

The Civil Challenges to Peace in Afghanistan

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and suggested additions to
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Picture: WAKIL KOHSAR/AFP/Getty Images

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The Failed Civil Side of the War

Far too much of the current discussion of the peace process in Afghanistan focuses on whether a peace agreement can be negotiated, and not on whether a peace can be successfully enforced and a stable state emerge out of the peace process. Previous reporting by the Burke Chair has raised serious questions about the ability of the Afghan security forces to secure a peace without continued support from U.S. combat forces.

This report addresses a different set of issues. It addresses a critical aspect of the current peace process: its apparent failure to focus on creating a stable post conflict state. It shows that the Afghan government faces a set of civil challenges which are as serious as the challenges of creating a functioning peace with the Taliban. It does not focus, however, on the current political challenge and divisions within the Afghan Government that are shaping the coming election.

It instead examines Afghan popular perceptions of the current level of governance, the deep structural challenges that the Afghan government will have to confront in order to govern effectively in the face of challenges from the Taliban and other opposition groups, and the government's dependence on continued levels of massive outside aid. It examines the current levels of poverty and economic stress that the government will face even if the fighting ends, and the kind of pressure that a rapidly growing civil population will put on the government for new jobs and higher living standards once the fighting ceases.

The analysis presents graphics and key excerpts from a wide range of reporting by the World Bank, IMF, UN, the Office of the Secretary of Defense (OSD), the Lead Inspector General for Overseas Contingency Operations (LIG), and the Special Inspector General for Afghan Reconstruction (SIGAR) – as well as a variety of other sources

The data in these reports have many shortfalls. However, they still provide a convincing case that the Afghan government now faces problems in popular perceptions, governance, the rule of law, the economy, and from demographic pressures that make Afghanistan the equivalent of a “failed state.” Its current civil structure is poorly prepared for either peace or for continuing the war.

Various excerpts and metrics show that the civil side of the war has long presented critical problems in terms of leadership, stability, and meaningful efforts to meet the needs of the Afghan people, and there is only an uncertain prospect that this situation will change unless it is made a key focus of the peace process and has massive outside aid.

The peace process will also have only limited time to begin to cope with the fact that Afghan politics are now corrupt and deeply divided. It must deal with the fact that an election was held for the Afghan Legislature in October 2018, that so far has not produced a legislature that is any less divided and ineffective than in the past. A Presidential election will be held in September 2018, where none of the 18 candidates have high popularity on a national basis or inspire broad confidence – including the current President Mohammed Ashraf Ghani and Chief Executive Dr. Abdullah Abdullah. Moreover, if one candidate does not receive 50% of the vote, another election must be held later in November.

The practical question is how can any peace – or effort to continue the fighting – deal with the fact that the Afghan government is already ranked as one of the least effective and most corrupt in the world. As the report shows, the World Bank also ranks it as one of the world's least capable governments. SIGAR notes that provincial and local government are also weak and corrupt, and that actual local governance is sometimes dominated by the Taliban.

The CIA, IMF, and World Bank reporting indicate that the Afghan economy is failing to meet popular needs, subject to critical employment shortfalls, and has exceptional levels of serious poverty. Afghanistan's only major export is narcotics. At the same time, both SIGAR and World Bank reporting indicate that U.S. and international aid efforts have so far had only a limited real-world impact on poverty, employment, and the other key elements of civil stability.

Demographics pose as much of a challenge as governance and the economy. UN and U.S. reporting show that there is acute population pressure on employment and job creation. They show how this pressure will raise Afghanistan's dependency ratio in dealing with children and the elderly. They also show that the government will be forced to deal with a major level of increasing urbanization, and an economic shift away from agriculture to service jobs, at a time when peace with the Taliban will bring a major new source of resistance to modernization and change into the process of government.

Finally, Afghanistan's dependence on narcotics exports poses unique problems for a peace settlement. It raises serious questions as to how the factions supporting the government and the Taliban will split the present traffic, and how other states will tolerate Afghan drug trafficking if war no longer provides an excuse for a lack of Afghan action.

These issues are all critical to the U.S., other aid donors, and Afghanistan's neighbors. Peace alone will not bring stability, and it is far from clear that any peace settlement can survive without massive economic aid. At the same time, a deeply divided Afghan government must deal almost immediately with the need for far more serious and effective reform. So far, however, the United States seems far more focused on finding some form of peace settlement than ensuring that such a settlement can bring lasting stability and a real peace, and has no clear fall back position that would allow it to play a major role in helping the Afghan government to reform if peace fails and the war continues.

Uncertain Afghan Popular Perceptions of the War (pp. 7-13)

The polling metrics in this section, and those that follow, present significant problems. Afghan perceptions are difficult to poll. Direct interviews involve serious risks, and efforts to poll by telephone present the problem that most Afghans do not have phones, and those that do are likely to be wealthier and more urban.

The Asian Foundation has, however, established a long record of success in polling Afghan perceptions. These polls still indicate that most Afghans hope for a successful outcome of the war, but this year's poll shows a sharp drop in popular confidence that Afghanistan is moving in the right direction, and far less optimism among every other ethnic group than among Pashtuns.

The key reasons for this pessimism are broadly based. Some 61% of the population felt pessimistic, and more than 70% cited security, 30%-48% cited the economy, and 30%-34% cited governance as among the top two reasons.

The polls also show that the percent of Afghans who fear for their safety has increased by 31% since 2006. It also shows a high rate of fear when traveling, and when encountering International forces, and an even higher rate when encountering ISIS/Daesh and Taliban forces.

Broad popular perceptions of the ANA and ANP are relatively good, however, although most Afghan recognize they are still heavily dependent on outside support. The same is not true of perceptions of the Afghan government – which are shown later in this report. Satisfaction with the government has dropped steadily since 2007, as has confidence in the government.

All levels of government and the justice system are seen as corrupt, although perceptions of corruption have improved since 2016. To a lesser degree, key elements of the ANSF are also seen as corrupt – in spite of the generally favorable attitudes towards the security services.

Incompetent, Divided, and Corrupt Governance (pp. 14-35)

The reporting and metrics in this section show the weaknesses and level of corruption in the Afghan government, and that the World Bank ranks Afghanistan as one of the worst governed countries in the world. They show that nearly two decades of reform efforts have only had a marginal impact in developing the kind of central government that Afghanistan needs, as much because of its ethnic, sectarian, and tribal divisions – and its fractured and divisive politics – as because of the weaknesses in the structure of Afghan governance.

Work by the World Bank shows that the Central government is making progress in raising its revenues, but no source indicates that there is clear evidence that it is using its funds more effectively or with less corruption. The World Bank and SIGAR also show that the Government remains critically dependent on massive outside aid to fund its overall security and civil budgets, and no source indicate that this dependence will drop sharply in the near and mid-term.

Work by SIGAR shows that the central government is to some extent the government of “Kabulstan,” rather than the entire country, and that provincial, district, and local government all have serious problems. SIGAR also reports that the role of the Taliban in providing de facto governance and rule of law continues to expand.

It is clear that many Districts have no central government office. SIGAR quotes reports that 64 Districts (16%) have no central Government office of any kind, and many more only have a meaningful Central Government presence in – or near – the capital.

As of August 20, 2019, the *Long War Journal* estimated that 66 (17%) of 398 Central Government Districts throughout the country are under Taliban control and 192 (48%) are contested. The government does control a larger share of the population. The same estimate indicates that only 3.7 million (11%) of a total of some 33 million people are under Taliban control, and 13.5 million (41%) are contested. (<https://www.longwarjournal.org/mapping-taliban-control-in-afghanistan>).

The Afghan Police and the Rule of Law (pp. 36-48)

Reliable data are lacking on the extent to which Afghanistan provides a functioning rule of law. It is clear, however, that many courts and aspects of the legal system are not fully functional. Corruption and power brokering have a major impact at every level of law enforcement and court proceedings, and that courts do not function effectively in a number of areas and Districts – including those controlled by the Taliban, although no reliable maps or detailed analyses seem to exist of how serious these problems are.

What is clear is that LIG and SIGAR reporting indicate that the Afghan National Police and Afghan Local Police currently suffer from serious problems with corruption and political influence, and a series of reform efforts has not prepared them to be properly effective in either paramilitary operations or law enforcement.

These problems will present new challenges if the ANP are tasked with helping to enforce the peace, and if the Afghan government is to create a truly functional legal and law enforcement system.

