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The background of the entire slide is a photograph of several soldiers in military uniforms and helmets, carrying rifles, walking through a field of tall green grass and numerous small pink flowers. The soldiers are in the foreground and middle ground, with some slightly out of focus. The sky is clear and blue in the background.

Afghan Narcotics: 2000-2018: From Control and Elimination Efforts to a Drug Economy and Bombing Labs

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***Please send comments and
suggested additions to
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**Burke Chair
In Strategy**

Introduction

The Uncertain Realities of a Narco-Economy - I

- **There are widely different estimates of the overall impact of drugs on economy based on very limited analysis of actual economic impact.**
- **The impact of the narcotics trade is generally excluded from development plans, the overall assessment of agriculture and service sectors, and the national economics used to requestor justify aid.**
- **Most US government reports downplay the internal political impact of massive narco trafficking, , effects on corruption and security services.**
- **Some analyses focus on farm gate prices (4%+ of GDP) and not overall impact on economy once processed and/or begin transit to export markets (13%+ of GDP).**
- **Most reports are fundamentally flawed because they do not address valued added at each stage of processing and actual export prices. Reports that do not cover all aspects of narco-trafficking through the export stage provide only the vaguest estimates of security and economic impacts.**
- **It is difficult to distinguish the impact of rain and water availability and blight on narcotics output and cultivation. Trend analysis sometimes seem to confuse these impact with effective counternarcotics measures.**
- **SIGAR raises critical questions about value of counterdrug aid effort.**
- **Many current reports continue to focus on eradication, seizures, and alternative crop efforts, even though the historical data show such efforts have had little sustained effect on overall cultivation and production.**

The Uncertain Realities of a Narco-Economy - II

- Afghanistan is rated by the World Bank and Transparency International as one of the most corrupt countries in the world. However, there is almost no explicit analysis of impact on corrupt power brokers, and little detail on financing of Taliban and other threat elements. (TI ranks it as the 4th most corrupt out of 180 countries.)
- U.S. strategy has shifted from eliminating sales to attacking Taliban labs. There is reason for such targeting. It is key source of Taliban income and the Taliban now seems to have has all the elements of an international criminal network in narco-trafficking – sometimes cooperating with Afghan officials and security forces and sometimes competing with the for control of the drug trade.
- However, the role of corrupt Afghan officials is critical even in largely Taliban dominated areas like the opium trade in Helmand and most reporting never addresses the detailed role of the Afghan government in the drug trade – reportedly from at least one recent governor on down.
- Key portions of a New York Times report notes that, “Taliban leader, Mullah Akhtar Muhammad Mansour, is at the pinnacle of a pyramid of tribal Ishaqzai drug traffickers and has amassed an immense personal fortune, according to United Nations monitors. That drug money changed the entire shape of the Taliban: With it, Mullah Mansour bought off influential dissenters when he [claimed the supreme leadership](#) over the summer, according to senior Taliban commanders.*

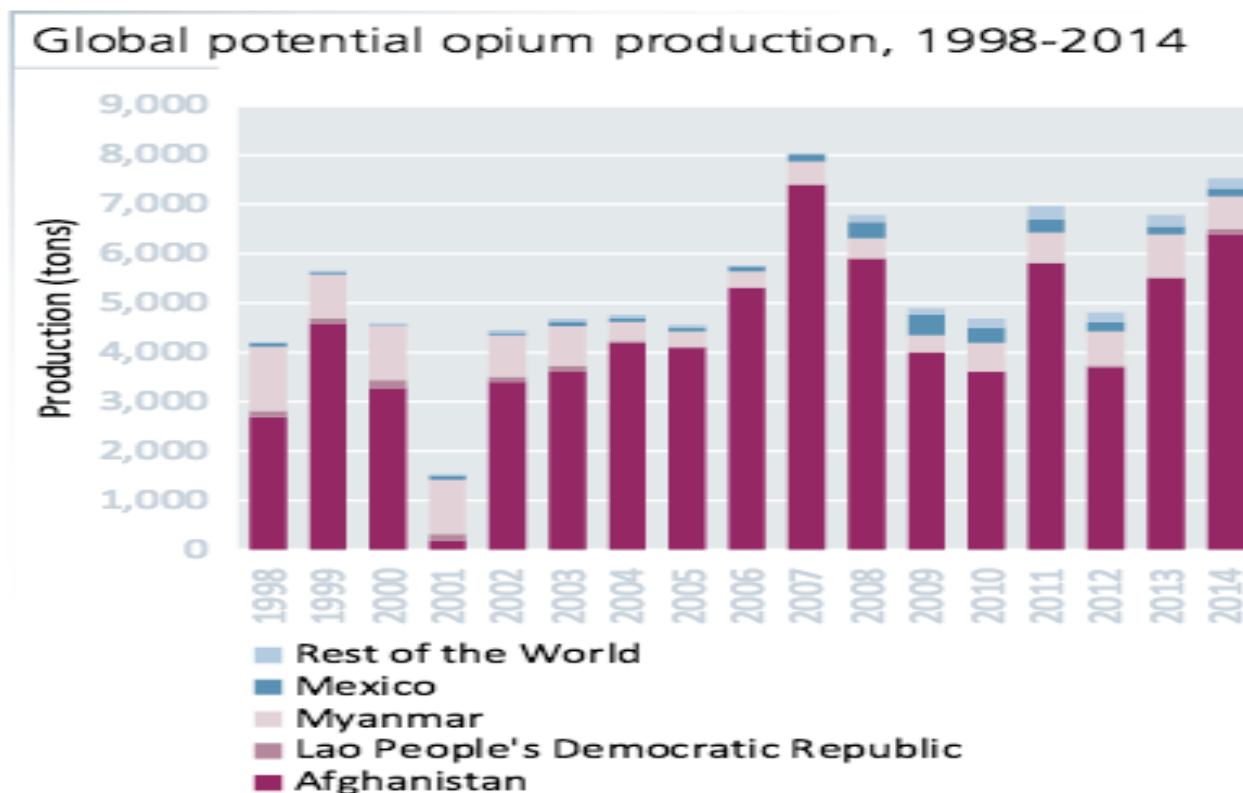
* See the two part series by Azam Ahmed: “Tasked With Combating Opium, Afghan Officials Profit From It,” New York Times, February 15, 2016, <http://www.nytimes.com/2016/02/16/world/asia/afghanistan-opium-heroin-taliban-helmand.html?smprod=nytcore-ipad&smid=nytcore-ipad-share>, and “Penetrating Every Stage of Afghan Opium Chain, Taliban Become a Cartel, New York Times, February 16, 2016, <http://www.nytimes.com/2016/02/17/world/asia/afghanistan-opium-taliban-drug-cartel.html?smprod=nytcore-ipad&smid=nytcore-ipad-share&r=0>.

The Uncertain Realities of a Narco-Economy - III

- The emphasis on farm gate prices does not address the real world incentives and disincentives to farmers, and the attraction of a major hard currency export earner to processors and traffickers.
- Most reports on narcotics do not examine problems of population pressure, low agricultural incomes, poor transport and distribution networks, security problems, or ties to traffickers as reasons for cultivation.
- Security and poor incomes have pushed many Afghans who do not traffic in drugs into cities Agriculture is a far lower percent of GDP than of labor force: Distribution of GDP is **agriculture: 24.6%**, industry: 21.8%, services: 53.5% and data exclude opium production (2012 est.) Distribution of labor force is **agriculture: 78.6%** industry, 5.7%, services: 15.7% (FY08/09 est.)
- Financing is a key issue. In some areas of Afghanistan, the Taliban have provided seeds for farmers to grow opium on the insurgents' behalf, or paid middlemen to purchase opium for them to store while they wait for prices to increase
- Cannabis is largely excluded from economic and trafficking analysis.

Focus on Counter-Narcotics Efforts : 2002-2014

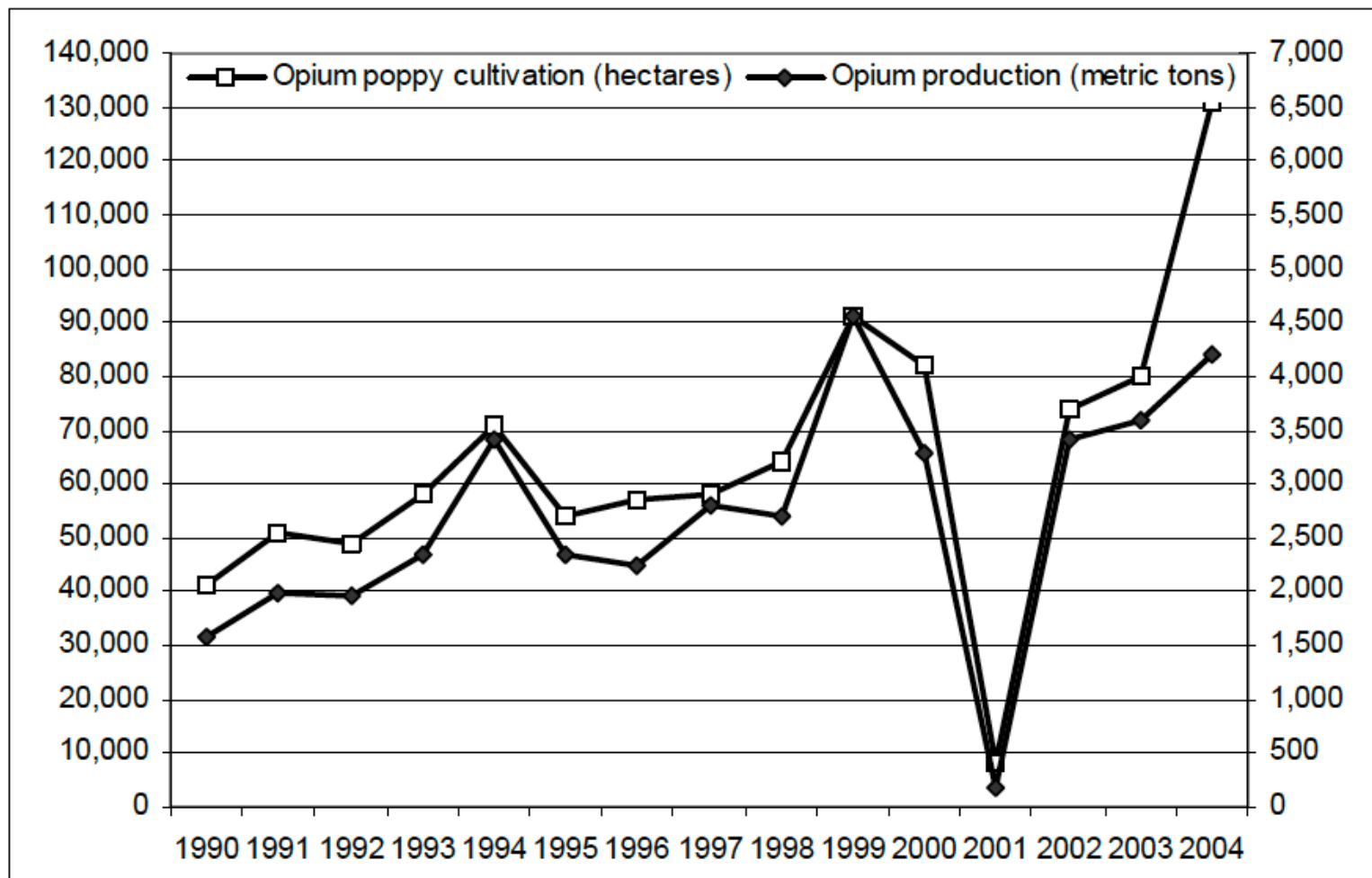
UNODC- Afghanistan's Global Role in Opiates: 1998-2014



According to the limited information available, global prevalence of the use of opioids (0.7 per cent of the world's adult population, or 32.4 million users) and the use of opiates (0.4 per cent, or 16.5 million users worldwide) has remained stable, whereas global opium poppy cultivation in 2014 reached the highest level since the late 1930s. This was mainly attributable to the fact that opium poppy cultivation reached historically high levels in the main country in which opium poppy is cultivated, Afghanistan, where potential production of opium also continued to increase.

Global opium production reached 7,554 tons in 2014, also the second highest level since the late 1930s, though global seizures of opium, heroin and illicit morphine decreased by 6.4 per cent from 2012 to 2013

World Bank/UNODC Estimate of Cultivation and Production:1990-2004



Note: Data for the earlier years up to 1994 are considered less reliable than data for more recent years.

Source: UNODC (2003a, 2003b, 2004b).

World Bank Estimate of Economic Impact 1995-2004

Although the proportion of Afghanistan's land and labor resources used for opium production is relatively small—only about 7% of the country's irrigated land area in 2004 despite a large increase in cultivation in that year, as many as two million people may be involved in opium production, earning higher incomes than in other activities. In 2003 the average gross income per hectare from opium cultivation exceeded that of wheat, the main alternative crop, by as much as 27 times. Even with much lower prices in 2004 (discussed in the following section), the margin was still about a dozen times. In some parts of the country where poppy cultivation is concentrated, wage rates of as much as \$11-12 per day for opium harvesting work have been reported, five times the market wage rate for rural unskilled labor. However, returns to opium cultivation have dropped sharply with the large decline in opium farm-gate prices in 2004, with gross revenues per hectare falling from an estimated \$12,700 in 2003 to \$4,600 in 2004 (Table 1). This may also have had an effect on wages offered for opium harvesting labor.

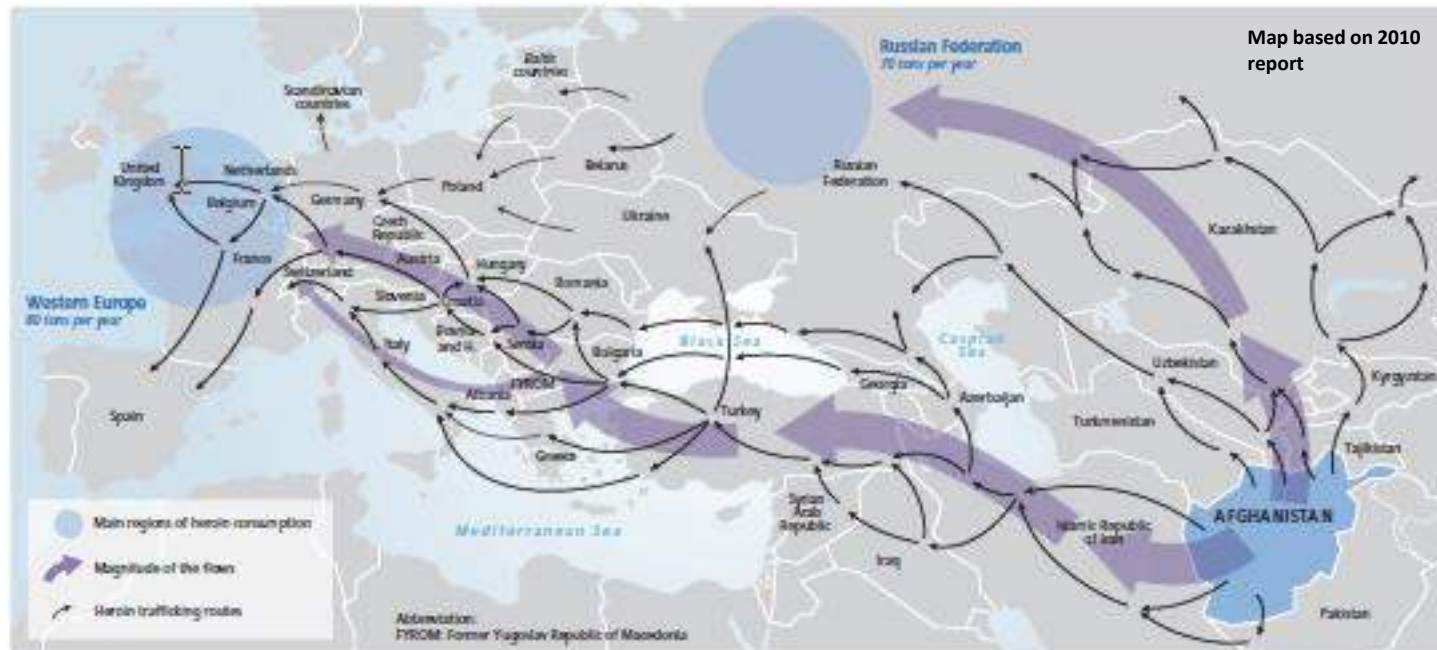
Table 1: Estimated Opium Cultivation, Production, and Incomes 1995-2004

	1995	2000	2002	2002	2002	2004
Production (tons)	2,300	3,300	185	3,400	3,600	4,200
World market share (%)	~52	70	11	74	76	87
Number of provinces producing opium	n/a	23	11	24	28	34
Area under poppy production (ha)	54,000	82,000	8,000	74,000	80,000	131,000
Area under poppy/Area under cereals (%)	2.0	3.2	n/a	3.2	2.8	5.9
Gross farm income per ha (\$)	1,000	1,100	7,400	16,200	12,700	4,600
Value of opiate exports (\$m)	n/a	850	n/a	2,500	2,300	2,800
Gross farm income from opium (\$m)	50	90	60	1,200	1,000	600
Gross downstream domestic income (\$m)	n/a	760	n/a	1,300	1,300	2,200

Note: Estimates have considerable margins of error; there have been some changes in estimation methods over time.

Sources: Afghanistan Government (2004b, Table 1.2); UNDOC (2003a, 2003b, 2004); authors' estimates.

Afghan Opiate Flow to Europe, Russia, and Asia -2010

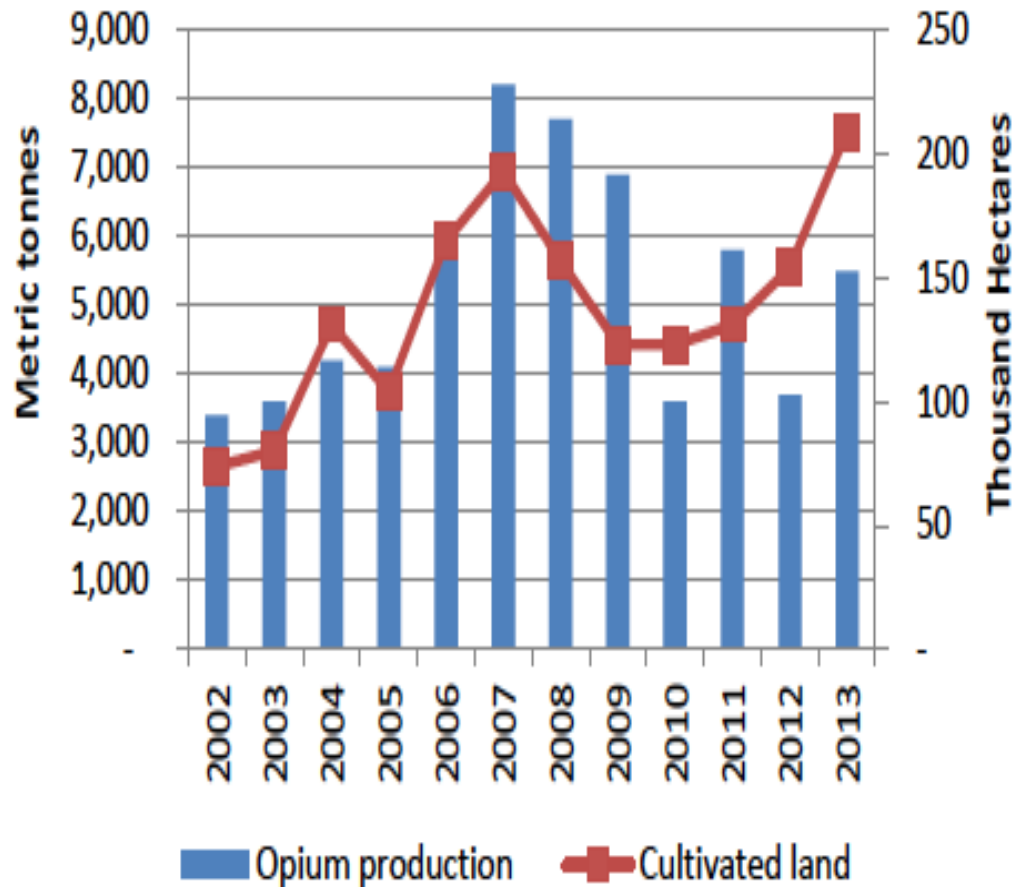


Afghanistan has dominated the worldwide opium market for more than a decade. In 2009, the total quantity of opium produced in that country was 6,900 metric tons, accounting for 90 per cent of global supply. Afghan heroin feeds a global market worth some \$55 billion annually, and most of the profits of the trade are made outside Afghanistan. Afghanistan and its neighbors are affected by trafficking as the drugs are moved to their key destination markets of Western Europe and the Russian Federation. About a third of the heroin produced in Afghanistan is transported to Europe via the Balkan route, while a quarter is trafficked north to Central Asia and the Russian Federation along the northern route.

Afghan heroin is also increasingly meeting a rapidly growing share of Asian demand. Approximately 15-20 metric tons are estimated to be trafficked to China, while a further 35 metric tons are trafficked to other South and South-East Asian countries. Some 35 metric tons are thought to be shipped to Africa, while the remainder supplies markets in other parts of Asia, North America and Oceania. Every year, approximately 375 tons of heroin flow from Afghanistan to the rest of the world and Southern Afghanistan acts as the primary heroin manufacture and export point towards Iran and Pakistan. Approximately 160 tons of heroin was trafficked through Pakistan in 2009, putting an estimated \$650 million in the pockets of drug traffickers. 115 tons of heroin was estimated trafficked into Iran towards Turkey and Western Europe. The other path from Afghanistan is the northern route which carried an estimated 90 tons of heroin on different paths through the Central Asian States to the Russian Federation and beyond. Reports also indicate a growing importance of these northward trafficking routes for Afghan opiates flowing into China.

Besides opiates, reports show a growing prevalence of cannabis production in Central Asia. The hashish trade has grown in recent years, and total production today may rival that of Europe's traditional supplier, Morocco. All of Afghanistan's neighbors are reporting increases in cannabis seizures, and cannabis production has been reported in 20 of Afghanistan's 33 provinces. With entrenched smuggling networks, widespread insecurity and a drug-based economy, Afghanistan is ideally placed to become a major player in the global hashish market.

Shifting Back Towards a Narco-Economy: 2002-2013



Source: UNODC

Both opium production and area under poppy cultivation increased considerably in 2013 –and is expected to remain at a high level in 2014.

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.

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 farmgate 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.

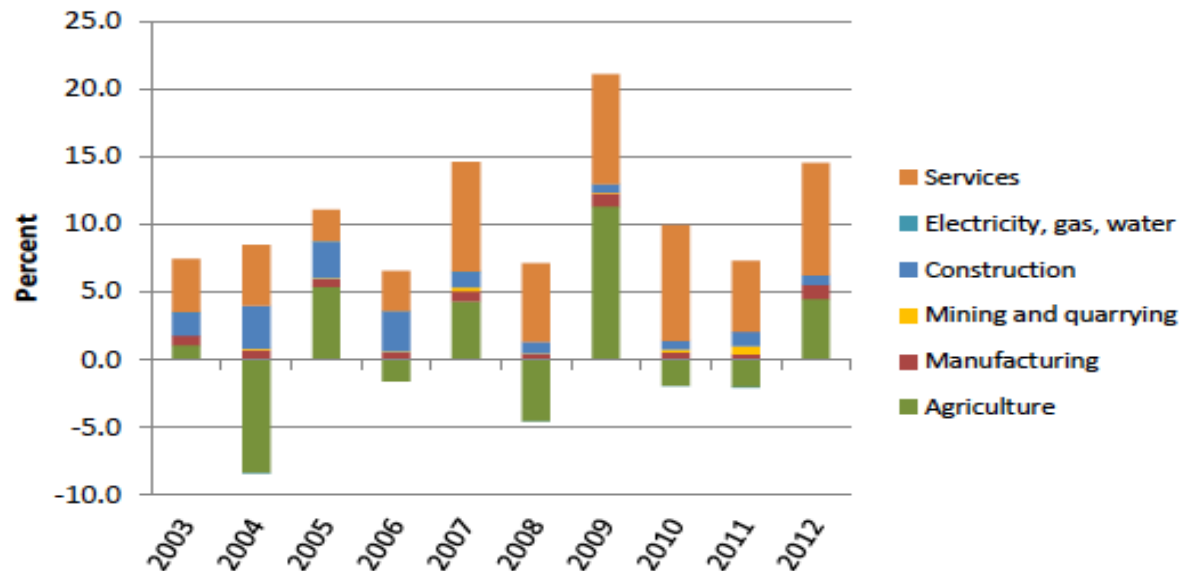
A number of factors could have contributed to the recent increase in poppy production, including (i) the introduction of new production technologies (e.g. irrigation); (ii) fewer livelihood opportunities or the expectation thereof; and (iii) the rollback of international forces and associated counternarcotic efforts from the provinces.

Although opium's importance in GDP has been declining over time (down from 13 percent of GDP in 2007 to 4.1 percent in 2013 at farm-gate prices), it is likely an important source of livelihood for a segment of the rural population

Drugs in a Rural Economy: 2003-2013

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)



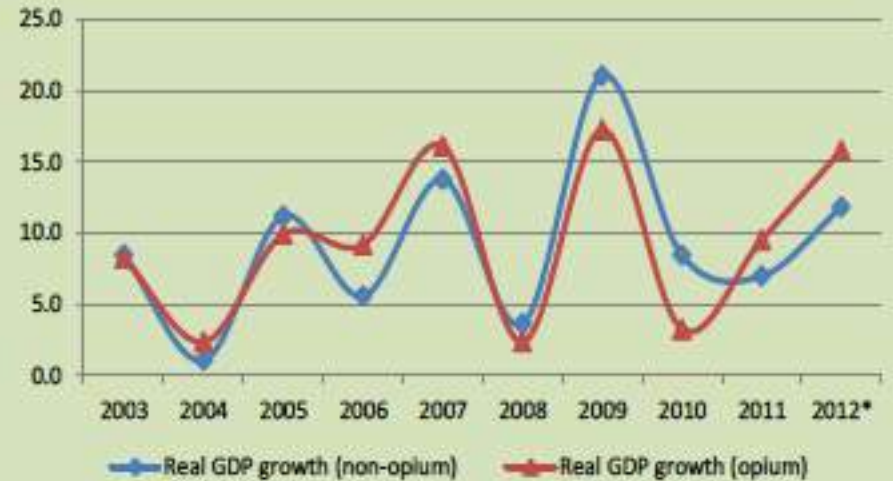
Source: World Bank staff calculations based on CSO data

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).

World Bank Estimate of Opium Economy: 2013



Source: UNODC/MCN opium surveys



Source: Central Statistics Organization

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 markets... 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.

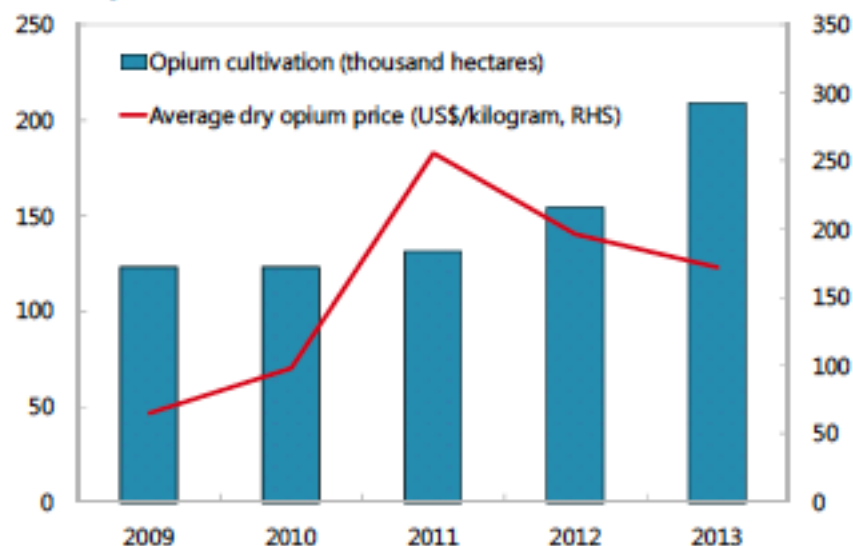
IMF Estimate of Opium Economy: 2013

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

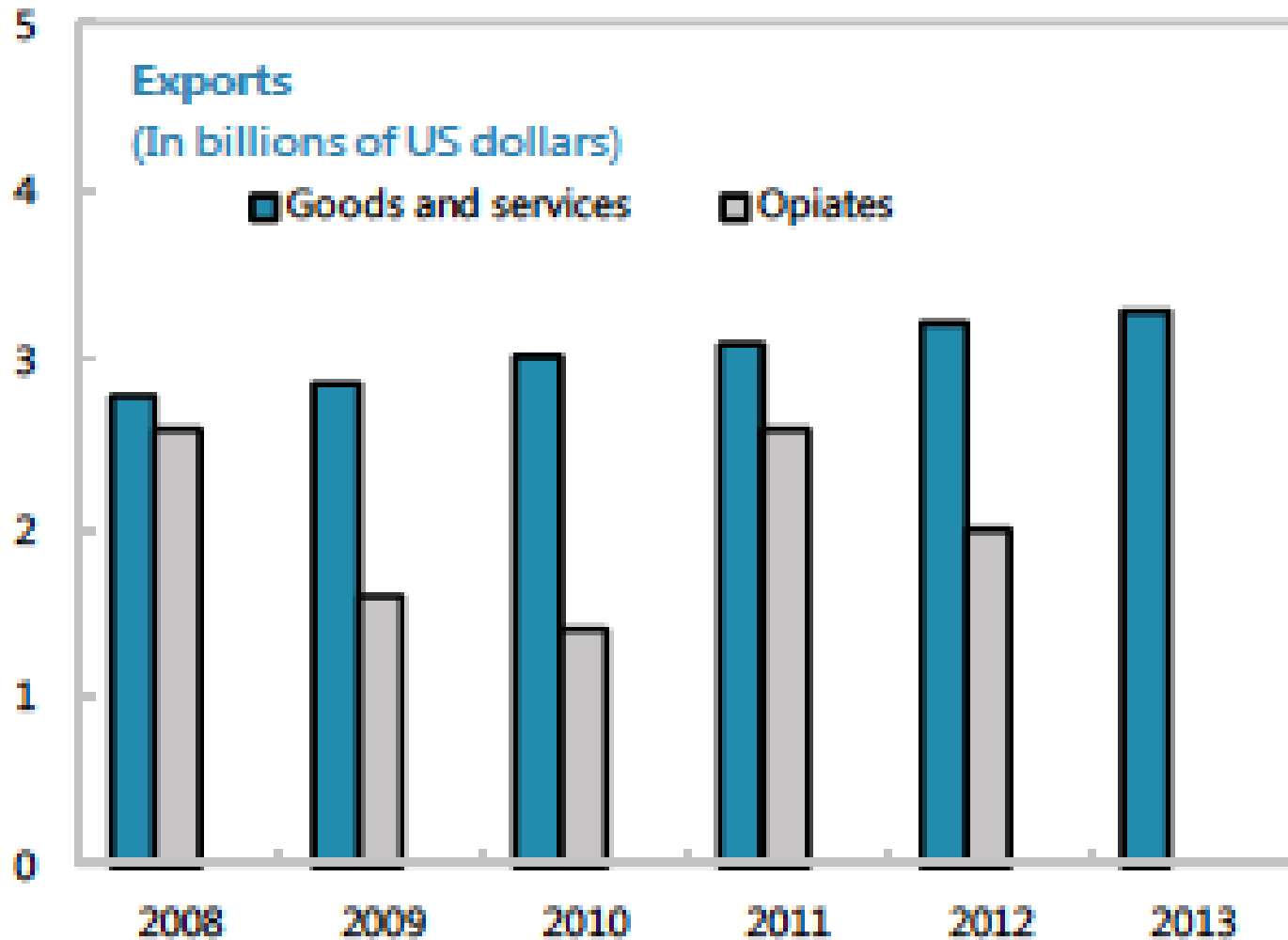
Resources devoted to drug cultivation and trafficking are diverted from other productive opportunities, decreasing activity in others sectors of the economy. It is also possible that spillovers from the drug sector may increase activity in other sectors.

Opium Cultivation and Prices, 2009–13

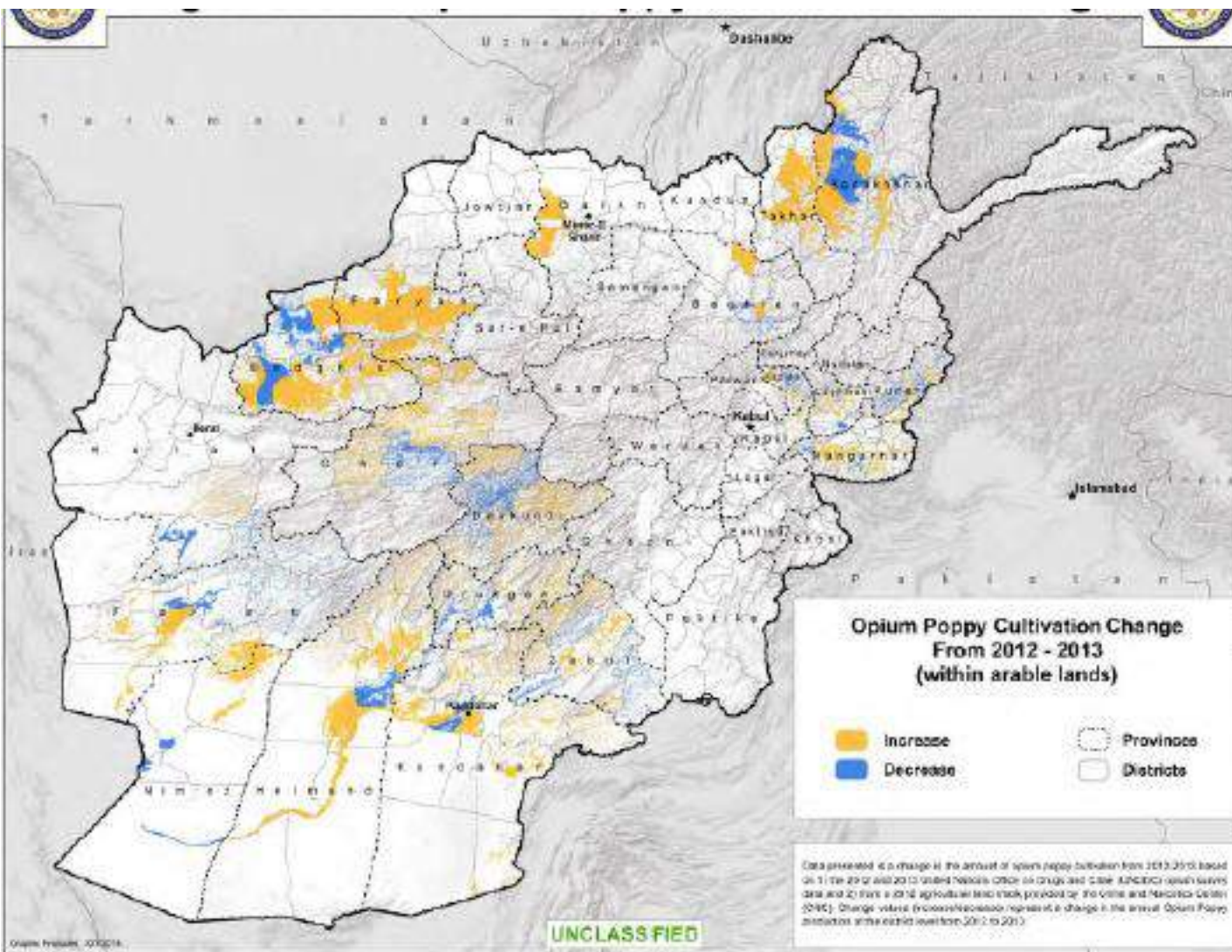


Source: United Nations Office on Drugs and Crime, Afghanistan Opium Surveys.

