-24%	7,348
Average opium yield (weighted by cultivation)	23.7 kg/ha	11%	26.3 kg/ha
Potential production of opium	3,700 (2,800 – 4,200 tons)	49%	5,500 (4,500 - 6,500 tons)

Figure 1: Opium cultivation in Afghanistan, 1994-2013 (Hectares)

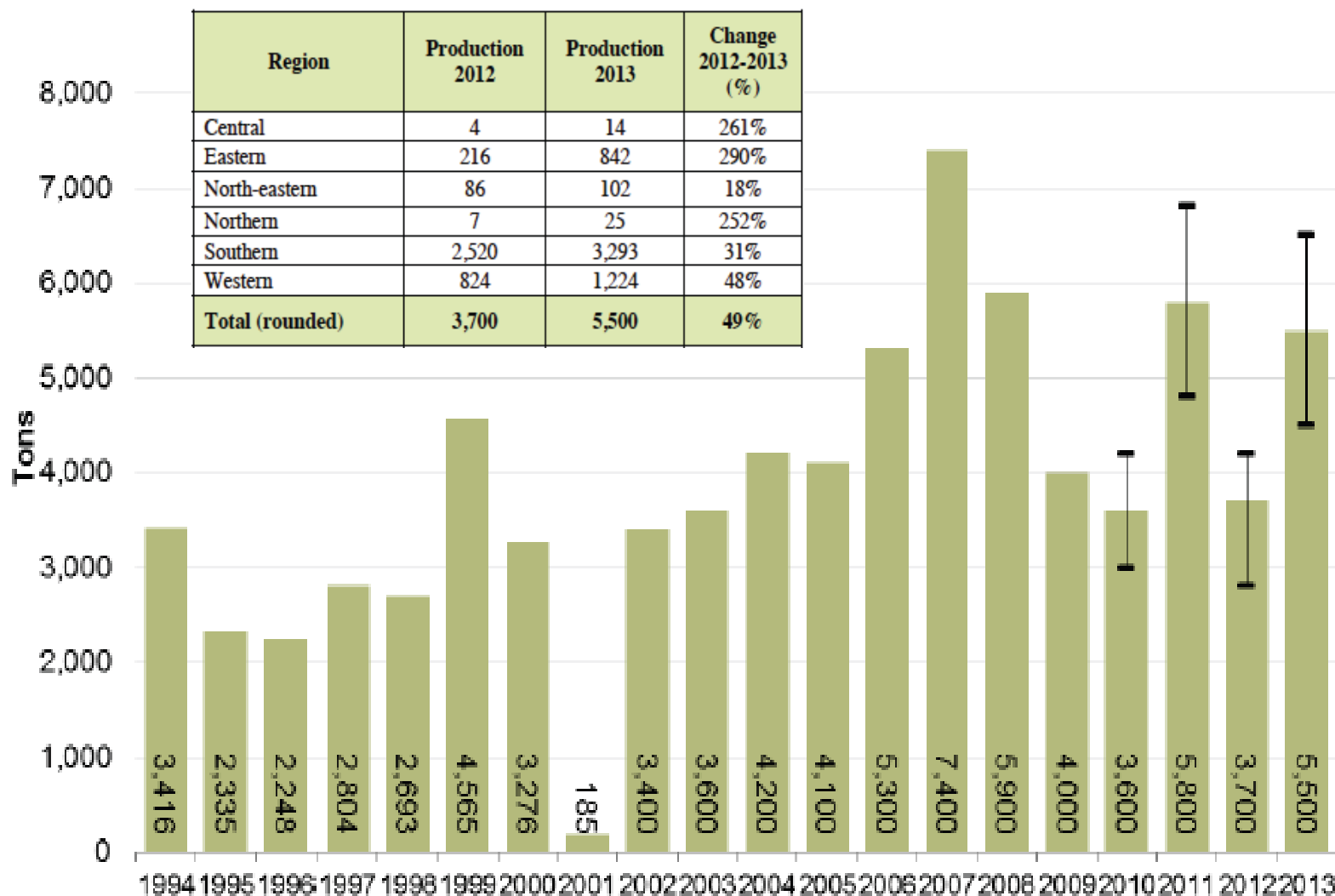


Source: UNODC (1994-2002), MCN/UNODC (since 2003). The high-low lines represent the upper and lower bounds of the 95% confidence interval.

UDOC Estimate of Rising Afghan Opium Production

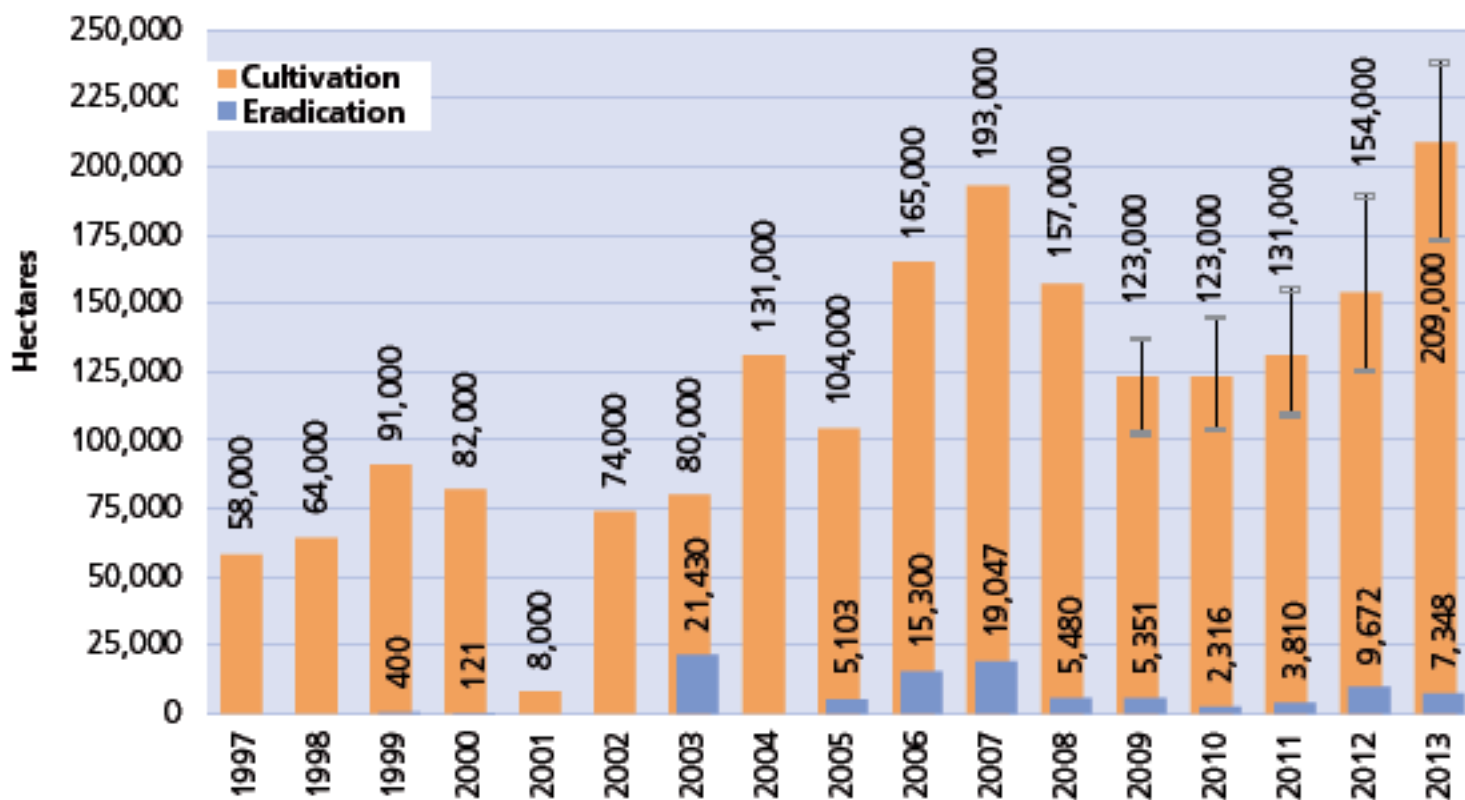
2012 vs. 2012-2013 – Part II

(Production in Tons)