Economics, Civil Order, and Poverty (pp. 49-80)

The reporting in this section shows that Afghanistan is one of the poorest countries in the world, and one of the least developed. It also warns that many past estimates of future progress – including many official estimates issued by the U.S. government -- have proved to be grossly over-optimistic or wrong. This makes some key issues are hard to address. A substantial amount of the reporting on progress in medical services, life expectancy, women’s rights, and education is uncertain at best, and probably sharply exaggerated for political reasons.

The reporting is far more reliable in showing that much of the population lives in dire poverty and faces serious problems in terms of health. The data also warn that national economic growth in PPP terms is often overestimated, and that some reporting on Afghan development, health, and education has been heavily politicized to exaggerate what has been real progress since the fall of the Taliban.

The reporting also highlights the fact that exaggerated estimates of the future impact of major shifts in the mining, petroleum, “new silk road,” and pipeline aspects of the Afghan economy have consistently proven to be unrealistic.

Afghan perceptions and expectations are generally shaped by these realities, and are far lower than those in fully developed nations. At the same time, demands for jobs, less corruption, and economic progress that actually reaches broadly in terms of benefits is still real. There are no major indicators that the Afghan government is yet taking adequate steps to meet these hopes.

Demographic Pressures and the “Youth Bulge” (pp. 81-88)

The final section in this survey addresses problems in population growth, and a resulting level of pressure on the Afghan economy and stability that already approaches crisis levels.

The U.S. Census Bureau estimates that the population has risen from 8.2 million in 1950 to 15.0 million in 1980, 22.5 million in 2000, and 35.8 million in 2019. It is estimated to rise to 45.7 million in 2030 and 63.8 million in 2,050.

These pressures have created a youth bulge that will create a massive demand for new jobs for at least the next decade, and one that the Afghan economy currently cannot possibly meet. Youth unemployment and underemployment are already at a crisis level. They are also raising the dependency ratio of children and the aged on the active members of the work force to levels that present serious problems.

More is also involved than population pressure per se. The Afghan population is deeply fragmented along sectarian, ethnic, and tribal lines, and any effort to achieve more support for the central government, a working peace and some form of stability must address these differences and meet the needs of all the major factions in Afghan society.

These problems are compounded by a rising level of urbanization that has been accelerated by the desire to join a more modern economy than is present in rural areas, and by the need for security. Afghan cities cannot adequately support or employ this level of urbanization. At the same time, the pressure to leave the agricultural sector is compounded by droughts, and the fact that market-oriented agriculture needs investment and machines more than added labor.

Narcotics Exports Keep Growing and are the Critical Foreign Currency Earner in the Afghan Domestic Economy (pp. 89-98)

Afghanistan plays a critical role in the global supply of opiates. It is clear that massive U.S. efforts to make major cuts in Afghan production have only had sporadic success, and have become less successful with time as Afghanistan has become more dependent on opiate exports as a key source of income and hard currency. It is also clear from UNDOC and SIGAR reporting that weather, plant diseases, and demand have been far more important in determining the size of the opium crop than efforts at eradication and persuading farmers to find substitute crops.

The metrics in this section highlight both the growth of opium production and the issues surrounding its role in shaping Afghan macroeconomics. The work by SIGAR on this subject is particularly important because it indicates that opium is a major source of Afghan economic growth, and is Afghanistan's most important export. It also shows a high correlation between opium production and Taliban control and influence and indicates that opium plays a key role in financing the war as well as in areas where power brokers still operate with some degree of independence from the central government.

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Uncertain Afghan Popular Perceptions of the War

Afghan Perceptions

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All levels of government and the justice system are seen as corrupt, although perceptions of corruption have improved since 2016. To a lesser degree, key elements of the ANSF are also seen as corrupt – in spite of the generally favorable attitudes towards the security services.

Popular Confidence

NATIONAL MOOD: DIRECTION OF THE COUNTRY

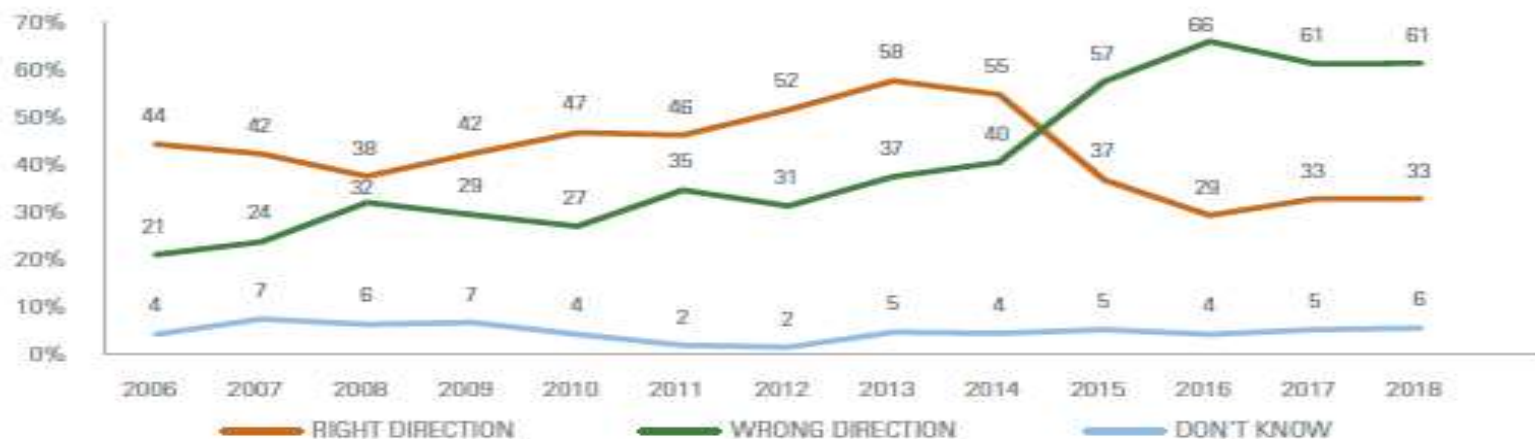
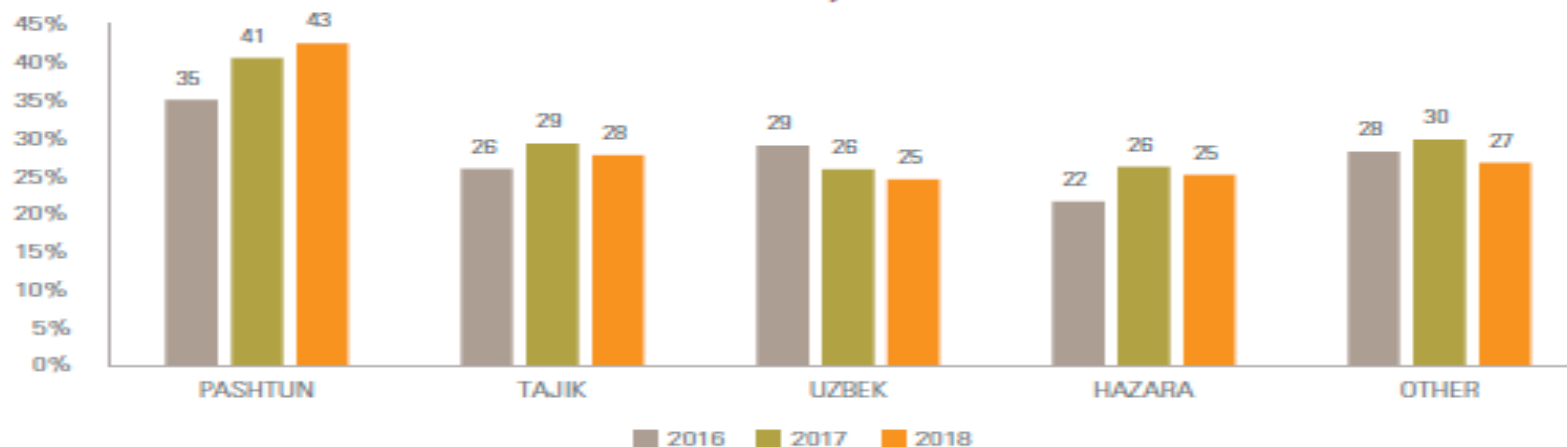


FIG. 1.1: Q-1. Overall, based on your own experience, do you think things in Afghanistan today are going in the right direction, or do you think they are going in the wrong direction?