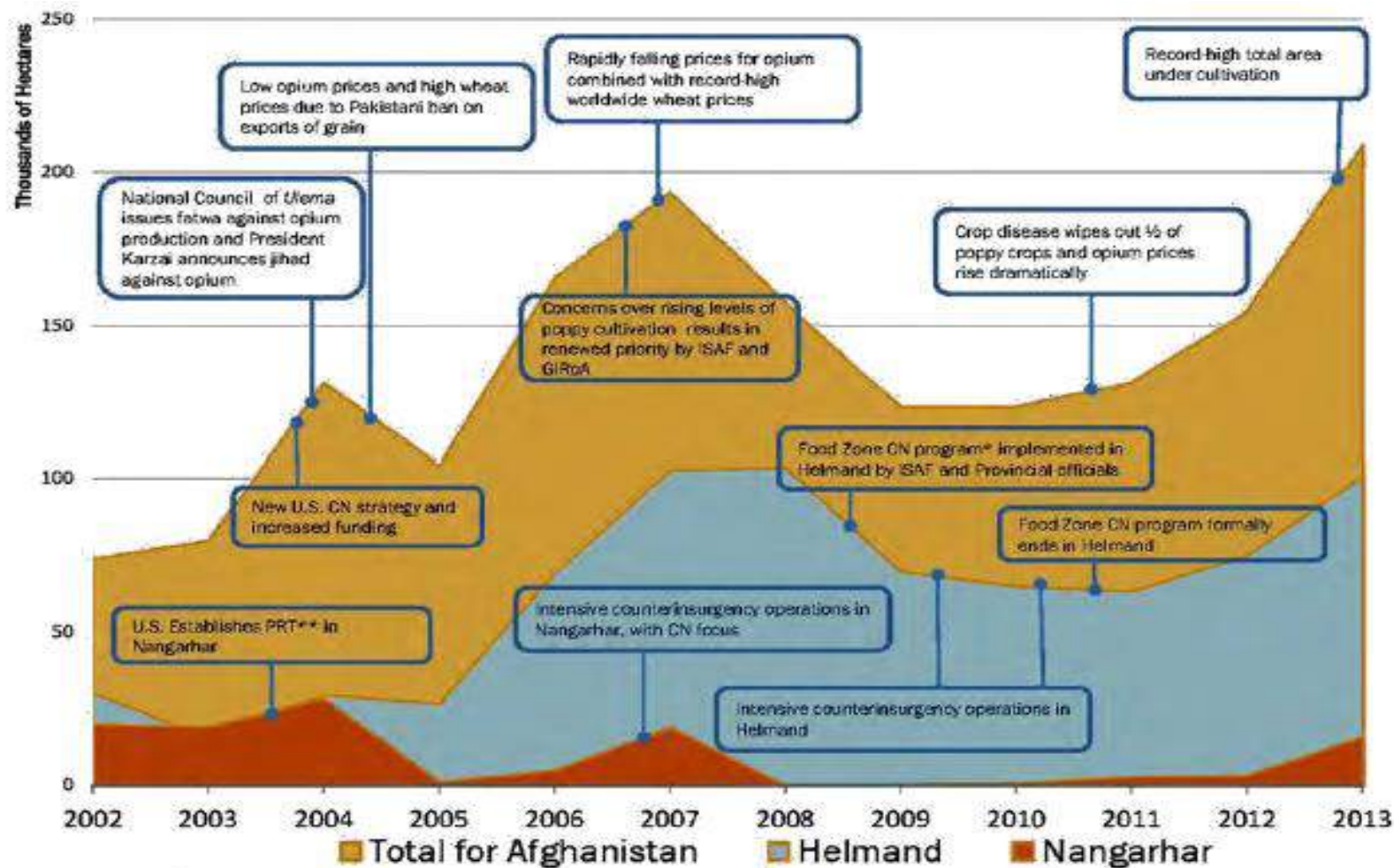
IMF Estimate of Value of Opium vs. Other Exports: 2008-2013



The Drug Outcome of the Surge: Change in Poppy Cultivation 2012-2013



SIGAR Estimate Total Area Under Poppy Cultivation: 2002-2013



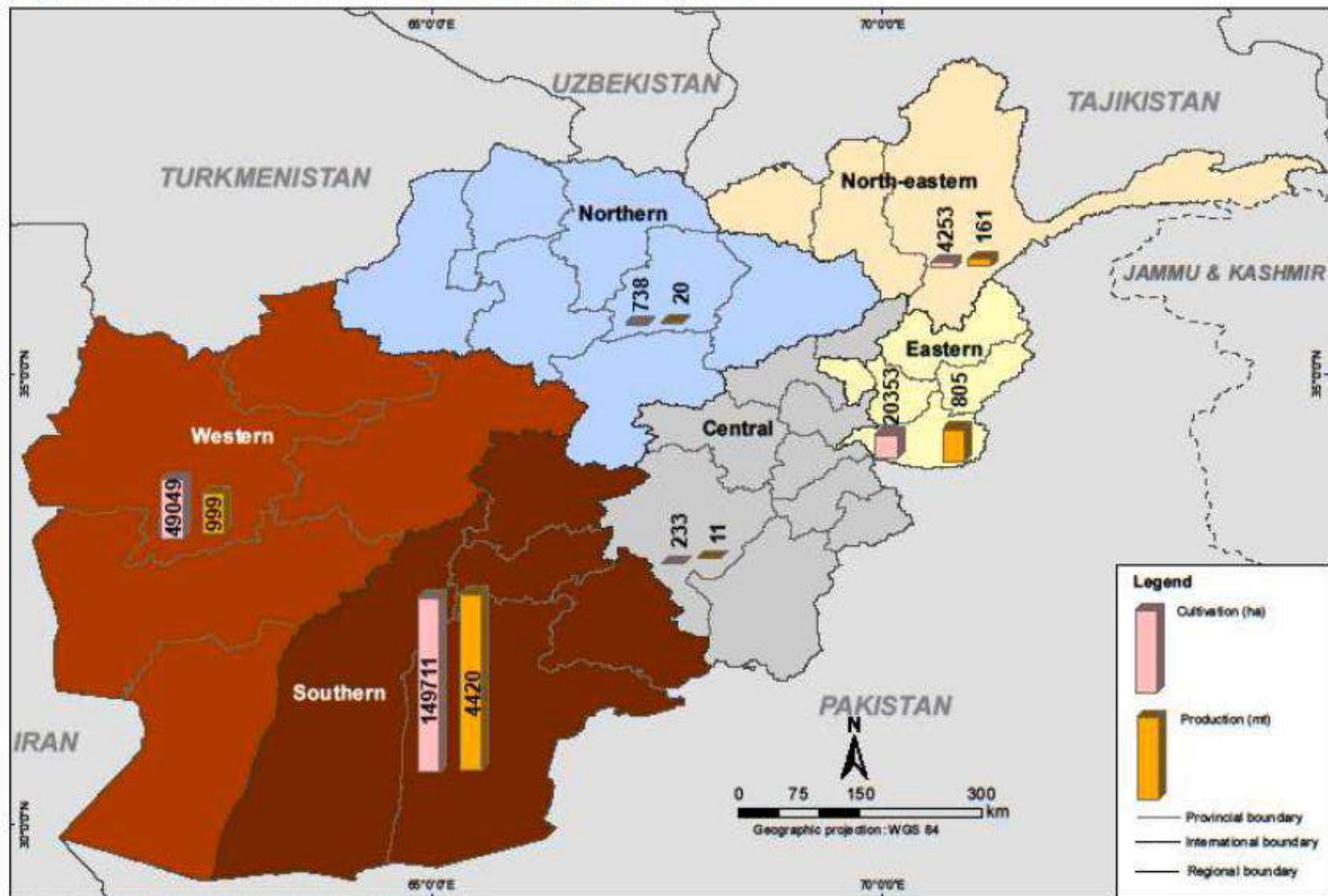
Source: UNODC, Afghanistan Opium Survey 2013, December 2013

*The Food Zone Program was a concentrated alternative livelihood agricultural program implemented by the United States and the United Kingdom in coordination with Afghan provincial officials. The program cost \$56 million and paired alternative crop development with intensive poppy eradication efforts.

**Provincial Reconstruction Teams (PRTs) are units consisting of military forces, diplomats, and economic development and reconstruction subject matter experts. PRTs are intended to improve stability in an area and build host nation legitimacy by providing security to citizens and delivering public services.

UNDOC Estimate of Rising Afghan Opium Cultivation 2014

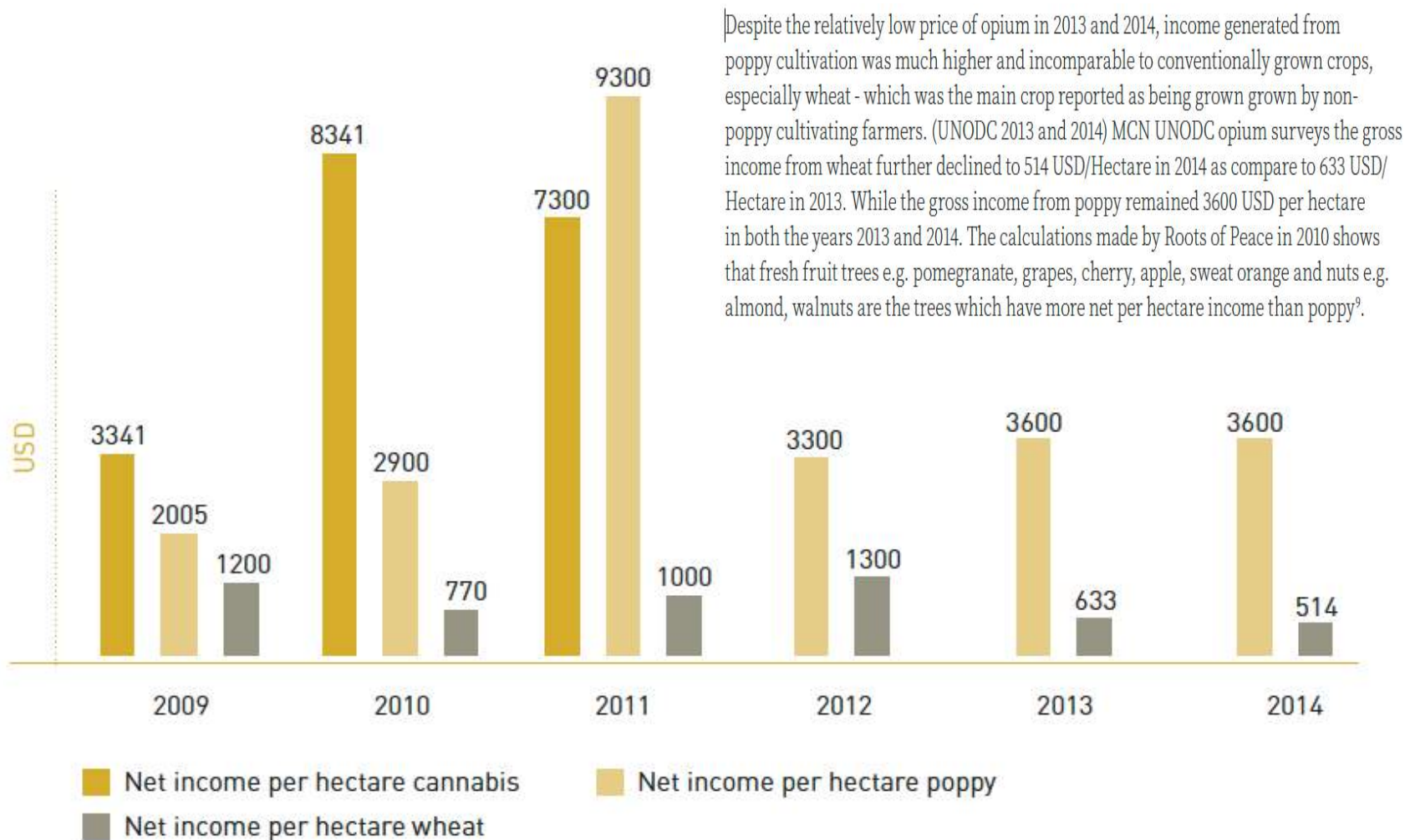
Regional opium cultivation and production in Afghanistan, 2014



Source: Government of Afghanistan - National monitoring system implemented by UNODC

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

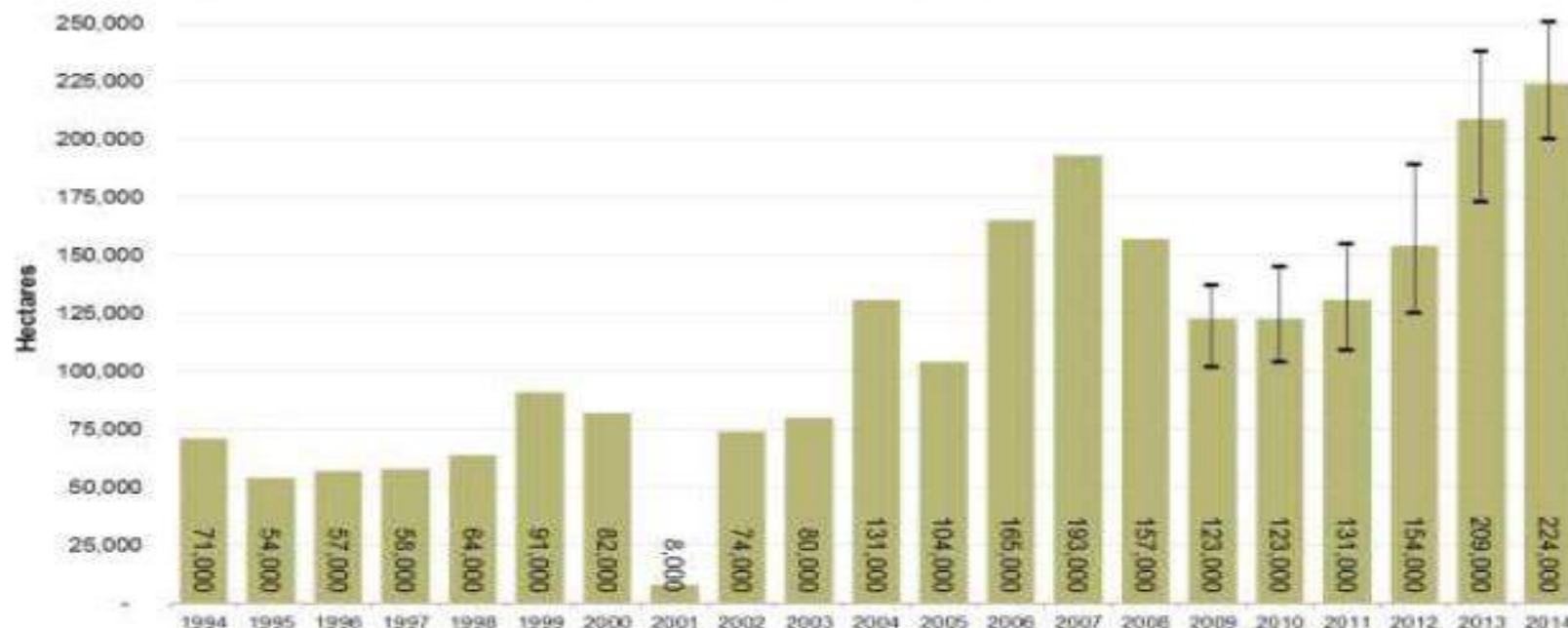
Opium Earns: Comparative Gross Income from Opiates, Cannabis, and Wheat: 2009-2014:



Source: AOPS reports 2009-2014

UNDOC Estimate of Rising Afghan Opium Cultivation: 1994-2014

Figure 1: Opium cultivation in Afghanistan, 1994-2014 (Hectares)



Sources: UNODC and UNODC/MCN opium surveys 1994-2014. The high-low lines represent the upper and lower bounds of the 95% confidence interval.

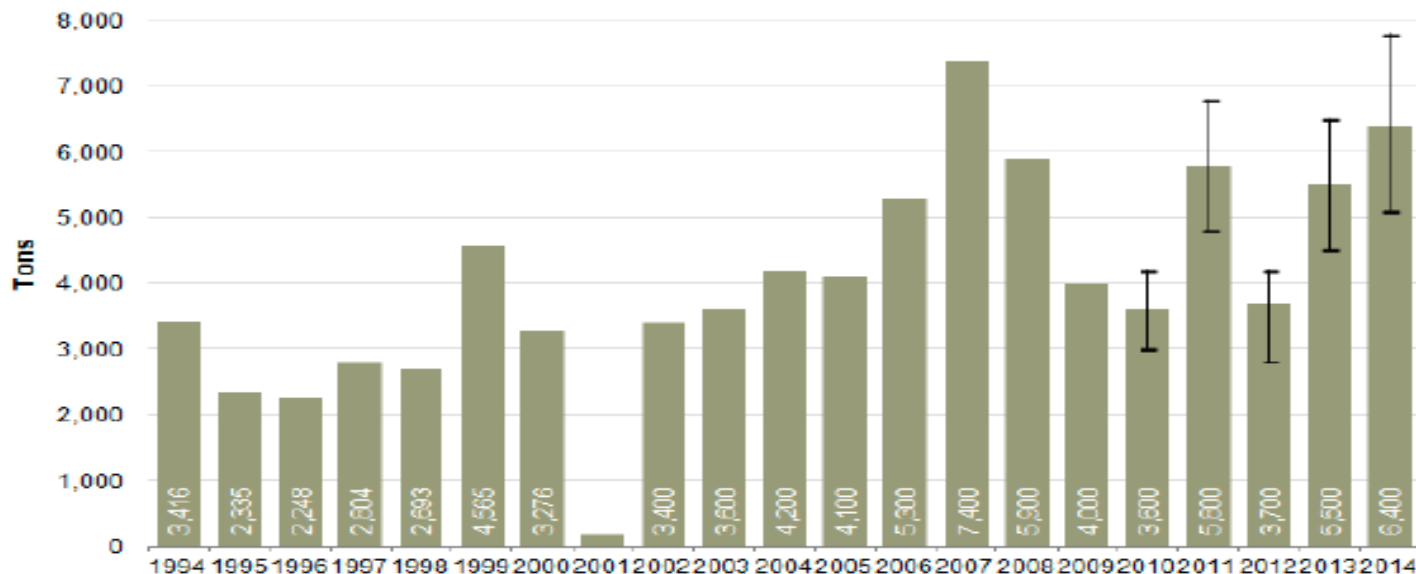
The total area under opium poppy cultivation in Afghanistan was estimated to be 224,000 hectares (200,000-250,500) in 2014, which represents a 7% increase from 2013, which was a 36 percent increase over 2012.

In 2014, 98% of total opium cultivation in Afghanistan took place in the Southern, Eastern and Western regions of the country: in the Southern region, 67% was concentrated in Day Kundi, Hilmand, Kandahar, Uruzgan and Zabul provinces; in the Western region, 22% was concentrated in Badghis, Farah, Hirat and Nimroz provinces; in the Eastern region, 9% was concentrated in Nangarhar, Kunar, Laghman and Kapisa provinces. These are the most insecure provinces, with a security risk classified as “high” or “extreme” by the United Nations Department of Safety and Security (UNDSS), and they are mostly inaccessible to the United Nations and NGOs. Day Kundi is the only province in the South where security is generally good, with the exception of Kejran district.

Hilmand remained the country’s major opium-cultivating province (103,240 hectares), followed by Kandahar (33,713 hectares), Farah (27,513 hectares), Nangarhar (18,227 hectares), Nimroz (14,584 hectares), Uruzgan (9,277 hectares), Badghis (5,721 hectares), Badakhshan (4,204 hectares), Zabul (2,894 hectares), Laghman (901 hectares), Kunar (754 hectares), Hirat (738 hectares), Day Kundi (587 hectares), Ghor (493 hectares), Kapisa (472 hectares), Kabul (233 hectares) and Sari Pul (195 hectares).

UNDOC Estimate of Trend in Afghan Opium Production: 1994-2014

Figure 13: Potential opium production in Afghanistan, 1997-2014 (Tons)



Sources: UNODC and UNODC/MCN opium surveys, 1994-2014. The high-low lines represent the upper and lower bounds of the confidence interval of the estimates. Figures refer to oven-dry opium. Production figures for 2006 to 2009 have been revised; see UNODC/MCN Afghanistan opium survey 2012.

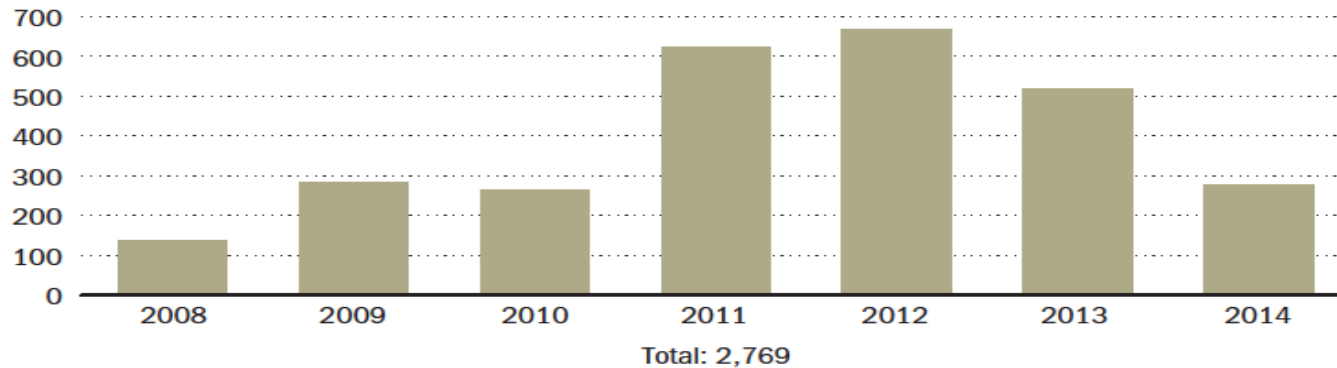
In 2014, estimated potential opium production in Afghanistan amounted to 6,400 tons (5,100-7,800 tons), an increase of 17% from its 2013 level (5,500 tons). Average opium yield amounted to 28.7 kilograms per hectare in 2014, which was 9% more than in 2013 (26.3 kilograms per hectare).

The increase in production was mainly the result of an increase in opium cultivation and yield. The 27% increase in yield in the Southern region, in particular, caused an increase in overall production. However, as in the previous year, adverse weather conditions in parts of the Western and Southern regions affected poppy plants, thereby reducing the yield in comparison to the relatively unaffected 2011 yield (44.5 kilograms per hectare). In the Southern region, for example, the yield survey showed a reduction of more than 39% from its 2011 level.

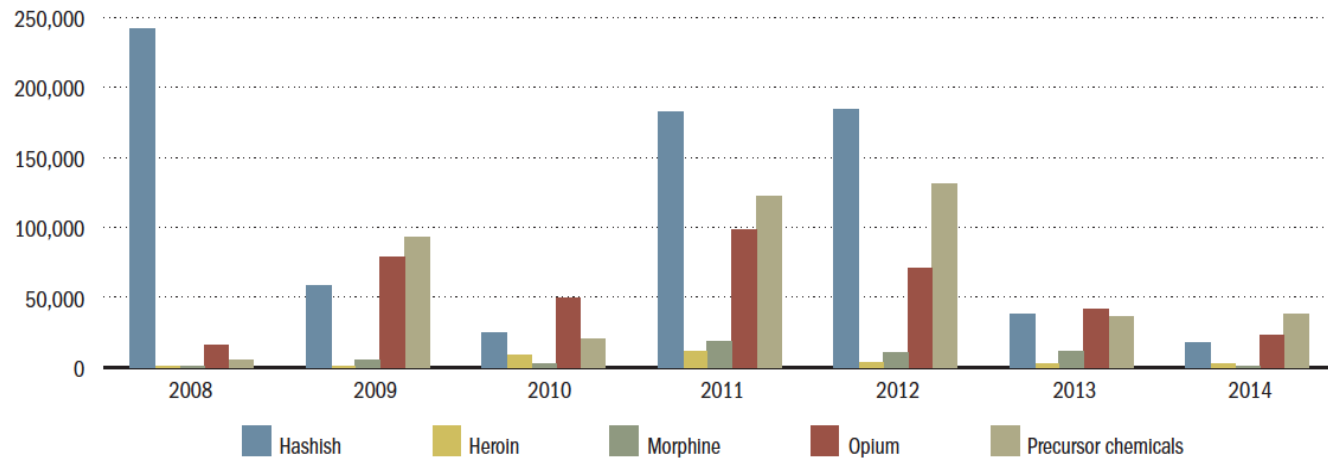
...The Southern region continued to produce the vast majority of opium in Afghanistan in 2014, representing 69% of national production. The Western region was the country's second most important opium-producing region (16%). The rest of the country contributed 15% of total opium production.

Trends in Counternarcotics Activity: 2008-2014

INTERDICTION OPERATIONS, 2008-2014



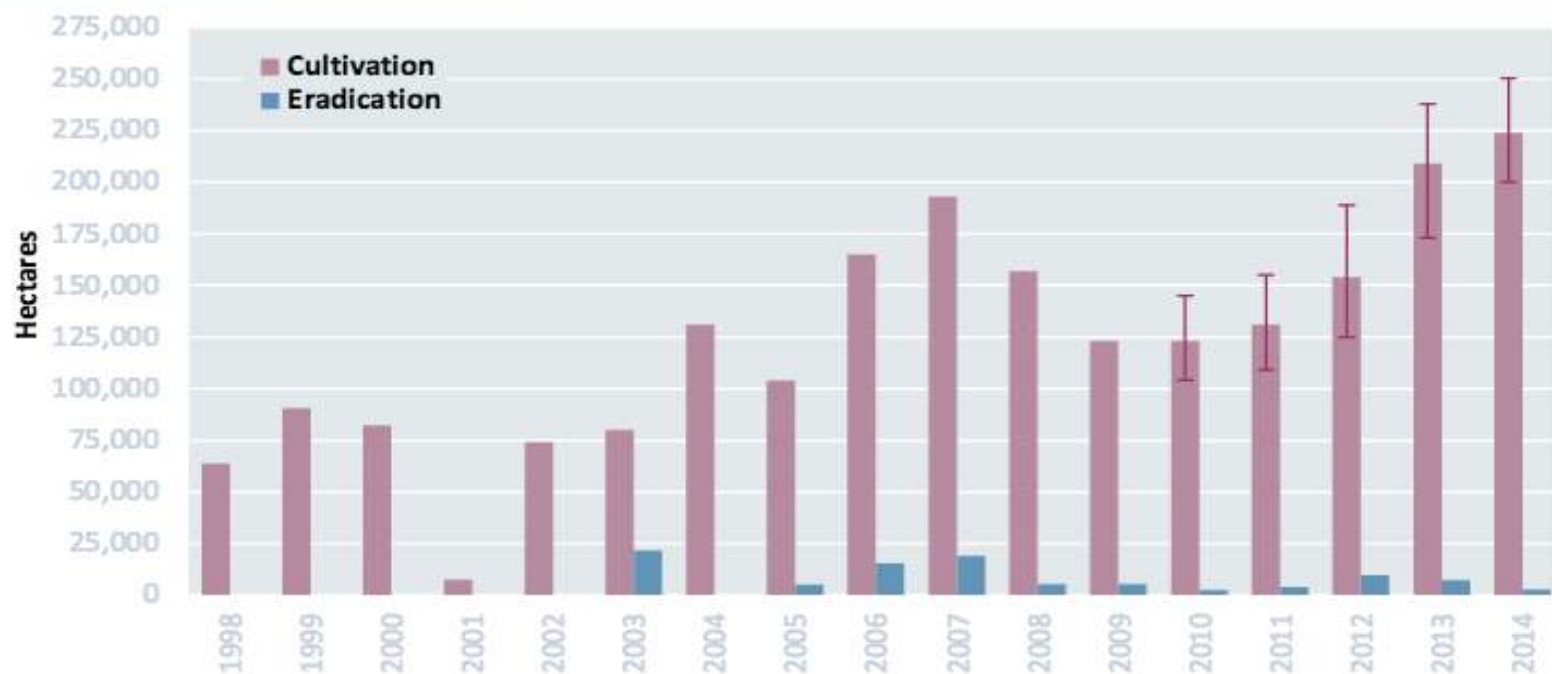
DRUG SEIZURES, 2008-2014 (KILOGRAMS)



Note: Fiscal year.

Drug Eradication Has Had a Negligible and Dropping Impact: 1998-2014

FIG. 39. Opium poppy cultivation and eradication in Afghanistan, 1998-2014



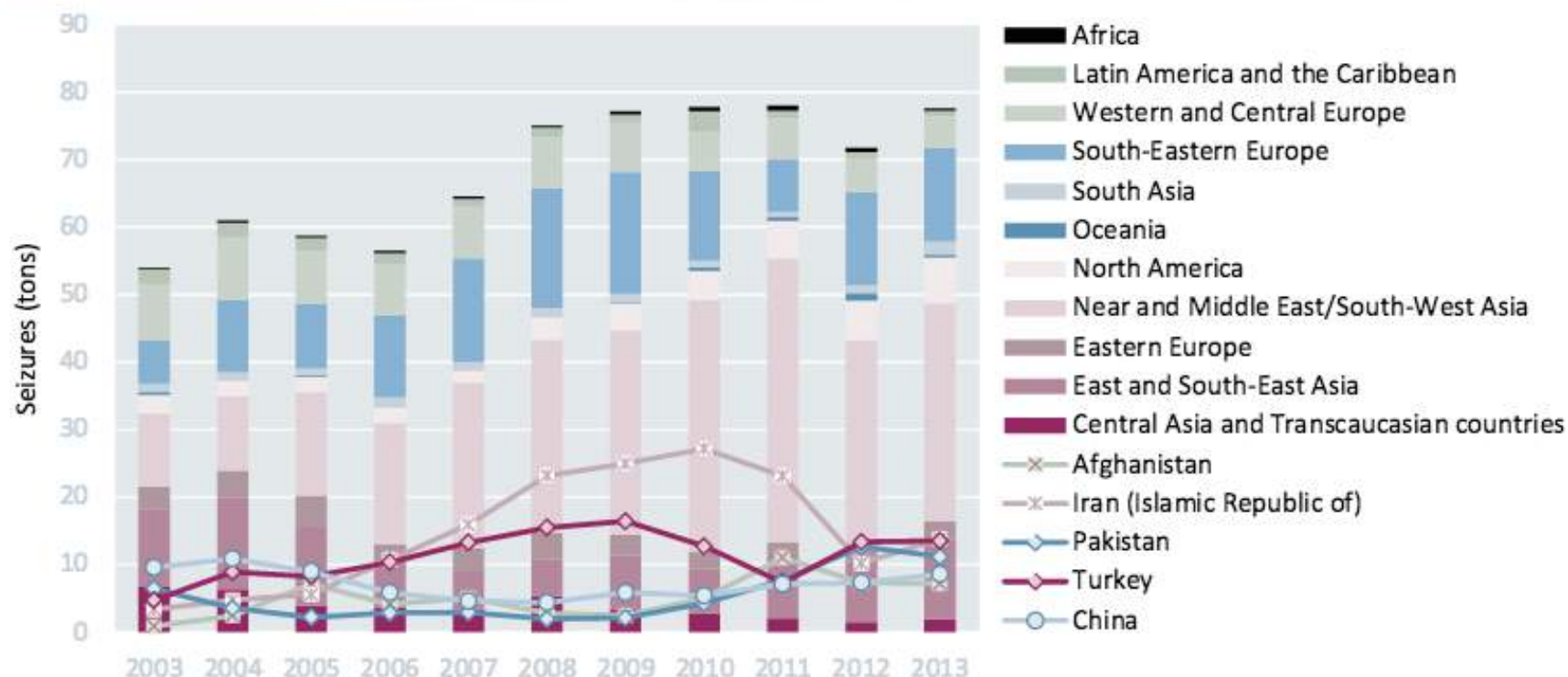
Source: Period 1997-2002: UNODC; since 2003: national illicit crop monitoring system supported by UNODC.

Global potential opium production continued to increase in 2014, reaching 7,554 tons, its second-highest level since the late 1930s (see figure 40). Opium production in Afghanistan accounted for an estimated 85 per cent of that total (6,400 tons) and, at 410 tons of heroin of export purity, 77 per cent of global heroin production (estimated at 526 tons). The remaining 116 tons (heroin of unknown purity) were produced in the rest of the world, but because the conversion ratios were updated in 2014, potential heroin production in 2014 is not comparable with production in previous years.

...According to the limited information available, at 0.7 per cent and 0.4 per cent of the population aged 15-64 respectively, the global prevalence of use of opioids and opiates has remained stable, representing 32.4 and 16.5 million users. Due to a 7 per cent increase, from 209,000 ha in 2013 to 224,000 ha in 2014, opium cultivation in Afghanistan is now at its highest level since estimates became available, although the increase was actually greater from 2012 to 2013 (36 per cent). The 63 per cent reduction in poppy eradication in Afghanistan, from 7,348 ha in 2013 to 2,692 ha in 2014, may be a contributing factor.

Drug Seizures Largely Occur Outside the Country and Are a Normal Cost of Doing Business: 2003-2013

FIG. 41. Global quantities of heroin seized, by region and in selected countries, 2003-2013



Source: UNODC, responses to annual report questionnaire and other official sources.

Global potential opium production continued to increase in 2014, reaching 7,554 tons, its second-highest level since the late 1930s (see figure 40). ...The majority of the opium and illicit morphine seized in 2013 was concentrated around poppy cultivation areas in Afghanistan and its neighboring countries, while heroin seizures covered a wider area). Since 2002, Afghanistan, Iran (Islamic Republic of) and Pakistan have consistently accounted for more than 90 per cent of the global quantity of opium seized each year and this pattern continued in 2013 when, with a 13 per cent increase from the previous year, the Islamic Republic of Iran remained the country with the largest quantity of opium seized (436 tons). Globally, heroin seizures increased by 8 per cent from 2012 to 2013, whereas illicit morphine seizures decreased by 26 per cent). The largest drop in illicit morphine seizures was observed in Afghanistan, where they fell from 44 tons seized in 2012 to 24 tons in 2013..

State Department Reports Growing Afghan Government Corruption in 2014 – II

Corruption: During the year there were significant developments in the case of Kabul Bank, which had been the country's largest private financial institution prior to its collapse in a bank fraud scandal that began to unfold in 2010. Reportedly, nearly 57 billion Afghanis (\$983 million) of misappropriated funds were disbursed to politicians, ministers, and politically well-connected shareholders of the bank.

In March 2013 the Kabul Bank Special Tribunal sentenced former chairman Sherkhan Farnood and former chief executive officer Khalilullah Ferozi to five years in prison for "breach of trust" and ordered them to make restitution. The attorney general appealed the verdict. The remaining 19 persons accused in the case, including minor bank officials and public officials, were convicted and sentenced to prison terms and fines generally considered disproportionately heavy in comparison with the sentences received by Farnood and Ferozi. The indictment of Farnood and Ferozi, which was sent to the Special Tribunal in 2012, also included the crimes of embezzlement and money laundering, both of which would allow for confiscation of the defendants' property. The conviction on breach of trust, however, did not allow authorities to confiscate assets or impose any penalties for failure to repay the funds.

On October 1, President Ghani issued a decree ordering the appellate court to render a decision on the pending appeal in Farnood and Ferozi's case, that police arrest those who were convicted in the case but had not been incarcerated, and that the Supreme Court review the case and determine whether the scope of the case should be expanded. The decree also outlined steps to pursue the return of ill-gotten gains the fraud's perpetrators sent out of the country. The decree resulted in the indictment of 17 individuals, and on November 18, the tripling of Farnood and Ferozi's sentences to 15 years in prison by the appellate court. The Attorney General's Office subsequently froze the assets of 10 companies and eight individuals involved in the bank's collapse. At year's end, however, the majority of assets in the Kabul Bank case had not been recovered.

Impunity continued in the prosecution of some high-profile corruption cases, including those involving the national Military Hospital. There were reports 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 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 reports the Attorney General's Office compelled international contractors to settle claims made by local 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.).

State Department Reports Growing Afghan Government Corruption in 2014 – III

Provincial police benefited financially from corruption at police checkpoints and from the narcotics industry. ANP officers reportedly 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. The Ministry of Interior continued to be affected by widespread corruption, poor performance, and abuse of power by officers. From January 2013 to June 2014, police were defendants in more than two thousand cases on charges of neglect of duty, bribery, theft, assault and battery, and murder.

In addition to official impunity problems, 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 local police in many areas extorted a “tax” and inflicted violence at police checkpoints for nonpayment. Truck drivers complained they had to pay bribes to security forces, insurgents, and bandits to allow their trucks to pass.

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

The government made efforts to combat corruption within the security sector. Before the 2010 elections, the Ministry of Interior trained and deployed provincial inspectors general, who remained on duty after the elections. Their training continued. Merit-based promotion boards continued, with at least three candidates competing for each job; the process of instituting pay reform and electronic funds transfer for police salaries also continued.

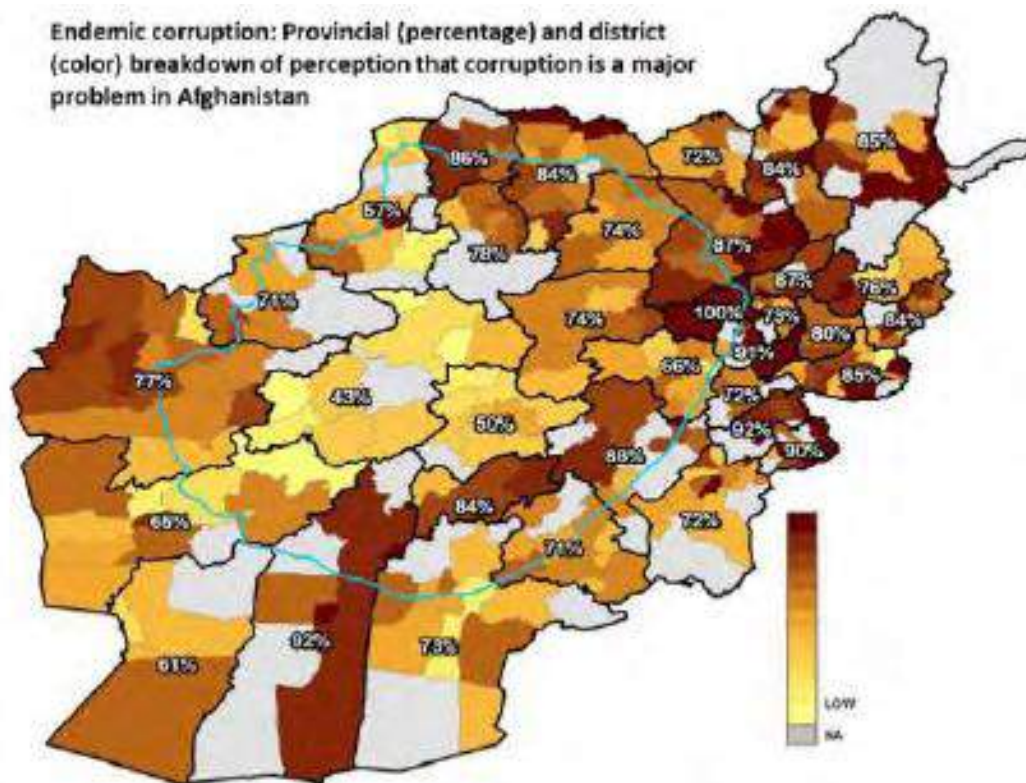
The High Office of Oversight oversees and develops the government’s ability to mitigate corruption in line with commitments made at the 2010 London and 2012 Kabul conferences, and as directed by the 2012 presidential decree on good governance. Overall, the oversight office continued to be ineffective, with reports of corruption within the office itself.