UDOC Estimate of Rising Afghan Opium Cultivation 1997-2013

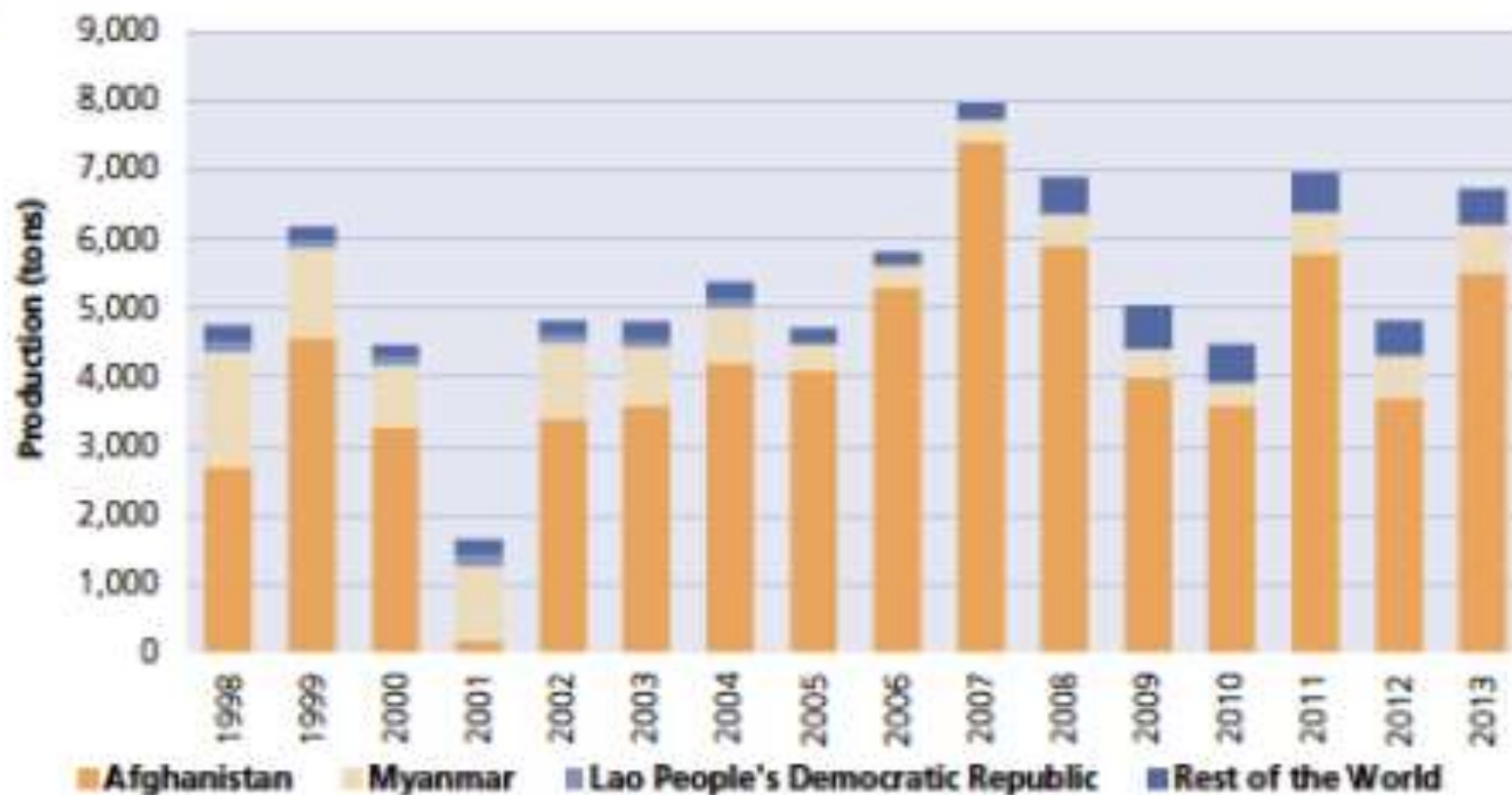
Opium poppy cultivation and eradication in Afghanistan, 1997-2013



Source: 1997-2002: UNODC; since 2003: National Illicit Crop Monitoring System supported by UNODC.

The global area under illicit opium poppy cultivation in 2013 was 296,720 hectares (ha), the highest level since 1998 when estimates became available. An increase in cultivation was seen in both Afghanistan and Myanmar. The main increase was observed in Afghanistan, where the area of opium poppy cultivation increased 36 per cent, from 154,000 ha in 2012 to 209,000 ha in 2013. The main area of cultivation in Afghanistan was in nine provinces in the southern and western part of the country, while the major increase was observed in Helmand and Kandahar

UDOC Estimate of Rising Afghan and Global Opium Production 1997-2013



The potential production of opium in 2013 is estimated at 6,883 tons, which is a return to the levels observed in 2011 and 2008. The opium production in Afghanistan accounts for 80 per cent of the global opium production (5,500 tons). The potential production of heroin (of unknown purity) has also increased to 560 tons, comparable to 2008 estimates of 600 tons

The Challenge of Investment, Mining and LoCs

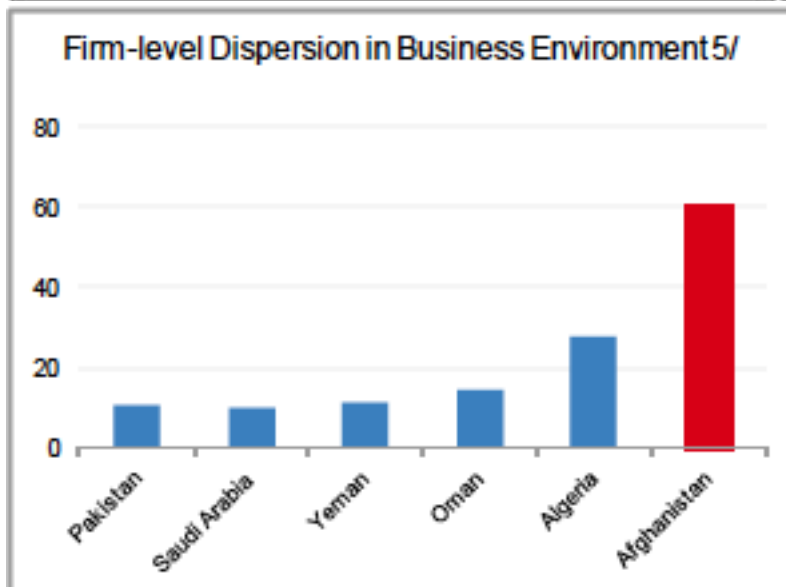
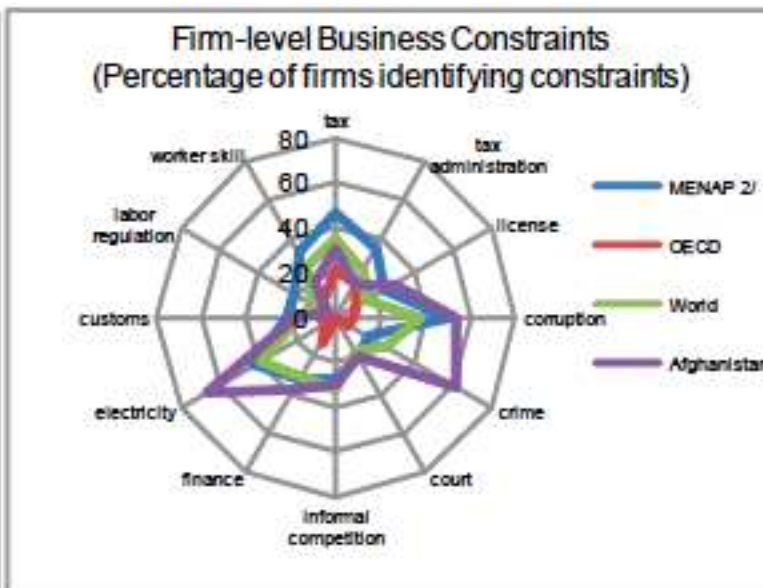
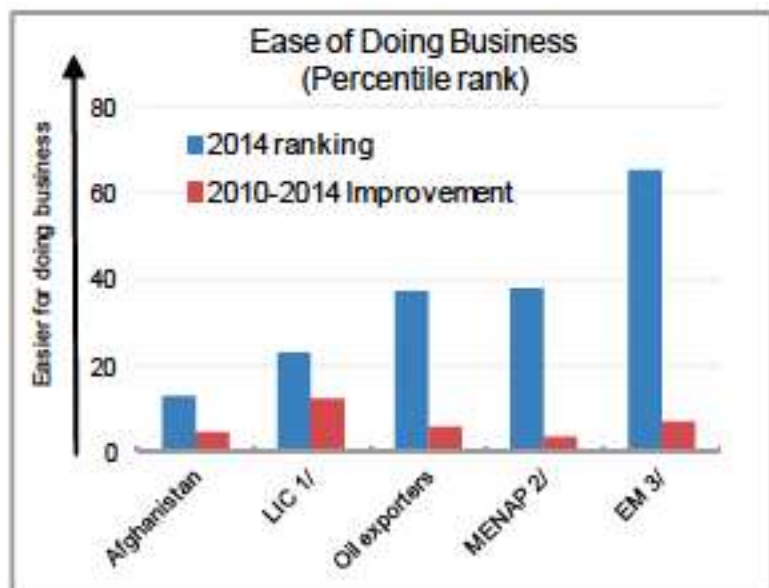
Low Rankings in Critical Areas of Doing Business