NATIONAL MOOD, BY ETHNICITY



Reasons for Pessimism (61% of Population)

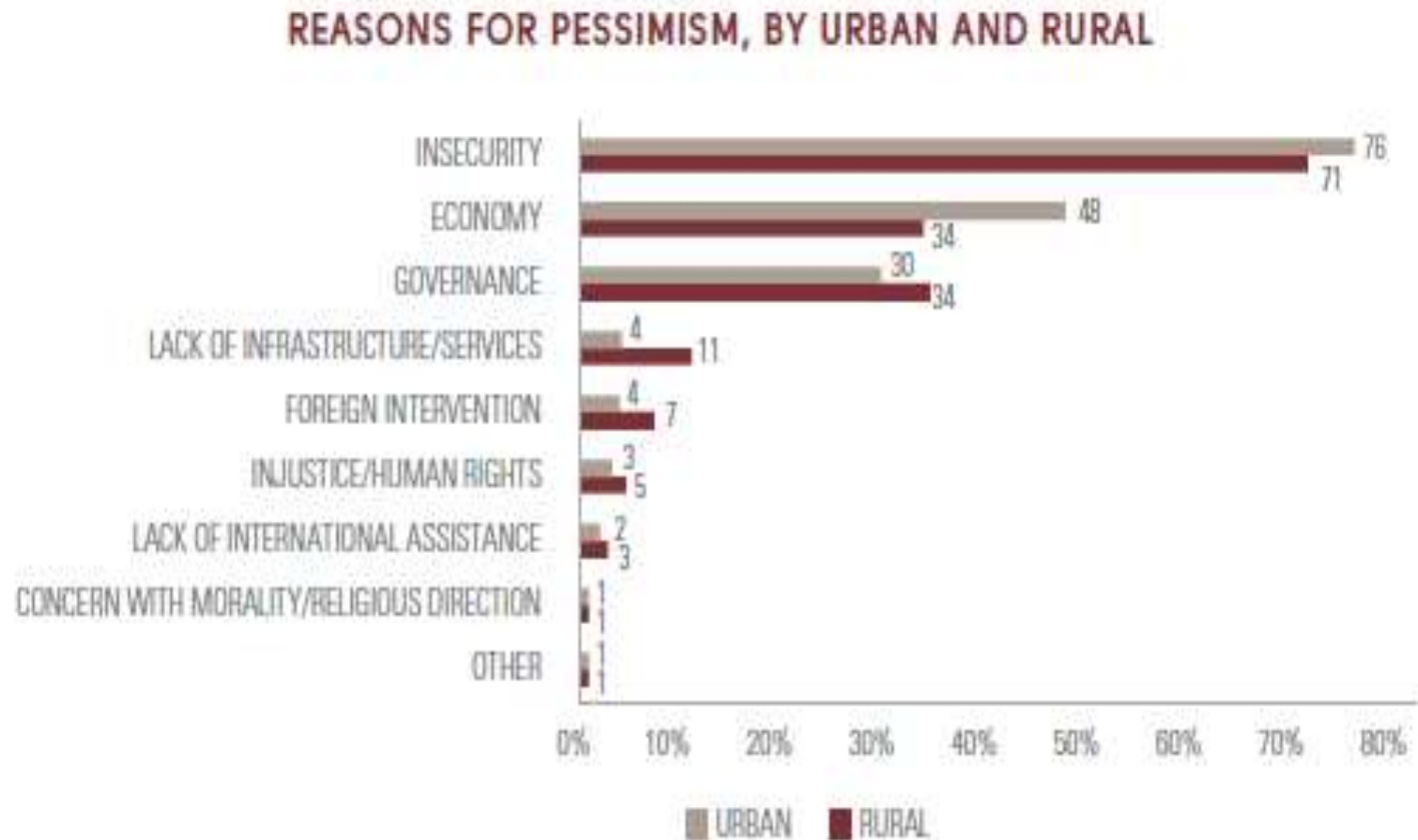


FIG. 1.8: Q-3. (Ask if answer to Q-1 is "wrong direction.") What are two reasons you think that Afghanistan is going in the wrong direction?

Popular Sense of Security - I

SENSE OF SECURITY

A district center may be under government control, but incidents of violence and harassment, such as a car bomb or a Taliban threat letter, can lead to a deteriorating sense of security. Feelings of insecurity may prevent Afghans from going to the market, sending a child to school, or engaging in other routine activities. In December 2018, The Asla Foundation released its annual *Survey of the Afghan People*, which has documented a 31 percentage point increase in fear for personal safety since 2006. In 2018, 71 percent of Afghans reported some or a lot of fear for their personal safety. Fear varied according to where Afghans live, their gender, ethnicity, and with whom they interact, as shown below.



Source: Adapted from Lead Inspector General, OPERATION FREEDOM'S SENTINEL, LEAD INSPECTOR GENERAL REPORT TO THE UNITED STATES CONGRESS, OCTOBER 1, 2018–DECEMBER 31, 2018, p. 17.

Popular Sense of Security - II

FEAR FOR PERSONAL SAFETY

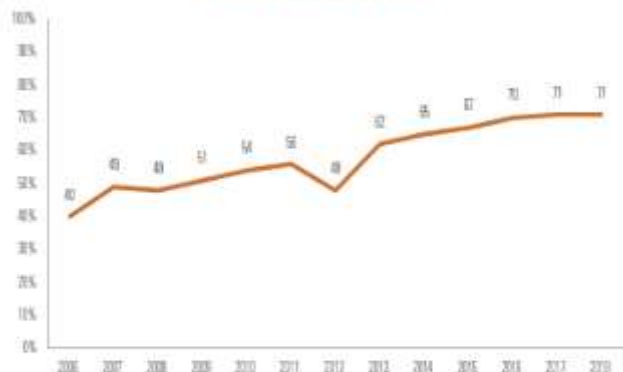
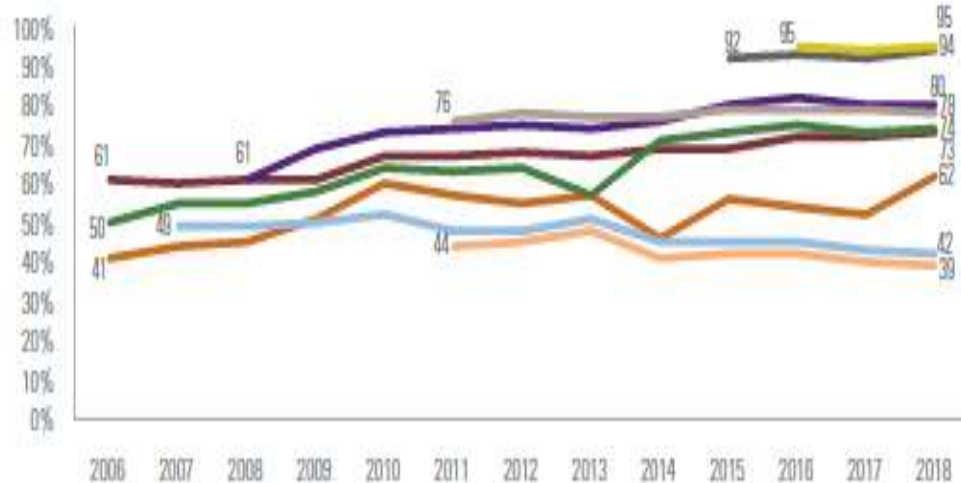


FIG. 2.1: Q-21. How often do you fear for your own personal safety or security or for that of your family these days? Would you say you always, often, sometimes, rarely, or never fear for you and your family's safety? (Percent who respond "always," "often," or "sometimes.")