Governors with reported involvement in the drug trade or records of human rights violations reportedly continued to receive executive appointments and served with relative impunity.

Financial Disclosure: ... While collection and publication occurred, there was only limited progress on the verification of such declarations by domestic and international experts independent of the government. There is no legal penalty for any official who submits documentation with omissions or misrepresentations, undermining a key tool to identify possible wrongdoing.

The Regionalization and Rising Scale of Corruption as of 2014

Endemic corruption: Provincial (percentage) and district (color) breakdown of perception that corruption is a major problem in Afghanistan



Since 2003, levels of distrust and corruption have increased to the point where corruption is endemic across Afghanistan.

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

In the same poll, Afghans were questioned about various governance bodies and whether they abused their authority and power. More than half

of respondents felt that every level of government and every office abused its power. Notably, President Karzai, who was viewed as corrupt by “only” 38 percent of respondents, experienced a rise in the number of people who felt he abused his authority, to the highest level since an August 2011 poll.

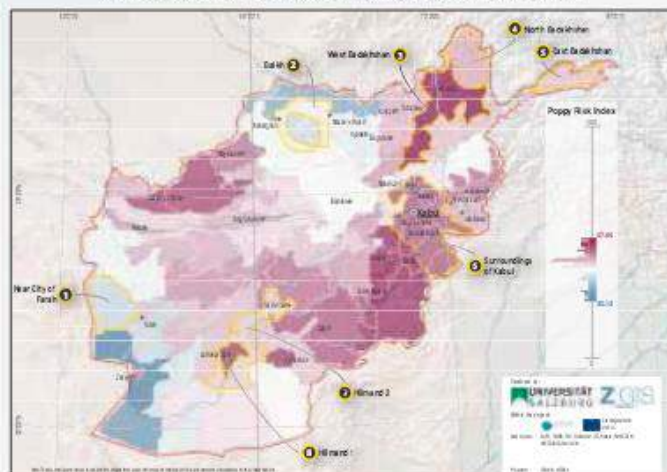
Do the following groups abuse their power?



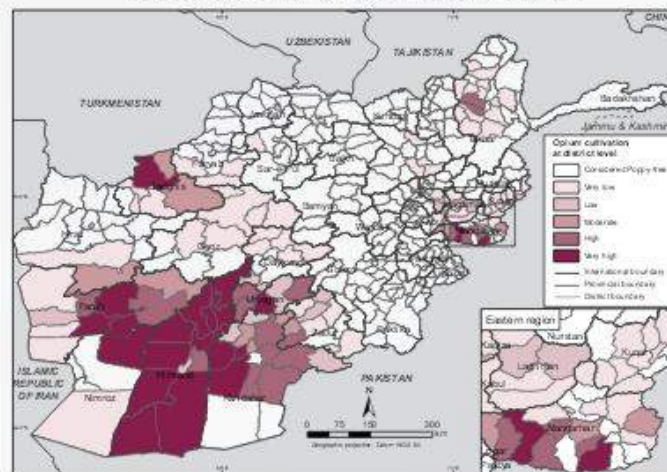
Incentives for Drug Cultivation Remain High: 2014

Risk maps and actual opium poppy cultivation in Afghanistan in 2014

Potential environmental and socioeconomic vulnerability to opium poppy cultivation



Actual opium poppy cultivation, 2014



Source: *Afghanistan Opium Survey 2014: Cultivation and Production.*

In cooperation with the University of Salzburg (Austria), UNODC has developed an environmental suitability model and a socioeconomic vulnerability model for opium cultivation. The former includes four variables: land use (land cover), water availability, climatic conditions and quality of soil. The socioeconomic vulnerability model considers nine indicators: governance (recognition of governor authority), stability (conflict incidents), location (peripheral versus central regions), accessibility (travel time to nearest city of more than 50,000 inhabitants), education (access to schools), awareness (of agricultural assistance and initiatives designed to convince farmers not to cultivate opium poppy), alternative (off-farm) employment opportunities, credit availability and poverty.

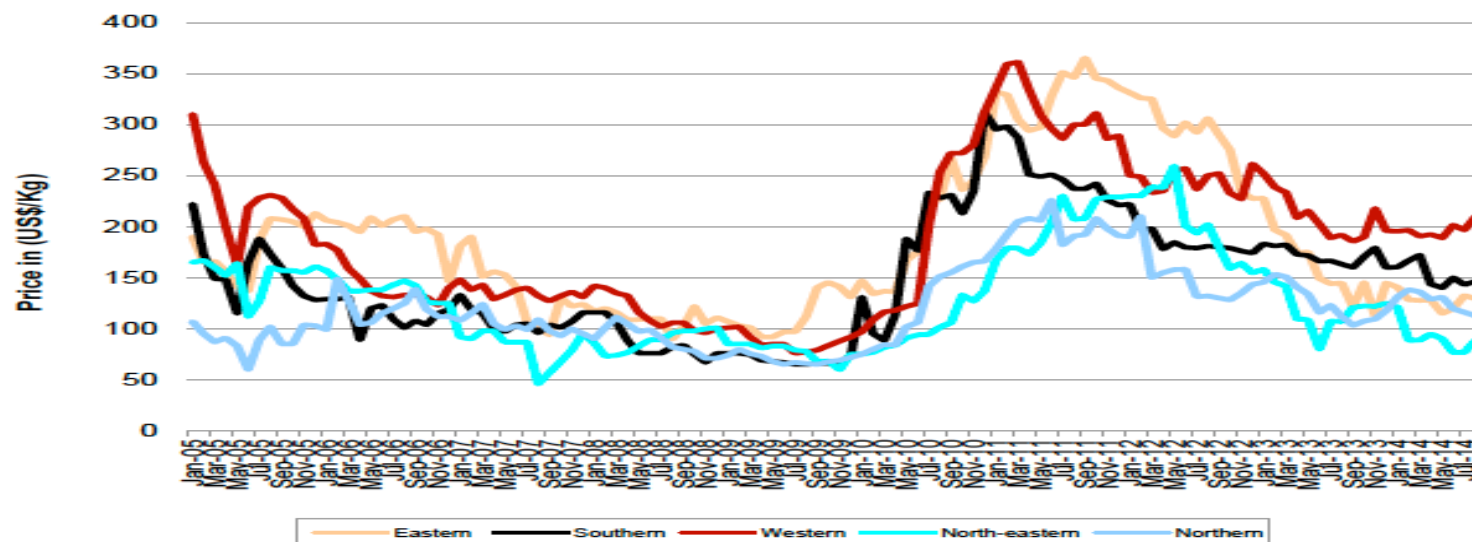
These models were applied to Afghanistan, where a comparison with the actual areas under opium poppy cultivation in 2014 showed that many of the hotspots for opium poppy cultivation were located in the areas identified as potentially high-risk areas in the resulting environmental and socioeconomic risk maps. At the same time, the results of the risk assessment identified a number of additional areas, particularly in the south-eastern and northern parts of the country, that are potentially vulnerable to large-scale opium cultivation but have so far not turned out to be significant opium-producing regions.

The risk maps also show that the risk factors behind opium cultivation vary from region to region, with the principal ones being environmental suitability, socioeconomic vulnerability, security/rule of law issues (as insecurity continues to be highly correlated with opium cultivation) and opium prices. For example, in selected areas of Badakhshan Province (north-eastern Afghanistan), the role played by environmental conditions, particularly climate, in deterring farmers from cultivating opium appears to have had more of an impact than the socioeconomic factors that can push farmers to cultivate opium. In selected areas of Nangarhar Province (southern Afghanistan), there was a comparatively low risk of opium cultivation resulting from socioeconomic vulnerability, yet there was still an increase in opium cultivation in 2014. This implies that other drivers play a role in opium cultivation, thus requiring more of a political response as opposed to purely development-related measures.

Although certain areas of the Provinces of Farah and Balkh (northern Afghanistan) have similar levels of risk of opium cultivation, despite great variations in their levels of socioeconomic vulnerability and environmental suitability, their respective outcomes in terms of opium cultivation are completely different: the area around Balkh is poppy-free, while Farah is one of Afghanistan's main poppy-producing provinces

Alternative Crop Programs Have Not Worked, In Spite of Drop in Farm Gate Price with End of Crop Disease: 2002-2014

Figure 18: Regional average price of dry opium reported by traders, January 2005 to August 2014 (US dollars per kilogram)



Many factors influence the decision to cultivate illicit crops. Income generation, particularly differences in the income derived from licit and illicit crops, is just one element in a complex mix of monetary and non-monetary incentives, but it can explain some of the fluctuations in illicit cultivation.

In Afghanistan, for example, the ratio of income per hectare from opium cultivation to income per hectare from wheat cultivation, which can be interpreted as an indicator of the appeal of cultivating opium poppy, was close to 10:1 during the 2004-2007 period (\$5,200 per ha under poppy cultivation versus \$545 per ha under wheat cultivation in 2007). During that period, the area under poppy cultivation in Afghanistan increased by 47 per cent. By 2009, the ratio of income from opium cultivation to income from wheat cultivation per hectare had declined to 3:1 (\$3,600 vs. \$1,200); in parallel, the area under opium poppy cultivation in Afghanistan had fallen by 36 per cent between 2007 and 2009. In subsequent years, the ratio increased again to 4:1 (\$3,800 vs. \$1,000 in 2014), even reaching a proportion of 11:1 in 2011, prompting a strong increase in opium poppy cultivation. During the period 2009-2014 as a whole, the area under opium poppy cultivation rose by 82 per cent.

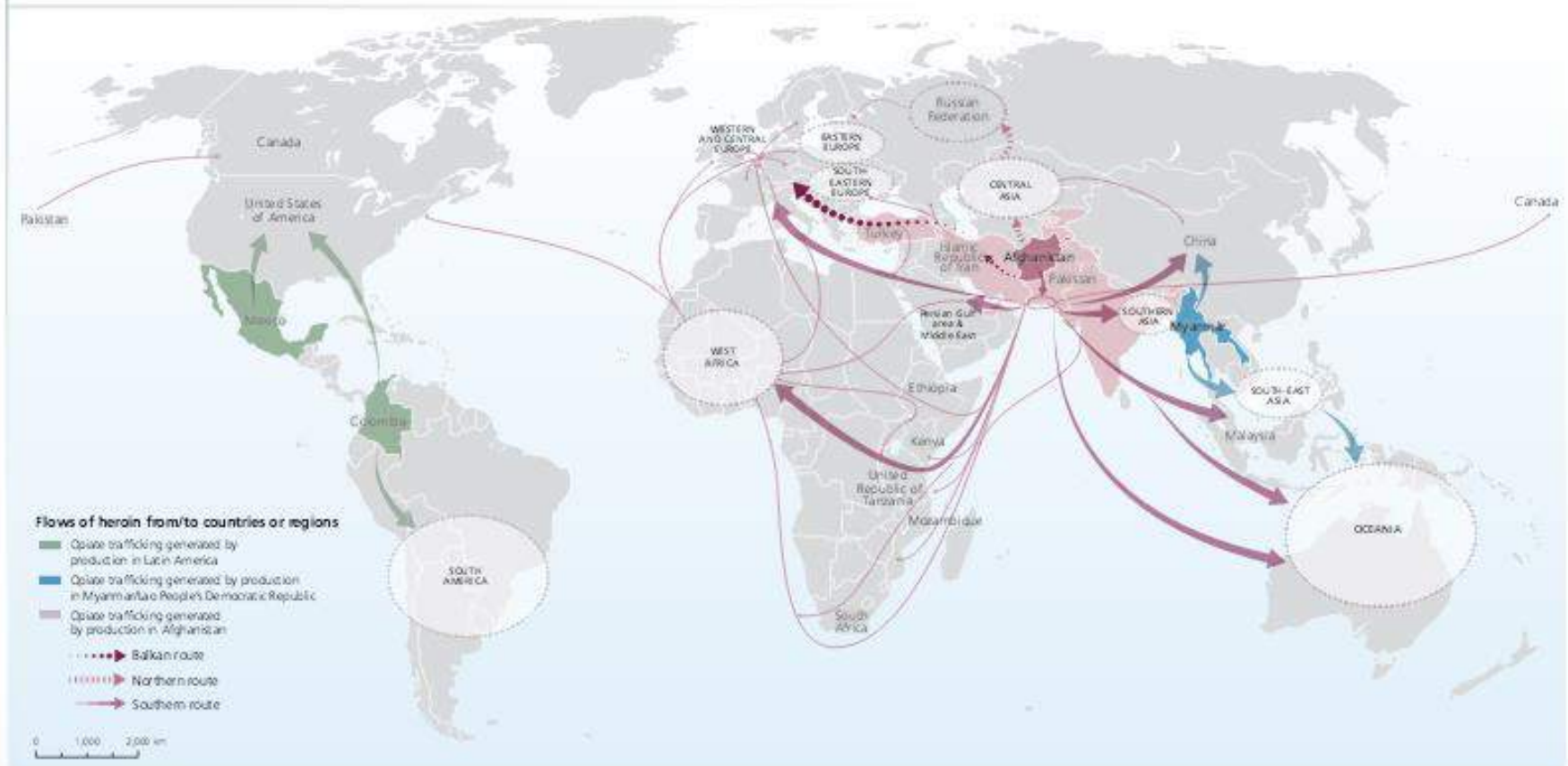
The importance of income generation is also reflected in the socioeconomic surveys conducted by UNODC in individual countries to identify the reasons why farmers cultivate illicit crops. The Afghanistan Opium Survey 2014, for example, revealed that the main reasons for cultivating opium were the high price of opium (44 percent of all responses), followed by the ability of opium poppy to reduce poverty, i.e. provide “basic food and shelter” (20 per cent), and to “improve living conditions” (13 per cent). There have been a few instances in which the income generated by alternative agricultural products (such as palm oil in the Andean countries; saffron and, in some years, black cumin, grapes, apricots, pomegranates and almonds in Afghanistan; and potatoes, red cabbage, tomatoes and Japanese apricots in Thailand) turned out to be higher than that from illicit crops, yet some farmers still opted for illicit cultivation.

Possible explanations provided by experts and in evaluation documents included the following: (a) farmers were not convinced that such price differentials would last for a prolonged period of time; (b) there were risk considerations in taking the licit harvest to traders in the next town (as opposed to traders coming to villages and purchasing illicit crops directly from the farmers); (c) farmers were forced by the insurgency to continue planting illicit crops; (d) the initial funds needed for the investment in licit crops were rather large and yielded returns only after a certain period of time; and (e) there was a lack of recognized land titles, which fostered a tendency towards farmers taking a short-term approach in their decision-making processes

Weather Intervenes: The Year (Illusion?) of Successful Cuts in Production: 2015

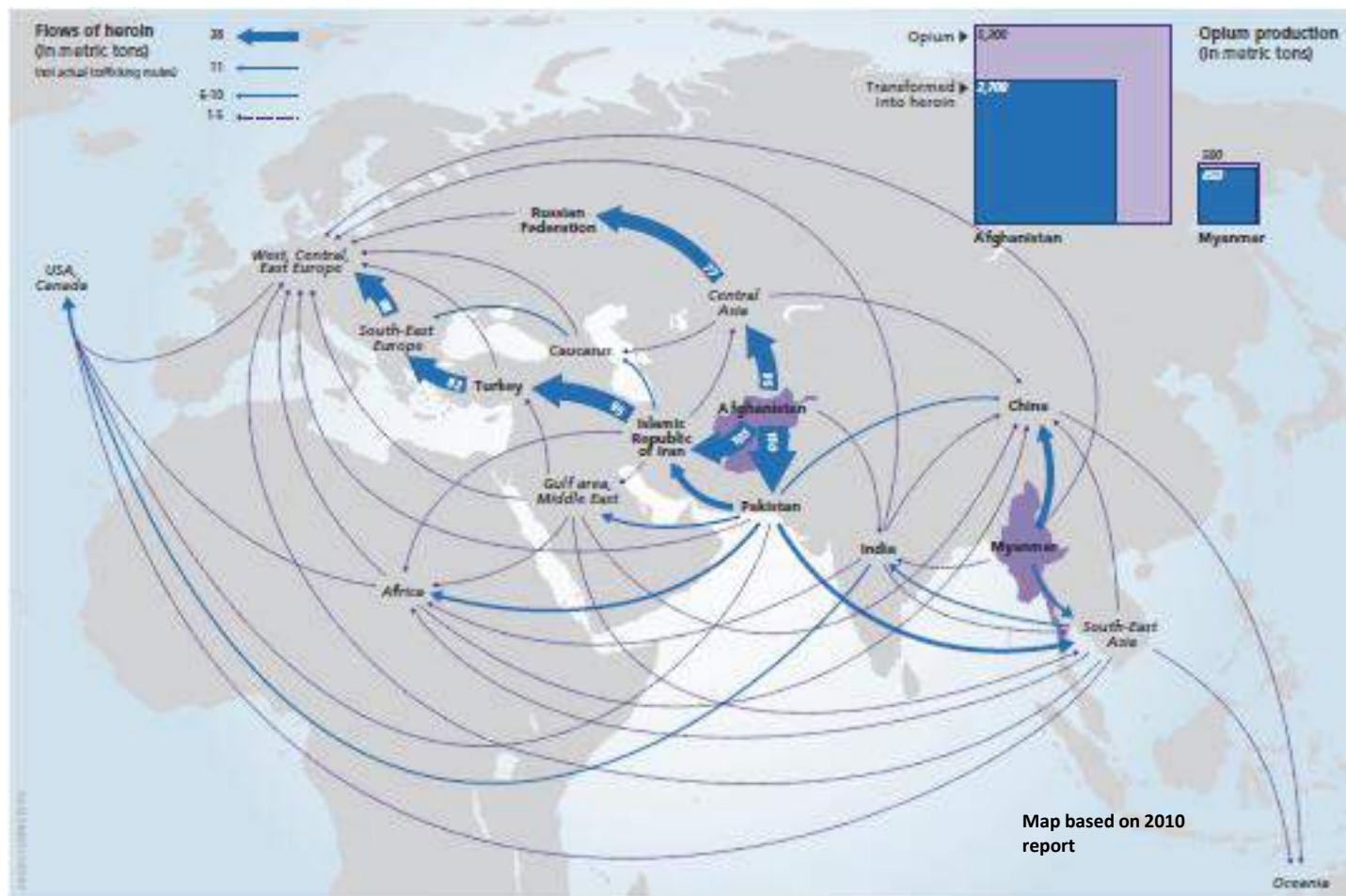
UNODC- Afghanistan's Global Role in Opiates: 2015 - I

Main global trafficking flows of opiates



Sources: UNODC, responses to annual report questionnaire and individual drug seizure database.

UNODC- Afghanistan's Global Role in Opiates: 2015 - II



At current levels, world heroin consumption (340 tons) and seizures represent an annual flow of 430-450 tons of heroin into the global heroin market. Of that total, opium from Myanmar and the Lao People's Democratic Republic yields some 50 tons, while the rest, some 380 tons of heroin and morphine, is produced exclusively from Afghan opium. While approximately 5 tons are consumed and seized in Afghanistan, the remaining bulk of 375 tons is trafficked worldwide via routes flowing into and through the countries neighboring Afghanistan.

The Balkan and northern routes are the main heroin trafficking corridors linking Afghanistan to the huge markets of the Russian Federation and Western Europe. The Balkan route traverses the Islamic Republic of Iran (often via Pakistan), Turkey, Greece and Bulgaria across South-East Europe to the Western European market, with an annual market value of some \$20 billion. The northern route runs mainly through Tajikistan and Kyrgyzstan (or Uzbekistan or Turkmenistan) to Kazakhstan and the Russian Federation. The size of that market is estimated to total \$13 billion per year.

The PR/Spin Battle: Did Things Improve in 2015 ?

AFGHANISTAN DRUG REPORT 2015: PRESS RELEASE

Kabul, 9 December 2015: " Successes and significant challenges in countering narcotics"

The Ministry of Counter Narcotics is pleased to announce the publication of the Afghanistan Drug Report (ADR) 2015. The report outlines substantial reductions in opium cultivation and production alongside incremental increases in total seizures as detailing drug use rates and treatment capacity in Afghanistan. It also maps alternative livelihood/development interventions and explores alternative development models in other countries. The report was completed with technical support from UNODC.

Key finding of the Report include the following:

- Poppy cultivation decreased by 19% from an estimate of 209,000 ha in 2014 to 183,000 ha in 2015 - this is the first year that the area under opium cultivation has decreased since 2009. Eradication increased by 29% whilst total opium production decreased by 48% in the last year to 3300 tons.
- Estimates show between 1.9 million to 2.4 million adult drug users which is equivalent to 12.6% of the adult population - more than double the global drug use rate of 5.2%. There are only 123 treatment centers in the country which is sufficient for treating 10.7% of the opium and heroin users.
- There was a welcomed increase in total drugs seized from 119,960 Kg in 2013/14 to 128,079 Kg in 2014/15. However, it is worth noting that this increase was mostly due to a 81% increase in hashish seizures whilst seizures of heroin, morphine and opium decreased by 32, 25, and 14 per cent respectively.
- The Afghanistan Drug Report makes use of the MCN Afghanistan Drug Reporting System, a central repository of narcotics-related data collected within the country that was launched in June of this year and serves as the location for all CN data in the country.
- The Alternative Development sections of the report were informed by discussions with counterparts from other countries including Colombia, Peru and Thailand on key success factors.

Key recommendations in this report include the need for better coordination between CN-focused agencies, mainstreaming of counter narcotics efforts in all development planning, the need for sustained support to enforcement agencies to carry out eradication, seizures and arrests of those involved in the illicit drug trade, increased provision of treatment facilities for drug dependents - especially in rural areas, the development of an Afghan-led National Drug Prevalence Survey and the need for strong political will, sufficient resources and coordination for the development, roll-out and monitoring evaluation of comprehensive Alternative Development interventions across the country.

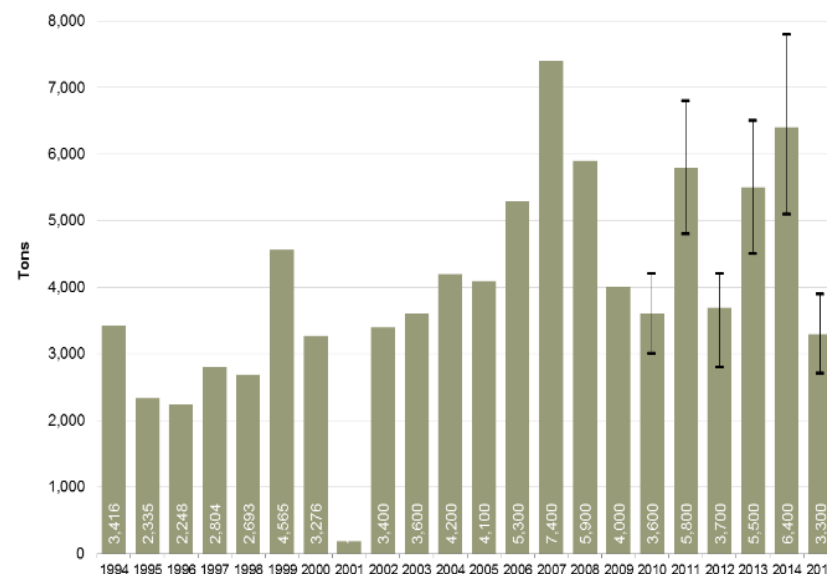
It is our sincere wish that this report will inform policy making to ensure that counter-narcotics objectives remain a key element of national development planning and regional and international discourse and cooperation.

Some Things Did Improve— Largely Because of Blight and Water Shortfalls

	2014	Change from 2014	2015
Net opium poppy cultivation (after eradication)	224,000 ha (200,000 - 250,500)	-19%	183,000 ha (163,000 - 202,000)
Number of poppy free provinces ²	15	-1	14
Number of provinces affected by poppy cultivation	19	+1	20
Verified eradication	2,692 ha	+40%	3,760 ha
Average opium yield (weighted by cultivation)	28.7 kg/ha	-36%	18.3 kg/ha
Potential production of opium	6,400 tons (5,100 - 7,800)	-48%	3,300 tons (2,700 - 3,900)

In 2015, estimated potential opium production in Afghanistan amounted to 3,300 tons (2,700-3,900 tons), a decrease of 48% from its 2014 level (6,400 tons). Average opium yield amounted to 18.3 kilograms per hectare, which was 36% less than in 2014 (28.7 kilograms per hectare).

Figure 2: Potential opium production in Afghanistan, 1994-2015 (Tons)

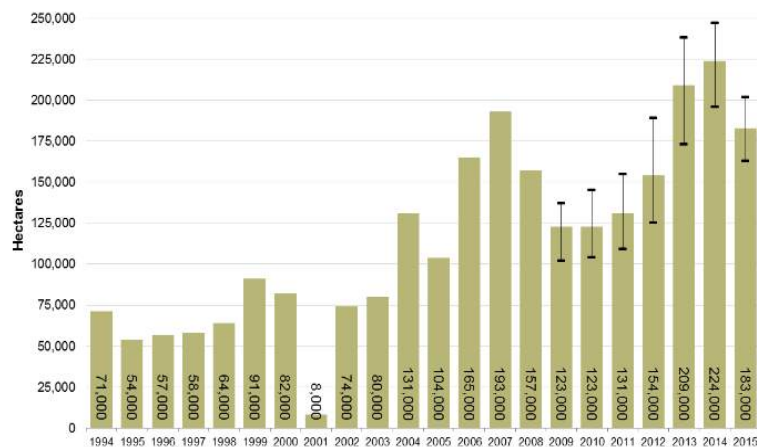


Sources: UNODC and UNODC/MCN opium surveys, 1994-2015. Figures refer to oven-dry opium.

The low production is a result of a reduction in area under cultivation, but more importantly of a reduction in opium yield per hectare. Yield decreased in all main opium poppy cultivating regions. The strongest decrease occurred in the Southern region, where the average yield decreased by 45% from 29.5 kilograms per hectare in 2014 to 16.1 kilograms per hectare in 2015, followed by the Western region (-20%; from 20.4 in 2014 to 16.3 kilograms per hectare in 2015) and in the Eastern region (-8%; from 39.6 in 2014 to 36.5 kilograms per hectare 2015).

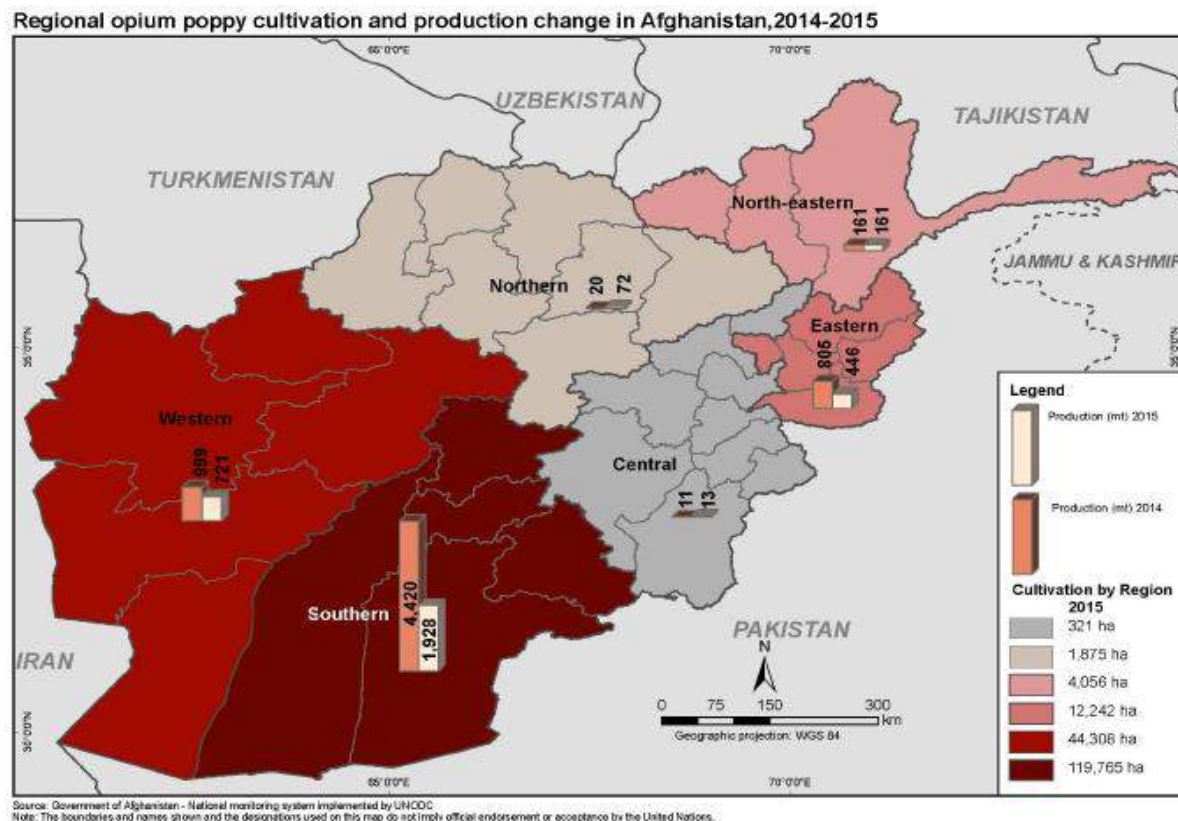
The low yield in the Southern and Western regions had a strong impact on the decline in the national production. There have been no wide-spread reports of a disease affecting the quality of poppies. Reports from the field (Nimroz province) pointed towards a lack of water, which may have affected field quality and thus yields. This has been confirmed by satellite imagery and field photographs from the Western and Southern regions, which showed overall poor quality of the fields (low plant density).

Figure 1: Opium cultivation in Afghanistan, 1994-2015 (Hectares)



Sources: UNODC and UNODC/MCN opium surveys 1994-2015. The high-low lines represent the upper and lower bounds of the 95% confidence interval.

Weather Drives Cut in Production and Cultivation: 2014-2015

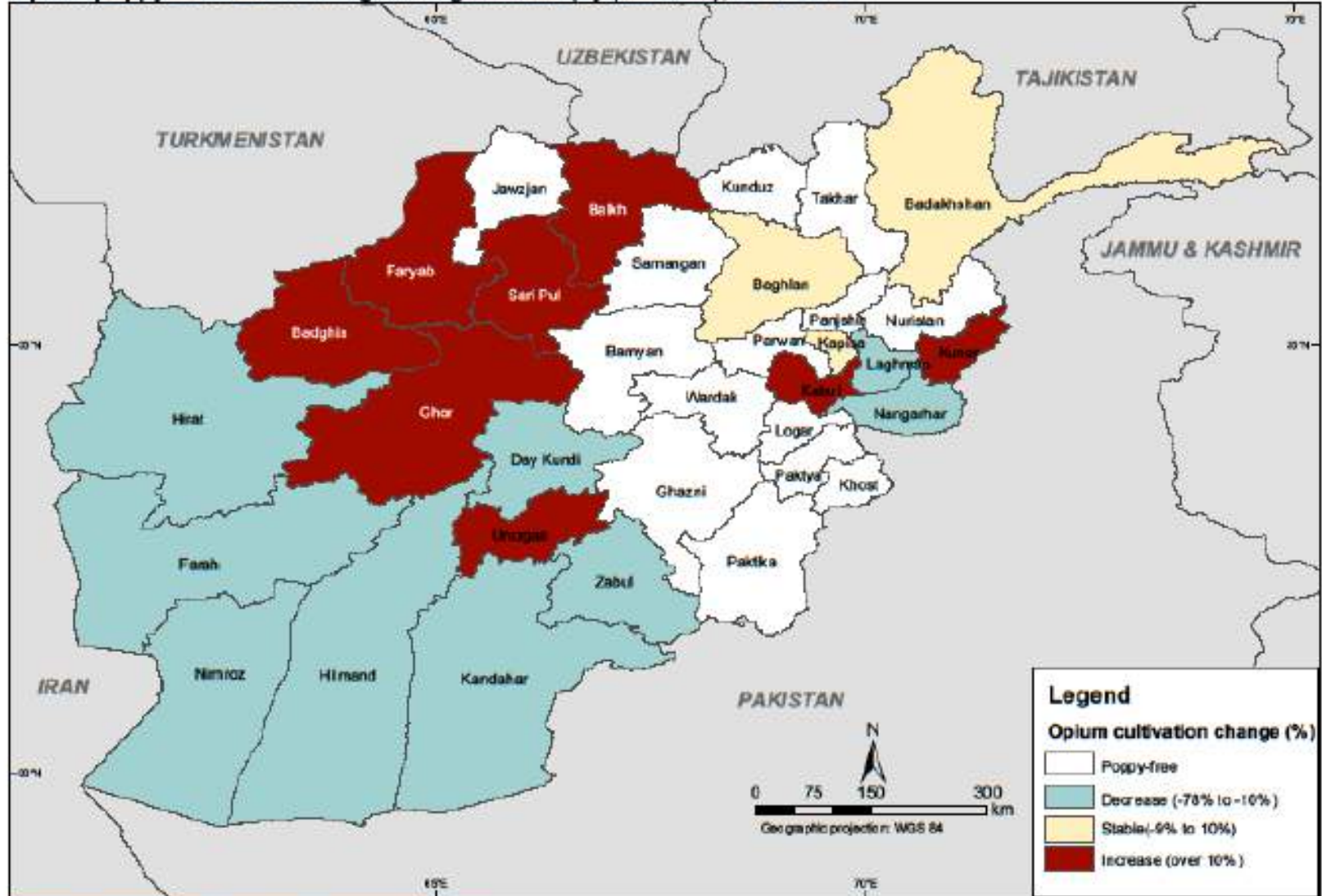


In 2015, estimated potential opium production in Afghanistan amounted to 3,300 tons (2,700-3,900 tons), a decrease of 48% from its 2014 level (6,400 tons). Average opium yield amounted to 18.3 kilograms per hectare in 2015, which was 36% less than in 2014 (28.7 kilograms per hectare).

The decrease in production was mainly the result of a decrease in opium poppy cultivation by 19% and yield by 36%. The 45% decrease in the Southern and 20% decrease Western region, in particular, caused a decrease in overall production. However, as in the previous year, adverse weather conditions in parts of the Western and Southern regions affected poppy plants, thereby reducing the yield in comparison to the relatively unaffected 2011 yield (44.5 kilograms per hectare).