(The higher the number the worse the country ranking out of 189 countries)

Topics	DB 2014 Rank	DB 2013 Rank
Starting a Business	24	31
Dealing with Construction Permits	167	170
Getting Electricity	104	111
Registering Property	175	176
Getting Credit	130	154
Protecting Investors	189	189
Paying Taxes	98	95
Trading Across Borders	184	181
Enforcing Contracts	168	170
Resolving Insolvency	115	118

Source: World Bank. Doing Business Report 2014 Note: Data points indicate ranking for 189 countries surveyed.

IMF Estimate of Business Problems



Sources: World Bank Doing Business Report (2014); World Bank Worldwide Governance Indicators; World Bank Business Environment and Enterprise Performance Survey; and IMF staff calculations.

1/ Low income countries;

2/ Middle East, North Africa, and Pakistan;

3/ Emerging market economies;

4/ Worldwide Governance Indicators include government effectiveness, regulatory quality, rule of law, and control of corruption; trend line is based on cross-country regression.

World Bank: Natural Resource Development – a Double-Edged Sword

...considering the current level of violence and political developments, it is likely that it will take many years to fully restore peace and stability even in the best-case scenario. Any growth-enhancing policies therefore need to be realistic and aim at supporting sectors and economic activities that show the best potential for conflict resilience and, in turn, provide the largest impetus for conflict reduction.

Agricultural development meets this requirement as it would directly improve income for the majority of households in Afghanistan. And as the large volatility in agriculture output demonstrates, the sector still has potential to grow even within the existing parameters of insecurity and violence. The large international interest and successful outcome of the recent tenders for the exploration and production in Amu Darya, Aynak, and Hajigak indicate a similar “conflict resilience” for extractive industries. However, international experience shows that not only does natural resource exploitation have limited

job creation potential, but that it also carries large risks, especially for governance, social cohesion, and conflict. With the development of the extractive industries, Afghanistan is now adding another stress factor to its already-vulnerable country context. In fact there is ample empirical evidence that natural resource endowment can be detrimental to the development prospects of a country – even under more favorable circumstances than those found in Afghanistan.

The phenomenon of countries endowed with natural wealth producing low development outcomes is described as the “natural resource curse” which is usually a result of (i) a decline in the competitiveness of other economic sectors due to an appreciation of the real exchange rate as resource revenues enter an economy (the “Dutch disease” effect), (ii) volatility of revenues from the natural resource sector due to exposure to global commodity market swings, (iii) governmental mismanagement of resources, and/or (iv) weak institutions, rent-seeking behavior, and redistributive struggles.

Most critical for Afghanistan is the notion that natural resources can undermine governance and spur conflict by challenging livelihoods, threatening the environment, and raising disputes over rights to control the resources; feelings of relative deprivation arise from the distribution of revenues from resource exploitation or providing financing to insurgent groups. In this sense, the development of extractive industries poses a serious threat to Afghanistan’s weak governance environment.

World Bank: Key Messages

- ✓ Afghanistan's economy remains largely agrarian. Manufacturing contributed very little to economic growth over the past decade with the economy dependent primarily on agricultural output. The service sector is relatively unsophisticated and mainly informal.
- ✓ Structural changes observed over the past ten years have come from reconstruction and recovery activities financed predominantly by donors.
- ✓ Private-sector investment, hampered by persistent and increasing violence, has been very small. Growth over the past decade was driven mainly by demand from public sector activities.
- ✓ There have been some important achievements. However, development challenges are still very large. In spite of strong economic growth, poverty remains pervasive and has not decreased in the past five years.
- ✓ With 400,000-500,000 young people entering the labor market annually, Afghanistan faces an unprecedented demographic challenge. Without drastic changes in the country's security situation to enable greater private investment, labor market pressures will continue to rise, and in turn increase the risk of conflict and violence.
- ✓ Enhancing the impact of growth on poverty and shared prosperity in the post-transition period will require steps to ensure that growth is strong and steady, accompanied by greater job creation.

Meaningful Mining Resources Can Only Come After Transition

SIGAR July 2014 Report to Congress

The United States, the Afghan government, and the international donor community count on development of Afghanistan's natural resources to underpin future economic growth in the face of declining external aid. Although mining has contributed less than 2% to the country's GDP to date, the Afghan government expects to eventually receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines, and from oil and gas fields in the Afghan-Tajik basin.