FEAR WHILE DOING DIFFERENT ACTIVITIES



TYPES OF CRIME OR VIOLENCE, BY RURAL AND URBAN

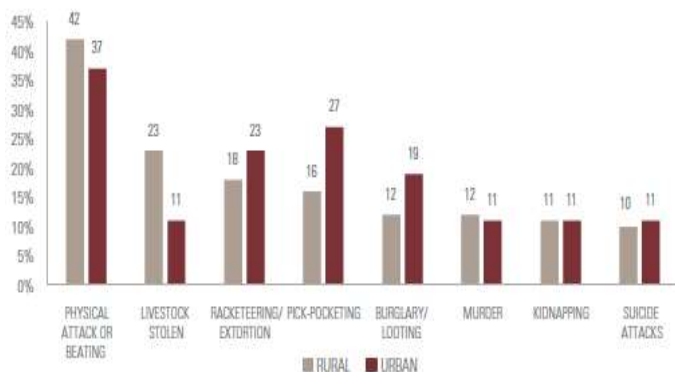
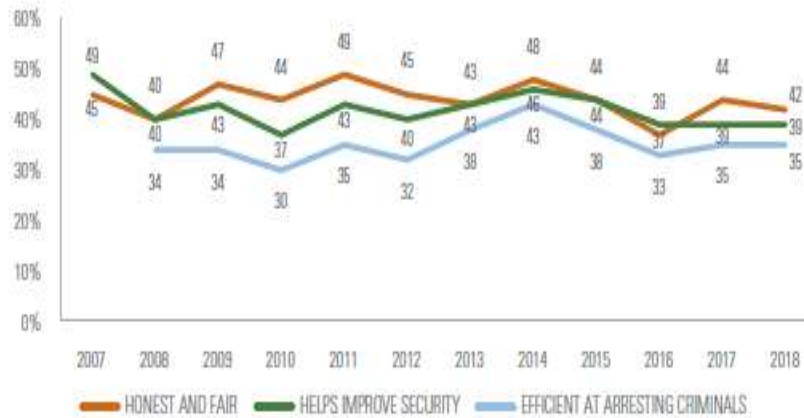


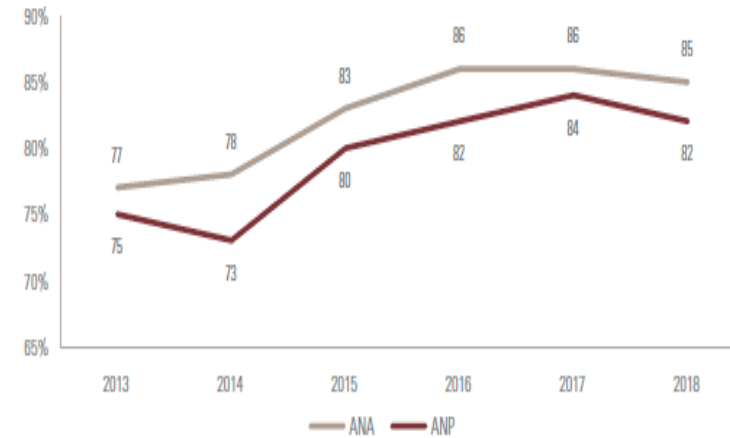
FIG. 2.6: Q-25. (Ask if answer to Q-24 is yes.) If it is ok to ask, what kinds of violence or crimes did you or someone in your family experience in the past year?

Afghan Perceptions of Security Provider

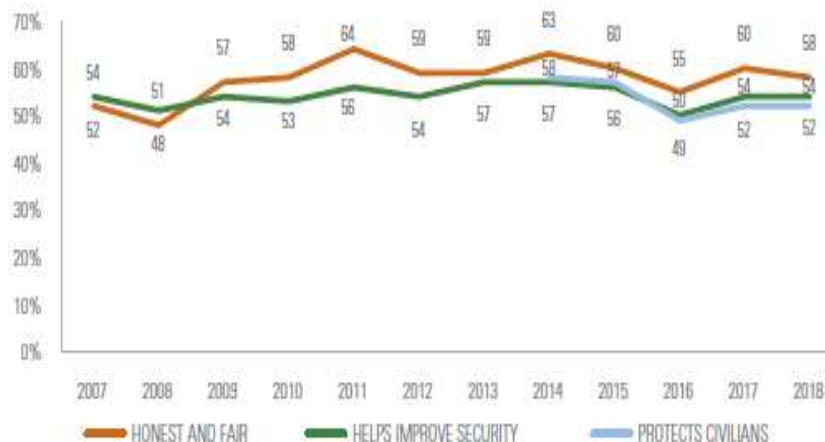
PERCEPTIONS OF THE AFGHAN NATIONAL POLICE



PERCEPTION THAT ANA AND ANP NEED FOREIGN SUPPORT



PERCEPTIONS OF THE AFGHAN NATIONAL ARMY



SECURITY PROVIDER IN LOCAL AREA, BY RURAL AND URBAN

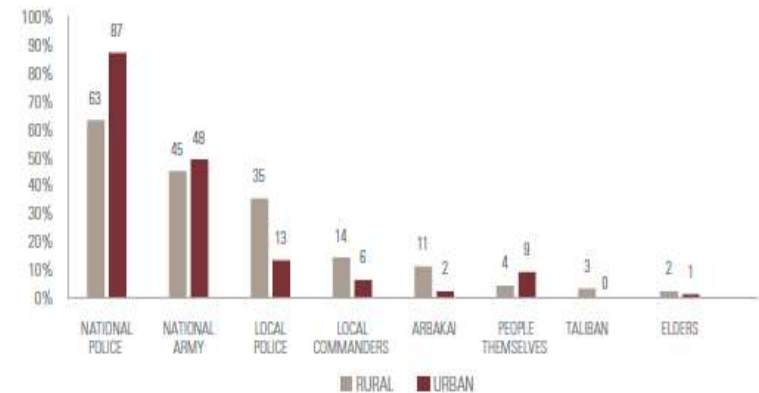


FIG. 2.9: Q-15. Which group would you say is most responsible for providing security in this village/gazar? And the second most?

Incompetent, Divided, and Corrupt Governance

The Civil “Threat” and Causes of Instability - Governance

The rise of violent extremism in the Islamic world has many causes, but it is clear that a close correlation exists between broad failures in governance, economics, and coping with population growth; and the emergence of large-scale violence, and a shift from terrorism to insurgency. Algeria, Iran, Iraq, Libya, Yemen, and Afghanistan are all case examples.

Ideology, religion, leadership, and politics are all important additional causes, and there is no convincing way to weigh the relative impact of any given cause or even to provide useful metrics in some cases. However, the following structural causes of instability – ones that help define the term “failed state” — have clearly been important factors in causing the collapse of various governments and shaping the rise of violence and extremism:

- Sectarian, Ethnic, Tribal discrimination, and violence.
- Charismatic, competent violent opposition leader(s)/groups.
- Repression and failed authoritarian rule.
- Dysfunctional democracy and civil-political structures.
- Excessive/clumsy/abusive use of force — state terrorism.
- Corrupt and ineffective structures of governance and government services.
- Massive dependence on foreign aid for civil and security spending.
- Failed rule of law, justice system, basic law enforcement and social order.
- Gross poverty, economic injustice, failure to develop and modernize, lack of reform. Near economic collapse, inflationary crisis.
- Unemployment pressure, lack of stable career options, population pressure.
- Alienation of youth, middle class.
- Rising violence makes the most violent side the “winner.”
- Urban instability, violence.

The immediate problems caused by any one of these factors at a given time makes it all too easy to focus on the latest short-term political or military crisis in cases like Afghanistan, focus on religion or culture in a broad sense, or assume that suppressing terrorism or insurgency will bring stability. There is also a natural tendency to “demonize” the insurgents, and “sanctify” the host country government, and to support military campaigns with favorable estimates of civil progress.

It is important to recognize, however, that Afghanistan has not had any lasting period of political stability, effective governance, or economic development since the King's cousin, Daoud Khan, overthrew King Mohammed Zahir Shah in July 1973 – nearly 46 years ago. Modern Afghanistan has lacked stability for nearly half of its 100 years of existence as a modern state.

It is equally important to recognize that the Afghan government did not become communist because of a Soviet invasion. Afghanistan had its own communist coup when the Afghan military carried out the Saur revolution in April 1978, and Nur Muhammed Taraki became the head of state. The Soviet invasion in December 1979 only came because this communist dictatorship became so repressive and extreme that it triggered a major counter coup, and another Afghan communist, Hafizullah Amin, overthrew and killed Taraki in September 1979.

The end result was a period of devastating civil conflict that lasted from 1979 to 1996. While Russia withdrew in 1989, and the “communist” Najibullah regime collapsed in 1992, the result was to bring power brokers and warlords to power who engaged in their own civil wars. These battles between warlords further crippled every aspect of Afghan governance and development and produced estimates of some 550,000 to two million dead between 1979 and 1992.

The rise of the Taliban, and its first major successes in 1994, were followed by its taking Kabul in 1996. The Taliban, however, still had to fight a civil war in the north. It did not take control of the entire country by the time the U.S. invaded in 2001, made no progress in economic development, and was as repressive as the Saur, Taraki/Amin, Najibullah and warlord regimes. By the time the Taliban regime fell in December 2001, Afghanistan had now been governed by three radically different types of regimes and had been in a continuous state of civil war for 23 years.