Drop in Cultivation by Province: 2014-2015

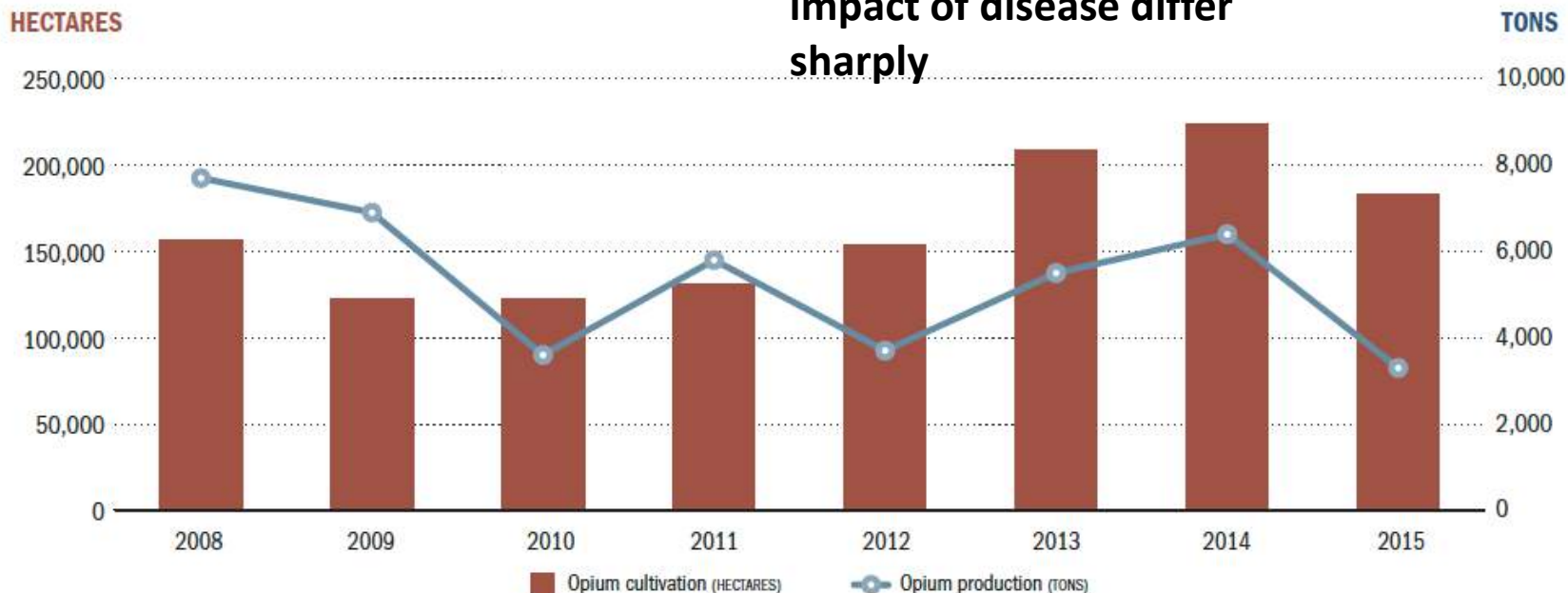
Opium poppy cultivation change in Afghanistan (by province), 2014-2015



Source: Government of Afghanistan - National monitoring system implemented by UNODC
 Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

But Key Trends and Market Forces Did Not Change in 2015

AFGHAN OPIUM CULTIVATION AND PRODUCTION SINCE 2008

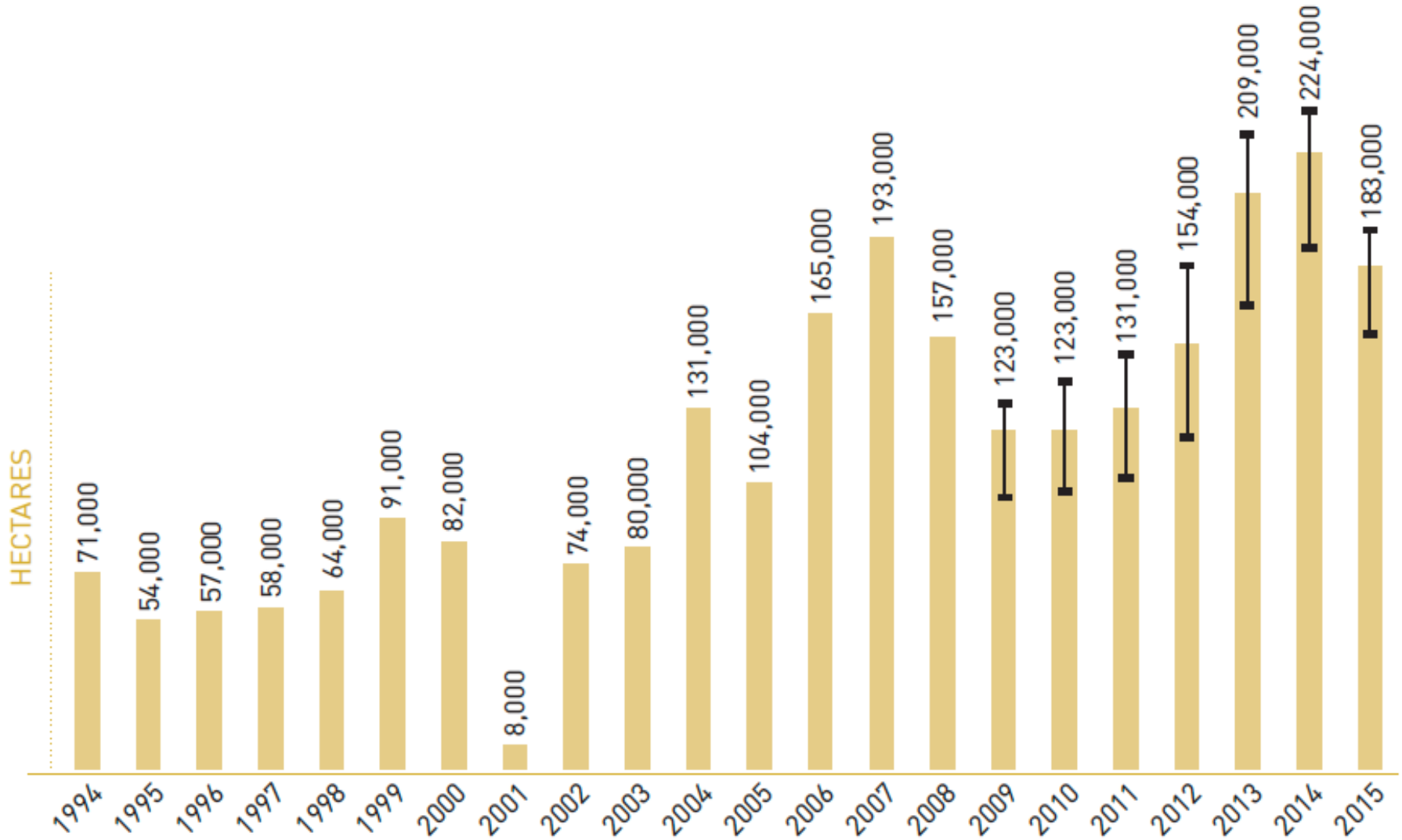


Source: UNODC, *Afghanistan Opium Survey 2008*, 11/2008, p. 5; *Afghanistan Opium Survey 2009*, 12/2009, p. 5; *Afghanistan Opium Survey 2010*, 12/2010, p. 7; *Afghanistan Opium Survey 2011: Summary Findings*, 10/2011, p. 1; *Afghanistan Opium Survey 2013*, 12/2013, p. 12; *Afghanistan Opium Survey 2014: Cultivation and Production*, 11/2014, p. 7; *Afghanistan Opium Survey 2015: Cultivation and Production*, 12/2015, p. 8.

As of December 31, 2015, the United States has provided \$8.4 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3 billion), the ASFF (\$1.4 billion), the Economic Support Fund (ESF) (\$1.6 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.2 billion). USAID's alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan.

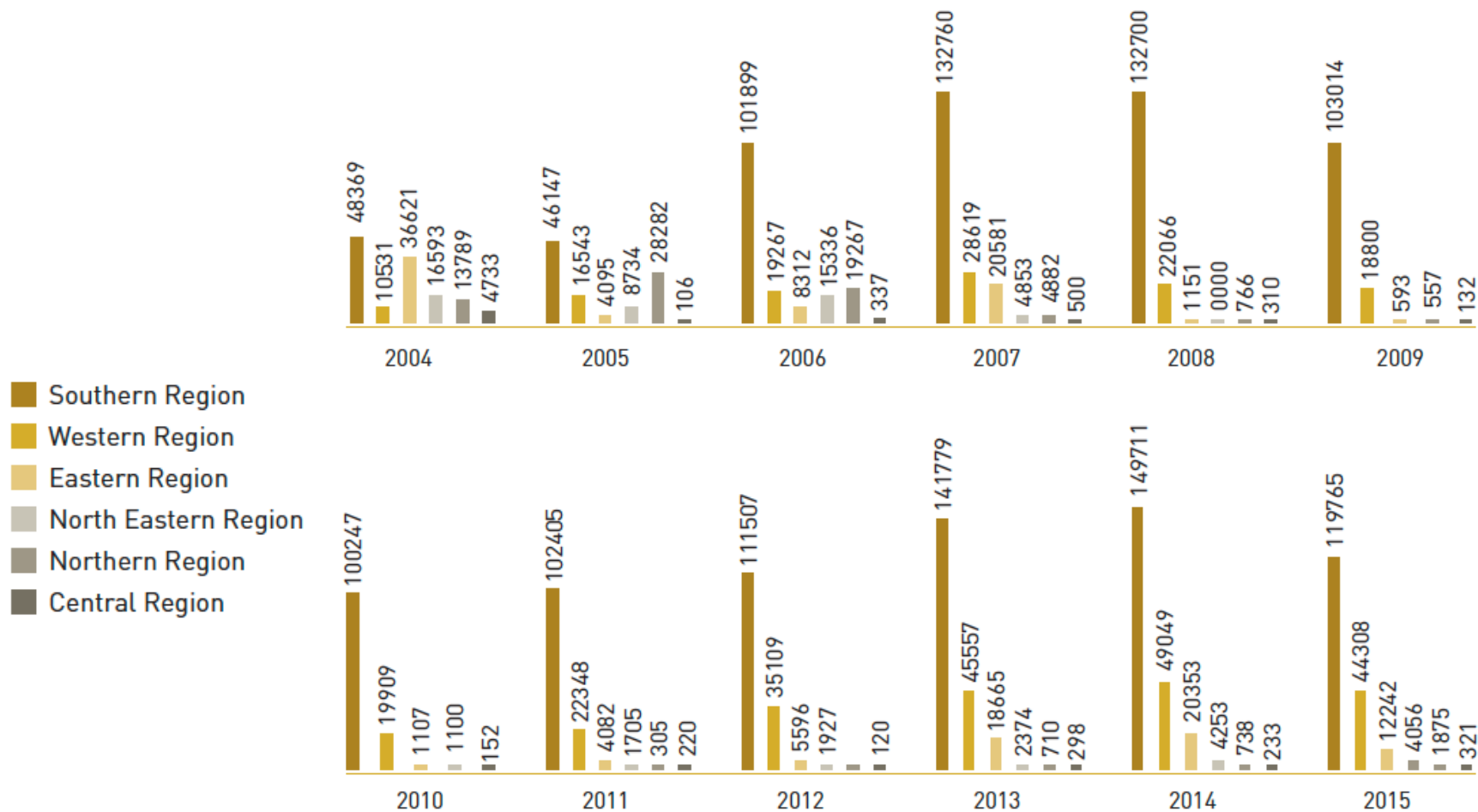
In December 2015, the UN Office of Drugs and Crime (UNODC) published its *Afghanistan Opium Survey 2015*. UNODC estimated that the area under cultivation was 183,000 hectares, a 19% decrease from the previous year. Afghan opium production (3,300 tons) also decreased 48% from its 2014 level. However, UNODC cautioned that it changed its methodology between 2014 and 2015, which could make changes appear larger than they actually were. The decreases do not result from a single factor or policy measure and do not represent a downward trend. According to the report, the declines are mainly a consequence of repeated crop failures in the southern and southwestern regions of Afghanistan.

Cultivation in Hectares: 1994-2015



Source: MCN/UNODC AOPS-2015

The South and West Dominate Cultivation: 2005-2015

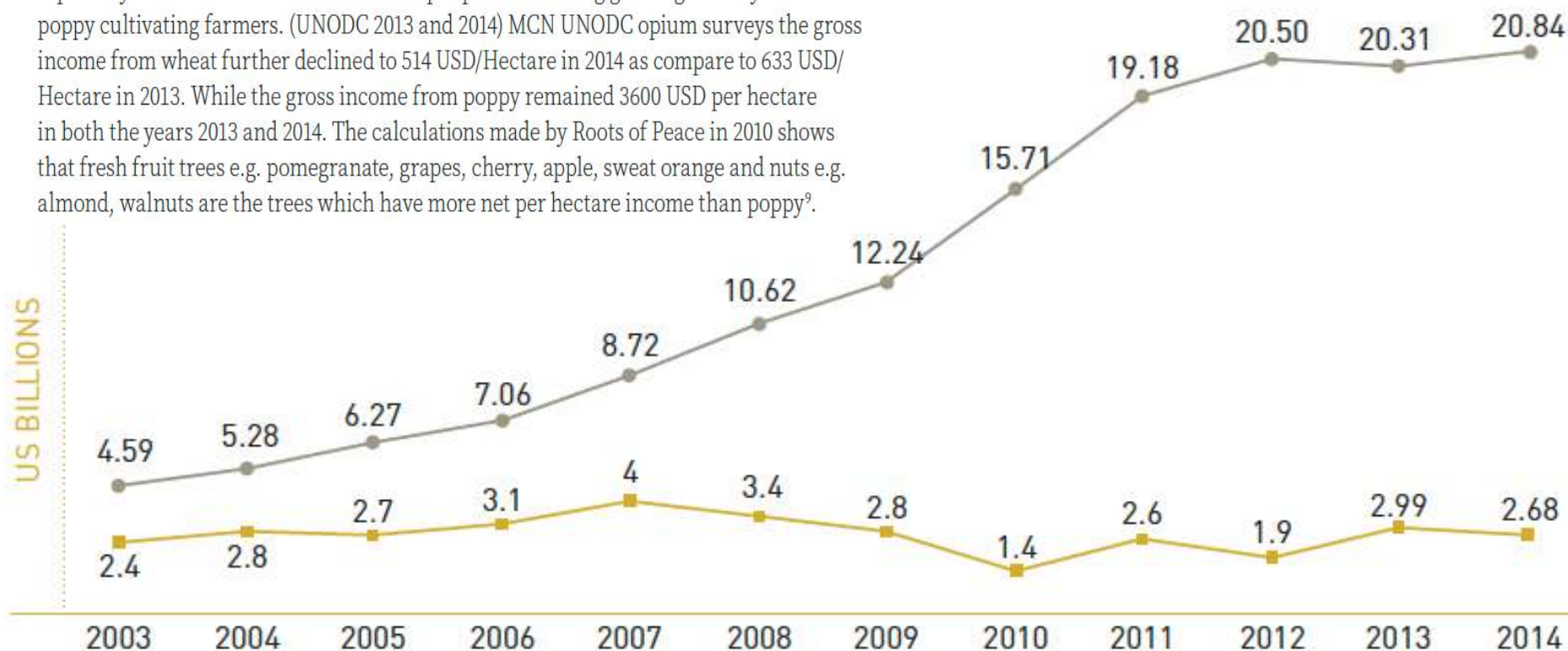


Source: MCN UNODC AOPS reports 2004 to 2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
NUMBER OF POPPY FREE PROVINCES	8	6	13	18	20	20	17	17	15	15	14

Narco-Economy Does Drop as Percent of GDP: National GDP versus Potential Export Value of Opiates: 2003-2015

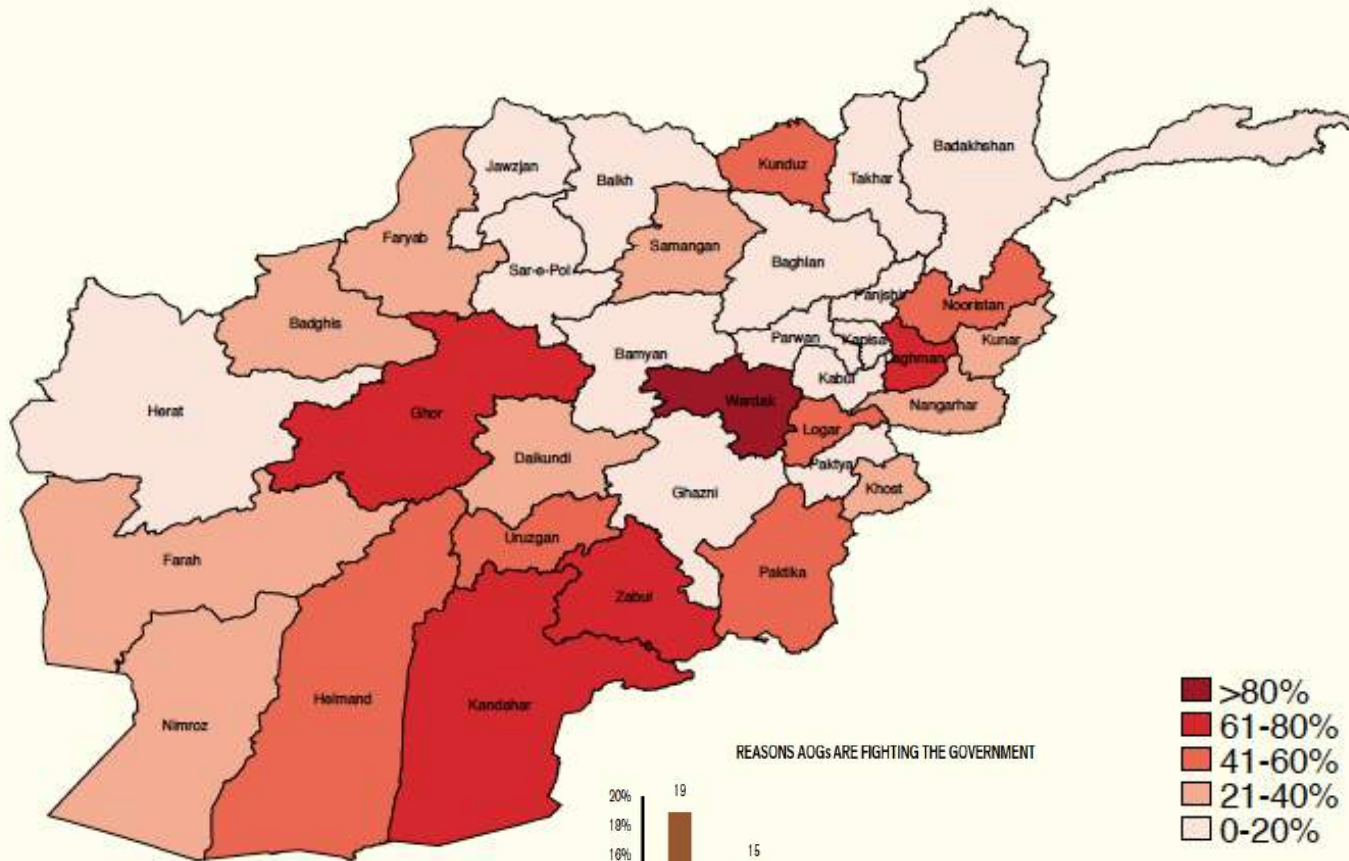
Despite the relatively low price of opium in 2013 and 2014, income generated from poppy cultivation was much higher and incomparable to conventionally grown crops, especially wheat - which was the main crop reported as being grown by non-poppy cultivating farmers. (UNODC 2013 and 2014) MCN UNODC opium surveys the gross income from wheat further declined to 514 USD/Hectare in 2014 as compare to 633 USD/Hectare in 2013. While the gross income from poppy remained 3600 USD per hectare in both the years 2013 and 2014. The calculations made by Roots of Peace in 2010 shows that fresh fruit trees e.g. pomegranate, grapes, cherry, apple, sweat orange and nuts e.g. almond, walnuts are the trees which have more net per hectare income than poppy⁹.



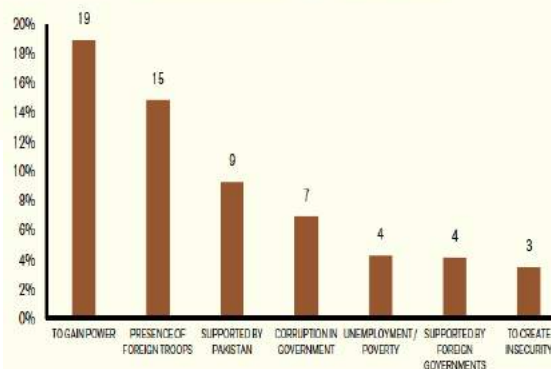
Source: MCN/UNODC AOPS reports 2003-2014 and WB

Sympathy for Taliban and Armed Opposition Groups

SYMPATHY FOR ARMED OPPOSITION GROUPS: BY PROVINCE



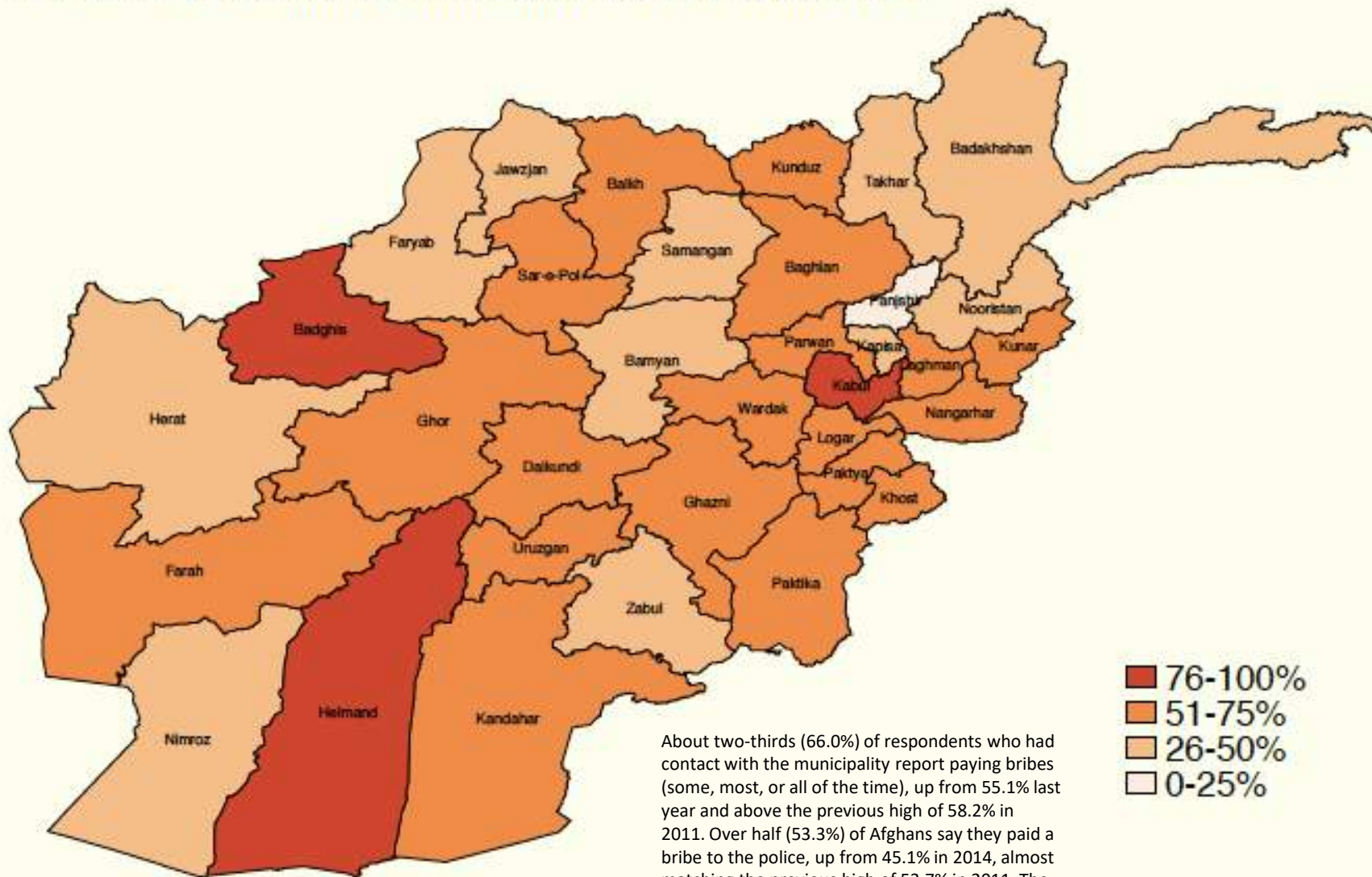
REASONS AOGs ARE FIGHTING THE GOVERNMENT



Zachary Warren and Nancy Hopkins,
AFGHANISTAN IN 2015, A Survey of the Afghan
People, Asia Foundation, 2015,
<http://asiafoundation.org/publications/pdf/155>

Corruption Remains a Critical Factor in 2015 - I

PERCEPTION OF CORRUPTION: MAJOR PROBLEM IN DAILY LIFE



About two-thirds (66.0%) of respondents who had contact with the municipality report paying bribes (some, most, or all of the time), up from 55.1% last year and above the previous high of 58.2% in 2011. Over half (53.3%) of Afghans say they paid a bribe to the police, up from 45.1% in 2014, almost matching the previous high of 53.7% in 2011. The overall trend since 2007 is a steady increase in reported corruption.

Transparency International Scorecard from Bad to Suspect in 2015

Political	Defence & Security Policy	Legislative Scrutiny	1
		Defence Committee	1
		Defence Policy Debated	1
		CSO Engagement	2
		International AC Instruments	2
		Public Debate	1
		AC Policy	2
		AC Institutions	2
		Public Trust	2
		Risk Assessments	2
	Defence budgets	Acquisition Planning	1
		Budget Transparency & Detail	1
		Budget Scrutiny	2
		Budget Publicly Available	1
		Defence Income	1
		Internal Audit	1
	Other Political Areas	External Audit	2
		Natural Resources	2
		Organised Crime Links	1
		Organised Crime Policing	1
		Intelligence Services Oversight	1
		Intelligence Services Recruitment	1
Finance	Asset Disposals	Export Controls	0
		Asset Disposal Controls	1
	Secret Budgets	Asset Disposal Scrutiny	0
		Percentage Secret Spending	0
		Legislative Access to Information	1
		Secret Program Auditing	1
		Off-budget Spending in Law	0
		Off-budget Spending in Practice	0
	Links to Business	Information Classification	1
		Mill. Owned Businesses Exist	1
		Mill. Owned Business Scrutiny	0
Personnel	Leadership	Unauthorised Private Enterprise	0
		Public Commitment	2
		Measures for Corrupt Personnel	2
		Whistleblowing	1
	Payroll and Recruitment	Special Attention to Sensitive Personnel	1
		Numbers of Personnel Known	0
		Pay Rates Openly Published	3
		Well-established Payment System	1
		Objective Appointments	2
		Objective Promotions	1

	Conscription	Bribery to Avoid Compulsory Conscription	
		Bribery for Preferred Postings	
	Salary Chain	Ghost Soldiers	1
Operations	Values, Standards, Other	Chains of Command and Payment	2
		Code of Conduct Coverage	2
		Code of Conduct Breaches Addressed	1
		AC Training	2
		Prosecution Outcomes Transparent	0
	Controls in the Field	Facilitation Payments	0
		Military Doctrine	1
		Operational Training	2
		AC Monitoring	0
		Controls on Contracting	1
Procurement	Government Policy	Private Military Contractors	2
		Legislation	1
		Transparent Procurement Cycle	1
		Oversight Mechanisms	2
		Purchases Disclosed	2
	Capability Gap	Standards Expected of Companies	2
		Strategy Drives Requirements	1
		Requirements Quantified	1
	Tendering	Open Competition v. Single-Sourcing	1
		Tender Board Controls	1
		Anti-Collusion Controls	1
	Contract Delivery / Support	Procurement Staff Training	1
		Complaint Mechanisms for Firms	2
		Sanctions for Corruption	2
	Offsets	Due Diligence	
		Transparency	
		Competition Regulation	
	Other	Controls of Agents	1
		Transparency of Financing Packages	0
		Subsidiaries / Sub-Contractors	0
		Political Influence	2

Afghanistan Shifts Back Towards a Narco-Economy: 2016

The Rising Economic Impact of Opium

The World Bank, IMF, and others exclude the value of opium production from their reported GDP estimates. Afghanistan's Central Statistics Organization releases official GDP growth figures in two categories—one that includes and one that excludes opium value (in 2016, 3.6% and 2.1% respectively). Opium-related earnings boost domestic demand and are a significant source of foreign exchange. Exports of opium were valued at \$2 billion in 2015.

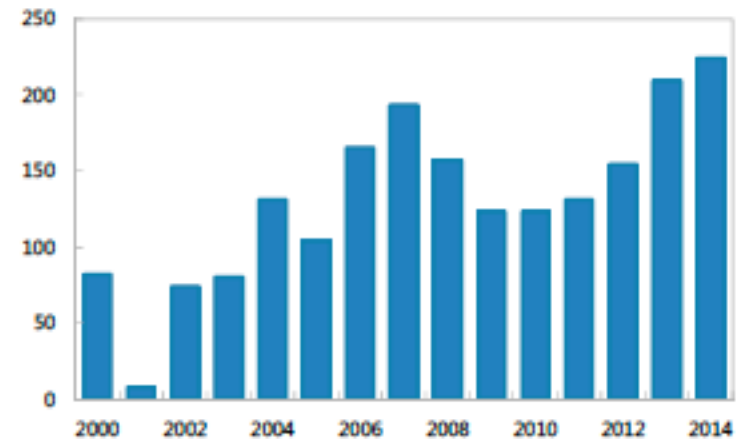
The estimated net value of opium production was \$2.9 billion in 2016, equivalent to 16% of official GDP. The United Nations Office of Drugs and Crime estimated that the farm-gate value of opium production—national potential production multiplied by the weighted average farm-gate price of dry opium at the time of harvest (which excludes money made by traffickers)—for 2017 was \$1.4 billion, a 55% increase over the 2016 figure of \$0.9 billion.

Afghanistan: IMF Assessment of Narco-Economy

Opium production in Afghanistan remained an intractable problem, with negative spillovers into the domestic economy and social and political developments. Beginning from the 1990s, the country supplied more than 90 percent of world illicit opiates (Ward and others, 2008), drawing on $\frac{1}{3}$ of the arable land, employing a sizable share of the available labor force, and crowding out the traditional agricultural production (Glaze, 2007). It was estimated that the sector directly provides up to 400,000 jobs, more than the Afghan National Security Forces (SIGAR, 2014b). Although opium exports as a share of non-opium GDP have declined from their peak of 50 percent in 2004, recent exports are estimated at 15 percent of non-opium GDP or about as large as the licit agriculture (Cordesman, 2013). Eradication efforts were largely ineffective as they failed to provide viable planting alternatives (SIGAR, 2014b). Opium remained in many Southern provinces the main cash crop; however, the drug trade did little to narrow the income equality gap as large landowners reaped much higher profits than smallholders. It was estimated that $\frac{3}{4}$ of export proceeds were concentrated in the hands of regional strongmen, who provided security support for opium production and facilitated transportation (UNODC, 2014). While some stakeholders argued that legalizing opium production and trade would bring in additional fiscal revenues and increase global supply of opium for medicinal use, opponents of legalization highlighted the practical challenges thereof (USDOS, 2007). For example, legalization may end up encouraging higher drug production or flow into the illicit market because Afghanistan does not have the necessary law enforcement and control mechanisms for regulating and safeguarding the industry.

Opium Cultivation, 2000-14

(Thousands of hectares)



Source: Afghanistan Opium Survey 2014, UNODC

Fact Sheet, Afghanistan Opium Survey 2016¹

	2015	Change from 2015	2016
Net opium poppy cultivation (after eradication)	183,000 ha (163,000 - 202,000)	+10%	201,000 ha (182,000 - 221,000)
Number of poppy-free provinces ²	14	-1	13
Number of provinces affected by poppy cultivation	20	+1	21
Eradication	3,760 ha	-91%	355 ha
Average opium yield (weighted by cultivation)	18.3 kg/ha	+30%	23.8 kg/ha
Potential production of opium	3,300 tons (2,700 - 3,900)	+43% ³	4,800 tons (4,000 - 5,600)

Afghanistan: Regional Increase in Opium Cultivation; 2015-2016 - I

Region	2015 (ha)	2016 (ha)	Change 2015-2016 (%)	2015 (ha) as % of total	2016 (ha) as % of total
Southern	119,765	117,987	-1%	66%	59%
Western	44,308	51,067	+15%	24%	25%
Eastern	12,242	17,608	+44%	7%	9%
North-eastern	4,056	6,298	+55%	2%	3%
Central	321	398	+24%	0.2%	0.2%
Northern	1,875	7,951	+324%	1.0%	3.9%
Rounded Total	183,000	201,000	+10%	100%	100%

Afghanistan: Regional Increase in Opium Cultivation: 2015-2016 - II

All regions, except the Southern, experienced increases in opium poppy-cultivation in 2016, with the largest relative increase being in the Northern region (+324%; mainly driven by increases in Balkh, Faryab, Baghlan, Saripul and Jawzjan), followed by the North-eastern (+55%), Eastern (+44%), Central (+24%) and Western (+15%) regions. Opium poppy cultivation remained stable (-1%) in Southern region.

In 2016, the number of poppy-free provinces in Afghanistan decreased from 14 to 13. Opium poppy cultivation in Jawzjan, in the Northern region, was estimated at 409 hectares and this province lost its poppy-free status, which it had regained in 2008.

In the Eastern region, the increase of opium poppy cultivation was mainly driven by the strong increase in Nangarhar (+43%). An increase was also observed in low level of opium poppy cultivating provinces namely Laghman (+77%), Kapisa (+32%) and Kunar (+29%). An imperceptible amount of eradication (4 hectares) was carried out in Laghman and Nangarhar provinces in 2016.

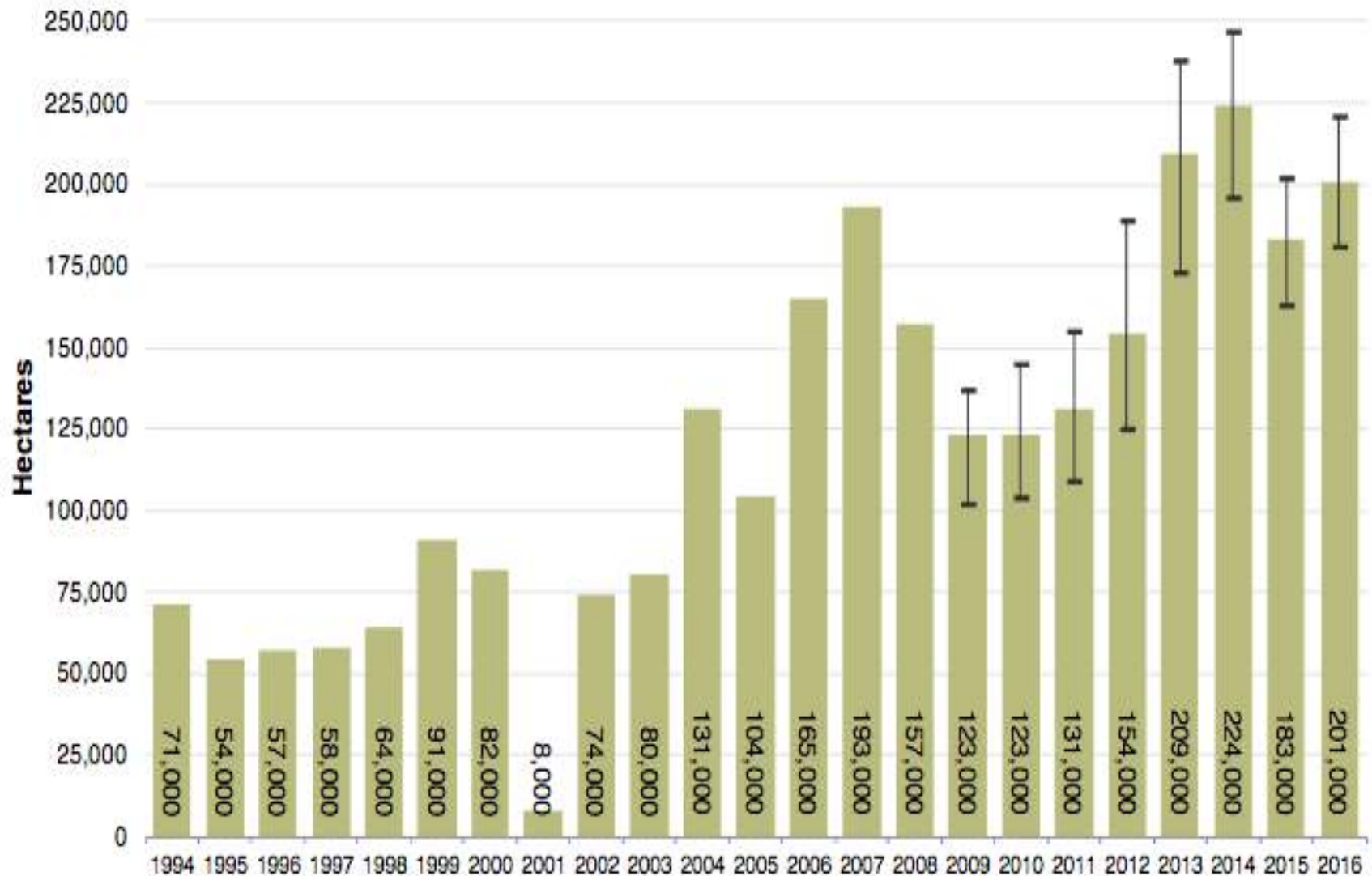
In the North-Eastern region, Badakhshan saw a significant increase of 55% in opium poppy cultivation from 4,056 hectares to 6,298 hectares. Eradication in Badakhshan province was 270 hectares in 2016 (1,246 hectares in 2015).

In the Northern region, strong increases were observed in Balkh province (+921%), Sari Pul province (+409%), Baghlan province (+373%) and Faryab province (+152%). Jawzjan province (409 hectares) lost its poppy-free status, which it had regained in 2008. The number of provinces affected by opium poppy cultivation has increased from 14 to 21 since 2009 and additional affected provinces were mainly in the Northern region. The increase in opium poppy cultivation in recent years are due to deteriorated security situation in Northern provinces. Since last two years no eradication was carried out in the Northern region with an exception of 33 hectares in 2015 and 55 hectares in 2016 in Sari Pul province.

In the Southern region, poppy cultivation decreased by 7%, 3% and 2% in Hilmand, Kandahar and Daykundi provinces respectively. Hilmand remained the country's principal opium-poppycultivating province in 2016, accounting for 40% of total opium poppy cultivation. Poppy cultivation in Zabul and Uruzgan provinces increased by 112% and 37% respectively in 2016. An imperceptible amount of eradication (4 hectares) was carried out in Kandahar province in 2016.

In the Western region, Badghis province became the second highest opium poppy cultivating province in the country with 184% increase in 2016; however, the other two main poppycultivating provinces namely Farah and Nimroz saw a significant decrease by 57% and 40% respectively. This year no eradication was carried out in Western region with exception of 1 hectare in Nimroz province.

Afghanistan: Opium Cultivation; 1994-2016



ISW-Washington Post

Threat Assessment

End 2015-Early 2016

According to U.S. statistics, casualties among Afghan security forces increased by nearly 30 percent during the first 11 months of 2015.

"We have not met the people's expectations. We haven't delivered," Abdullah Abdullah, the country's chief executive, told the high-level gathering. "Our forces lack discipline. They lack rotation opportunities. We haven't taken care of our own policemen and soldiers. They continue to absorb enormous casualties."