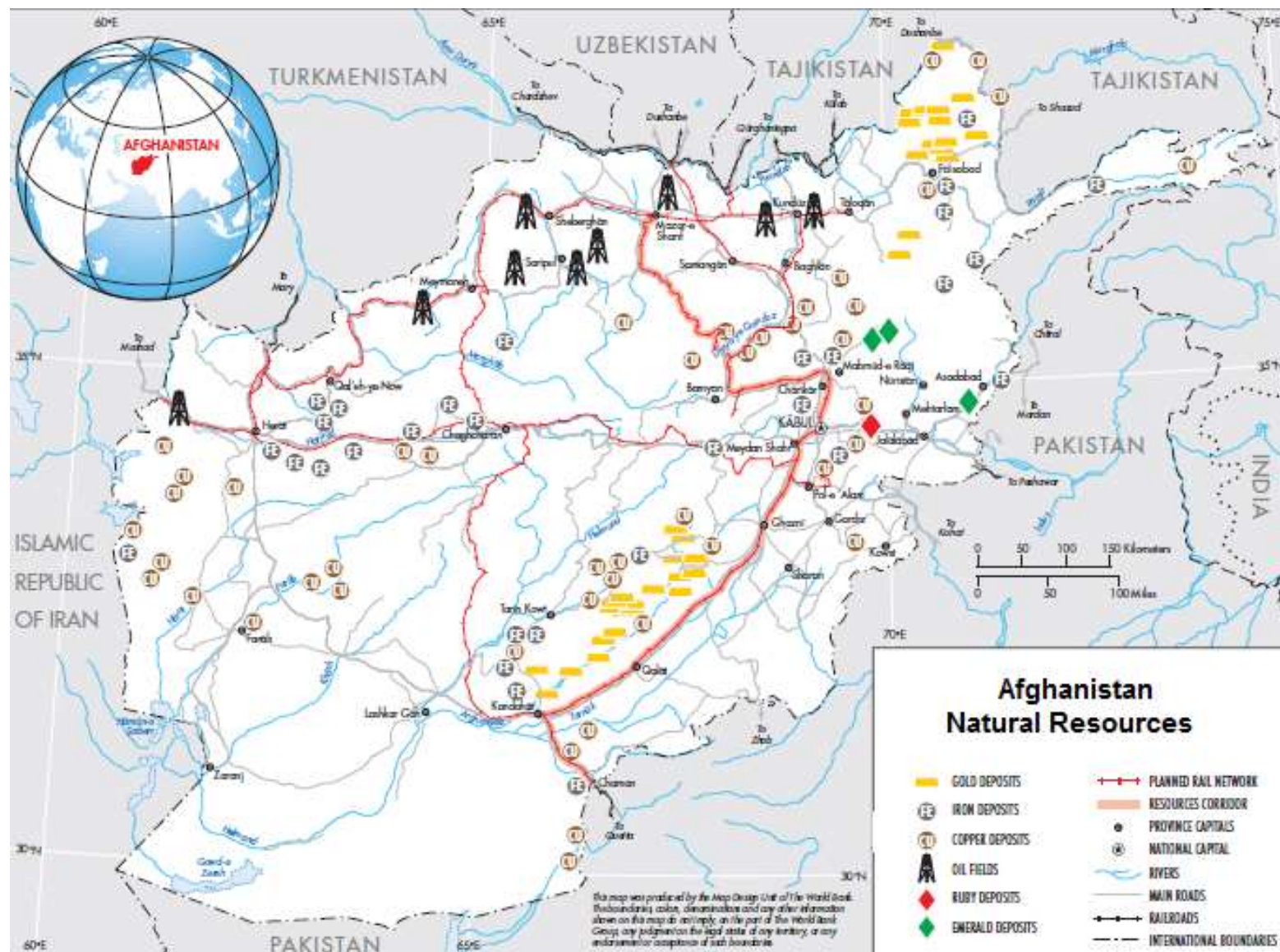
The World Bank estimates annual extractive-sector revenues could reach between \$0.7 billion and \$1.5 billion by 2022–2024.⁶⁰⁸ However, the United States Institute for Peace warned that revenue projections from mineral extraction are often difficult to make with any accuracy, given commodity-price fluctuations and uncertainty whether identified resources can be fully extracted. Moreover, the government will not necessarily receive the full value of Afghanistan's mineral wealth in revenues.

SIGAR has long cautioned that the Afghan government may not be able to earn substantial revenues from Afghanistan's natural resources any time soon because of the considerable infrastructure investment required to develop them, especially given the difficult security environment. In addition, the Revenue Watch Institute gave Afghanistan a failing grade in 2013 for its minimal oversight of the mining-licensing process and of state-owned mining companies. It said lawmakers do not receive, regular reports on licensing decisions, which cannot be appealed, and are denied access to certain major mining contracts deemed confidential.

Allegations that members of the executive and legislative branches benefit from contracts won by relatives cannot be confirmed; Afghanistan's Audit and Control Office does not specifically review resource revenues, and the reports it does prepare are not published. An Integrity Watch Afghanistan report this quarter compared Afghanistan's governance of its mining-industry to best practices in six countries in order to help highlight Afghanistan's opportunities and challenges.

It found that corruption is a major investor concern in Afghanistan, and that mining-sector transparency—in licensing process, tax and royalty data, distribution of funds, and public access to information—along with good governance were essential to sustainable development that benefits the public.

Natural Resources in Afghanistan



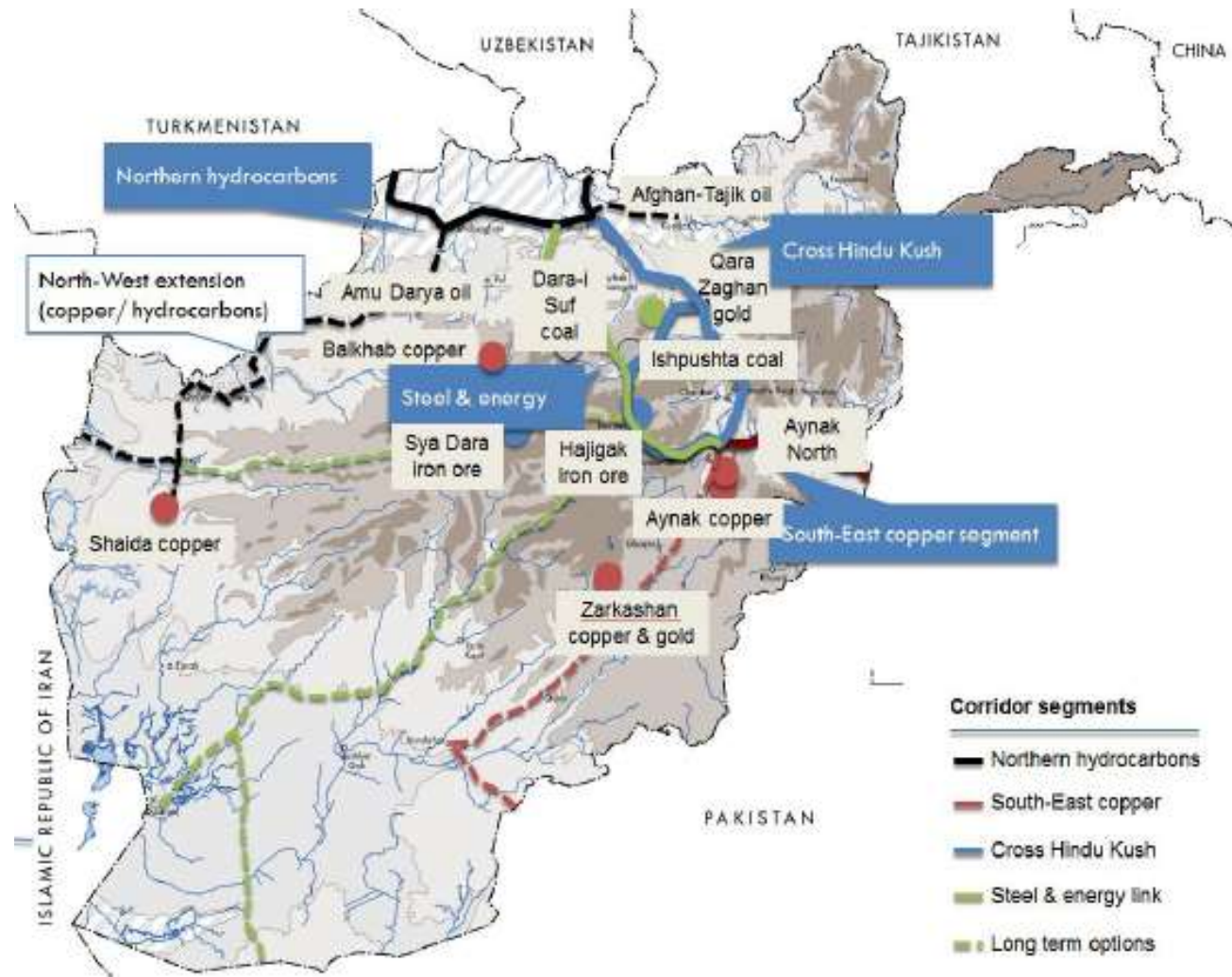
So Much for the New Silk Road: A Collapsing Road System

SIGAR July 2014 Report to Congress:

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said restoring the transportation sector is imperative for economic development. Afghanistan's infrastructure shortcomings particularly constrain the service and agriculture sectors, currently the leading contributors to GDP. They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid. This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, sustaining operations and maintenance, and complying with international Standards.