The efforts from 2001 onwards to create a more modern, peaceful, and democratic Afghan government have had some successes, but also many critical failures. A new Afghan constitution created a political system with a dominant president and a legislature with too little power and control over the country's money to be effective – as well as a legislature that had little real responsibility to its constituencies. Local and regional power brokers, surviving warlords, ethnic factions, and gross levels of corruption crippled efforts at progress, divided the country, and left it open to a return by the Taliban.

There were many Afghan politicians and officials that did attempt serious and honest reform – including President Ghani and CEO Abdullah Abdullah. However, corruption and a failed election process left serious doubt about the resulting legitimacy of each successive election. The resulting divisions in Afghan politics, and response to this corruption, created the divided government that still rules and has now stayed in office years longer than its elected term. It also helps explain why a long series of reform pledges and plans — and anti-corruption efforts — have produced some successes, but have only had a limited overall impact.

The World Bank metrics in this section clearly show this lack of overall progress in governance since 1996, and highlight the lack of progress since 2001. The Asia Foundation polling metrics show the lack of popular confidence in the government, and confirm the rising popular resentment of the government's gross overall corruption. SIGAR metrics show the continuing role of power brokers and warlords – and the previous metrics have shown the level of national dependence on narco-trafficking

The corruption metrics are particularly important because high ratings of corruption in developing states throughout the world have proved to be a good indicator that extremist, terrorism, and insurgents will become a serious problem, although the links between correlation and causation are unclear.

What is less obvious is the impact of the long series of poorly coordinated post-Taliban efforts to create an effective rule of law; and a mix of Afghan military, national police, and local police that could offer justice, conflict resolution, and security. The previous metrics showing the extreme turbulence and instability in U.S. aid efforts highlight these problems to some degree, but the chronology of such efforts – and even the metrics issued at the time – is so complex and poorly documented that it is hard to summarize.

What is clear from the metrics in previous sections is that truly serious efforts to create Afghan security force did not get serious funding *in country* until 2008 – after the Taliban's return. This funding then crashed the next year – only to suddenly peak in 2011 in ways where actual delivery in terms of in-country progress could not have an impact until nearly 2014 – after massive U.S. and allied force cuts.

The metrics in the section on Afghan forces that use NTM-A briefing materials developed under Lieutenant General William B. Caldwell, IV — the first commander of NATO Training Mission-Afghanistan and who served from November 2009 to October 2011 – raise other key issues that are all too easy to forget. They show that the U.S. and other ISAF nations did not begin to properly man the Afghan forces train and assist effort until 2010, and that major gaps in the quality and quantity of trainer still exist in 2011 – some ten years after U.S. intervention.

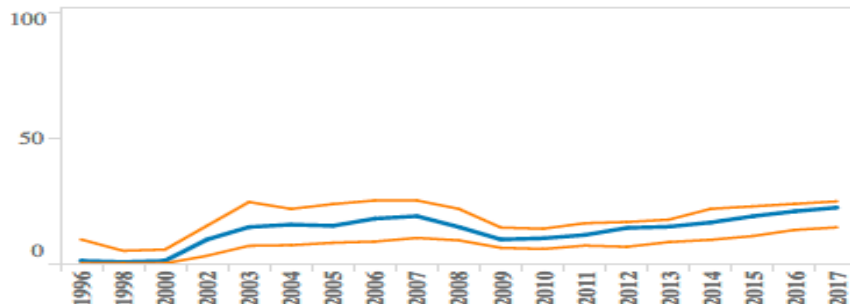
As the SIGAR data point out – and as SIGAR has reported in depth in previous Quarterly reports, there still is no stable or adequate training program for Afghan police and local forces. The critical problems in Afghan governance are compounded by erratic efforts to create effective Afghan security forces.

Civil Reasons why Secularism Fails and Ideological Extremism Rises in Heavily Islamic States

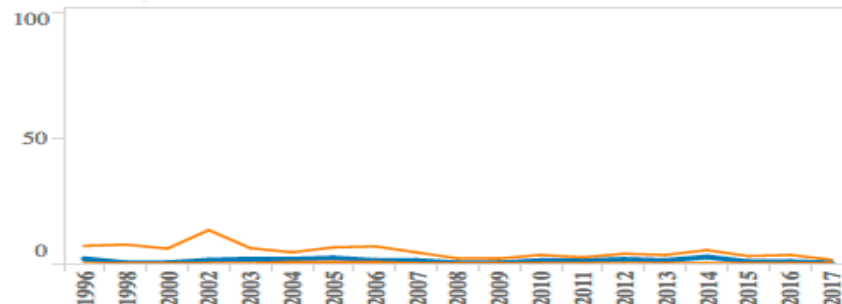
- **Sectarian, Ethnic, Tribal discrimination, and violence.**
- **Charismatic, competent violent opposition leader(s)/groups.**
- **Repression and failed authoritarian rule.**
- **Dysfunctional democracy and civil political structures.**
- **Excessive/clumsy/abusive use of force — state terrorism.**
- **Corrupt and ineffective structures of governance and government services.**
- **Failed rule of law, justice system, basic law enforcement and social order.**
- **Gross poverty, economic injustice, failure to develop and modernize, lack of reform. Near economic collapse, inflationary crisis.**
- **Unemployment pressure, lack of stable career options, population pressure.**
- **Alienation of youth, middle class.**
- **Rising violence makes the most violent side the “winner.”**
- **Urban instability, violence.**

Afghanistan: Failed Governance

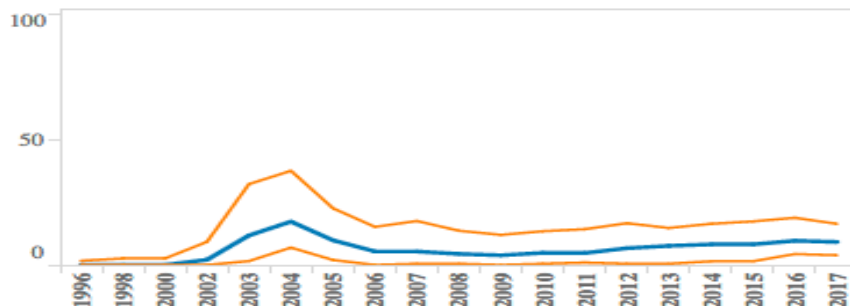
Voice and Accountability



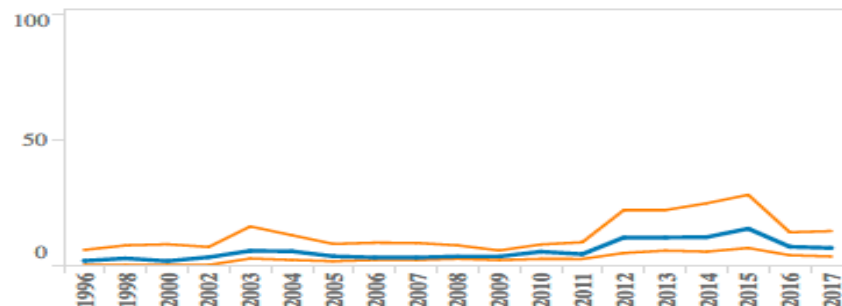
Political Stability and Absence of Violence



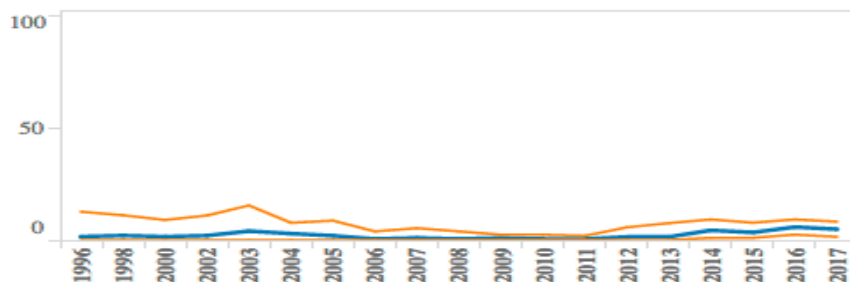
Government Effectiveness



Regulatory Quality



Rule of Law



Control of Corruption



Transparency International ranks as near worst case: 172th out of 180 Countries in 2018. Ninth Worst in World.