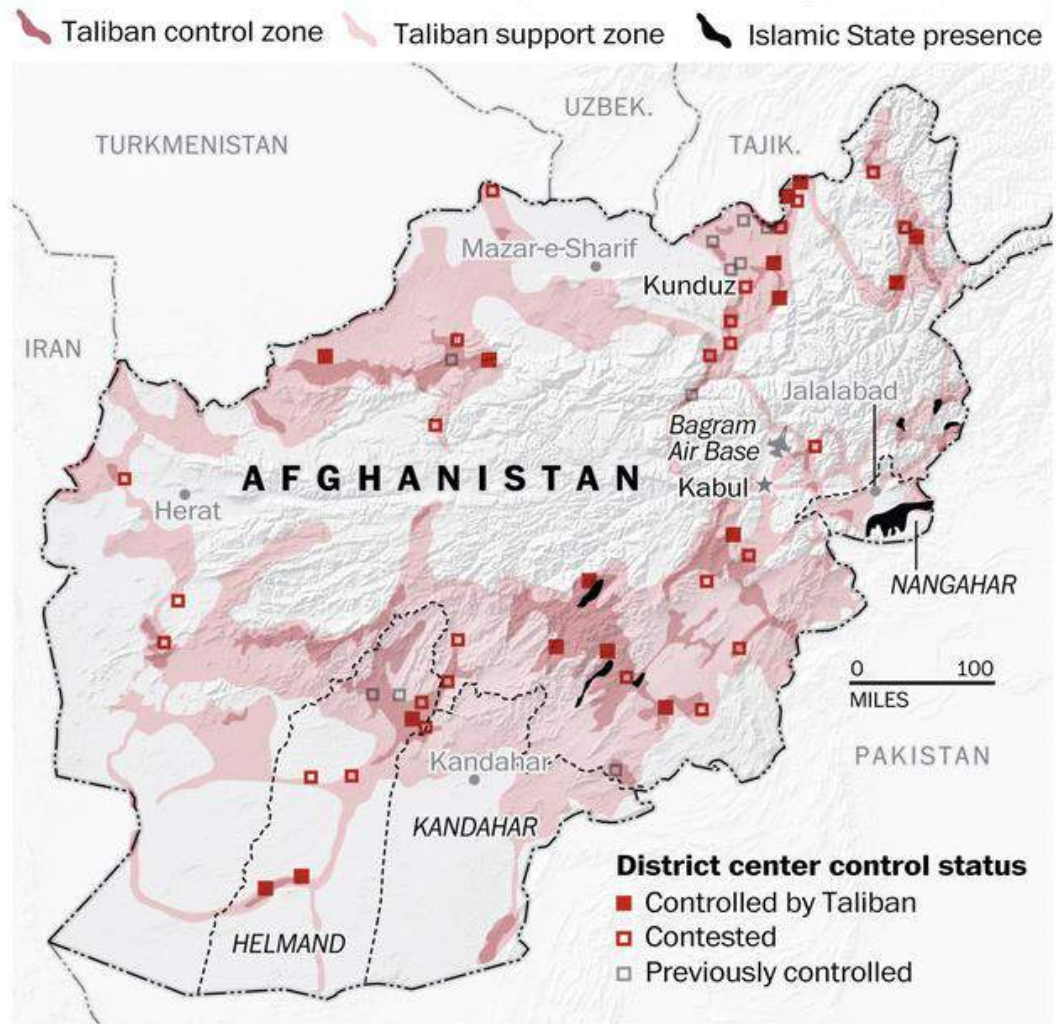
With control of — or a significant presence in — roughly 30 percent of districts across the nation, according to Western and Afghan officials, the Taliban now holds more territory than in any year since 2001, when the puritanical Islamists were ousted from power after the 9/11 attacks. For now, the top American and Afghan priority is [preventing Helmand](#), largely secured by U.S. Marines and British forces in 2012, from again falling to the insurgency.

As of last month, about 7,000 members of the Afghan security forces had been killed this year, with 12,000 injured, a 26 percent increase over the total number of dead and wounded in all of 2014, said a Western official with access to the most recent NATO statistics. Attrition rates are soaring. Deserters and injured Afghan soldiers say they are fighting a more sophisticated and well-armed insurgency than they have seen in years.

In the confidential October meeting, Gen. John F. Campbell, the commander of U.S. and allied forces in Afghanistan, told his Afghan counterparts that he was as guilty as they were of "just putting our finger in the dike in Helmand."

But he was highly critical of Afghan security officials for "not managing" their forces in a way that ensured they got enough training, and for allowing "breakdowns in discipline" in the ranks. "The Taliban are not 10 feet tall," he said. "You have much more equipment than they do. You're better trained. It's all about leadership and accountability."

Taliban and Islamic State presence in Afghanistan



Source: Institute for the Study of War, December 2015

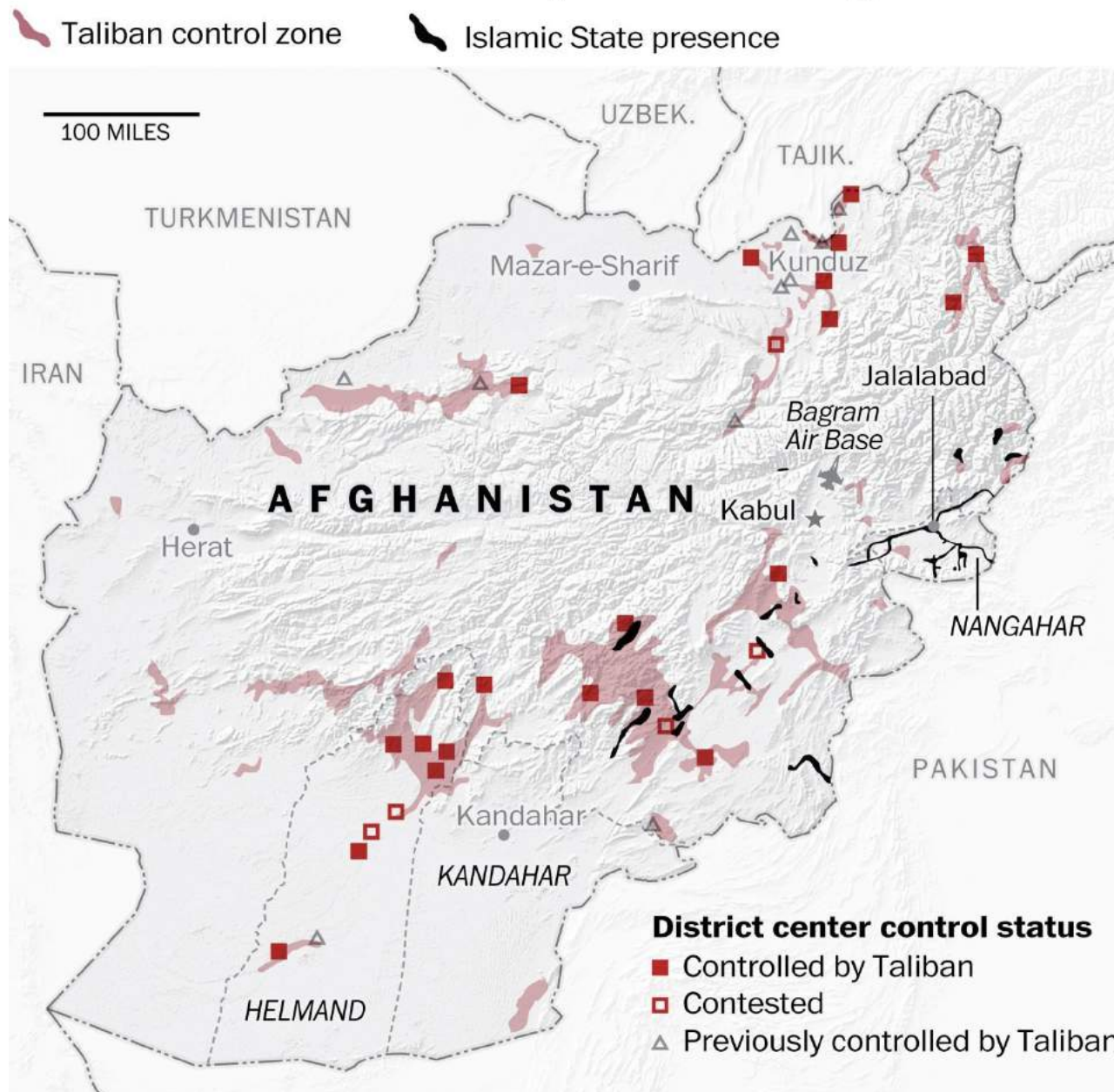
LARIS KARKLIS/THE WASHINGTON POST

Source: Sudarsan Raghavan, "A year of Taliban gains shows that 'we haven't delivered,' top, Afghan official says," *Washington Post*, December 27, 2015; : Washington Post, <https://www.washingtonpost.com/news/checkpoint/wp/2016/01/26/the-u-s-was-supposed-to-leave-afghanistan-by-2017-now-it-might-take-decades/>

ISW/Washington Post
Estimate of
Taliban
Focus: April
2016

Tim Craig, "Taliban threatens to grind down Afghan forces in spring offensive," https://www.washingtonpost.com/world/as-taliban-prepares-for-spring-fight-afghan-forces-brace-for-test-of-strength/2016/04/12/c1a78152-009e-11e6-9203-7b8670959b88_story.html

Taliban and Islamic State presence in Afghanistan

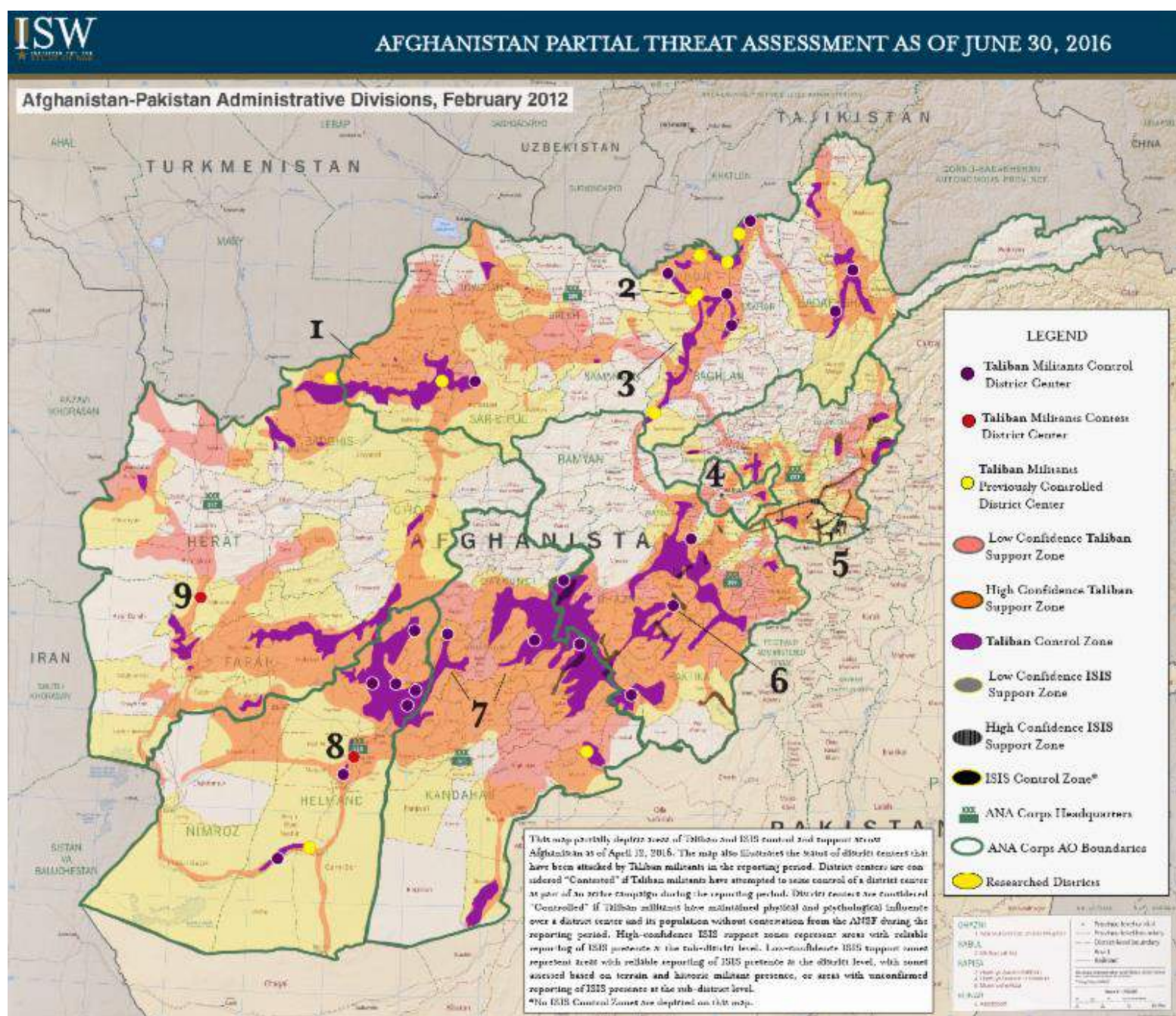


Source: Institute for the Study of War, As of April 12, 2016

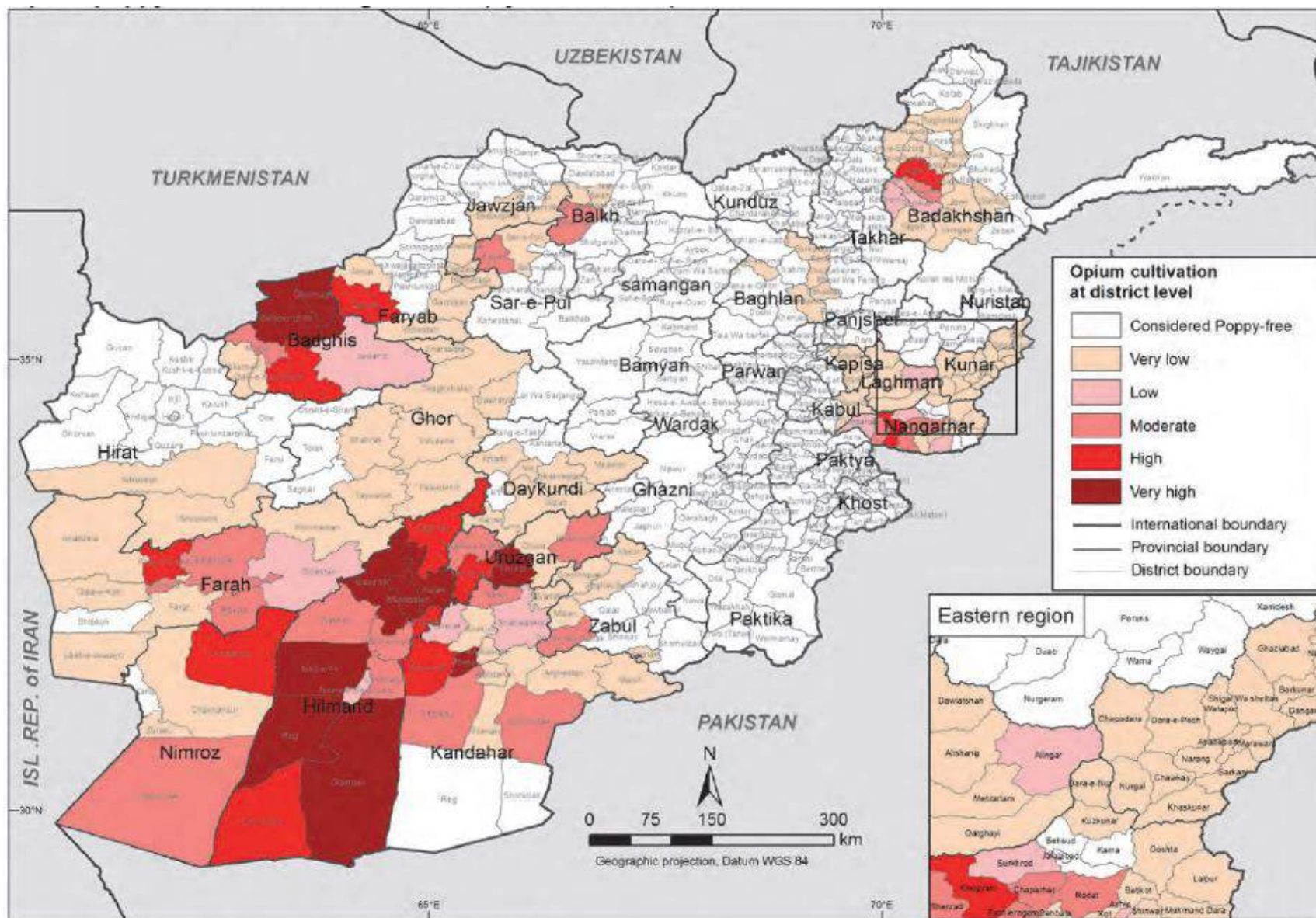
LARIS KARKLIS/THE WASHINGTON POST

ISW Estimate of Threat: June 30 2016

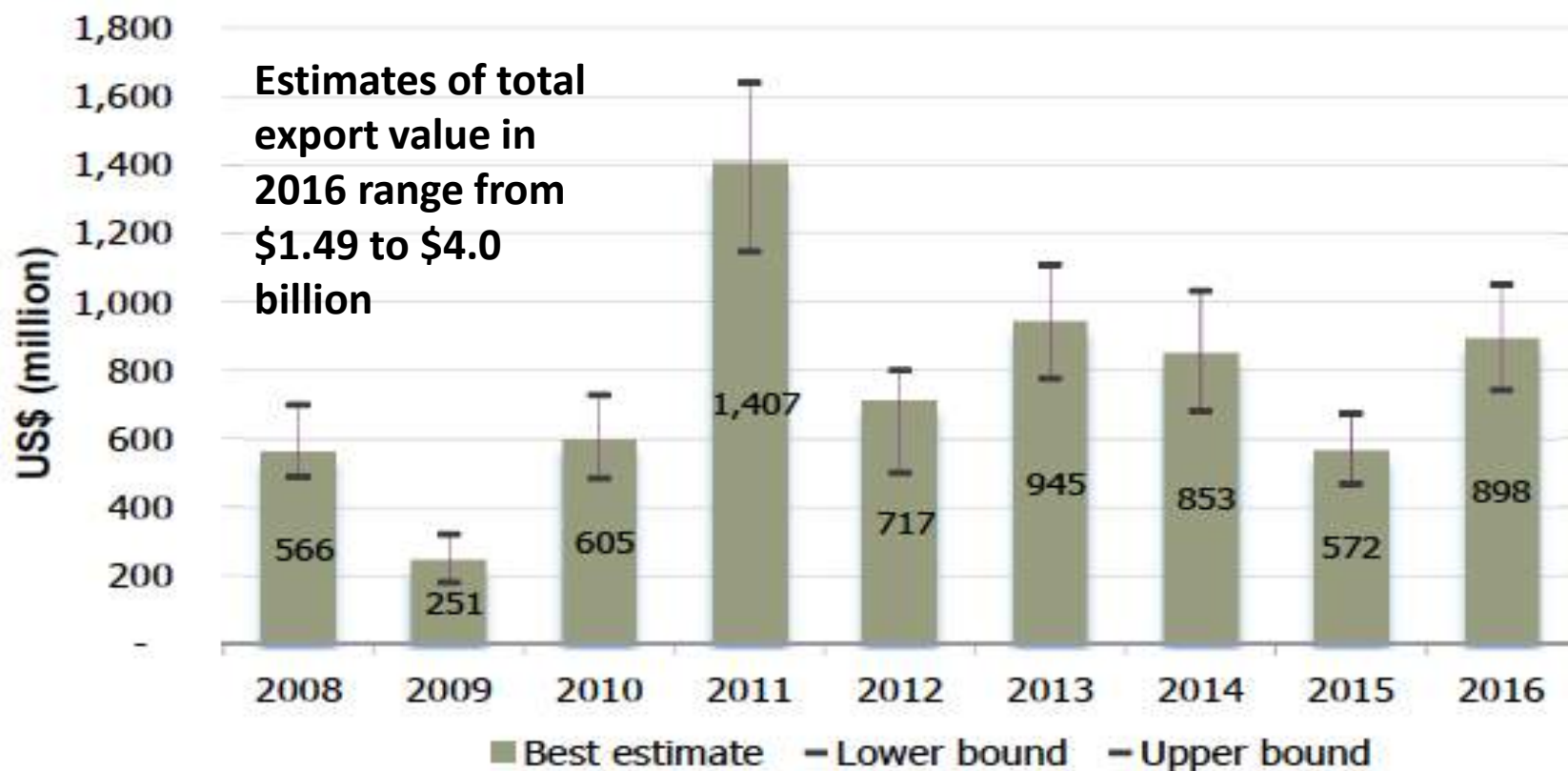
Caitlin Forrest,
"Afghanistan Partial
Threat Assessment:
June 30, 2016,"
ISW,
<https://mail.google.com/mail/u/0/#inbox/155ee713ea5a6083>



Threat Financing: Opium Cultivation by District: 2016



Afghanistan: Total Farm Gate Opium Earnings: 2008-2016

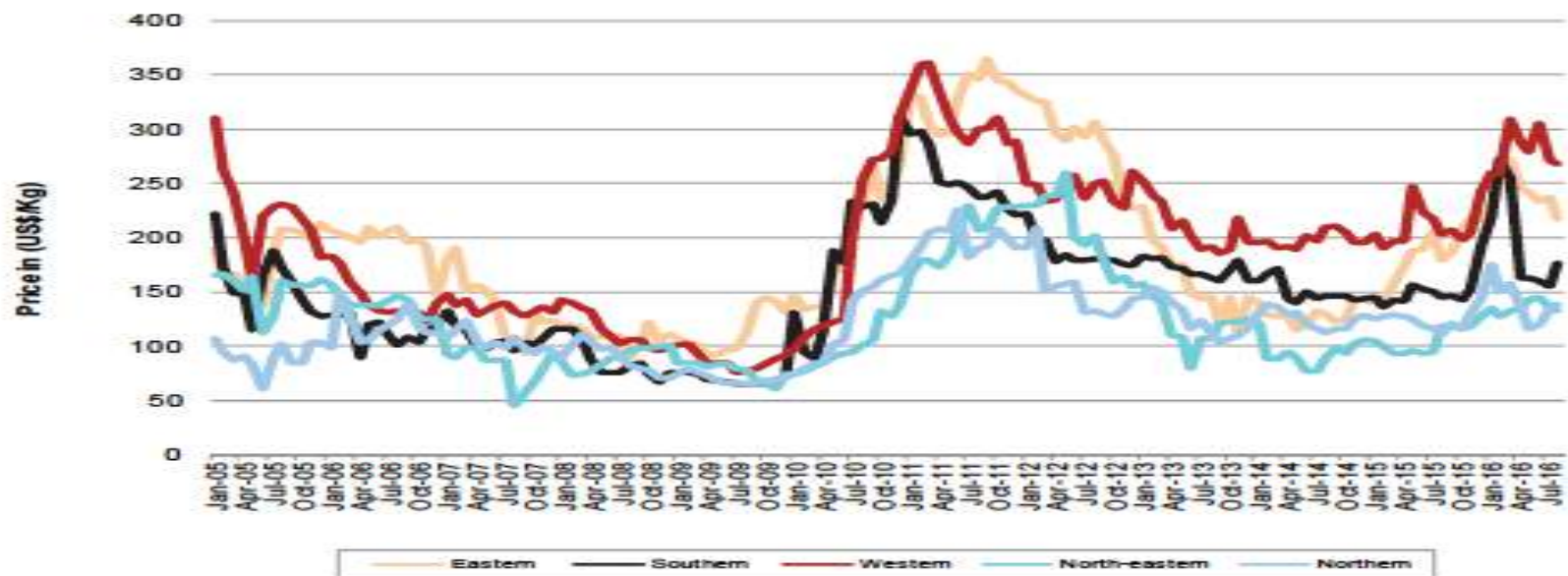


Amounting to US\$ 898 million (US\$ 740-1,050 million), the estimated farm-gate value of opium production in 2016 increased by 57% from its 2015 level. The increase in farm-gate value was mainly due to the 43% increase in opium production this year

Farmers in Hilmand, the country's largest opium-producing province, earned some estimated US\$ 330 million, which was equivalent to 37% of the total farm-gate value of opium production in Afghanistan in 2016; an increase of 38% from 2015 (US\$ 240 million).

Afghanistan: Rising Farm Gate and Trader Prices Rise Back in 2016

Regional average price of dry opium reported by opium traders, January 2005 to August 2016 (US dollars per kilogram)

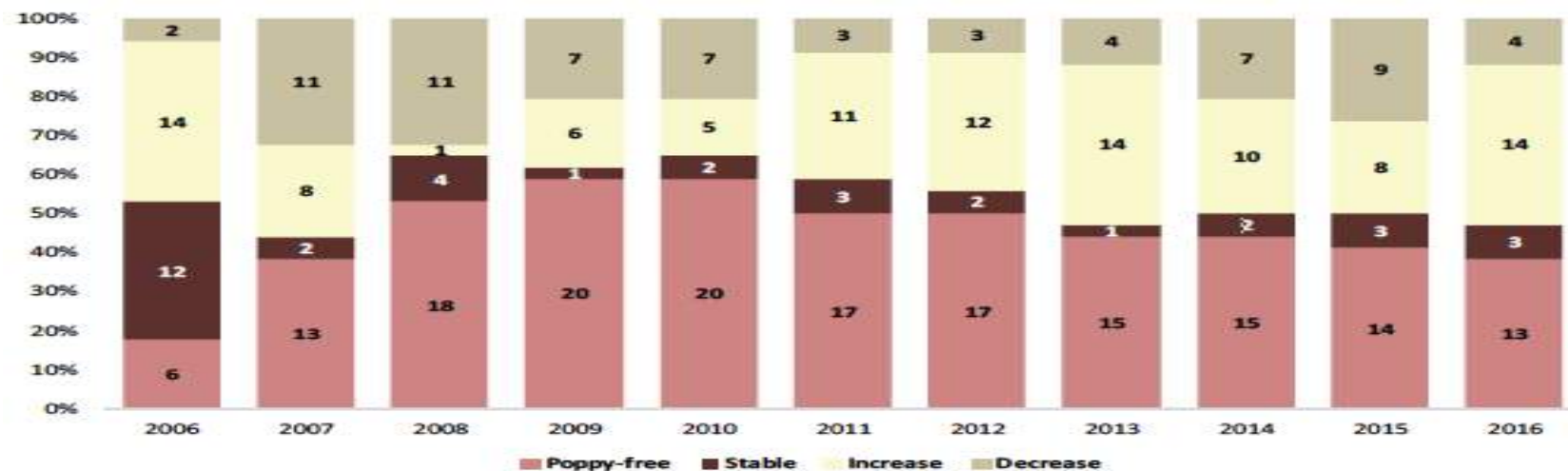


Regional farm-gate prices of dry opium at harvest time, reported by farmers through the price-monitoring system, 2015-2016 (US dollars per kilogram)

Region	Average Dry Opium Price (US\$/kg) 2015	Average Dry Opium Price (US\$/kg) 2016	Change 2015-2016 (%)
Central	NA	280	N
Eastern	184	239	+30%
North-eastern	81	126	+56%
Northern	113	126	+12%
Southern	153	155	+1%
Western	237	259	+9%
National average weighted by production*	171	187	+10%

Afghanistan: Opium Trends by Province: 2006-2016

Number of provinces by opium poppy cultivation trends, 2006-2016

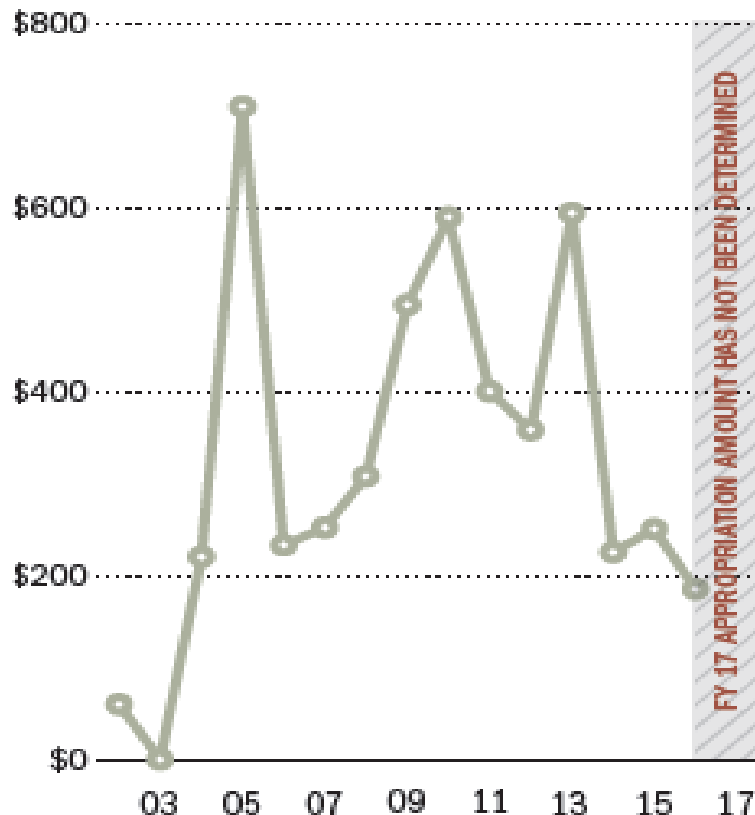


Main opium-poppy-cultivating provinces in Afghanistan, 2010-2016 (Hectares)

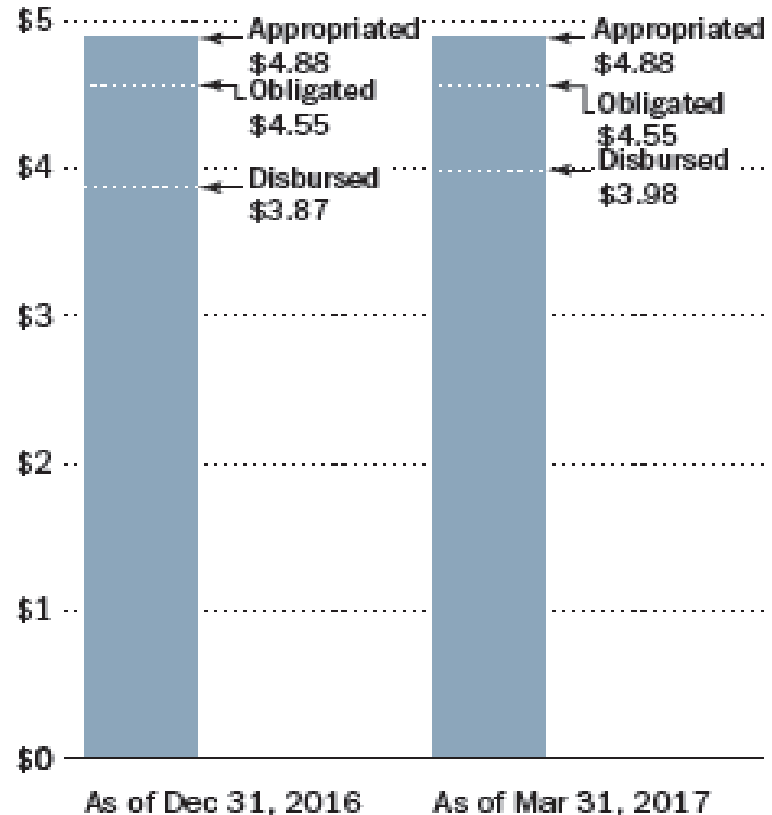
Province	2010	2011	2012	2013	2014	2015	2016	Change 2015-2016	2016(ha) as ⁵ % of total
Hilmand	65,045	63,307	75,176	100,693	103,240	86,443	80,273	-7%	40%
Badghis	2,958	1,990	2,363	3,596	5,721	12,391	35,234	+184%	18%
Kandahar	25,835	27,213	24,341	28,335	33,713	21,020	20,475	-3%	10%
Uruzgan	7,337	10,620	10,508	9,880	9,277	11,277	15,503	+37%	8%
Nangarhar	719	2,700	3,151	15,719	18,227	10,016	14,344	+43%	7%
Farah	14,552	17,499	27,733	24,492	27,513	21,106	9,101	-57%	5%
Badakhshan	1,100	1,705	1,927	2,374	4,204	4,056	6,298	+55%	3%
Nimroz	2,039	2,493	3,808	16,252	14,584	8,805	5,303	-40%	3%
Rest of the country	2,930	3,538	5,475	8,121	7,858	7,453	14,779	+98%	7%
Rounded Total	123,000	131,000	154,000	209,000	224,000	183,000	201,000	+10%	100%

Afghanistan: INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT: \$4.9 Billion by FY2010-FY2017

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

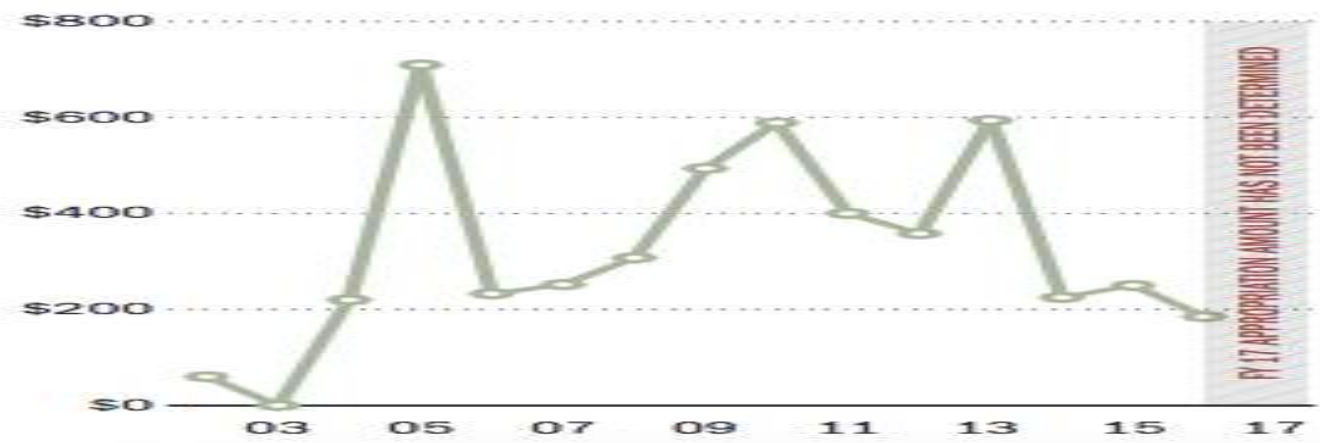


Note: Numbers have been rounded. Data may include inter-agency transfers.

Source: State, response to SIGAR data call, 4/13/2017, 1/6/2017, and 4/7/2016.

Afghanistan: Counternarcotics Remains a Costly Failure 2008-2016

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



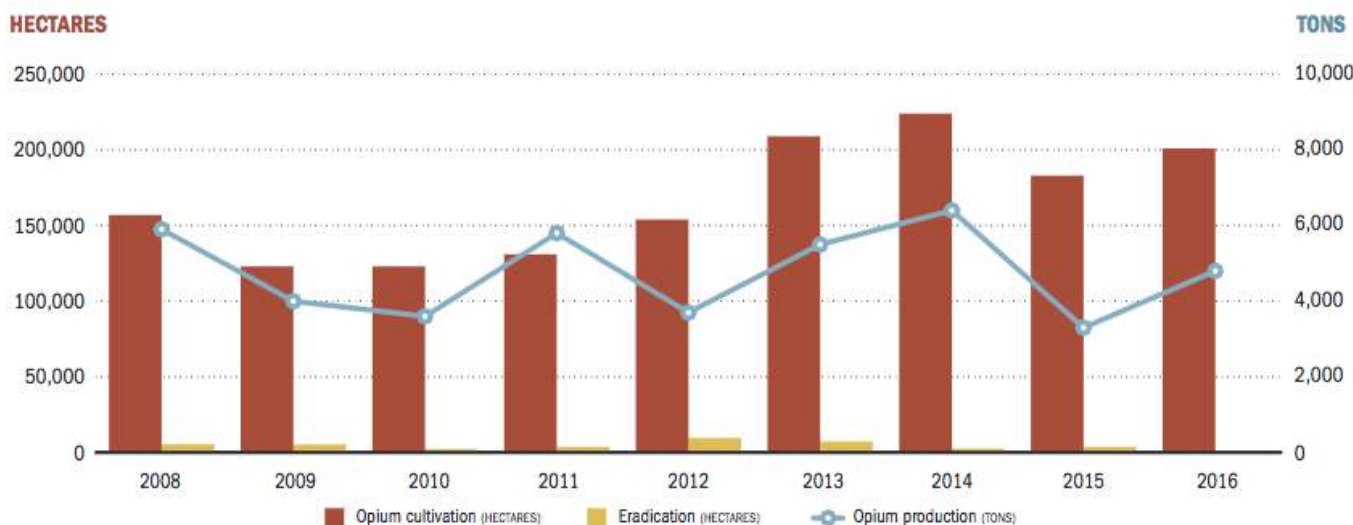
State reported that INCLE was appropriated \$185 million for FY 2016

It reported no obligations under FY 2017 continuing resolutions, resulting in no change to INCLE's cumulative funding of \$4.88 billion.

Of this amount, more than \$4.55 billion had been obligated, of which, nearly \$3.98 billion had been disbursed.