...While the United States has provided \$2.2 billion cumulatively for road construction and O&M and currently spends about \$5 million annually for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles. Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to the U.S. Department of Transportation (DOT). Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan. Although the Cabinet and the President gave approval in August 2013 for the Ministry of Public Works (MOPW) to create a roads authority and road fund, the authority has not yet been established

Critical Importance of Uncertain LoC Security and \$7-9 Billion in Added Investment Funds



The Challenge of Economic Stability and Development

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 structure for managing aid, 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 and outside help in development planning, post-Transition economic stability.
- Key problems in transport, agriculture, power sector. Rising poverty, acute population pressure, uncertain employment level
- Service sector was dependent on flow of outside money. may leave, export capital, collapse.
- Major barriers to private development
- **At least some risk of major recession and collapse of the market-driven sector.**

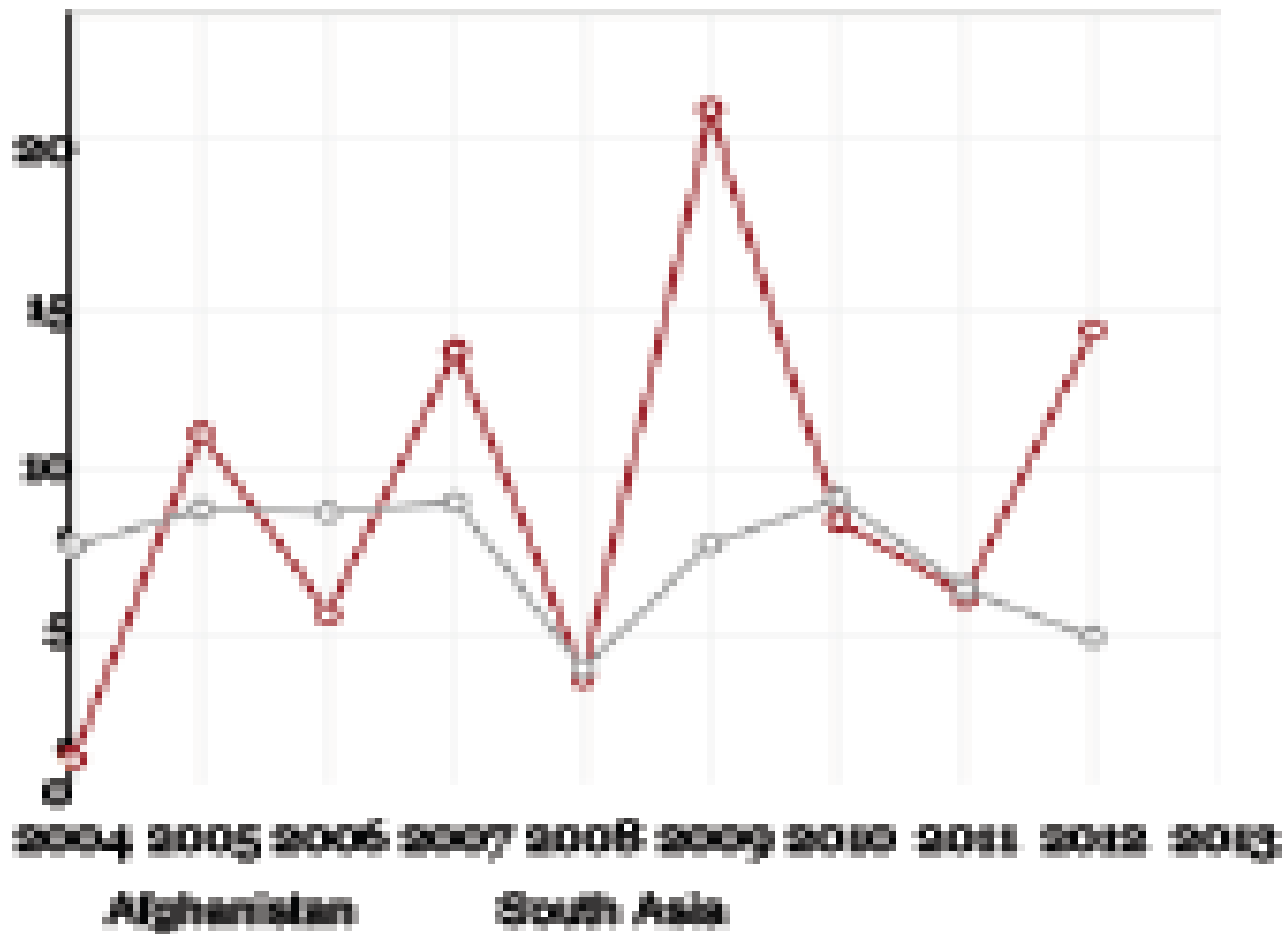
World Bank: Afghanistan's Growth and Development Progress Remains Fragile – March 2014

While initial progress in producing development outcomes was very encouraging in the immediate post- Taliban era, recent trends point to rising insecurity, deteriorating governance, a stagnant poverty rate, and mounting challenges to employment:

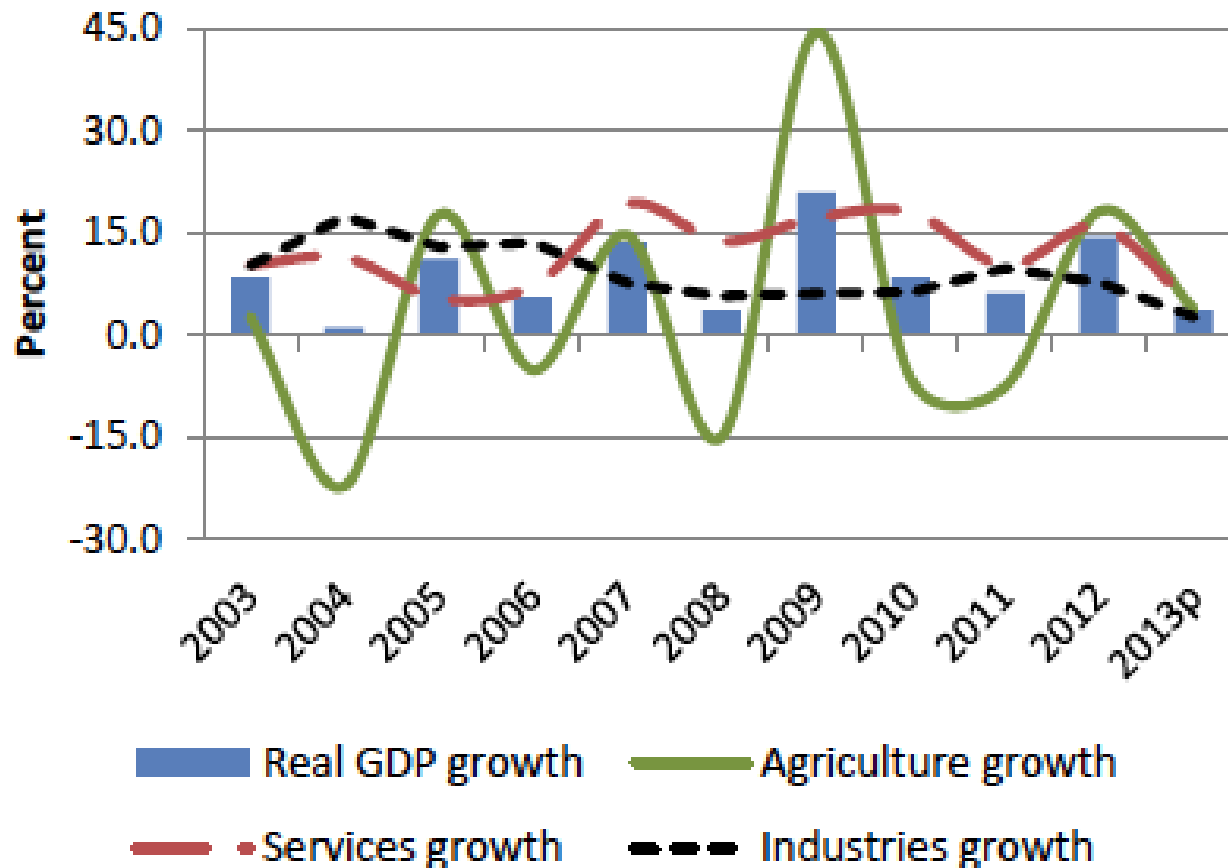
- **The security situation deteriorated after 2009** and the level of violence remains high. Annually, between 2,000 and 3,000 civilians are harmed or killed in violent incidences related to the ongoing insurgency.
- **Economic growth has not been pro-poor.** Poverty levels are high, with 36 percent of the population living below the national poverty line in 2011/12 and more than 50 percent vulnerable to becoming poor. Recent data suggests that overall poverty levels have not declined between 2007 and 2011, despite rapid growth in this period. At the same time, inequality measured by the Gini coefficient appears to have increased somewhat.
- **Unemployment is relatively low**, at 8.2 percent in 2011/12 but underemployment is a serious issue, with 16.8 percent of the employed population working less than 40 hours per week. At the same time, labor participation is low, at 60 percent, due mainly to a very low participation of women in the labor market.
- **The governance deficit relative to other low-income countries is still very large.** Reforms in areas that could have improved rule of law and control of corruption have been very slow. Corruption is pervasive and widespread. In 2012 Transparency International ranked Afghanistan 174th out of 176 countries, joint last with North Korea and Somalia. But most concerning is that the governance situation appears to have regressed, especially in areas such as control of corruption, rule of law and political stability.
- **In addition, the country is facing huge demographic challenges.** The Afghan labor market is characterized by a young and fast-growing workforce. Decades of conflict, international migration and staggeringly high fertility rates make Afghanistan – together with Pakistan and Nepal – one of the youngest countries in South Asia. Between 2010/11 and 2015/16 alone, the labor force is expected to increase by 1.7 million people, and by an additional 4 million by 2025/26. These trends pose significant risks to social cohesion in a situation that is already characterized by strong political, regional, and ethnic tensions.

World Bank Estimate of Afghan GDP Growth 2004-2013

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



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

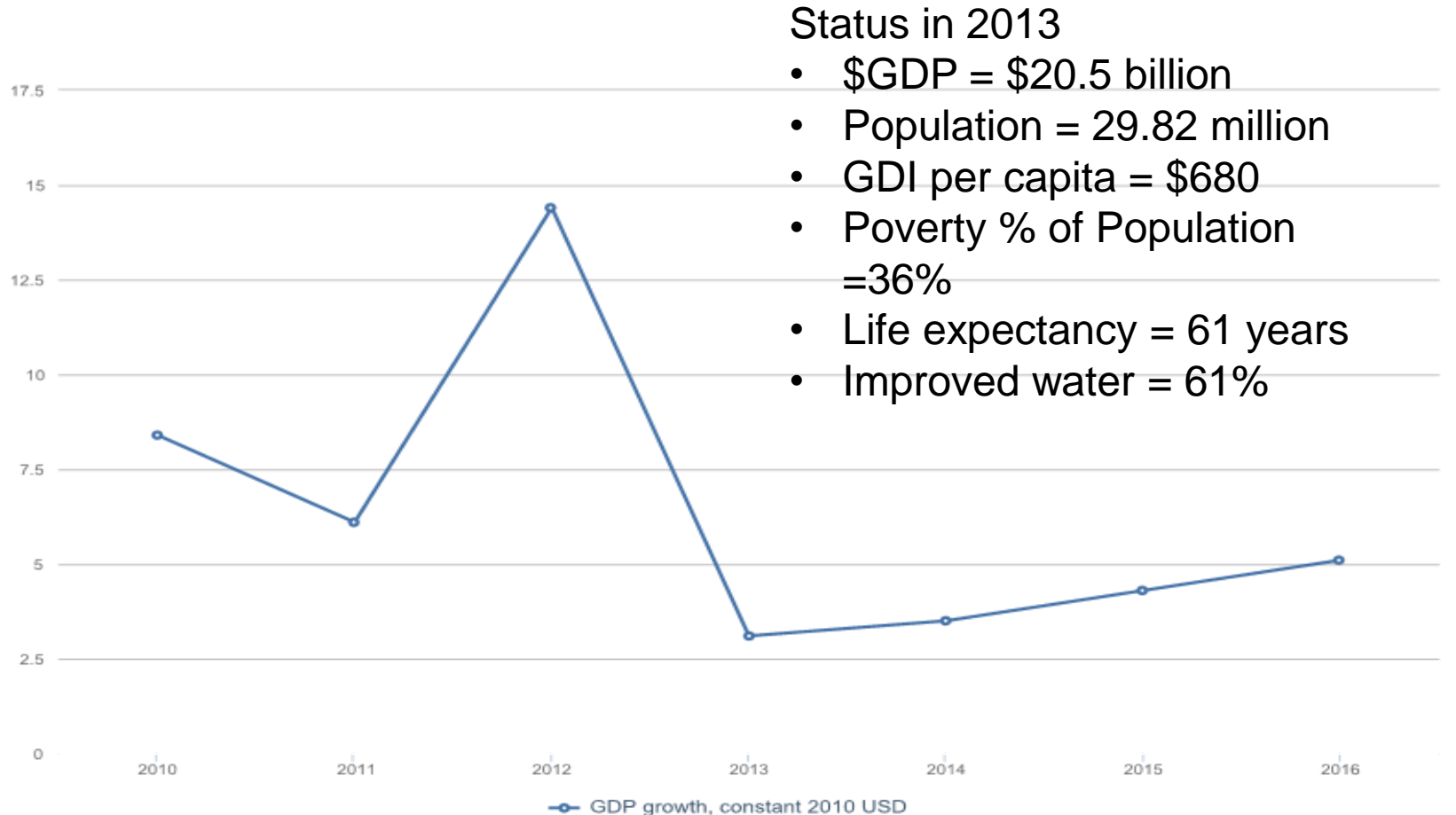


- Real GDP growth (excluding opium production) was 14.4% in 2012, which represented a sharp uptick from 6.1% in 2011.
- This strong performance was in large part due to an exceptional agricultural harvest supported by favorable weather conditions.
- Agriculture accounts for about a quarter of GDP (excluding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

Source: CSO

World Bank Estimate of Afghan GDP Growth 2010-2016

(In Constant \$US 2010 Dollars)