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

Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), *The Worldwide Governance Indicators: Methodology and Analytical Issues*. The Worldwide Governance Indicators are available at: www.govindicators.org

Afghan Perceptions of Governance

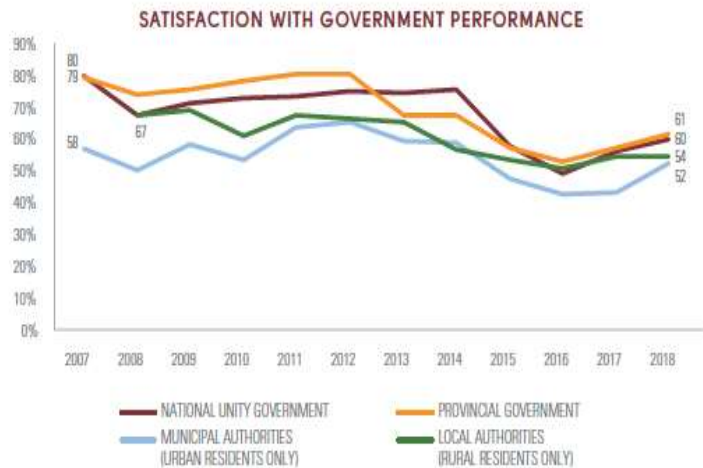


FIG. 5.1: Q-52. Thinking of the different levels of government in Afghanistan, do you think that overall the [insert item] is doing a very good job, a somewhat good job, a somewhat bad job,

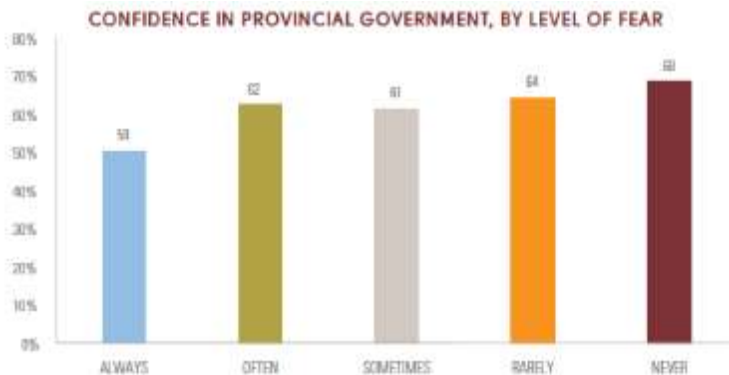


FIG. 5.2: Q-52. Thinking of the different levels of government in Afghanistan, do you think that overall the [insert item] is doing a very good job, a somewhat good job, a somewhat bad job, or a very bad job? (b) Provincial government. (Percent who say "very good job" or "somewhat good job.") Q-21. How often do you fear for your own personal safety or security or for that of your family these days? Would you say you always, often, sometimes, rarely, or never fear for you and your family's safety?

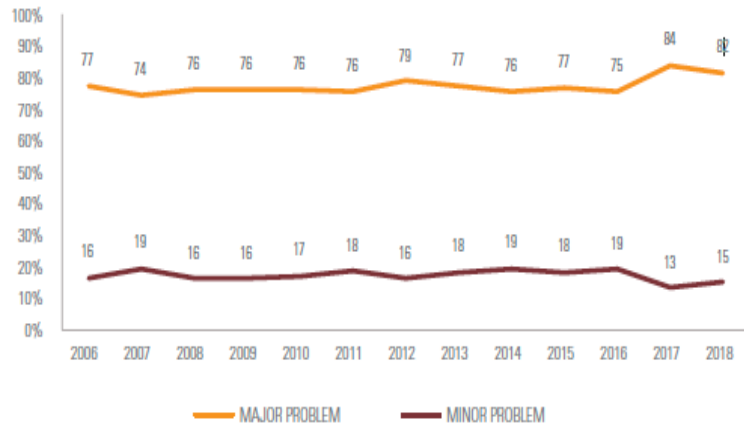
CONFIDENCE IN OFFICIALS, INSTITUTIONS, AND ORGANIZATIONS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	%	%	%	%	%	%	%	%	%	%	%	%
INDEPENDENT ELECTION COMMISSION		57	67	54	59	60		66	36	34	38	43
COMMUNITY DEVELOPMENT COUNCILS	64	65	64	61	68	66	63	65	61	53	58	58
COMMUNITY SHURAS/JIRGAS	72	69	67	66	70	68	65	69	64	62	66	65
GOVERNMENT MINISTERS	57	51	53	54	56	55	45	47	42	36	36	38
INTERNATIONAL NGOS	64	64	66	54	56	53	51	53	44	44	42	42
MEDIA	62	63	62	57	69	71	67	73	67	65	66	67
NATIONAL NGOS	60	62	61	55	54	54	51	57	50	48	48	49
RELIGIOUS LEADERS					74	73	65	70	64	66	67	69
PARLIAMENT				59	62	62	50	51	42	37	37	40
PROVINCIAL COUNCILS	70	65	62	62	67	66	58	58	52	47	48	51
YOUR MEMBER OF PARLIAMENT							47	52	43	35	35	42

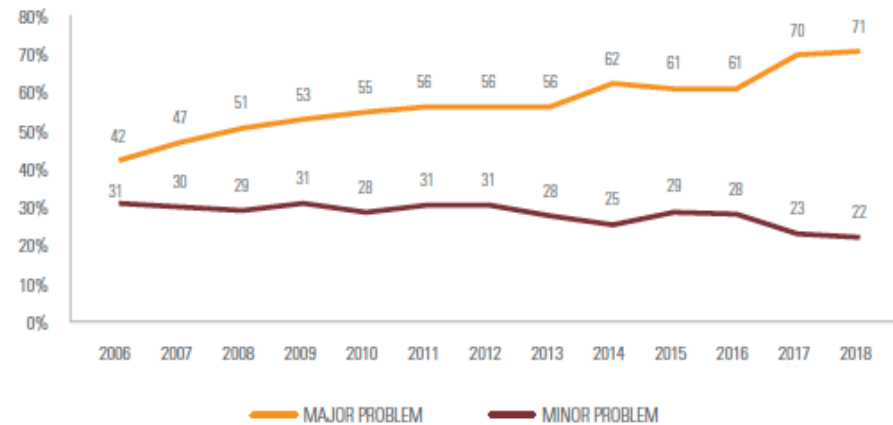
FIG. 5.3: Q-51. I would like to ask you about some officials, institutions, and organizations. As I read out each, please tell me how much confidence you have in them to do their jobs. Do you have a lot, some, not much, or no confidence at all?

Afghan Perceptions of Corruption

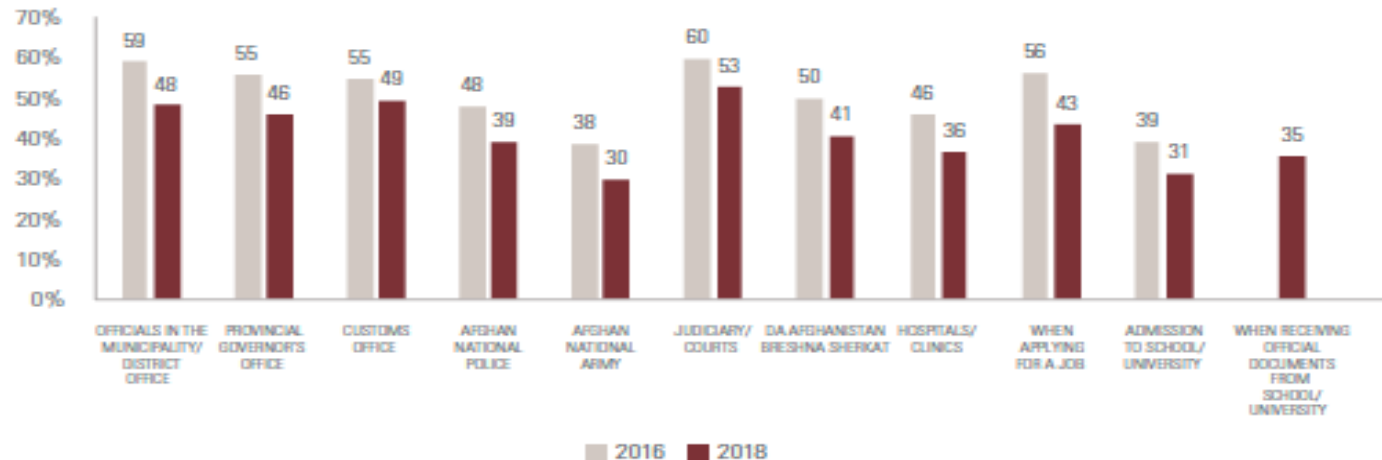
PERCEPTION OF CORRUPTION AS A PROBLEM IN AFGHANISTAN



PERCEPTION OF CORRUPTION AS A PROBLEM IN DAILY LIFE



EXPERIENCES WITH CORRUPTION, BY INSTITUTION



Transparency International on Afghan Corruption - I

Over the past three years, Afghanistan has undergone an important period of transition, with the election of a new government in 2014 and the withdrawal of international forces the same year. Since then, levels of insecurity in the country have seen a marked rise and the number of internally displaced people in the country has doubled. Levels of optimism about the overall direction of the country and confidence in government in 2015 fell to their lowest levels in a decade.