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AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



A Steadily Growing Narco- Economy: 2017

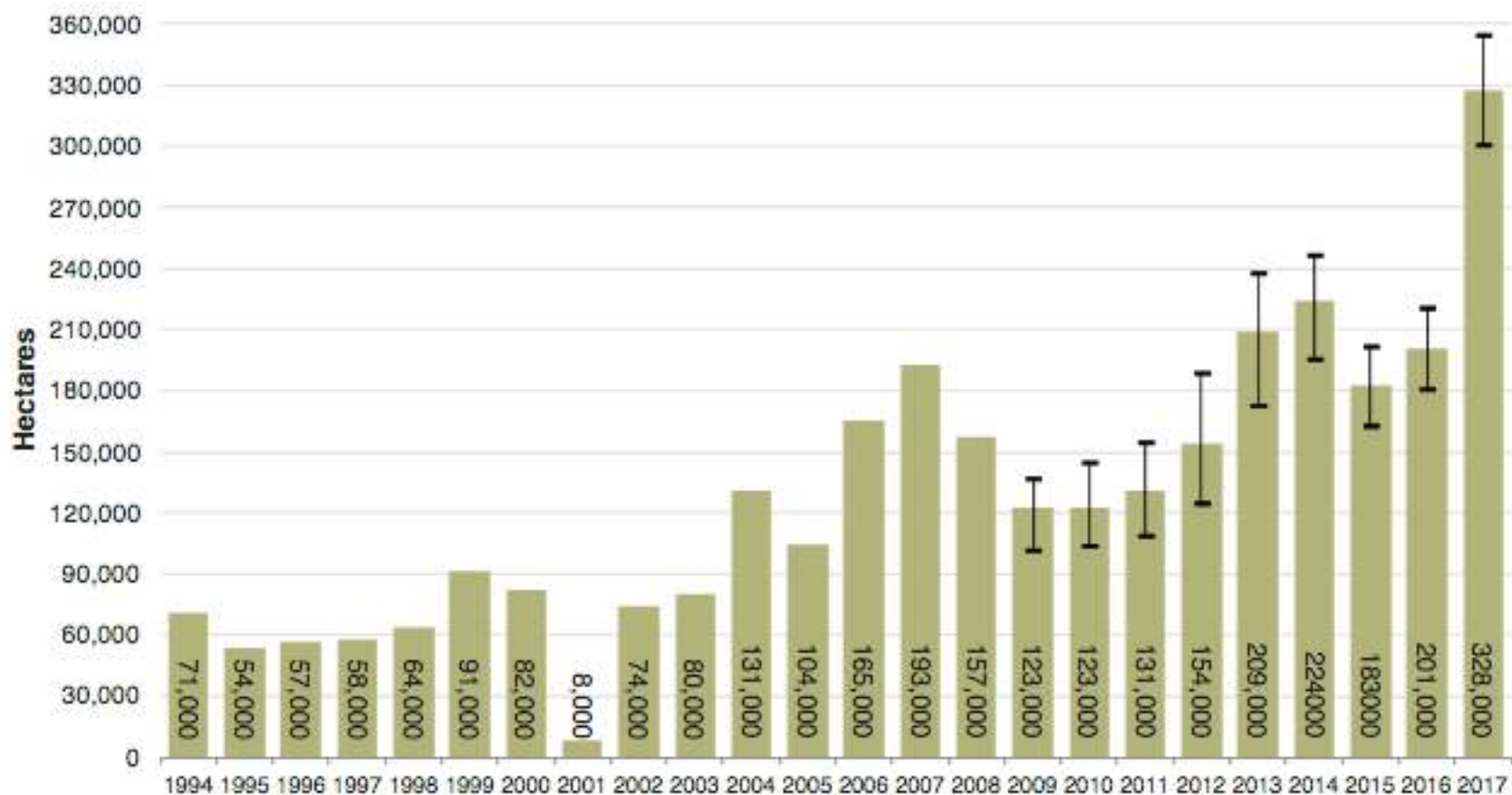
Guesstimating the Size of the Afghan Drug Economy in 2017

- Afghan Central Statistics Office indicated in 2016 that GDP growth was 2.1% without drug income and 3.6% with it. This would mean drugs contributed 42% of growth in a year when output was far lower than in 2017-2018.
- The net value of opium was \$2.9 billion in 2016 or 16% of the official GDP.
- UNODC estimates that the more limited farm gate earnings were \$0.9 billion in 2016 and \$1.4 billion in 2017. This was a 55% increase.
- If the total earnings rose by 55% in 2017, they would rise from \$2.9 billion to \$4.5 billion.
- The CIA estimates that the Afghan GDP was \$21.06 billion at the official exchange rate for 2017. \$4.5 billion is 21% of this total.
- The PPP estimate of the Afghan GDP has little relation to modern markets, but is \$69.5 billion for 2017. The \$4.5 billion figure would be 6% of this total.
- To put \$4.5 billion in further perspective:
 - The Afghan budget has only \$1.99 billion in revenues but \$6.6 billion in expenditures.
 - Afghanistan has only \$619.2 million in legal exports in 2016. This is 21% of the \$2.9 billion Afghanistan earned through illicit drug sales.
 - Afghanistan had \$6.16 billion worth of imports in 2016. This is nearly ten times its legal exports, but less than twice its combined \$3.5 billion worth of legal and illegal exports.

UNODC Estimate of Opium Growth: 2017-2018

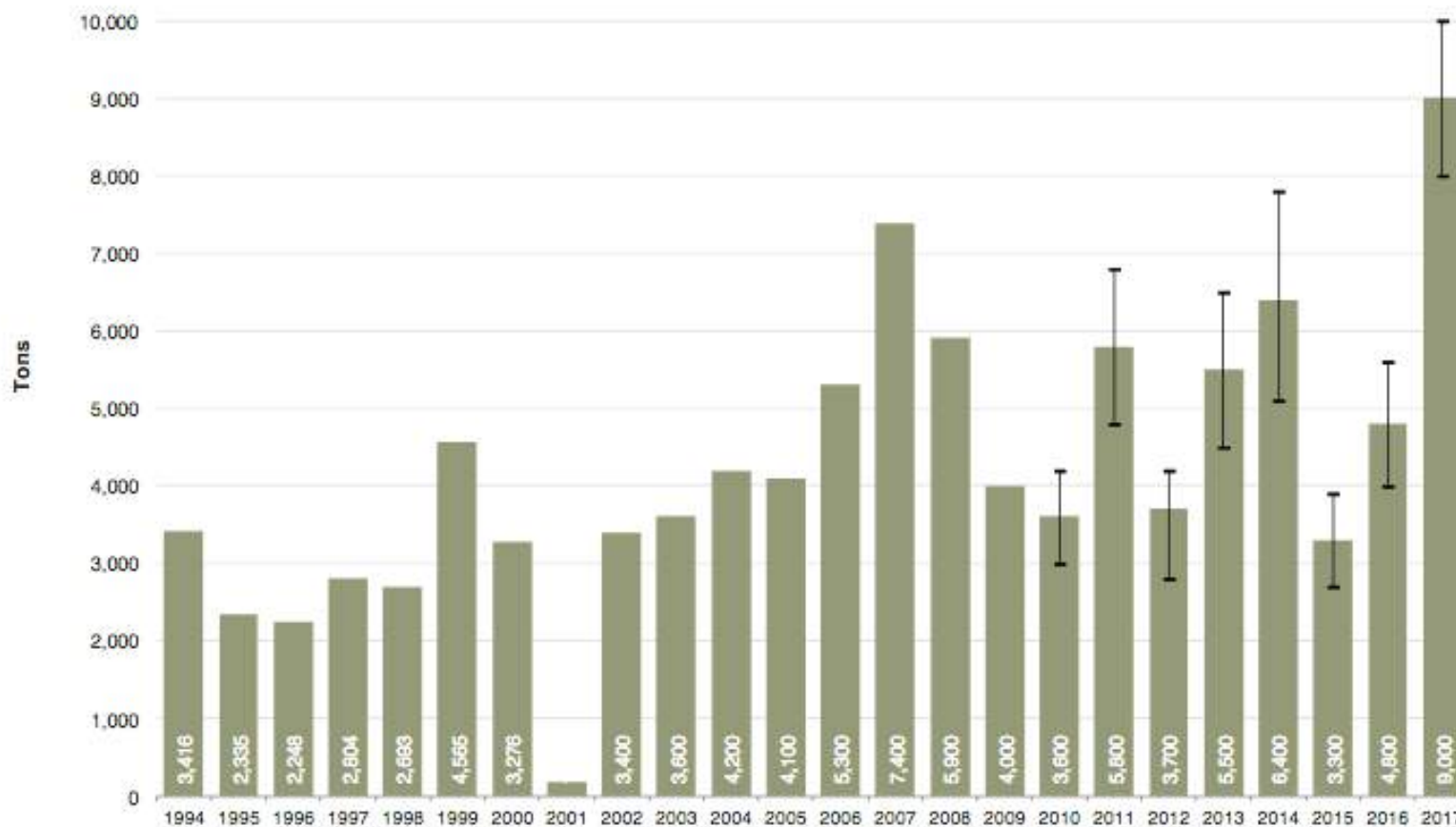
	2016	Change from 2016	2017
Net opium poppy cultivation (after eradication) ⁶	201,000 ha (181,000 - 221,000)	+63%	328,000 ha (301,000 - 355,000)
Number of poppy-free provinces ⁷	13	-3	10
Number of provinces affected by opium poppy cultivation	21	+3	24
Eradication	355 ha	+111%	750 ha
Average opium yield (weighted by cultivation)	23.8 kg/ha	+15%	27.3 kg/ha
Potential production of opium	4,800 mt (4,000 - 5,600)	+87%	9,000 mt (8,000 - 10,000)
Average farm-gate price (weighted by production) of fresh opium at harvest time	US\$ 152/kg	-14%	US\$ 131/kg
Average farm-gate price (weighted by production) of dry opium at harvest time	US\$ 187/kg	-17%	US\$ 155/kg
Total farm gate value of opium production	US\$ 0.90 billion	+55%	US\$ 1.4 billion

UNODC Estimate of Growth in Total Opium Cultivation in Hectares: 1994-2017



Sources: MCN/UNODC opium surveys 1994-2017. The vertical lines represent the upper and lower bounds of the 95% confidence interval.

UNODC Estimate of Growth in Potential Opium Production in Metric Tons: 1994-2017



Sources: MCN/UNODC opium surveys, 1994-2017. The vertical lines represent the upper and lower bounds of the confidence interval of the estimates. Figures refer to oven-dry opium. Production figures for 2006 to 2009 have been revised in 2012; see MCN/UNODC Afghanistan opium survey 2012.

UNODC Estimate of Increase in Yield 2016-2017

In 2017, estimated potential opium production in Afghanistan amounted to 9,000 tons (8,000-10,000 tons), which was an increase of 87% from its 2016 level (4,800 tons). The average opium yield amounted to 27.3 kilograms per hectare in 2017, which was 15% more than in 2016 (23.8 kilograms per hectare).

The increase in potential opium production in 2017 is mainly explained by the larger area under opium poppy cultivation but higher opium yields per hectare also contributed to this increase. The largest relative increase in opium yield occurred in the Southern region, where yield increased by 19% from 22.0 kg/ha in 2016 to 26.2 kg/ha in 2017. In the Eastern and North-eastern regions, yields increased by 8% and 14%, respectively. The increase of yield in the Southern region, where 60% of the total area under opium poppy cultivation in Afghanistan took place, had a significant impact on the national potential opium production.

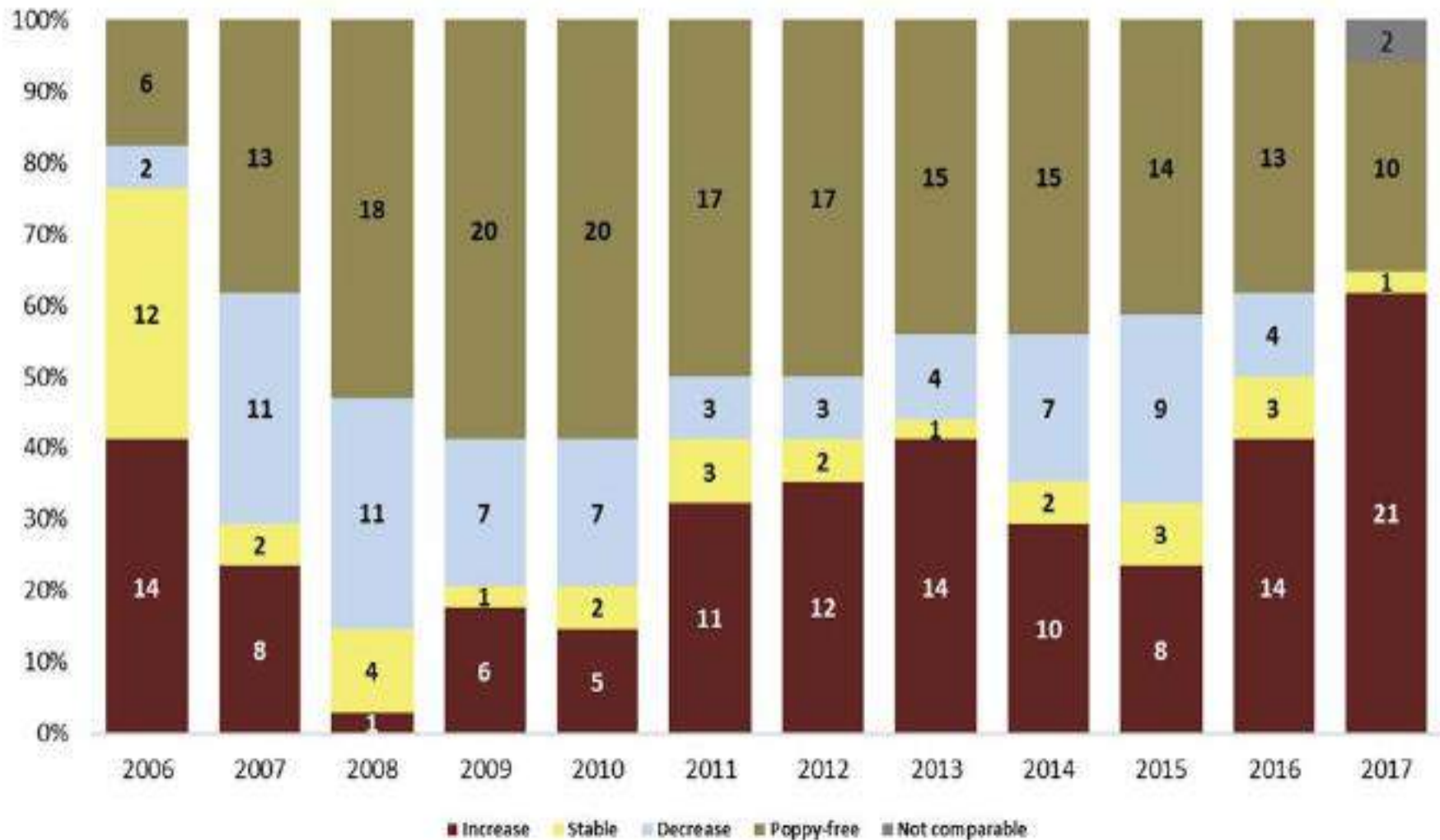
Table 17: Opium yield, by region, 2016-2017¹³ (Kilograms per hectare)

REGION	2016 average yield (kg/ha)	2017 average yield (kg/ha)	% Change
Central	46.1	43.8	-5%
Eastern	32.4	34.9	+8%
North-eastern	31.2	35.4	+14%
Northern	35.0	32.8	-6%
Southern	22.0	26.2	+19%
Western	22.3	22.3	0%
Weighted national average	23.8	27.3	+15%

There are some limitations in the yield estimates since the yield survey was not implemented in all main cultivating provinces for security reasons. For the provinces not covered, the regional average was used. This year the yield surveys were extended to Badghis province in addition to the provinces covered last year.

Collapse of Effort to Keep Provinces Drug Free: 2006-2017

Number of provinces by opium poppy cultivation trends, 2006-2017¹¹



UNODC Estimate of Growth in Cultivation by Province - I

The total area under opium poppy cultivation in Afghanistan was estimated at 328,000 hectares in 2017, a 63% increase or 127,000 hectares more compared to the previous year. This level of opium poppy cultivation is a new record high since the beginning of the systematic monitoring and exceeds the formerly highest value of 2014 (224,000 hectares) by 104,000 hectares or 46%.

Strong increases were observed in almost all major poppy cultivating provinces. In Hilmand province alone, cultivation increased by 63,745 hectares (+79%) which accounted for about half of the total national increase. Strong increases were observed also in Balkh (+10,031 hectares or almost five times more than in 2016), Kandahar (+7,535 hectares or +37%), Nimroz (+6,163 hectares or +116%), and Uruzgan (+6,038 hectares or +39%).

The regional distribution of opium poppy cultivation shows that the majority (60%) of cultivation took place in the South of the country. The Western region accounted for 17% of total cultivation; the Northern region for 13% and the Eastern region for 7%. The remaining regions (North-Eastern and Central) together accounted for 3%.

Hilmand remained the country's major opium poppy cultivating province at 144,018 hectares, followed by Kandahar (28,010 hectares), Badghis (24,723 hectares), Faryab (22,797 hectares),⁹ and Uruzgan (21,541 hectares).¹⁰

In 2017, the number of poppy-free provinces in Afghanistan decreased from 13 to 10. Opium poppy cultivation in Samangan, in the Northern region, was estimated at 243 hectares and lost its poppy-free status, which it gained 2007. Ghazni and Nuristan also lost their poppy-free status which they had kept since 1995 and 2007, respectively.

UNODC Estimate of Growth in Cultivation by Province - II

In the **Eastern region**, the increase of opium poppy cultivation was mainly driven by the strong increase in Nangarhar (+4,632 hectares or +32%). Strong relative increases albeit at lower levels were also observed in Laghman (+877 hectares or +64%), Kapisa (+360 hectares or +59%) and Kunar (+358 hectares or +28%). Nuristan province lost its poppy-free status with 121 hectares of opium poppy cultivation (Nuristan was poppy-free since 2007). A total of 261 hectares of opium poppy were eradicated in Kapisa, Kunar, Laghman and Nangarhar provinces in 2017.

In the **North-Eastern region**, Badakhshan saw a significant increase of 32% in opium poppy cultivation from 6,298 hectares to 8,311 hectares. Eradication in Badakhshan province was 269 hectares in 2017 (270 hectares in 2016).

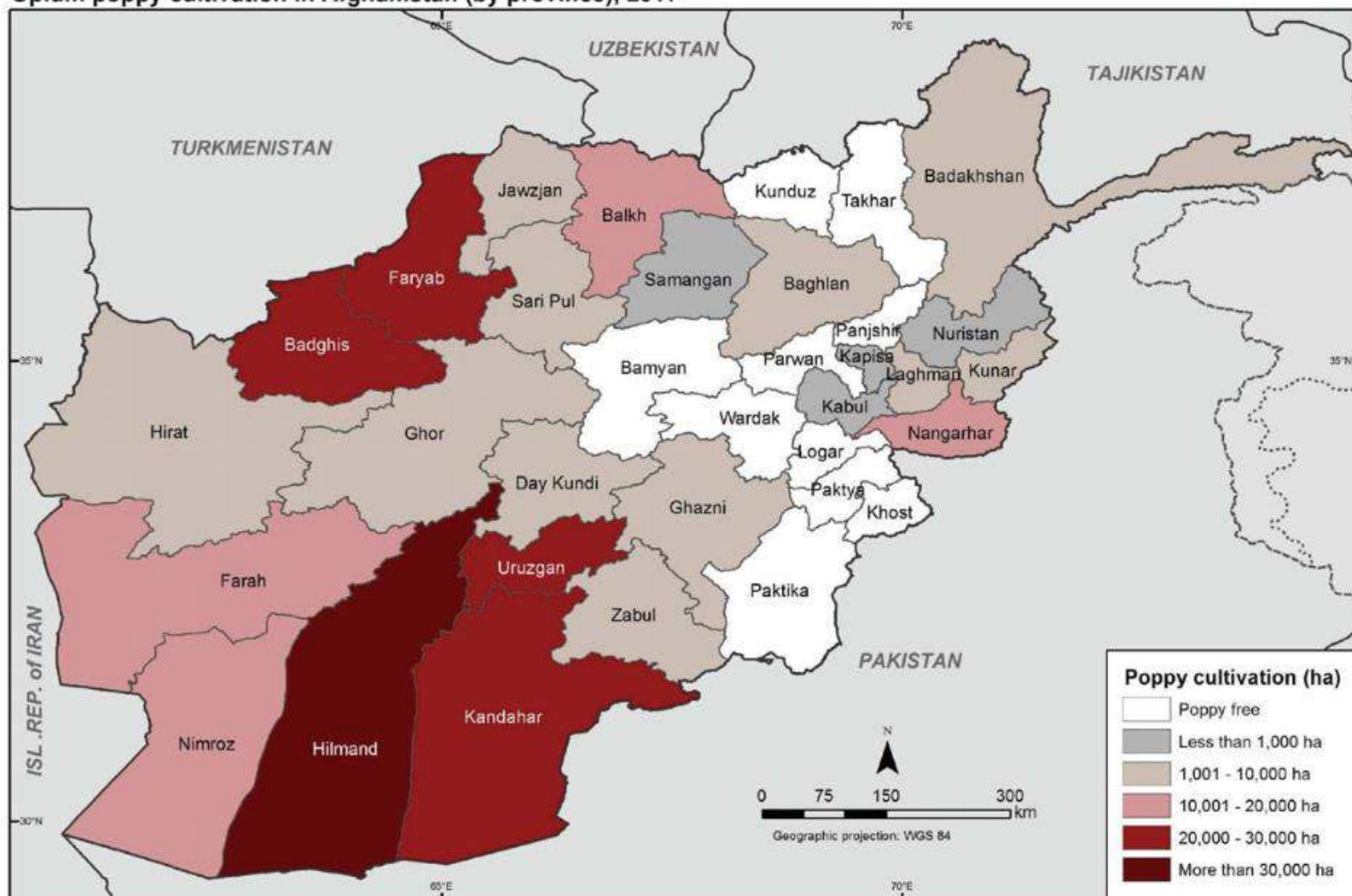
In the **Northern region**, strong increases were observed in Jawzjan (+2,828 hectares or +691%), Balkh (+10,031 Hectares or +481%), Sari-Pul (+1,864 hectares or +111%), and Baghlan province (+208 hectares or +24%). Area under cultivation in Faryab increased from 2,923 in 2016 to 22,797 hectares in 2017 which can be mostly attributed to a change in provincial boundaries: the major opium poppy cultivating district Ghormach, formerly part of Badghis province in the Western region came in 2017 under the administration of the Governor of Faryab province. Samangan province (243 hectares) lost its poppy-free status, which it had since 2007. In the past three years no eradication was carried out in the Northern region with an exception of Sari-Pul (33 hectares in 2015 and 55 hectares in 2016) and Balkh (25 hectares in 2017).

In the **Southern region**, opium poppy cultivation increased in all provinces: Day-Kundi (+1,134 hectares or +303%), Hilmand (+63,745 hectares or +79%), Zabul (+768 hectares or +56%), Uruzgan (+6,038 hectares or +39%) and Kandahar (+7,535 hectares or 37%). Hilmand remained in 2017 the country's main opium-poppy-cultivating province, accounting for 44% of total opium poppy cultivation. There was no eradication carried out in the Southern region with exception of Kandahar, where 48 hectares of opium poppy were eradicated in 2017.

The **Western region** remained in 2017 the second most important opium poppy cultivating region in the country. The two main poppy-cultivating provinces, Farah and Nimroz, saw significant increases, 41% (+3,745 hectares) and 116% (+6,163 hectares), respectively. Opium poppy cultivation also increased by 431% or 896 hectares in Hirat province in 2017. Levels of opium poppy cultivation in 2017 in Badghis province cannot be compared to 2016, because Ghormach district, a major opium poppy cultivating district, came under the administration of the Governor of Faryab province (Northern region) in 2017.

UNODC Estimate of Opium Growth By Province: 2016-2017

Opium poppy cultivation in Afghanistan (by province), 2017

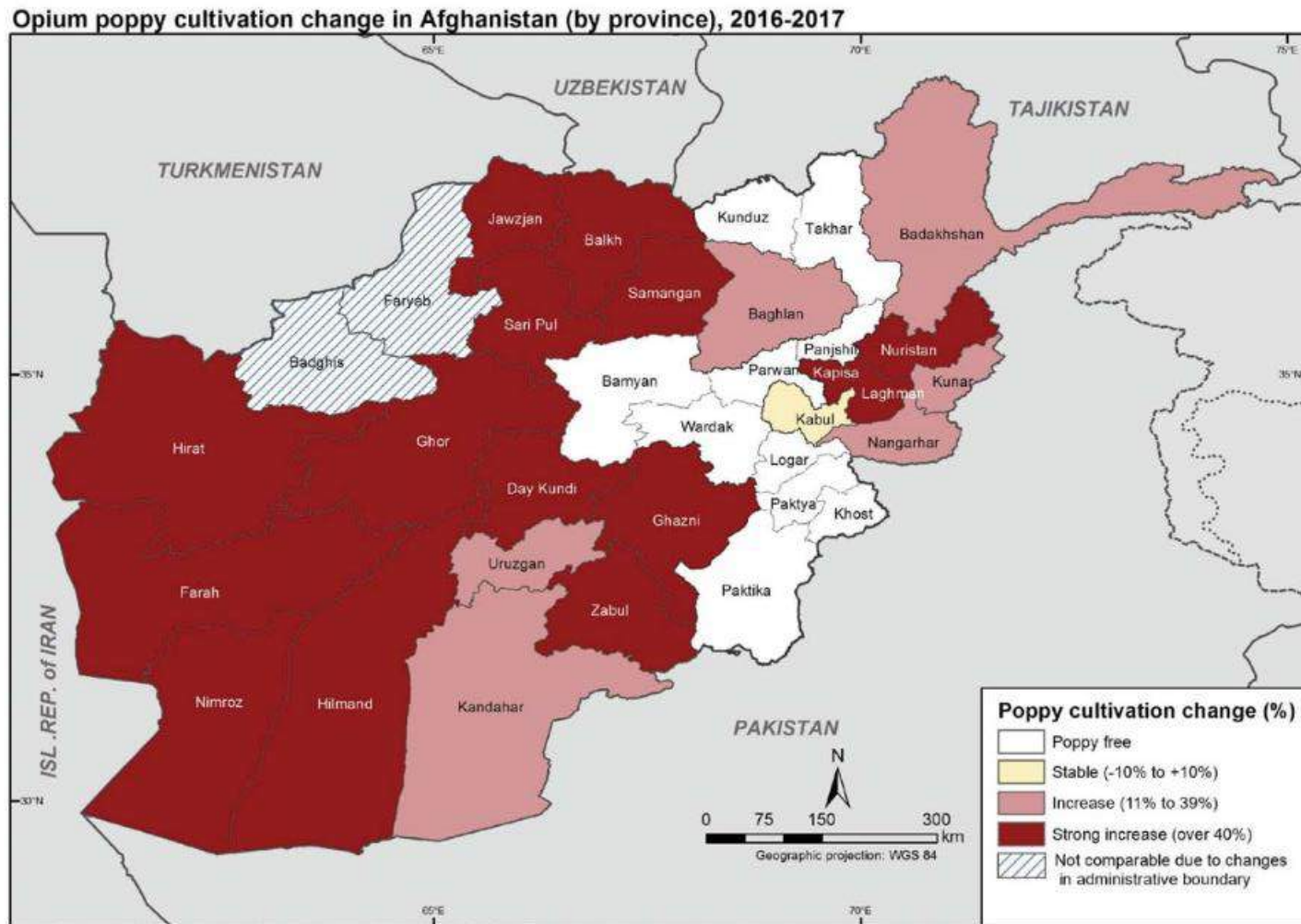


Source: Government of Afghanistan - National monitoring system implemented by UNODC/MCN

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

The dotted line represents approximately the line of control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

Increased Cultivation in Power Broker & Threat Influenced Provinces: 2016-2017



The Rising Perception of Corruption: 2006-2017

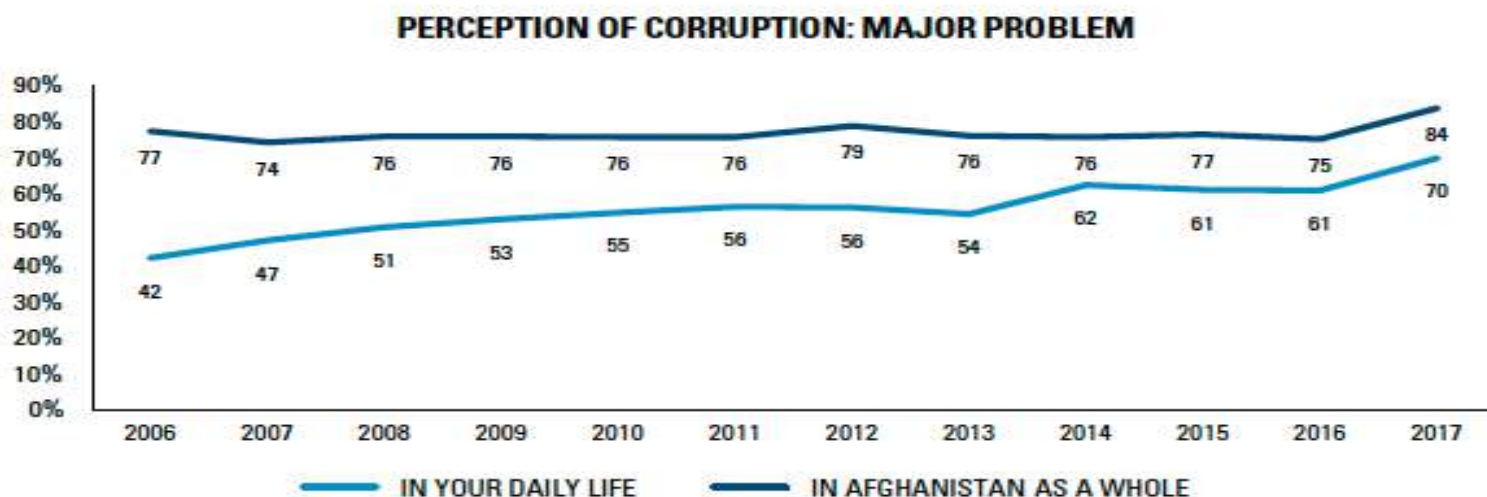


FIG. 5.3: Q-42. *Please tell me whether you think corruption is a major problem, a minor problem, or no problem at all in the following areas. (a) In your daily life. (b) In Afghanistan as a whole. (Percent who report “major problem.”)*

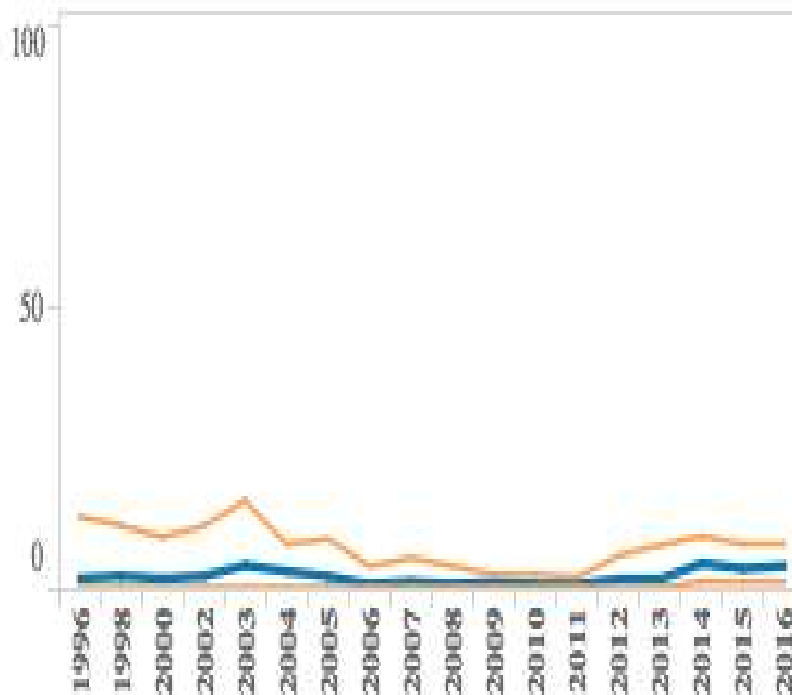
In 2017, like the year before, almost all Afghans believe corruption is a problem in all areas of their lives, with 83.7% saying corruption is a major problem in Afghanistan as a whole, while 13.1% say it’s a minor problem. Concerns about corruption in daily life have continued to grow over the years, and have now reached a record high. This year, 69.8% of Afghans perceive corruption as a major problem in their daily life, and a further 23.0% say it is a minor problem (figure 5.3).

The provinces with the highest perception of corruption as a major problem in daily life are Kabul (89.6%), Nangarhar (87.8%), Uruzgan (87.9%), and Helmand (86.9%). Urban residents (81.5%) are significantly more likely than rural residents (66.0%) to perceive everyday corruption as a major problem. Male respondents (72.0%) are slightly more likely than female respondents (68.0%) to see corruption as a major problem in their daily lives; however, female respondents (84.1%) are slightly more likely than male respondents (83.3%) to see corruption as a major problem in Afghanistan as a whole. This may be because men have more interaction with public officials than women, and therefore have more exposure to corruption in daily life.

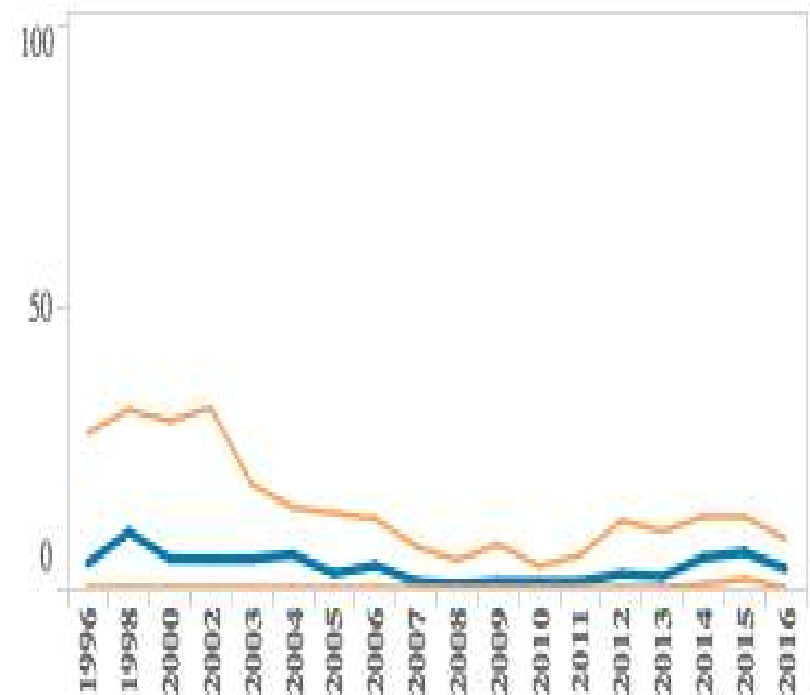
World Bank Rating of Corruption: 1996-2016

Transparency International rated Afghanistan as the 4th most corrupt country in the world in 2017

Rule of Law



Control of Corruption



Source: World Bank, Worldwide Governance Indicators, info.worldbank.org/governance/wgi/#reports, and Transparency International, <https://www.transparency.org/country/AFG>.

Asia Foundation Poll of Popular Support for Taliban: 2017

SYMPATHY FOR THE TALIBAN, BY PROVINCE



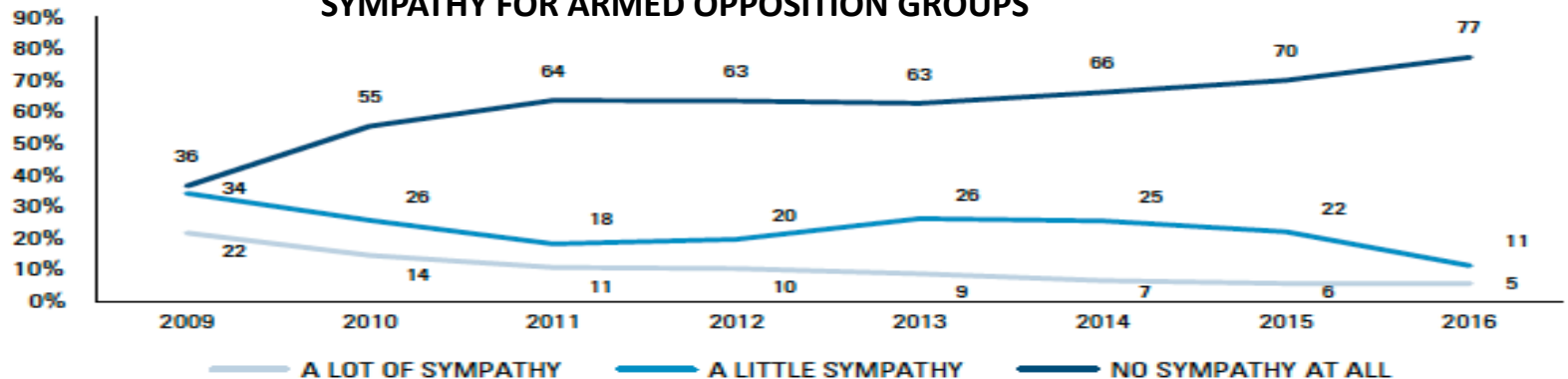
FIG 2.17: Q-55a. Thinking about the reasons why the Taliban have been fighting during the past year, in general, would you say that you have a lot of sympathy, a little sympathy, or no sympathy at all for the Taliban? (Percent who respond "a little" or "a lot" of sympathy.)

SYMPATHY FOR ISIS/DAESH, BY PROVINCE



FIG 2.19: Q-57a. Thinking about the reasons why ISIS/Daesh has been fighting during the past year, in general, would you say that you have a lot of sympathy, a little sympathy, or no sympathy at all for Daesh? (Percent who respond "a little" or "a lot" of sympathy.)