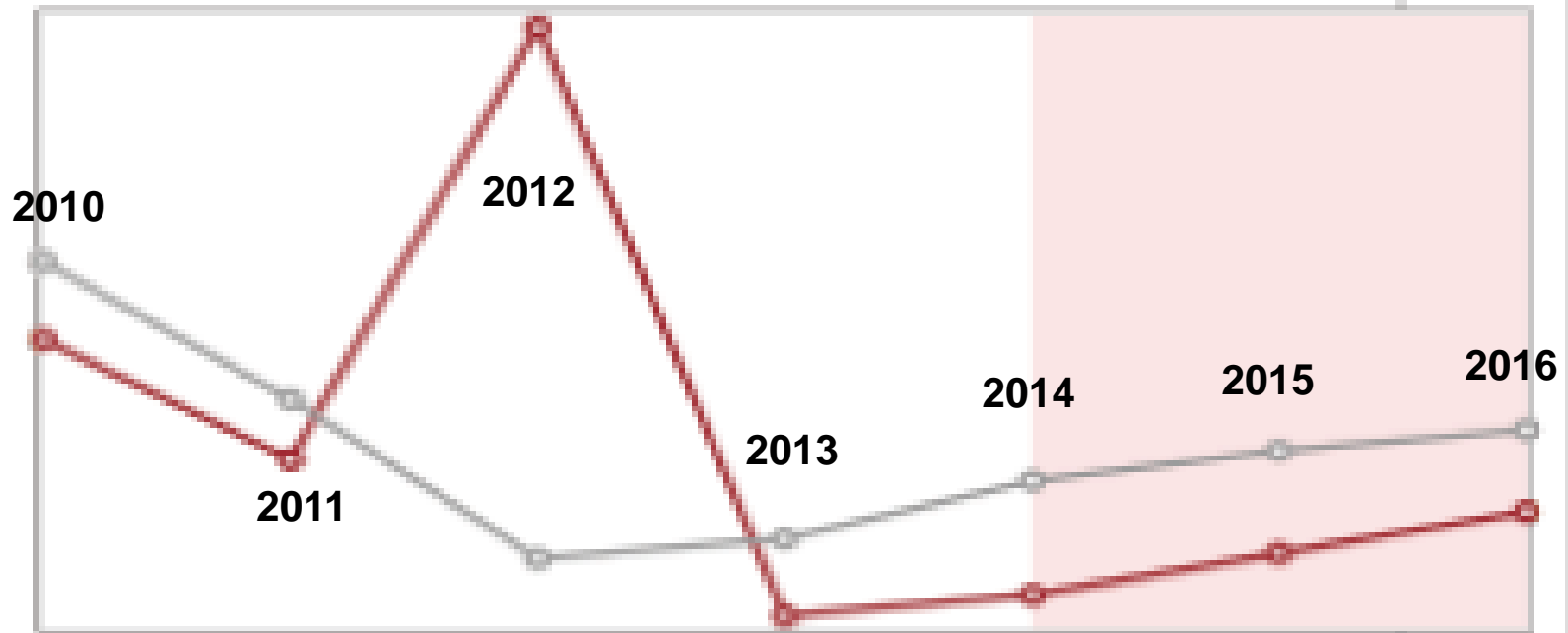
Country : Afghanistan

Created from: Global Economic Prospects

Created on: 05/05/2014

World Bank Estimate of GDP Growth in Comparison with Rest of South Asia

Annual GDP Growth (%)

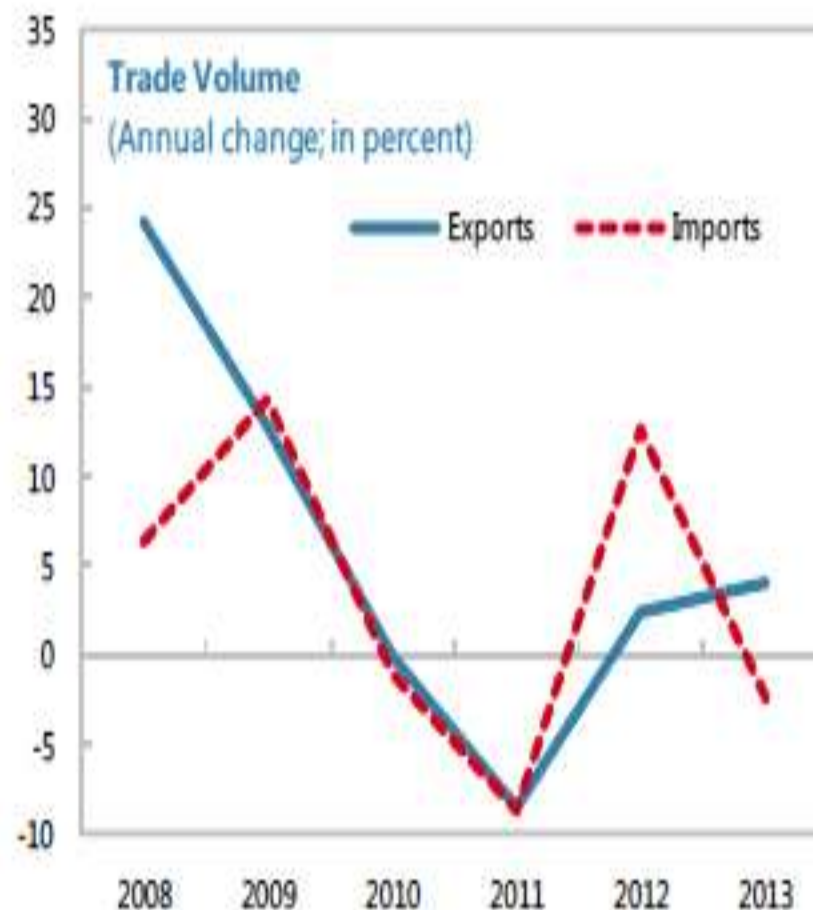
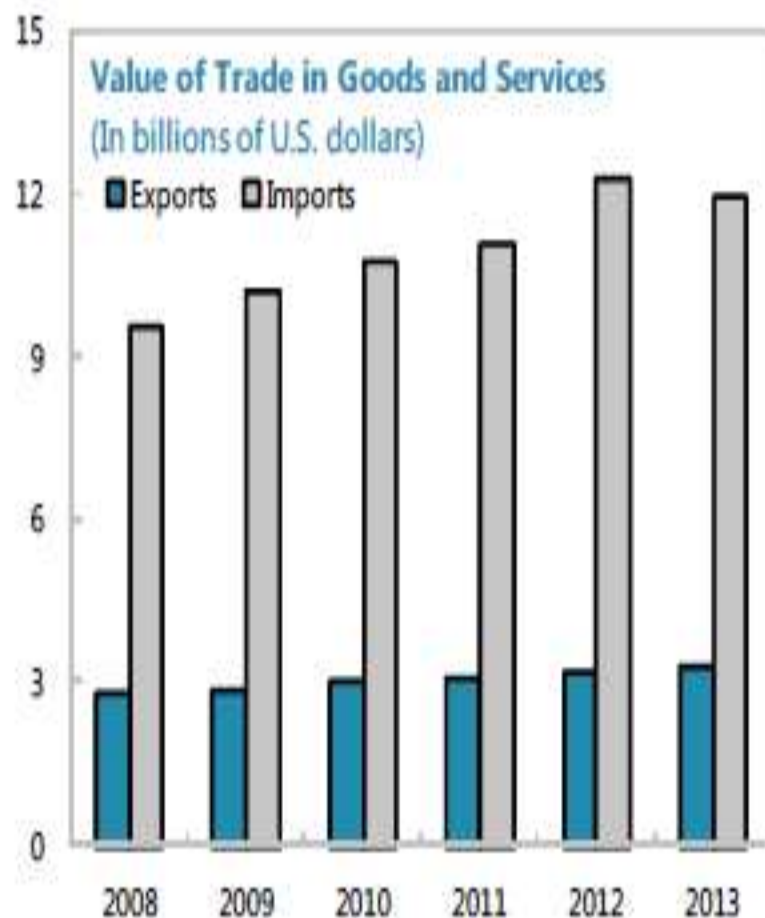