Corruption in Afghanistan is endemic and has penetrated all parts of the Afghan state, adversely affecting the ability of Afghanistan to maintain security for its citizens and deliver basic public services. Corruption is also increasingly embedded in social practices, with patronage politics and bribery becoming an acceptable part of daily life. This continues despite the expressed aim of the National Unity Government (NUG) to address corruption, the establishment of various anti-corruption bodies and President Ghani's personal involvement in larger procurement processes.

Development assistance has not been immune to this phenomenon. Indeed the large influx of money and poor oversight of contracting and procurement related to the international presence is believed to have exacerbated the problem. To address this, it has been suggested that development partners in Afghanistan need to develop a deeper understanding of the nature and scope of corruption, avoid alliances with malign actors for short term gain, consider the volume of assistance which can be absorbed by government systems, better align their programs with national priorities, and strengthen partnerships with each other, civil society and the Afghan Government in order to build trust.

...Over the past three years, Afghanistan has undergone an important period of transition, with the country's first democratic transfer of power from President Karzai to President Ghani in 2014 and the withdrawal of U.S. and NATO forces the same year. Despite widespread allegations of fraud, the presidential elections ultimately resulted in the establishment of a national unity government (NUG) and a commitment to continued support from the international community within the framework of the 2012 Tokyo Mutual Accountability Framework (BTI 2016).

Since the withdrawal of international military support, levels of insecurity in the country have seen a marked rise with high numbers of both military and civilian casualties. Meanwhile, the number of internally displaced people in the country has doubled since 2013, reaching an estimated 1.2 million (Amnesty International 2016). The withdrawal of international troops has also led to a slowdown in commercial activity and economic growth (BTI 2016). Afghans are now increasingly of the view that the Afghan National Security Forces need foreign support to operate (83% say this of the Afghan National Army and 80% of the Afghan National Police) (Asia Foundation 2015).

According to a nationwide public opinion survey, levels of optimism about the overall direction of the country and confidence in government in 2015 fell to their lowest levels in a decade. The proportion of those who said the national government was doing a good job fell from 75% in 2014 to 58% in 2015. The proportion of Afghans who said they were satisfied with the democratic process also declined, from 73% in 2014 to 57% in 2015 (Asia Foundation 2015). Among the principle reasons for Afghans sense of pessimism were deteriorating security, unemployment, and corruption. The number of Afghans who said they were afraid for their personal safety reached its highest recorded level (68%) since the survey began in 2006.

A more recent study indicates little sign of improvement. According to a forthcoming survey by Integrity Watch Afghanistan (Integrity Watch Afghanistan 2016b, cited in Integrity Watch Afghanistan 2016a), more than 67% of Afghans now believe that the NUG has not done enough to address major problems in Afghanistan and around 74% believe that there has been no improvement in any public institution in reducing corruption.

...In the last decade, corruption has penetrated all parts of the Afghan state. Pervasive corruption has adversely affected the ability of Afghanistan to maintain security for its citizens and generate sufficient revenues to deliver basic public services (Integrity Watch Afghanistan 2016a).

Transparency International's 2015 Corruption Perceptions Index ranks Afghanistan 166th out of 167, with a score of 11, on a scale from 0 (highly corrupt) to 100 (very clean). Only Somalia and North Korea fare worse (Transparency International 2016a).

Transparency International on Afghan Corruption - II

Similarly, Afghanistan has consistently scored poorly in the World Bank's Worldwide Governance Indicators. In 2015, the country received a score of 5 for control of corruption, on a scale from 0 to 100. This represents a very slight improvement from a score of 1 in both 2005 and 2010. The country has also demonstrated some improvement in regulatory quality, with an increase in score from 3 in 2005 to 5 in 2010, to 13 in 2015 (World Bank 2015). However Afghanistan's score for rule of law and political stability and absence of violence/terrorism have remained stagnant at between 1 and 2 out of 100 over the past ten years.

These findings are consistent with the experiences of Afghans themselves. A 2014 public survey by Integrity Watch Afghanistan found that, after insecurity, corruption had become the second biggest concern for Afghans. An estimated \$1.9 million were paid in bribes in 2014 compared to \$1.25m in 2012. The number of adults who reported paying a bribe increased from 1.6 million to nearly 2 million, a 25% increase. While the average bribe rose from \$190 in 2012 to \$240 in 2014, the average number of bribes paid per year remained unchanged (Integrity Watch Afghanistan, 2014).

Over the longer term, it is also widely recognized that the scale of corruption in the post-2001 period has increased above previous levels. A 2009 assessment commissioned by the Organization for Economic Cooperation and Development (OECD) warned that "corruption has soared to levels not seen in previous administrations" (OECD 2009a). The report also noted a shift in how Afghan society viewed corruption, from stigmatizing bribes to tacitly condoning them. Afghan business leaders are cited as saying that bribery and corruption were "pervasive, accepted, and arguably even encouraged", whereas in previous years, greater shame had been attached to these behaviors (SIGAR, 2016).

These findings are corroborated by a 2012 UNODC survey which found corruption to be increasingly embedded in social practices, with patronage and bribery being an acceptable part of day-to-day life. For example 68% of citizens considered it acceptable for a civil servant to top up a low salary by accepting small bribes from service users (compared with 42% in 2009). Similarly, 67% of citizens considered it sometimes acceptable for a civil servant to be recruited on the basis of family ties and friendship networks (up from 42% in 2009) (UNODC 2013).

One possible explanation for this apparent rise in both corruption levels and tolerance to corruption relates to the rapid establishment of a highly centralized state system following the 2001 Bonn agreement, in a country with historically weak capacity at the center and where social and political structures are characterized by relationships based on language, tribe, region, and ethnicity. As a result, behind these newly established formal structures, the lines between public and private interests became increasingly blurred, as government officials cultivated their own patronage networks and, in some cases, became involved in drug-trafficking (SIGAR 2016a).

A key mechanism of systemic public sector corruption in Afghanistan is the purchase of public positions. According to a former mid-level Afghan government official, ministers and deputy ministers seek to control the most lucrative positions, such as certain posts in major cities, border security posts, and senior positions in provinces and districts that grow poppies or have mines (SIGAR 2016a).

Indeed, according to the UNODC survey, about 80% of citizens with a family member recruited into the civil service in the preceding three years stated that the family member in question received some form of assistance or paid a bribe to be recruited. As many as 50% of police, local government staff and school teachers indicated that they received assistance during their recruitment.

...One area where the phenomenon of patronage politics is most apparent, is in the realm of government contracts which are estimated to make up approximately 15% of annual public expenditures...corruption in the judiciary remains extensive, and judges and lawyers are often subject to threats from local leaders or armed groups. In a prevailing climate of impunity, government officials, as well as warlords in some provinces, sanction widespread abuses by the police, military, local militias, and intelligence forces, including arbitrary arrest and detention, torture, extortion, and extrajudicial killings...

Source: Transparency International, "Afghanistan, country profile 2016" <https://knowledgehub.transparency.org/helpdesk/afghanistan-overview-of-corruption-and-anti-corruption-with-a-focus-on-development-assistance>.

DoS Declines to Certify Afghan Government's Counter-Corruption Efforts

In January 2019, the DoS declined to certify to the U.S. Congress that the Afghan government was pursuing an effective counter-corruption agenda.²⁰¹The Consolidated Appropriations Act of 2018 requires the Secretary of State to certify that the government of Afghanistan is meeting certain good-governance conditions prior to obligation of Economic Support Fund and International Narcotics Control and Law Enforcement funding in Afghanistan.