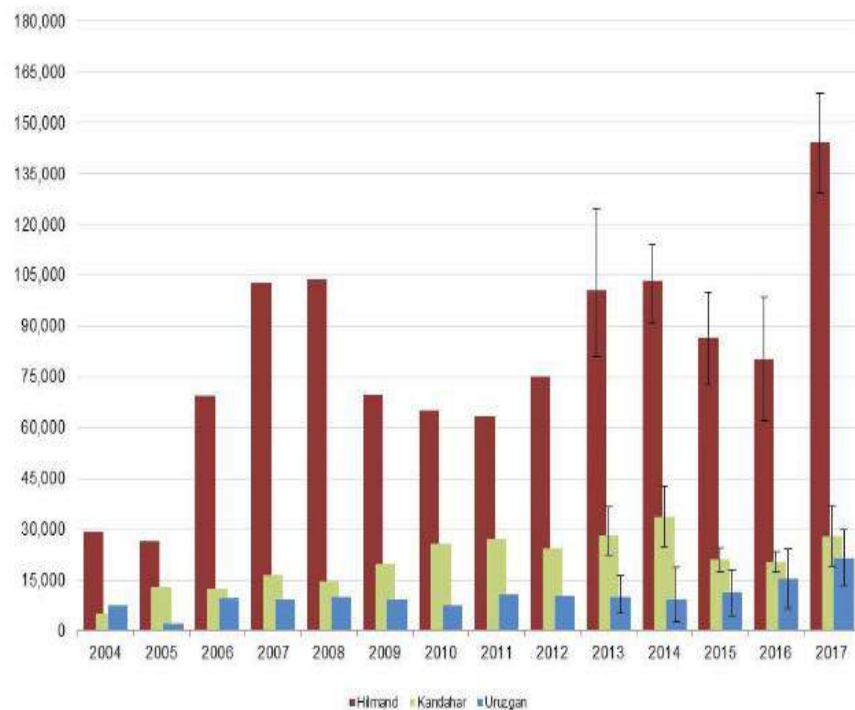
SYMPATHY FOR ARMED OPPOSITION GROUPS



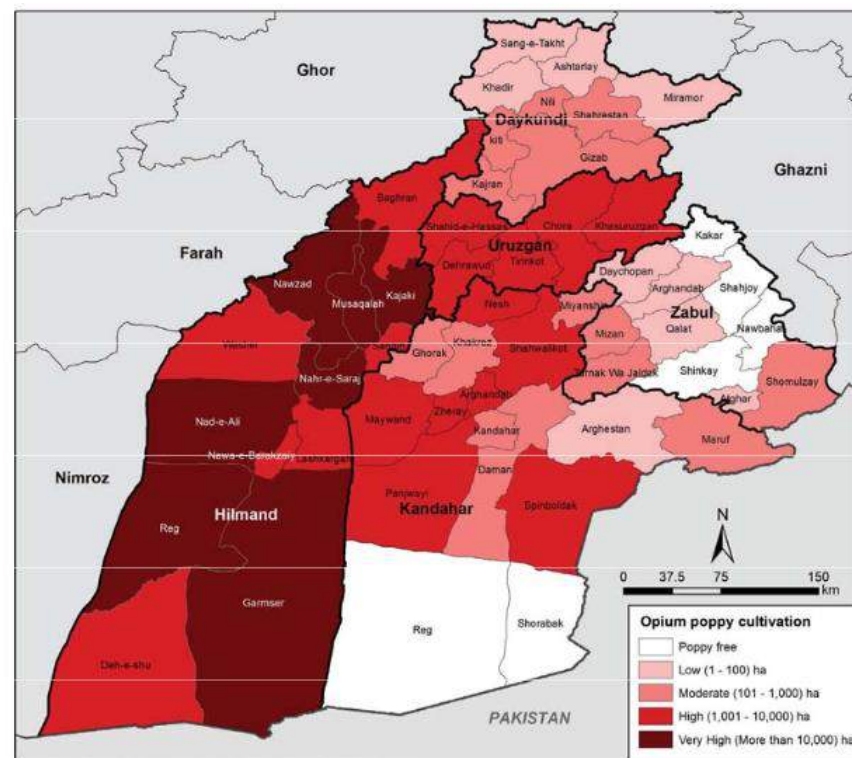
Source: Asia foundation, *Afghanistan in 2017: A Survey of the Afghan People*, <https://asiafoundation.org/publication/afghanistan-2017-survey-afghan-people/> pp. 58.59

Taliban-Influenced Helmand Dominates Growth of Cultivation: 2016-2017

Growth 2004-2017



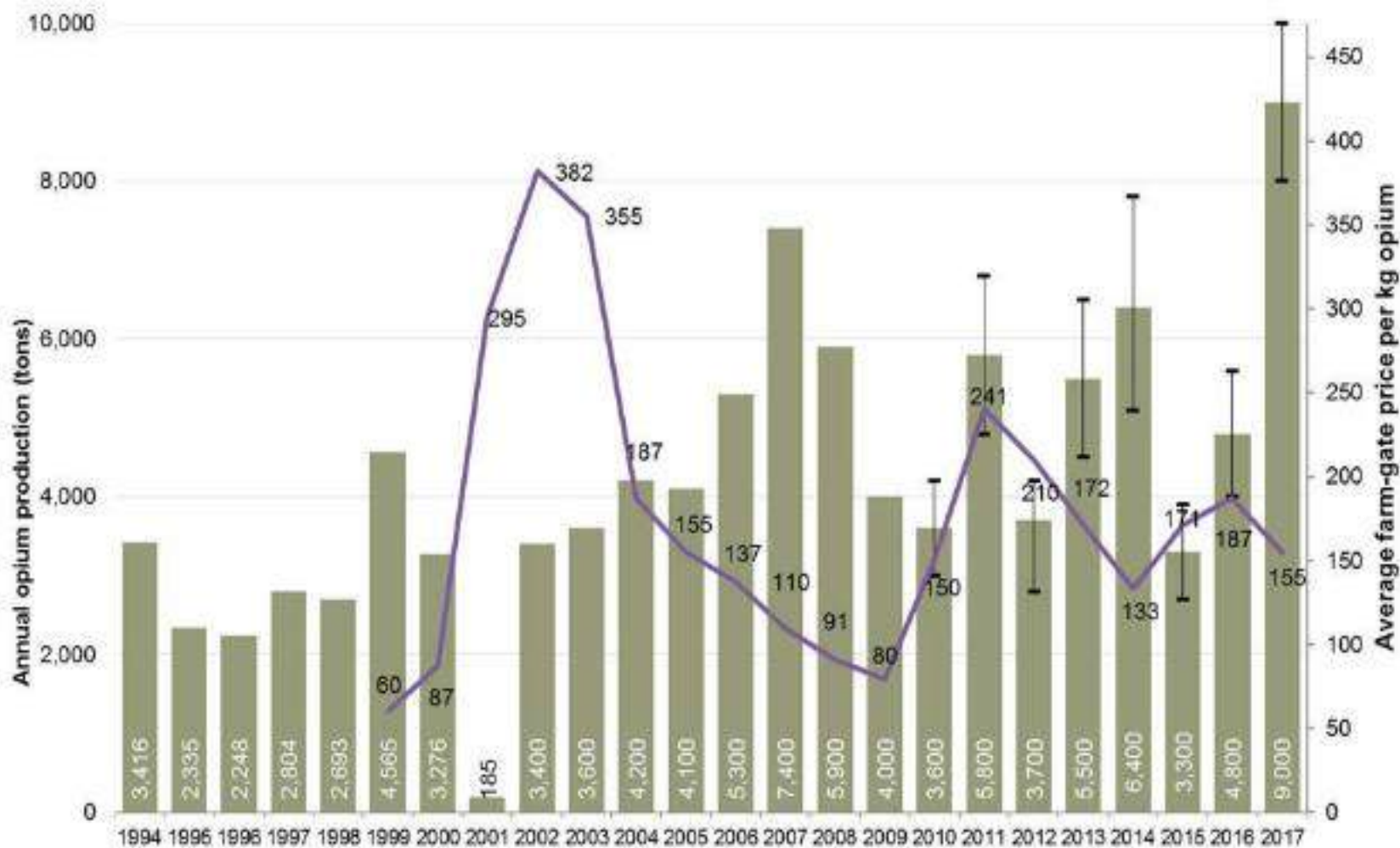
Cultivation in 2017



Source: Government of Afghanistan - National monitoring system implemented by UNODC/MCN
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

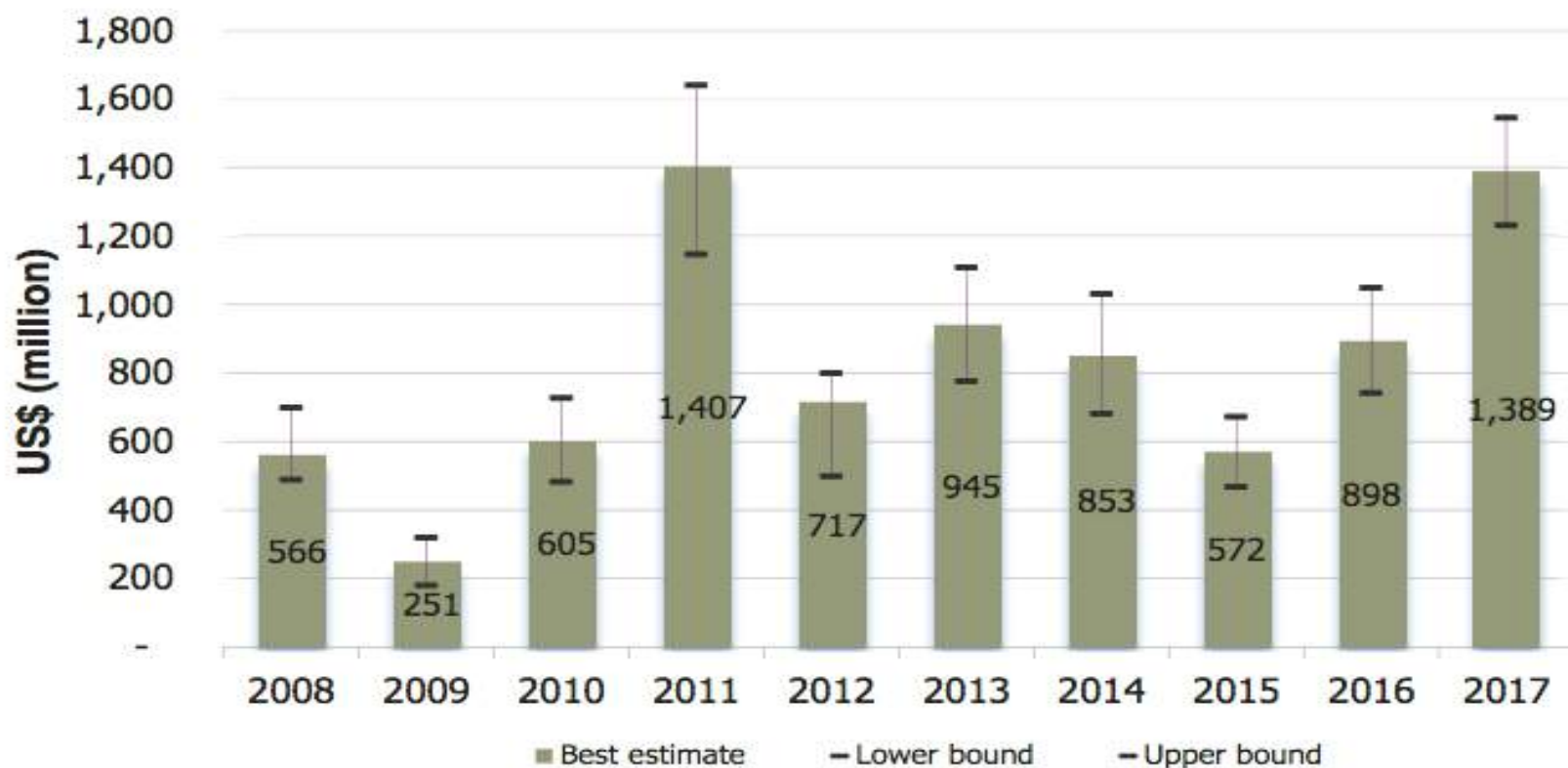
Increased Production Lowers Farm Gate Prices: 1994-2017

Farm-gate prices of dry opium at harvest time weighted by production and annual opium production, 1999-2017
(tons; US dollars per kilogram)



Total Farm Gate Prices Do Not Reflect Prices Nationally and Opium Exports Are Probably Worth 4-6 Times More than Total Legal Exports.

Farm-gate prices of dry opium at harvest time in millions. Prices rise sharply with each handoff and step in processing. Impact on national economy is far higher: \$2.5 billion in 2016 by SIGAR estimate vs. Farm Gate Earnings of \$898 million, \$3.9 billion in 2017(?) versus \$1,389 million. This is some 18% of the GDP at the official exchange rate and 6% of the GDP in PPP terms according to CIA estimates. The 2016 figure would be 4 times the total legal exports of \$619.2 million by CIA estimates, and the 2017 total is likely to be 5 to 6 times higher.



The Taliban, Afghan Government, and Narco-Economy Challenge: 2018

SIGAR Estimate of Opium's Impact on Economy - 4/2018 - I

Opium poppy is an illegal crop used to make heroin and other opiates. By value, it is the most important crop in the Afghan economy, generating economic activity, providing employment, and supporting livelihoods in many provinces across the country. While the share of opium in economic activity has fallen from 33 percent of total GDP in 2004 to 16 percent of GDP in 2016, it remains the largest cash-generating industry in the country.

From a macroeconomic perspective, opium has positive impacts on the economy by increasing aggregate demand and improving the overall balance of payments. Opium exports strengthen Afghanistan's balance of payments, helping to stabilize the foreign exchange rate for the Afghan currency.

In recent years, the total net export value of opium at the border has ranged from \$1.5 billion to as much as \$4 billion, in some years exceeding all other Afghan exports combined. The actual economic impact is much larger than this number suggests, however, considering the multiplier effect the industry has in other sectors, especially in rural communities. The majority of the farm-gate value of opium, in 2017 estimated at \$1.4 billion, is spent on basic consumption by rural households. However, some portion of the export value also returns downstream to the domestic economy, further multiplying the income effects from opium production and increasing the opium economy's impact on the licit economy.¹⁰⁷

From a livelihoods perspective, opium poppy cultivation can positively impact rural households in a number of ways. First, it provides a significant amount of employment due to its high labor intensiveness. In 2017, the drug industry accounted for approximately 590,000 full-time equivalent (FTE) on-farm jobs. It is estimated that poppy is as much as eight times more labor-intensive than wheat, the largest licit crop in Afghanistan. Opium additionally provides a substantial number of off-farm jobs in trade, transport, processing, and security for the drug industry. In poppy-growing areas, opium also has a strong multiplier effect, creating secondary jobs as farmers accrue capital to spend on food, medical care, and other consumer products.

SIGAR Estimate of Opium's Impact on Economy – 4/2018 - II

Opium can further improve rural livelihoods by providing increased purchasing power for households, allowing them to improve food quality or pay for unexpected expenses. It is also a convenient means of generating capital for larger purchases, providing both access to credit and a means to pay off debts, and as a durable store of value. Households in poppy growing areas have been able to send children to school and finance the purchase of capital assets that enabled them to leave opium poppy cultivation, for example, the purchase of vehicles for licit transport activity

Because it is so labor-intensive, poppy cultivation provides substantial access to land for the land-poor in rural Afghanistan through sharecropping and rent, in addition to providing wage labor opportunities. This provides access to cash, as well as land for cultivating food crops or keeping some livestock for households that would otherwise not have any.

However, even as a high-value, labor-intensive crop, poppy generates substantially higher income for the traders and traffickers than it does for those farmers who grow it. The yields, prices, and border-crossing values of opiate products fluctuate each year, but the farm-gate value consistently represents well less than half of the border-crossing value. The majority of rents from opiate production, therefore, are skewed away from the rural farmers and do not provide proportional benefits to the poor. By 2004, the majority of income went to traders and traffickers or to recipients of rent and protection payments, and this trend has continued since.

Finally, while providing income for the landless and land-poor, and creating a multiplier effect for other portions of the population, opium production and trade exacts a profound cost on the economy due to macroeconomic volatility, insecurity, corruption, and degradation of the rule of law, as well as drug addiction and other health conditions. The macro effect shows the potential for Afghanistan to suffer from “Dutch disease,” a situation where foreign exchange inflows from the drug trade or a natural resource lead to an appreciation of the real exchange rate, making other licit sectors relatively less competitive, and thus discouraging the production of other goods. Furthermore, the drug industry funds warlords whose militias undermine security efforts in order to maintain an unsettled environment in which the drug industry can thrive. Opium also distorts the rural economy as it impacts land prices, wage rates, and sharecropping rates.

Transparency International Summary of Afghan Corruption: 2018

Afghanistan faces major governance and corruption challenges that threaten the country's state-building process, undermining the government's legitimacy, stability, and rule of law. The problem of corruption in the country is exacerbated by the prevalence of illicit drug activities, a weak public administration and the large amounts of international aid flowing into the country.

Corruption permeates most government sectors and institutions. To guarantee that money is well spent and services are delivered effectively, it is crucial that Afghanistan's public financial management system functions in an accountable and transparent manner.

With the support of the international community, the government of Afghanistan has made major progress with regards to budget planning and execution, public procurement processes, and revenue collection and management. However, in spite of these improvements, Afghanistan still lacks the capacity to continue progressing in these areas without external (technical and financial) support.

State Department INL Overview, March 2018 - I

Afghanistan remains the dominant source of the world's illicit opiate supply. The insurgency and widespread corruption present major challenges to the central government's efforts to establish the physical and economic security necessary to bring the narcotics trade under control. The United Nations Office on Drugs and Crime (UNODC) and the Afghan Ministry of Counter Narcotics (MCN) estimate the total area under opium poppy cultivation in Afghanistan for the 2017 season to be approximately 328,304 hectares (ha), yielding an estimated 9,000 metric tons (MT) of raw opium. This represents an increase of 63 percent in area under cultivation and 88 percent in production over last year. Preliminary U.S. government data show a similar trend. Afghan opium is typically refined into heroin or morphine in Afghanistan and neighboring countries for export.

A symbiotic relationship exists between the insurgency and illicit drug trafficking. Traffickers provide weapons, funding, and material support to the insurgency in exchange for protection. Some insurgents traffic drugs or tax their production and transportation to finance their operations. However, trafficking is not limited to insurgent-controlled areas, and the narcotics trade is a primary driver of corruption, which undermines governance and rule of law throughout Afghanistan.

Afghanistan suffers from widespread illicit drug use. The U.S.-supported 2015 Afghanistan National Drug Use Survey profiling urban, rural, and national drug use conservatively estimated that roughly 11 percent of the population tested positive for one or more illicit drugs, including 5.3 percent of the urban population and 13 percent of the rural population. Drug use by women and children is among the highest documented worldwide, and 30.6 percent of rural households tested positive for some form of illicit drug. These statistics portend a massive health crisis that Afghans are gradually acknowledging.

State Department INL Overview, March 2018 - II

Senior Afghan government officials state that the government recognizes the deleterious impact of illegal drugs and is attempting to address the problem, citing the late 2015 adoption of the National Drug Action Plan (NDAP) as proof. Despite public displays of support for this comprehensive national drug control strategy, the Afghan government has been slow to implement the ambitious plan. The Afghan government will require financial and technical assistance from the international community for the foreseeable future to achieve the NDAP's objectives.

Aside from opium, Afghanistan cultivates cannabis and produces significant amounts of hashish. The latest available cannabis survey (2012) estimates that 10,000 ha of commercial cannabis cultivation is sufficient to potentially produce approximately 1,400 MT of hashish.

Deteriorating security conditions, a lack of political will, and MCN's ineffective management of the Afghan inter-ministerial process all contributed to anemic eradication efforts in 2017. The United States supports the GNU-led eradication efforts through the Governor-Led Eradication (GLE) program that reimburses provincial governors \$250 per every UNODC-verified hectare of eradicated poppy.

The Counter Narcotics Police of Afghanistan (CNPA) are increasingly able to plan and conduct effective counternarcotics operations. The United States supports specialized units within the CNP, including the Sensitive Investigative Unit (SIU) and the National Interdiction Unit (NIU). These units are mentored by the U.S. Drug Enforcement Administration and U.S. Special Operations Forces, a relationship that has increased access to key military enablers and has led to record seizures.

State Department INL Overview, March 2018 - III

During the first nine months of 2017, the NIU and the SIU conducted 84 joint operations and reported the seizure of drugs and chemicals worth more than \$300 million, including 16.8 MT of opium, 5.4 MT of heroin, 132 MT of hashish, and 37.5 MT of morphine base. In addition, the arrest of 118 individuals during this period included three leaders identified as “top 20” targets by the Afghan government.

Primary trafficking routes into and out of Afghanistan are through the Balkan route (Iran to Turkey to Eastern and Western Europe); the southern route (Pakistan and Iran to Africa, Europe, Asia, the Middle East, and Canada); and through the northern route (Central Asia to the Russian Federation). Drug laboratories within Afghanistan and in neighboring countries process a large portion of the country’s raw opium into heroin and morphine, illicitly importing large quantities of precursor chemicals to facilitate production. These laboratories and chemicals were targeted in NIU operations, resulting in the destruction of over 105 laboratories and the reported seizure of nearly 28,000 liters of acetic anhydride within Afghanistan during the first nine months of 2017. Additionally, the U.S. Air Force and Afghan Air Force fighter aircraft targeted Taliban associated drug labs with air strikes.

...As a policy matter, the Government of Afghanistan does not encourage or facilitate illicit drug production or distribution, nor is it involved in laundering illicit proceeds. However, widespread, longstanding, and credible allegations and media reporting suggest that many government officials directly engage in and benefit from the drug trade. Corrupt practices range from facilitating drug activities to benefiting from drug trade revenue streams to thwarting arrests and prosecutions.

State Department INL Overview, March 2018 - IV

In October, 2015, President Ghani approved a new four-year National Drug Action Plan (NDAP), establishing three interrelated goals: 1) decrease the cultivation of opium poppy; 2) decrease the production and trafficking of opiates; and 3) reduce the demand for illicit drugs, while increasing the provision of treatment for users. The NDAP targets all facets of the drug trade, from cultivation and production to trafficking and use, by employing incentives such as alternative development and deterrents such as eradication, interdiction, and prosecution.

...The Afghan government must demonstrate the necessary political will and capacity to combat corruption, develop alternative economic livelihoods, and establish security in the poppy cultivating communities controlled by insurgent forces. Afghanistan cannot interdict or eradicate itself out of this problem. However, increased efforts to enforce Afghan laws against illicit poppy cultivation and to arrest traffickers are necessary for success, alongside alternative development and reducing demand for illicit drugs.

In addition to mainstreaming drug control efforts into other existing national strategies and programs, Afghanistan must actively combat corruption at all levels of government to regain public trust in its counter-drug campaigns, and ensure that provincial governors and other subnational officials genuinely cooperate on national drug control plans and policies. None of these achievements would be sufficient by itself, and each faces significant challenges in the coming years. Success in countering Afghanistan's place in the global drug trade will not come quickly or easily.

Afghan Role in the Global Illicit Drug Trade -2008-2016

(all figures in hectares)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Poppy									
Afghanistan	157,000	131,000	119,000	115,000	180,000	198,000	211,000	201,000	207,000
Burma	22,500	19,000	45,500	36,500		51,000	52,000		<i>In process</i>
Colombia		1,100					800	1,100	<i>In process</i>
Guatemala					220	310	640	260	310
Laos	1,900	940	1,800	4,400					<i>In process</i>
Mexico				12,000	10,500	11,000	17,000	28,000	32,000
Pakistan	700	705			755	4,300	2,800	930	1,400
Coca									
Bolivia	26,500	29,000	29,000	25,500	25,000	27,000	35,000	36,500	37,500
Colombia	119,000	116,000	100,000	83,000	78,000	80,500	112,000	159,000	188,000
Peru	41,000	40,000	53,000	49,500	50,500	59,500	46,500	53,000	44,000
Total Coca	186,500	185,000	182,000	158,000	153,500	167,000	193,500	248,500	269,500
Cannabis									
Mexico				12,000	11,500	13,000	11,000		<i>In Process</i>

Possible Trends in 2018 - I

Despite multi-billion-dollar international efforts to reduce narcotics production in Afghanistan, the total area of Afghan land under opium poppy cultivation increased by 63% during the 2017 growing season from the previous year, and raw opium production increased by an estimated 88%. The early warning system for famine for Afghanistan noted that low seasonal precipitation might hamper rainfed and irrigated crop production in 2018.

What direct effect this drought will have on opium poppy cultivation in 2018 is difficult to determine. In the past, severe nationwide drought has coincided with significant decreases in opium poppy cultivation. This was the case for the 1999–2001 drought and again for the 2008 drought. However, there are multiple factors that complicate a straightforward assessment.

During the 1999–2001 drought, the Taliban government successfully enforced a poppy ban in 2001 that eliminated cultivation in most of the country (over 90% of Afghanistan). Likewise, during the 2008 drought the provincial governor of Nangarhar Province, Gul Agha Sherzai, enforced a poppy ban that eliminated poppy cultivation in the province and removed perhaps 19,000 hectares of cultivation compared to 2007

In 2008, the United Nations Office of Drug Control (UNODC) said the tripling in wheat prices, partially due to the drought, explained the nationwide decline in poppy cultivation. This meant that more farmers cultivated wheat instead of poppy. Droughts also produce effects that may not be apparent for years. Droughts amidst general insecurity cause greater stress for farmers and droughts may encourage further acceptance of poppy cultivation once rainfall finally returns, and price differentials return to long-run averages.

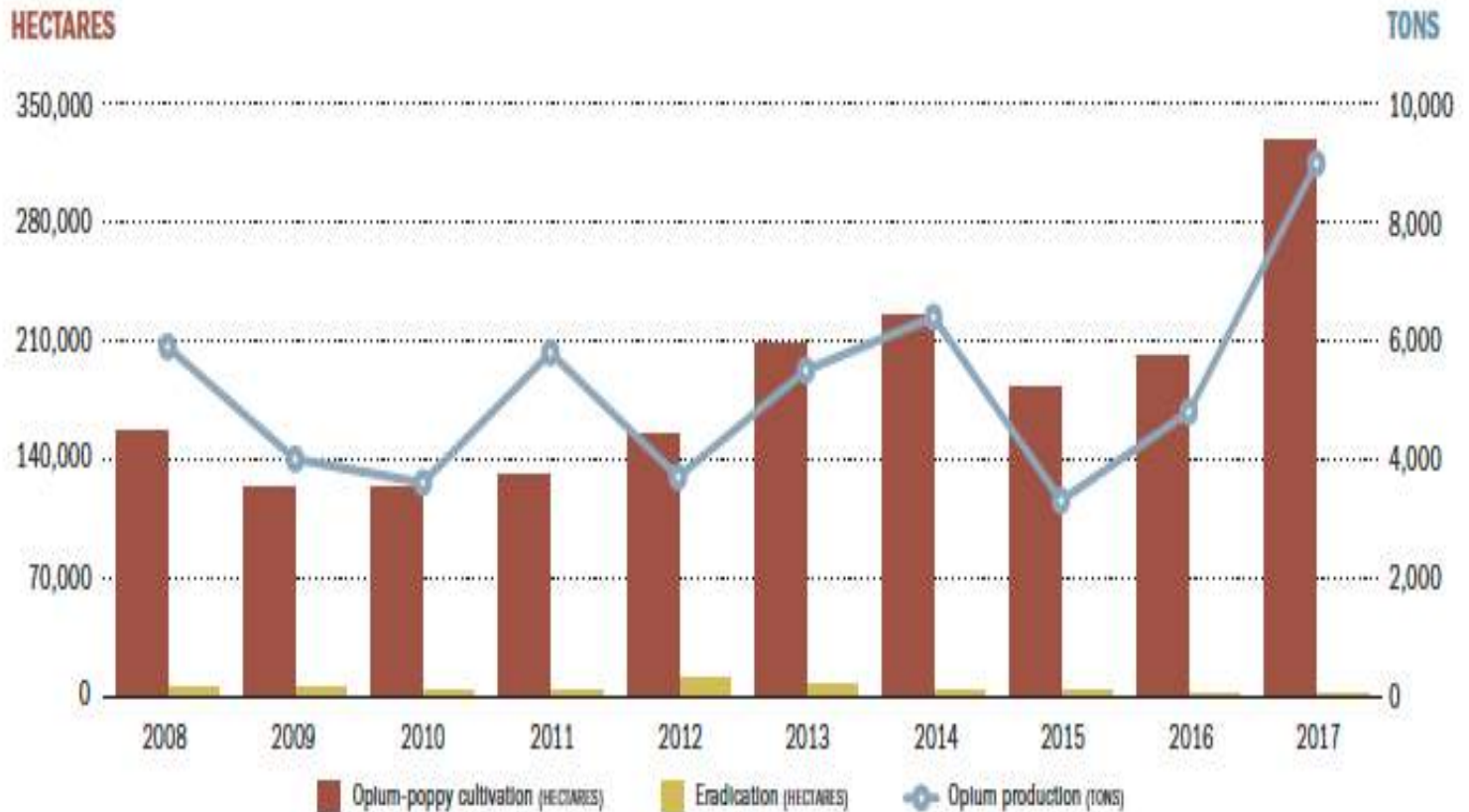
Afghanistan remains the world's dominant source of illicit opiates, although not a leading source of heroin available within the United States, according to the March 2018 International Narcotics Control Strategy Report from the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). According to the United Nations (UN), opium prices dropped 41% from December 2016 to December 2017 due to the record harvests reported in 2017, while heroin prices declined 7% over the same period.

Possible Trends in 2018 - II

The UN attributes relatively stable heroin prices to the high number of opiate interdictions throughout 2017 and the high prices of the precursor chemical acetic anhydride, which is used to make heroin, following shipment seizures into the country. The record opium-production level likely prevented any heroin price fluctuation despite the price increase of precursor chemicals. According to the U.S. Drug Enforcement Administration (DEA), opium from prior harvests can be stored for a long time. Therefore, the overall supply of opium has not decreased to a point where the interdictions would have an effect on opium supply and cause heroin prices to

The Rising Impact of Opium, and Ineffectiveness of Eradication 2008-2017

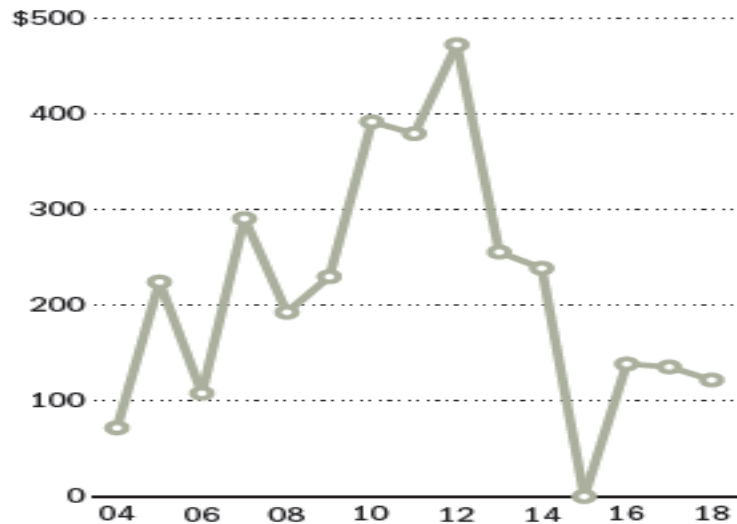
AFGHAN OPIUM-POPPY CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



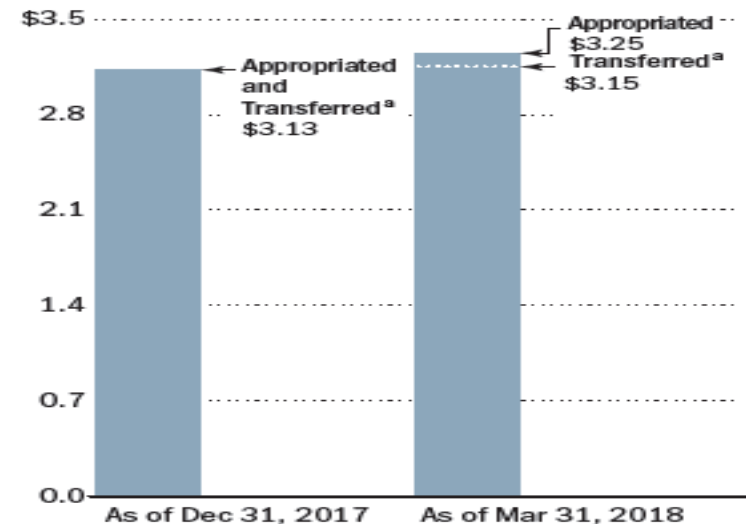
Source: UNDOC, World Drug Report 2016, 5/2016, Annex, vii, ix, xii; UNODC, Afghanistan Opium Survey 2017: Cultivation and Production, 11/2017, pp. 5-6, 64-71.

U.S. Counter Narcotics Funding Sharply Cut

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

^a DOD reprograms all DOD CN funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data calls, 3/30/2018 and 10/18/2017; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

As of March 31, 2018, the United States has provided \$8.78 billion for CN efforts in Afghanistan since 2002. Congress appropriated most CN funds for Afghanistan through the Department of Defense Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3.25 billion), the Afghan Security Forces Fund (ASFF) (\$1.31 billion), the Economic Support Fund (ESF) (\$1.42 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.26 billion).

DOD reported that DOD CN received nearly \$121.93 million for Afghanistan for FY 2018, bringing cumulative funding for DOD CN to more than \$3.25 billion since FY 2004. Of this amount, nearly \$3.15 billion had been transferred to the military services and defense agencies for DOD CN projects, as of March 31, 2018.

No Current U.S. Strategy for Counter Narcotics- I

The security situation in Afghanistan remains poor and has hindered interdiction activities. During the second quarter of FY 2018, most interdiction activities occurred in the capital and the eastern regions. These activities included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations.

Between January 1 and March 20, 2018, Afghan operations resulted in the following seizures and destruction of multiple drug labs: nearly 1,400 kg of opium, 3,028 kg of morphine, 251 kg of heroin, 376 kg of hashish, and 449 kg of precursor chemicals. The number of operations increased from 23 to 59—a 156% increase from last quarter. DOD said the increase is probably a result of the continuing mentorship from Special Forces units, as well as support from RS assets, and improved interoperability. The Special Forces advisory team has facilitated NIU access to key enablers including rotary wing lift and enabled missions in remote areas. No eradication operations took place this quarter. This quarter, DEA reported that eight labs were destroyed, but no high value persons were apprehended as of March 18, 2018. Two high-value targets were apprehended during FY 2017.

...over 3,520 interdiction operations have resulted in the seizure of 463,342 kg of opium. However, the sum of these seizures over nearly a decade would account for less than 0.05% of the opium produced in Afghanistan in 2017 alone. According to the United Nations Office on Drugs and Crime (UNODC) 2017 Opium Survey, Afghanistan's potential opium production in 2017 was approximately 9,000 metric tons (or 9 million kg).⁶⁹⁹ U.S. government estimates for 2017 were slightly higher, but reveal a similar trend when compared to 2016: 9,140 metric tons for opium production and 329,000 hectares for opium-poppy cultivation, as opposed to 328,000 hectares and 9,000 metric tons reported by UNODC

...State INL says the Afghan government has been slow to implement its ambitious 2015 National Drug Action Plan (NDAP) to address the impact of the illicit drug trade, despite professed support from Afghan officials. INL adds that the government will require financial and technical assistance from the international community to achieve the NDAP's objectives.

This quarter, the U.S. Agency for International Development (USAID) informed SIGAR it will not plan, design, or implement any new programs to address opium-poppy cultivation. The agency's aim in the agriculture sector

No Current U.S. Strategy for Counter Narcotics- II

will be restricted to strengthening the capabilities of licit private enterprises that link to domestic and international markets. USAID said they will coordinate closely with INL, who will manage alternative-development programs.

Meanwhile, the United States has still not finalized the revised counternarcotics strategy under development since 2014. According to State, the current draft strategy seeks to deny the Taliban drug revenue to pressure them to participate in peace negotiations. The draft strategy also maintains focus on building and improving Afghan counternarcotics (CN) capabilities and capacity. It is still undergoing interagency coordination.

Drug Revenues Finance Insurgency & Criminal Networks:

According to DOD, “Revenue from drug trafficking, taxation/extortion, illicit mining/agriculture, and foreign financial support continues to sustain the insurgency and Afghan criminal networks.”

The CNPA, comprising regular narcotics police and specialized units, leads counternarcotics efforts among Afghan security forces. Afghan Uniform Police and Afghan Border Police also participate in counternarcotic activities.

In addition, the General Command of Police Special Units conducts high risk operations against terrorism, narcotics and organized crime.⁶⁷⁶ The specialized units include the Sensitive Investigative Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit. The CNPA has approximately 2,000 assigned personnel; roughly half of them are based in Kabul.

The NIU maintains forward-based personnel in Kandahar, Kunduz, and Herat Provinces. The Technical Investigative Unit (TIU) is an individual component, comprising 100 translators, that works within the Joint Wire Intercept Platform (JWIP) in support of SIU/NIU investigations.

Another SIU component has four officers who are responsible for the administrative management of court orders obtained by SIU investigators to conduct Afghan judicially authorized intercepts.

Serious Debates Over Whether the Taliban or the Afghan Government Profit Most from Narcotics - I

According to the UN International Narcotics Control Board, drug trafficking and production takes place mainly in areas where government institutions are weak or the government is unable to exercise full control because of the deteriorating security situation, although trafficking is not limited to areas controlled by insurgents. The UN stated that up to 90% of drug production currently falls within Taliban-controlled areas, although it is unclear how “illicit production” is defined.

... (However) a SIGAR analysis found that strictly in terms of poppy cultivation, there are districts under Afghan government control or influence with significant levels of cultivation. In certain provinces, the districts with the largest area of opium-poppy cultivation for 2017 are under government influence or control..