Afghanistan

South Asia

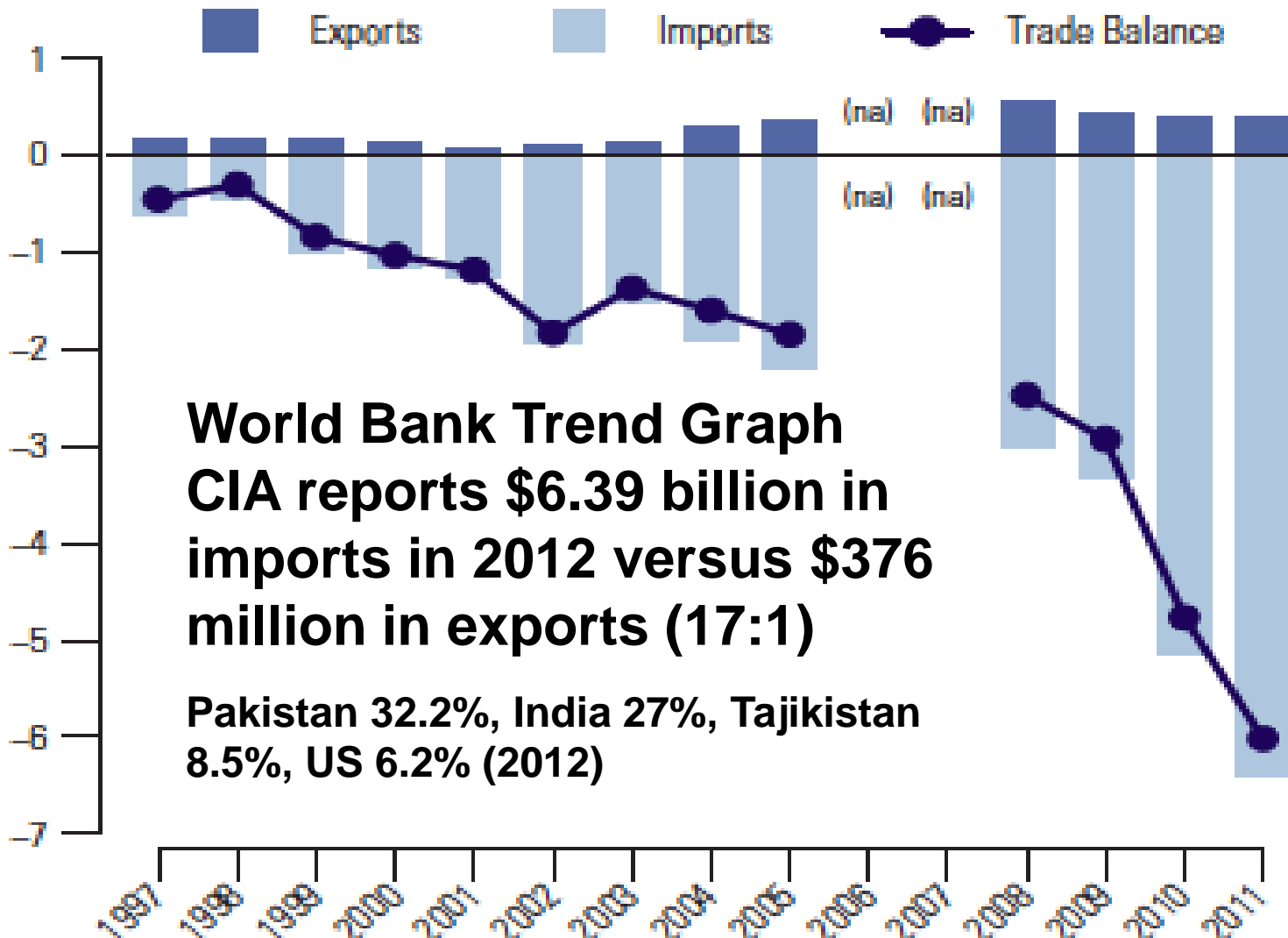
Forecast (2014, 2015, 2016)

IMF Estimate of Imports vs. Exports



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			

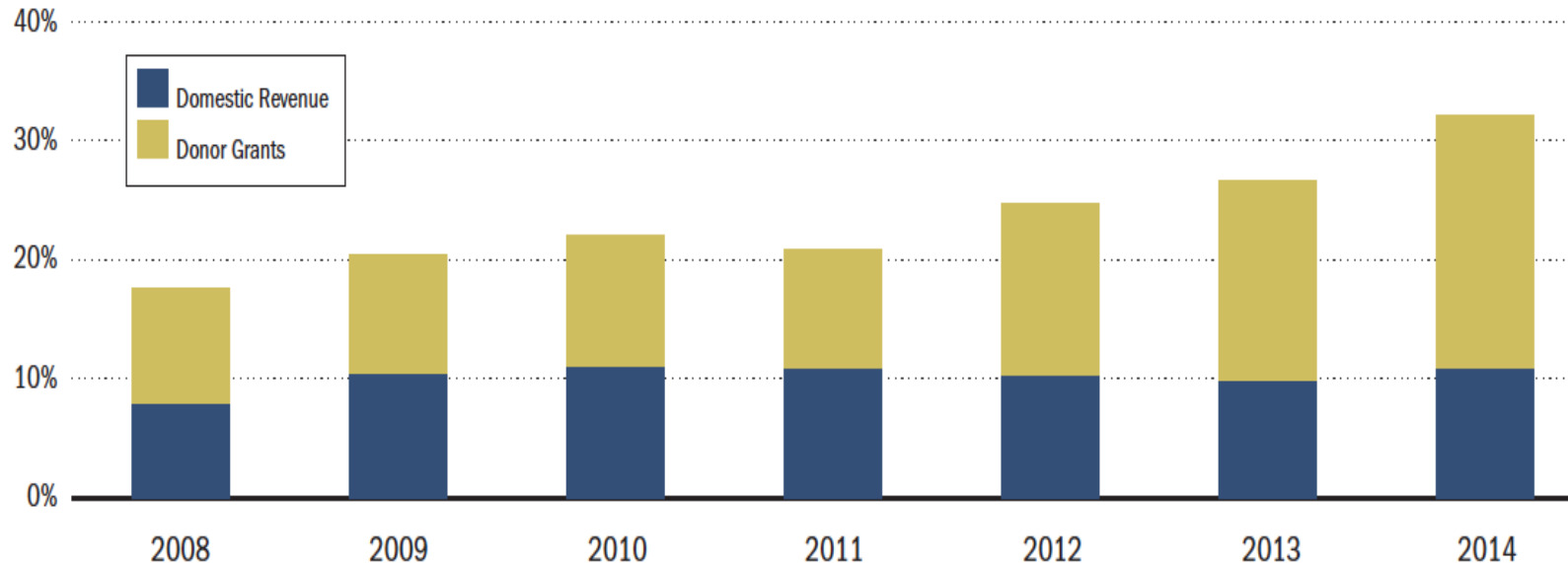
TOPICS	DB 2014 Rank	DB 2013 Rank	Change in Rank
Starting a Business ✓	24	31	+ 7
Dealing with Construction Permits	167	170	+ 3
Getting Electricity	104	111	+ 7
Registering Property	175	176	+ 1
Getting Credit ✓	130	154	+ 24
Protecting Investors	189	189	No change
Paying Taxes	98	95	+ -3
Trading Across Borders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



Afghan Dependence on Donors vs. Revenues

Domestic Revenue and Donor Grants in Afghan Budgets

As percentage of Afghan GDP



In 2013, the Afghan government's domestic revenue was only about \$2 billion, while its overall budget expenditures were \$5.4 billion. Donor grants made up the difference, funding 63% of the budget. Afghanistan's current budget, approved in January 2014, is about \$7.6 billion, with donor grants expected to fund about \$4.8 billion, or still more than 60% of the total. U.S. FY 2014 appropriations for Afghan reconstruction are \$7.5 billion—by coincidence, almost the same as Afghanistan's current national budget of \$7.6 billion. But most of that U.S. aid, as well as most of other international donors' assistance, goes through programs and funds that are not part of the Afghan budget.