Argo, assessed to be under Afghan government influence, is the highest opium-poppy-cultivating district in Badakhshan (3,658 hectares); Nahr-e Saraj, considered under government control in Helmand (18,464 hectares) and Zharey, considered under government influence in Kandahar (7,605 hectares) are the second-highest producing districts in their respective provinces. The two top-producing districts in Nimroz Province (Khash Rod and Chahar Burjak with 7,256 hectares and 4,167 hectares respectively) are also under government influence.

Further, when the area of poppy cultivation in a given district is divided by the area of the district, the calculated cultivation intensity allows for cross-district comparisons throughout Afghanistan...The map illustrates the intensity of opium-poppy cultivation overlaid on RS's district control assessment as of January 31, 2018.

Among the 47 districts in the high intensity category, 14 are assessed as being under government control or influence (for instance Achin, Arghandab in Kandahar, Balkh, Lashkar Gah, Nahr-e Saraj, Sarkani, Shinwar, and Surkh Rod), 22 are contested districts, and 11 are under insurgent control or influence (for instance Baghran, Ghormach, Kajaki, Musa Qala, and Sangin).

Serious Debates Over Whether the Taliban or the Afghan Government Profit Most from Narcotics - II

The medium intensity category includes 63 districts with 34 under government control or influence, 16 contested, and 13 under insurgent control or influence. Districts in the low intensity grouping include 43 under government control or influence, 13 contested and six under insurgent control or influence. The final category of poppy-free districts includes 226 districts of which 132 are under government control or influence, 27 under insurgent control or influence, and 67 are contested.⁶⁸⁵

Overall, the relationship between control and poppy cultivation is a mixed picture. RS data shows that the government controls or influences more districts than the insurgents. When combined with UNODC data, government control or influence also translates into control or influence of poppy cultivating districts. This relationship holds true for the absolute area of poppy cultivation but is particularly evident when poppy cultivation is compared across districts.

State Department INL Criticisms of Afghan Government Efforts - I

Terrorist and insurgent financing, money laundering, bulk cash smuggling, abuse of informal value transfer systems, and other illicit activities financing criminal activity continue to threaten Afghanistan's security and development. Afghanistan remains the world's largest opium producer and exporter. Corruption remains a major obstacle to the nation's progress. The National Unity Government (GNU) has enacted laws and regulations to combat financial crimes, but faces a significant challenge in implementing and enforcing the law.

The illicit narcotics trade, corruption, illegal mineral extraction, and fraud are major sources of illicit revenue. Afghanistan has a small banking sector, but large enforcement and regulatory challenges, even though most of its banks strive to adhere to international standards. Traditional payment systems, particularly hawala networks, provide a range of financial and non-financial business services in local, regional, and international markets. Beyond the formal border crossings, the Afghanistan-Pakistan frontier is notoriously porous, enabling smugglers to cross with relative ease.

Afghanistan should ensure market manipulation and counterfeiting are predicates for money laundering and strengthen supervision of financial institutions and DNFBPs, to ensure their compliance with AML regulations. The poor security environment prevents the central bank and FIU from supervising all MSBs and money exchanges; nevertheless, these regulatory bodies should devise new ways to expand supervision and implementation of the MSB/hawala licensing program. Afghanistan should create an outreach program to notify and educate hawaladars about licensing and transaction reporting requirements. Regulators and enforcement officers need adequate security and resources to supervise the financial sector and investigate financial crimes.

Precious metals and stones dealers, lawyers, accountants, and real estate agents are not supervised as financial businesses in Afghanistan.

Afghanistan's Attorney General's Office (AGO) and law enforcement authorities are hampered by limited resources, lack of technical expertise, poor coordination with counterpart agencies, and poor infrastructure. Many hawaladars

LIG Summary of Anti-Taliban Narco-Strike Program - I

General Nicholson stated in November 2017 that the Taliban was changing from an ideologically based group to a “narco-insurgency.”¹⁶ Given the increasing amount of money the Taliban makes from the illegal drug trade, U.S. forces began bombing Taliban drug labs to disrupt that revenue stream in November 2017. Although U.S. and Resolute Support officials described this as a new tactic, U.S. forces conducted operations in 2009 that specifically targeted Taliban drug labs in an effort to stem the flow of Taliban drug revenues.⁴

...During the quarter, the United States increased the number of U.S. troops in Afghanistan and expanded their offensive authorities. In particular, U.S. forces expanded the scope of the military campaign to include airstrikes on Taliban narcotics processing and trafficking infrastructure in an effort to deprive the Taliban of one of its major revenue sources. On November 19, 2017, U.S. and Afghan forces carried out the first in a series of airstrikes on suspected Taliban drug processing facilities in Helmand province.

General Nicholson characterized that new campaign as part of the broader effort to weaken the Taliban and drive them to reconciliation talks. “We believe that the Taliban, in some ways, have evolved into a criminal or narco-insurgency,” he said. “They are fighting to defend their revenue streams. They have increasingly lost whatever ideological anchor they once had.” General Nicholson said that the Taliban makes at least \$200 million a year from Taliban funds and put more pressure on them to reconcile with the Afghan government.

As of mid-December, United States Forces–Afghanistan (USFOR-A) reported that it had eliminated 25 Taliban narcotics processing facilities out of an estimated 400 to 500 labs in the country.¹⁹ USFOR-A estimated that the strikes cost drug traffickers \$80 million in revenue, of which \$16.5 million would have gone to the Taliban. USFOR-A stated that it used U.S. Drug Enforcement Agency’s (DEA) estimate of \$205,000 per barrel of narcotics in production plus estimates of the raw value of “critical components” within a lab to calculate revenue losses. The DEA estimates that the Taliban takes in 20 percent of the value of the narcotics that move through its

LIG Summary of Anti-Taliban Narco-Strike Program - II

General Nicholson said the strikes were not directly related to the overall poppy eradication effort. However, the strikes come at a time when poppy cultivation and opium production were at an all-time high in Afghanistan

The United Nations said that multiple factors—political instability, poor security, corruption, lack of quality education and employment opportunities, and insufficient access to markets and other financial resources—contributed to the increase in poppy cultivation in 2017. In addition, the United Nations found that advances in agriculture, including the use of fertilizers and pesticides, as well as solar panels to power irrigation pumps, might have made poppy cultivation more profitable.

The United Nations said that the Afghan government’s strategic focus on protecting population centers in 2017 might have made rural populations more vulnerable to anti-government entities. According to the United Nations, “Political instability and increased insecurity particularly affected the Northern region, where opium poppy cultivation expanded drastically in the last couple of years. Generally, the weaker engagement of the international aid community may also have reduced the socio-economic development opportunities in rural areas.”

The United Nations also reported that although opium prices decreased in 2017 due to the spike in supply, the total farm-gate value—that is, the total price paid to farmers— of the 2017 crop increased because of the expanded cultivation. The United Nations estimated that the farm-gate value of the 2017 opium production totaled about \$1.39 billion, an increase of about 58 percent over 2016.⁵⁶ Farmers in Helmand Province, the largest opium-producing province, earned an estimated \$584 million. The United Nations warned that, “The significant levels of opium poppy cultivation and illicit trafficking of opiates will probably further fuel instability [and] insurgency and increase funding to terrorist groups in Afghanistan.”

But, a Classified Air Campaign Against the Taliban's 20%

Last quarter, SIGAR reported on the air campaign against narcotics facilities and financial networks conducted under new authorities provided by the Administration's South Asia strategy. The new authorities enable USFOR-A to target insurgent financial networks and revenue streams, such as narcotics facilities and training centers. U.S. air assets such as B-52s, F-18s, and other aircraft support Afghan Air Force (AAF) pilots using A-29s, MD-530s, and other air assets in the campaign.

At a RS press briefing on February 8, Major General James Hecker stated that AAF air-strike sorties were nearly double those of the U.S. Air Force in Afghanistan. In 2017, the AAF conducted approximately 2,000 air-strike sorties. He noted that the air strikes were disrupting the insurgency, "putting turmoil into their process." In April, USFOR-A and ANDSF targeted narcotics-production facilities beyond southern Afghanistan for the first time in this counter-revenue campaign: 11 facilities were destroyed in Farah and Nimroz Provinces.

Since November 2017, there have been 75 strikes overall against narcotics-production facilities; the AAF conducted five operations against Taliban narcotics production facilities. In its January 2018 *Quarterly Report to the United States Congress*, SIGAR questioned USFOR-A's valuation of destroyed narcotics labs. USFOR-A told SIGAR it determines the value of narcotics destroyed as part of counter-threat-finance efforts by using the chain value in the Afghan opium/heroin trade based on an assessment of the revenue generation potential of a target. According to USFOR-A, this accounts for the total product value when it leaves areas controlled by the Taliban.

The estimate that the Taliban receive 20% of total product value is based on the multiple ways the Taliban receive revenue from narcotics, including profits from direct ownership, fees for transportation and protection, licensing fees to drug traffickers, and taxation at harvest. According to USFOR-A, the 20% provides an estimate of the financial impact to the Taliban, but is not a hard number. USFOR-A classified information on the campaign against insurgents' financial networks this quarter, such as the financial assessment of revenue denied to the insurgency, the effectiveness of the air campaign, and the total number of facilities and networks targeted (though some of the latter information is available on RS's website).

State Department INL Criticisms of Afghan Government Efforts - II

use the formal banking sector, where a level of transparency exists, for day-to-day operations and to settle balances with other hawaladars both domestically and abroad. However, hawaladars generally fail to file STRs because they believe it is the responsibility of the bank, an issue not completely addressed by the FIU. Insurance companies and securities dealers are also required to file STRs, but the government does not enforce this requirement.

The Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), Afghanistan's FIU, often works with limited information and shallow databases when building financial intelligence products for the AGO. When working with the AGO, FinTRACA often faces possible corruption and administrative hurdles regarding prosecution, which limit further cooperation. The AGO is authorized to prosecute money laundering and seize illicit assets, but its new management team, seated in the second half of 2016, has yet to effectively grapple with weak prosecutorial capacity to pursue money laundering cases and asset seizures. Furthermore, the Afghan government has yet to establish a recovery mechanism for the value of assets seized, and therefore no entity, including the police and courts, has responsibility for post-conviction asset recovery. FinTRACA's leadership is dynamic and anxious to pursue the organization's objectives.

In 2017, requests for FinTRACA products increased 300 percent over 2016, and compliance fines surpassed the 2016 total. FinTRACA also conducted a first-ever survey of hawalas in Helmand province. The FinTRACA team, along with interagency counterparts, looked for unregistered hawaladars and reviewed the books of registered hawaladars for evidence of compliance with Afghanistan's AML/CFT framework. New MOUs are being created and proposed between FinTRACA and Afghan government agencies to help strengthen the country's AML/CFT regime.

Kabul International Airport lacks effective currency controls for all passengers. Law enforcement officers, prosecutors, and judges need continued training on effective, lawful asset seizure, and the GNU should work with international partners to implement procedures for money laundering seizures. The GNU should continue to increase seizure and confiscation procedures in cases involving narcotics and drug trafficking. Afghanistan should also strengthen inspection controls and enforcement of the currency declaration regime at airports.

Transparency International on Afghan Corruption in 2018

“Without a government that is serious about beating corruption, Afghanistan is unlikely to meet its SDG commitments of ending poverty, securing peace and ensuring an inclusive society,” said Rukshana Nanayakkara, advocacy manager at Transparency International. “Where resources allocated to essential services are pocketed by the corrupt, the poor and vulnerable will be hit the hardest, making a mockery of the 2030 Agenda’s ambition to ‘leave no-one behind’. Where illicit flows in finance and arms are not robustly tackled, counter-terrorist and counter-narcotics measures will be ineffective. Where bribery is the norm in business transactions, firms will be reluctant to invest in the country.”

The Transparency International report makes a series of recommendations that the National Unity Government should prioritize in order to curb corruption:

Enact a comprehensive anti-corruption law in line with international best practice and commitments under the UN Convention against Corruption (UNCAC)

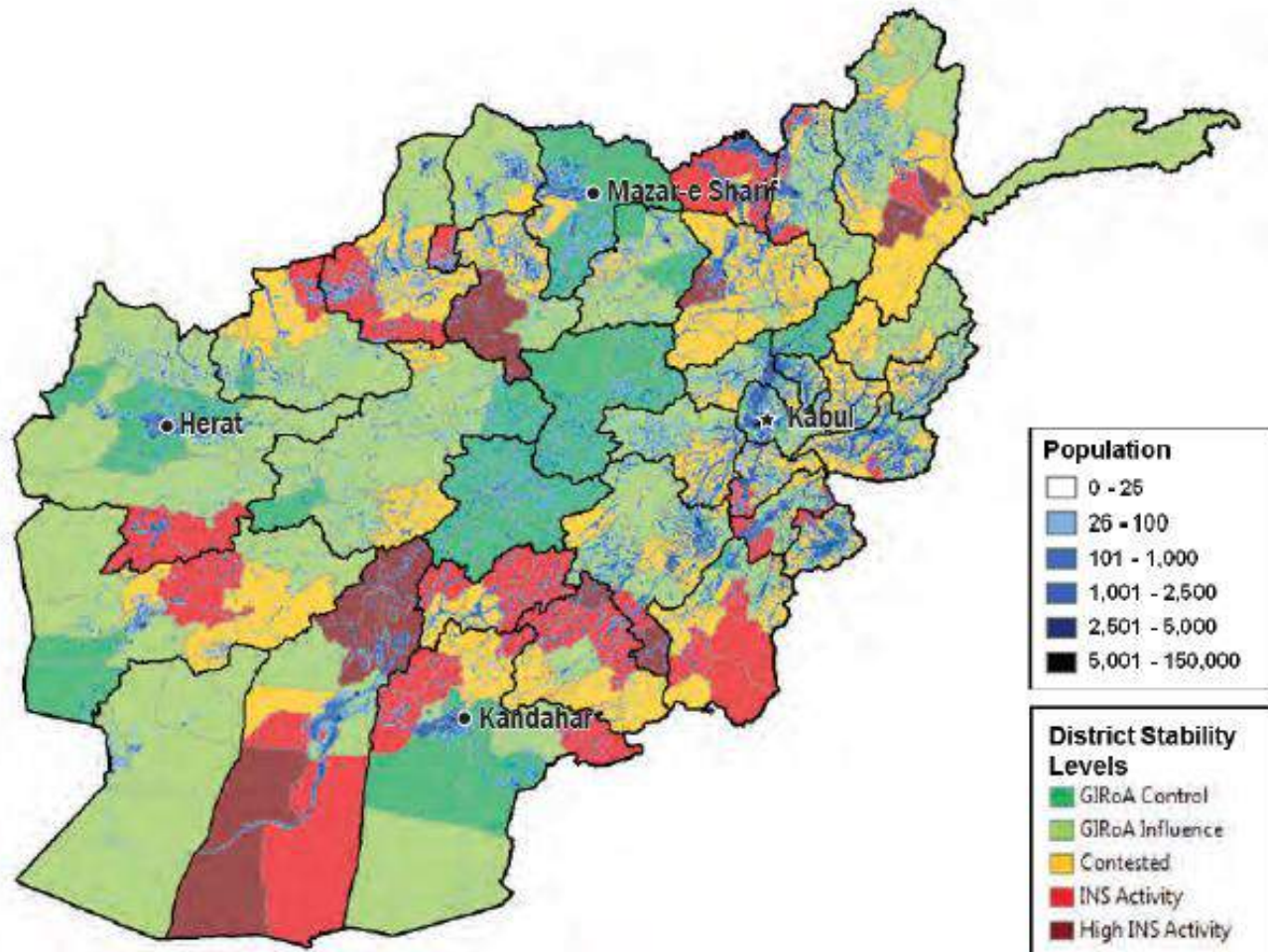
- Investigate and prosecute major cases of corruption, money laundering, drug trafficking and other forms of organised crime to end the culture of impunity
- Pass whistleblower protection legislation
- Ensure that right-to-information requests are effectively processed
- Quickly establish a public central registry of beneficial ownership
- Strengthen the asset disclosure and verification regime
- Improve the transparency of public procurement processes and government contracting

“Afghanistan is among the 193 countries that have adopted the SDGs, but fighting corruption does not seem to have been given the attention it deserves in the Afghan government’s SDG implementation plan,” commented Nanayakkara. “Corruption has not been openly discussed in public consultation processes on the SDG plan and it is unclear what the plan’s targets and indicators concerning corruption will look like. Given that Afghanistan’s sustainable development – and capacity to achieve its SDG commitments – is inextricably linked with the country’s ability to tackle corruption, the plan should set out clear, measurable steps to address all aspects of corruption covered in the Goal 16 targets.”

CONTROL OF AFGHANISTAN'S 407 DISTRICTS AS OF JANUARY 31, 2018

SIGAR Estimate of Control: May 2018

SIGAR, Quarterly
Report to Congress,
May 2018, p. 89

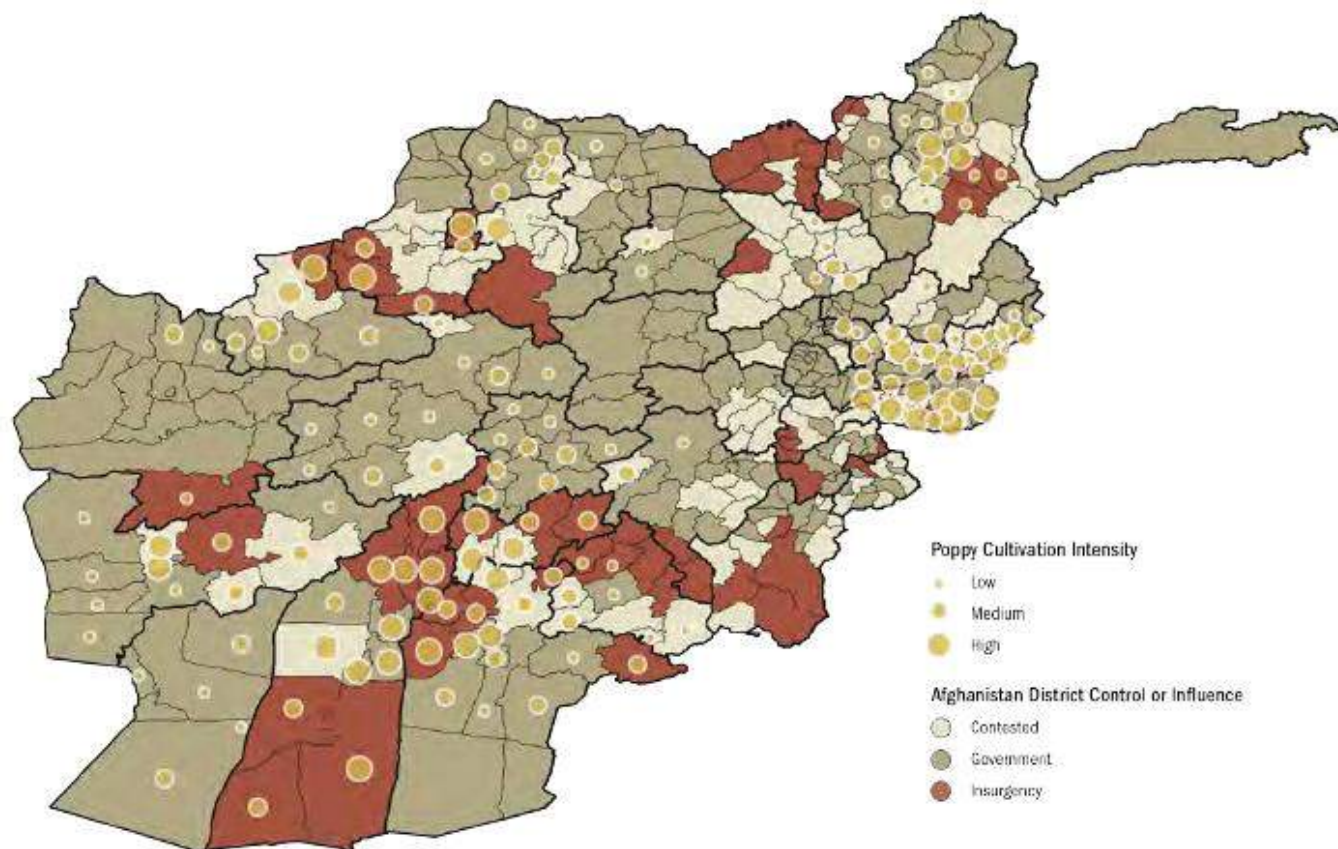


Note: GIROA = Government of the Islamic Republic of Afghanistan. INS = Insurgent. The population data depicted here reflects how the Afghan population is dispersed throughout the country. However, the entire population of a given area is not necessarily under the district stability level indicated. A district is assigned its district-stability level based on the overall trend of land-area/population control of each district as a whole. The map-key categories shown here do not correspond exactly to the categories used in USFORA's March 2018 data responses.

Source: USFORA, response to SIGAR vetting, 4/12/2018.

How Narcotics Overlap with Threat Activity

DISTRICT OPIUM-POPPY CULTIVATION AND AFGHAN GOVERNMENT CONTROL OR INFLUENCE



Note: The district-level administrative boundary file was originally obtained from Princeton University's Empirical Studies of Conflict (ESOC) portal (https://esoc.princeton.edu/files/administrative_boundaries_398_districts). ESOC's file was created based off of the district file originally created by the Afghanistan Information Management Services (<http://www.aims.org.af/>) and includes 398 districts. Because Resolute Support (RS) uses a district-level boundary file that contains 407 districts, some districts could not be assessed at the level used by RS. The following districts were assessed by RS but do not appear in UNODC's breakdown and cannot be located or plotted on the map: Marjah in Helmand (results included with Nad-ali), Bad Pash in Laghman, Jaghatu in Ghazni, Delaram in Nimroz, Mirzakah in Paktia, and Chinaru in Uruzgan (do not exist in UNODC listing). UNODC has poppy cultivation results for the following districts which are not listed in RS: Hisai-Dawuni in Parjshir Province. As of 2017, UNODC includes Ghormach District in Faryab Province in 2017, but it remains part of Badghis Province in RS's data.

The analysis was conducted with ArcGIS Pro software. Districts with zero hectares of poppy in 2017 were eliminated from the data before analysis. Poppy area (ha) was then normalized by district area (mi^2) and placed into three classes based on a geometric interval method. Geometric interval places an approximately equal number of observations into each class, however the width of the classes may not be equal. The "Low," "Medium," and "High" upper limits are respectively 1.2×10^{-3} , 13.0×10^{-3} , and 120.0×10^{-3} .

Source: USFORA, data call response, 3/22/2018; UNODC, *Afghanistan Opium Survey 2017: Cultivation and Production*, 11/2017, pp. 64-70.

The Shifting Structure of the Drug Trade and Use: 2009-2018

(Growth of Domestic Use, Processing/Labs, Hashish and Methamphetamines)

INTERDICTION RESULTS, FISCAL YEARS 2008–2018*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018**	TOTAL
Number of Operations	282	263	624	669	518	333	270	190	156	82	3,523
Detainees	190	484	862	535	386	442	394	301	152	93	3,888
Hashish seized (kg)	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,327	34,781	1,157,933
Heroin seized (kg)	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,975	683	38,262
Morphine seized (kg)	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	106,369	5,301	178,173
Opium seized (kg)	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	24,263	7,901	463,342
Precursor chemicals seized (kg)	93,031	20,397	122,150	130,846	36,250	53,184	234,981	42,314	89,878	2,963	830,703

Note: The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2014 seizure of 135,000 kg of precursor chemicals.

* The following FY 2008 results are not shown in Table: 136 operations; 49 detainees; 241,353 kg of hash; 277 kg of heroin; 409 kg of morphine; 15,361 kg of opium; 4,709 kg of precursor chemicals.

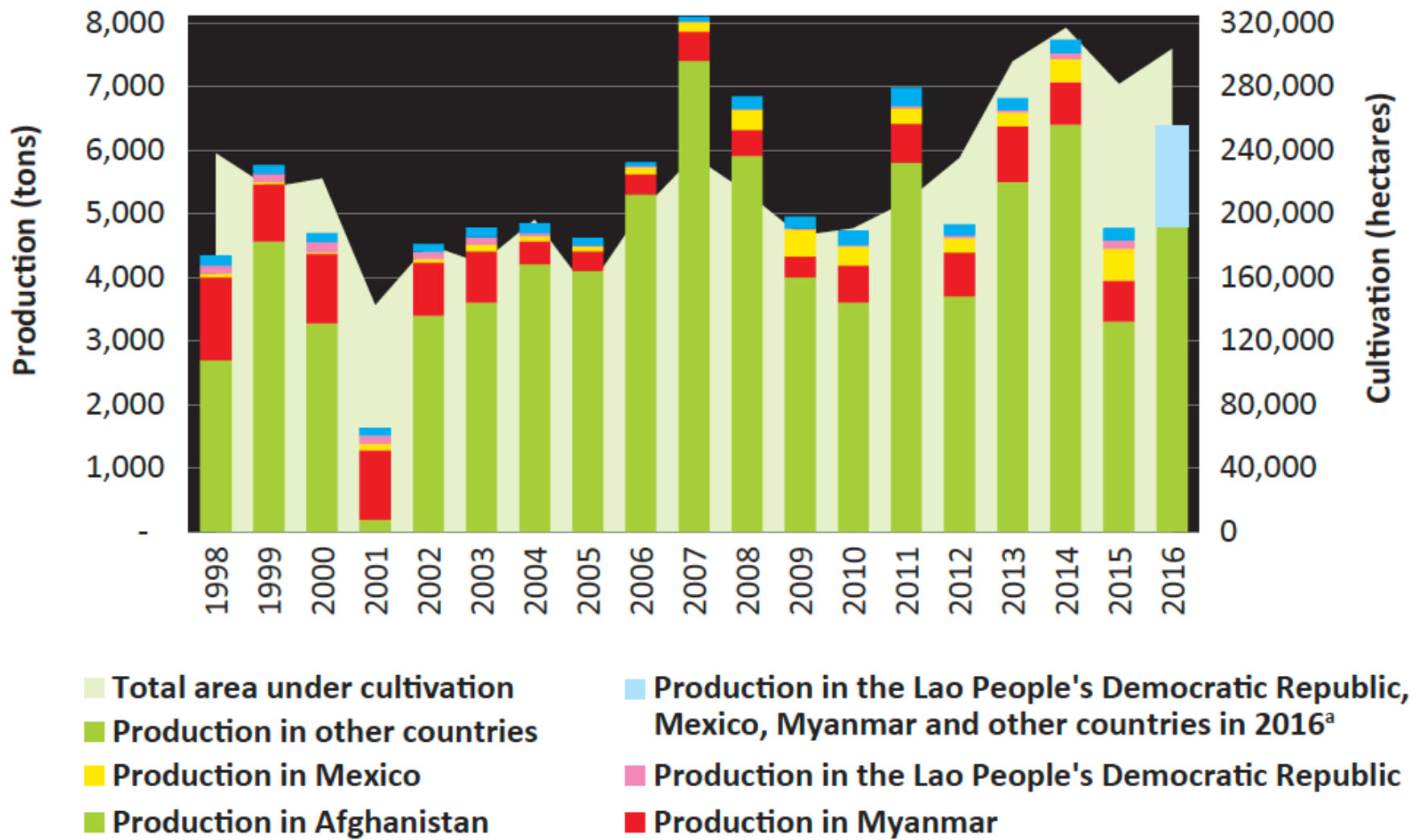
** Results for period 10/1/2017–3/20/2018.

Source: DOD(CN), response to SIGAR data call, 7/29/2015, 7/20/2017, and 3/27/2018.

There are growing concerns about the production, use, and trafficking of synthetic drugs in Afghanistan. Methamphetamine production and seizures have increased and treatment of individuals with related drug-use disorders rose in parts of the country. The data suggest that the main cause of the rise could be increased methamphetamine use by opiate users, as smuggling and possibly illicit local manufacture had expanded the market for synthetic drugs. Even though only one methamphetamine laboratory was reported to have been dismantled in 2015, precursors such as ephedrine and pseudoephedrine, which can be used to manufacture methamphetamine, were widely available in the country, imported legally and illegally.

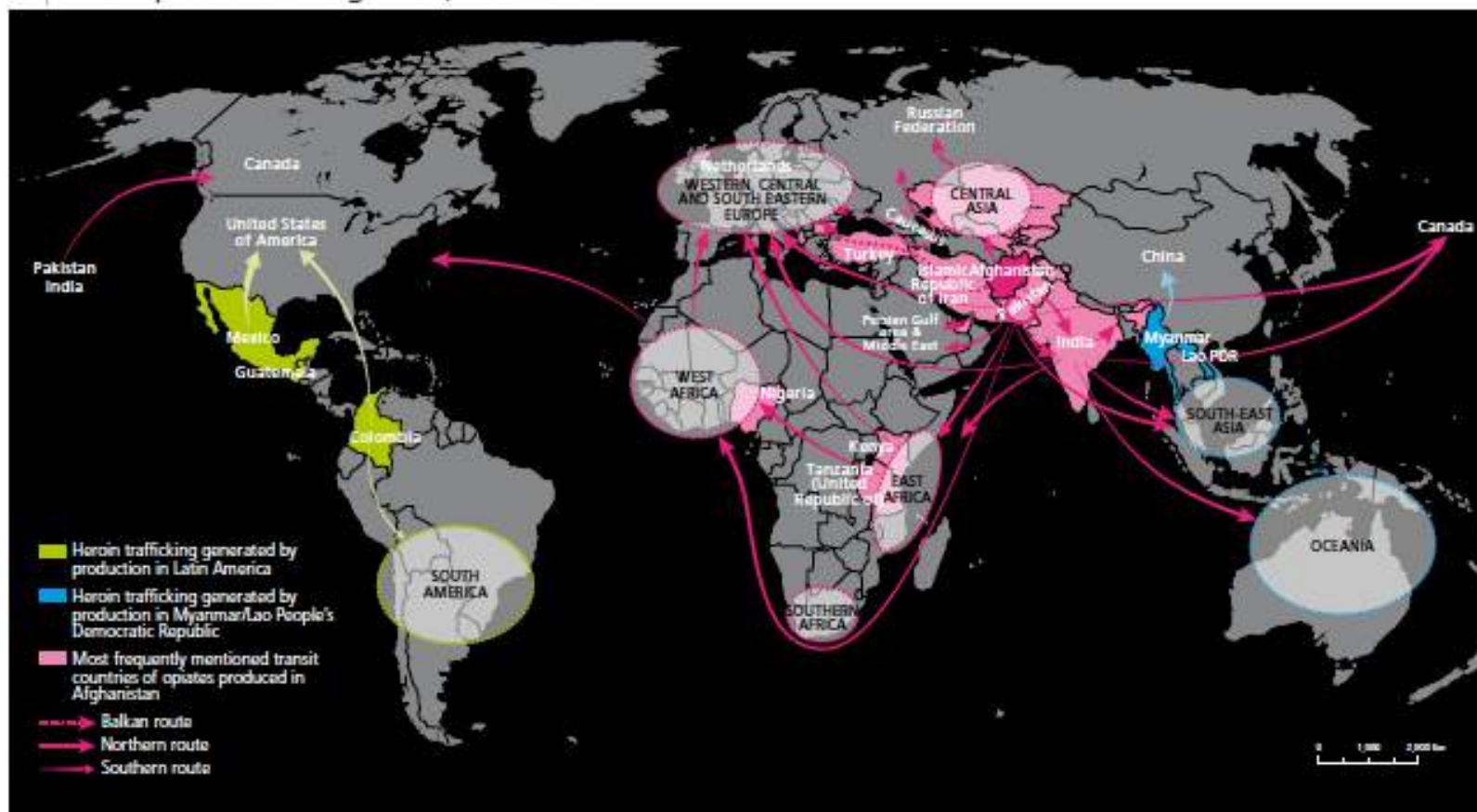
Afghanistan's Global Impact: UNODC Estimate in World Drug Report for 2017

UNODC Estimate of Global Opium Cultivation and Production by Country: 1998-2016



UNODC Estimate of Key Trafficking Routes

Main opiate trafficking flows, 2011-2015



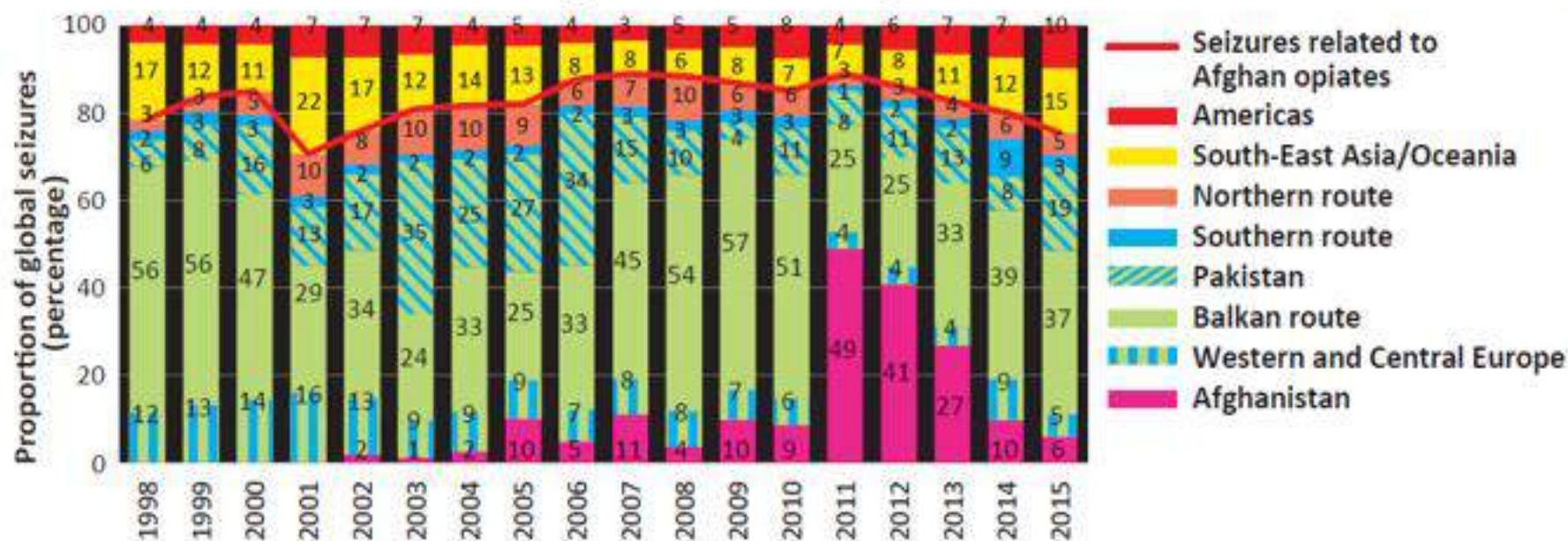
Sources: UNODC elaboration, based on responses to annual report questionnaire and individual drug seizure database.

Notes: The trafficking flows are determined on the basis of country of origin/departure, transit and destination of seized drugs as reported by Member States in the annual report questionnaire and individual drug seizure database: as such, they are to be considered as broadly indicative of existing trafficking routes while several secondary flows may not be reflected. Flow arrows represent the direction of trafficking: origins of the arrows indicate either the area of manufacture or the one of last provenance, end points of arrows indicate either the area of consumption or the one of next destination of trafficking. The boundaries shown on this map do not imply official endorsement or acceptance by the United Nations. Dashed lines represent undetermined boundaries. The dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties. The final boundary between the Sudan and South Sudan has not yet been determined. A dispute exists between the Governments of Argentina and the United Kingdom of Great Britain and Northern Ireland concerning sovereignty over the Falkland Islands (Malvinas).

UNODC Estimate of Total Seizures Worldwide



Percentage distribution of quantities of heroin and morphine seized, by main trafficking route^a



^a Balkan route: Islamic Republic of Iran, South-Eastern Europe; southern route: South Asia, Gulf countries and other countries in the Near and Middle East, Africa; northern route: Central Asia and Transcaucasia, Eastern Europe.

Source : UNODC calculations, based on responses to the annual report questionnaire.

Other Burke Chair Studies of Afghan Metrics and Key Security Issues

- **The Revolution in Civil-Military Affairs**; February 15, 2018: <https://www.csis.org/analysis/revolution-civil-military-affairs>.
- ***The Civil Half of the Afghan War: Dealing with the Political, Governance, Economics, Corruption, and Drug Threats***, December 6, 2017: <https://www.csis.org/analysis/civil-half-afghan-war>.
- ***Instability in the MENA Region, Afghanistan, Pakistan, and Key Conflict States: A Comparative Score Card***, November 13, 2017, <https://www.csis.org/analysis/instability-mena-region-afghanistan-pakistan-and-key-conflict-states-comparative-score-card>.
- ***The Afghan War: Creating An Afghan Capability to Win***, May 1, 2017: https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170501_Afghanistan_War_Creating_Capability_Win.pdf.
- ***The Trump Transition and the Afghan War: The Need for Decisive Action***, January 5, 2017: https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170105_Afghanistan_in_Transition.pdf.
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- **Afghanistan: The Uncertain Impact of a Year of Transition**. March 7, 2016
 - [Download PDF file of "Afghanistan: The Uncertain Impact of a Year of Transition Full Report"](#)
 - https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/160307_Cordesman_The_Civil_Aspects.pdf
 - [Download PDF file of "Afghanistan: The Uncertain Impact of a Year of Transition Part Two: Military and Security Aspects"](#)
- ***Afghanistan and Failed State Wars: An Update***, December 10, 2015, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/160912_Afghan_War_Reshaping_US_Strategy.pdf
- ***Afghanistan at Transition, The Lessons of the Longest War***, March 19, 2015: <https://www.csis.org/analysis/afghanistan-transition>,
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