Among the conditions are the requirement that the Afghan government is “effectively implementing a whole-of government, anti-corruption strategy that has been endorsed by the High Council on Rule of Law and Anti-Corruption...and is prosecuting individuals alleged to be involved in corrupt or illegal activities in Afghanistan.”

In a memorandum describing its decision not to grant the certification, the DoS stated that although the Afghan government had taken some steps to combat corruption, it was not effectively implementing a whole-of-government anti-corruption strategy, nor was it doing enough to prosecute corrupt individuals.²⁰⁴ The memorandum cited several reasons for the decision including: President Ghani's dismissal of the acting director of the Major Crimes Task Force; the failure of the government to execute outstanding anti-corruption warrants; and President Ghani's appointment of former Herat Governor Ahmad Yousuf Nuristani to the upper house of Parliament, shielding Nuristani from arrest on corruption charges.

Although the DoS declined to certify Afghanistan's counter-corruption efforts, it will, via a waiver to the legal certification requirement, disburse the related funding to the Afghan government.

The DoS reported to the DoS OIG that there was limited improvement at the Anti- Corruption Justice Center (ACJC), Afghanistan's anti-corruption court. The DoS stated that this quarter was the court's most productive to date, with seven cases tried. Since the court's inception, the ACJC has secured 158 convictions against defendants including 8 deputy ministers and 15 general officers. In January 2019, the ACJC convicted former Deputy Minister of Finance Abdul Razaq Wahidi and seven other defendants of misuse of authority for actions committed during Wahidi's tenure at the Ministry of Finance. The ACJC acquitted one defendant and sentenced Wahidi to three years and the remaining defendants to between one-and-a-half to four-and-a-half years in prison.

However, the DoS and DoD advisors who advise the Afghan government continue to report significant weaknesses in the Afghan government's counter-corruption initiatives. CSTC-A rule of law advisors reported a “lack of political will to investigate and prosecute high-level corruption cases.”²⁰⁹ They said that warrant execution remains a problem across all Afghan government agencies.²¹⁰ Defendants sentenced by the ACJC have frequently evaded their punishment, and the Afghan government has often declined to enforce ACJC sentences. The DoS said it did not know how many of the ACJC sentences were enforced by the Afghan government but noted that all 109 individuals registered in the ACJC case management system as convicted and sentenced to prison terms had been subsequently reported incarcerated by Afghan authorities.

“Kabulstan” versus Afghanistan: Power Brokers

Powerbrokers, Politics, and Security Afghanistan has a long history of powerbrokers who control government and security in various parts of the country. Even with a central government in Kabul, powerbrokers remain a key feature of Afghanistan’s political life and security structure. The Defense Intelligence Agency (DIA) reported to the DoD OIG that powerbroker activities “primarily revolve around cooperation and support for the political process as a means of leverage to benefit their individual illicit activities and political goals.” ... These individuals, who include current members of parliament, national government leaders, and regional leaders, may shape the outcome of the upcoming presidential elections, scheduled to take place in July 2019. The DIA assessed that powerbrokers are weaker than they were 4 years ago, “but remain powerful enough to challenge Kabul’s authority.” ...

Powerbrokers can also affect security because of their connection to regional militias. These militias include local protection forces for ethno-tribal or criminal interests, forces that cooperate with the Afghan government to provide local security, and units that are fully integrated into the ALP.¹⁴⁶ In September 2018, Resolute Support assessed that 70 ALP personnel nationwide were working for powerbrokers, down from 219 the previous quarter....

The assassination of Kandahar police chief Abdul Raziq on October 18 highlighted the role that powerbrokers can play in regional stability and instability. The Afghan government postponed elections in the province amid fear that Raziq’s death would create a power vacuum.¹⁴⁸ Similarly, in July, President Ghani arrested the leader of a pro-government militia commander in Faryab province, sparking violence and protests. The commander was aligned with 1st Vice President Abdul Rashid Dostum, who recently formed a political alliance to oppose President Ghani in the upcoming election. The crisis, USFOR-A said, “degraded ANDSF operations in the area and likely contributed in part to successful Taliban attacks in the Northwest.”...

Prominent Afghan Powerbrokers



MOHAMMAD ATTA NOOR
Former Governor,
Balkh Province

Before stepping down in March 2018, Atta maintained security in Balkh province, seizing land for his retainers and providing them government positions. He engaged in assassinations of political opponents and committed other abuses. Security in Balkh has declined since March, and there have been reports of clashes between competing criminal patronage networks in Balkh, the type of dispute which Atta would routinely arbitrate.



ABDUL RASHID DOSTUM
First Vice President

Dostum remains restricted to Kabul following his July return from exile in Turkey, and has been unable to negotiate for the full release of his lieutenant, Nizamuddin Qaisari, whose July arrest precipitated Dostum’s return. The continued deterioration of security in Faryab province suggests Dostum’s militias are less effective than in the past.



MOHAMMAD MOHAQQUEQ
Second Deputy CEO

Mohaqqueq leads one of two main factions of Hizb-e Wahdat-e Islami, centered in Balkh province, but with supporters throughout the Hazara powerbase. Mohaqqueq maintains strong ties with Iran, and even praised Iranian Revolutionary Guard Corps General Qassem Soleimani and Afghan volunteers who supported activities in Syria in late 2017. He has been intensely critical of Ghani’s administration. In January 2019, Mohaqqueq announced that he will run for vice president on a ticket led by former National Security Advisor Hanif Atmar.



ISMAIL KHAN
Former Governor,
Herat Province

Khan remains an influential figure in Jamiat-e Islami-Afghanistan and opposition politics. He is strongly critical of Ghani’s administration and the continuing U.S. presence, but he lacks the large militias and popular loyalty that he held a decade and a half ago. He is the Grand National Coalition of Afghanistan (GNCA) opposition alliance’s lead on peace talks with the Taliban, seeking direct talks with minimal or no government involvement, and was recently named as a representative on President Ghani’s peace consultative council.



GULBUDDIN HEKMATYAR
Leader,
Hezb-e Islami Gulbuddin

Hekmatyar retains significant pockets of support scattered among Pashtun communities, despite not having a geographic base of operations or support. Hekmatyar wants U.S. forces to leave Afghanistan, but he is also extremely critical of Iran. He is also critical of the GNCA—most of whose members have ties to Iran—and will likely not support any presidential ticket supported by the GNCA.



ABDUL RAZIQ
Former Kandahar Police Chief
(Killed October 2018)

After Raziq’s assassination in October, control of his network went to his younger brother, Tadin. Tadin’s appointment prevented an immediate collapse of Kandahar security forces, but it remains to be seen how effectively Tadin will be able to control Raziq’s overall network.

Source: DIA

The Next President: Odds of 18 to 1?

This quarter, the Afghan election management bodies—the Independent Elections Commission (IEC) and the Electoral Complaints Commission (ECC)—continued their preparations for the upcoming presidential elections. On May 29, the IEC announced that only the presidential elections would occur on September 28, 2019. This reversed the IEC's previous decision to hold provincial council elections and the delayed parliamentary elections for Ghazni Province on the same day as the presidential voting. The IEC did not announce a new date for these other elections.

The United States and the other principal international election donors welcomed the IEC's decision to concentrate solely on the presidential election, writing this was "essential given the very tight timeline and the practical challenges."²

...Political opponents of President Ashraf Ghani—including a group of 11 presidential candidates—claimed this quarter that May 22, 2019, marked the end of President Ghani's constitutional term of office. On April 21, the Supreme Court had ruled in favor of extending President Ghani's term until the election of a new president, saying this followed the 2009 precedent. The president's opponents criticized the Supreme Court's decision and warned of potential civil disobedience if its proposals for an interim government were not considered. According to the United Nations, there were no observed demonstrations against Ghani's presidency on May 23.²²⁸

President Ghani further upset his political opponents when he appointed several senior security officials, including two deputy ministers for defense, provincial chiefs of police in 17 provinces, and three new deputies in the Office of the National Security Council. While President Ghani said these appointments were part of his reform agenda, the UN reported that opposition figures claimed these appointments created the perception that he was politicizing the security sector ahead of the presidential elections...

The IEC has approved 18 candidates to run in the September 2019 presidential election. If no candidate receives more than 50% of the vote, the election will move to a second round on November 21, 2019.²³⁰ Each candidate has a randomly assigned position on the ballot and a candidate-selected symbol and photograph to help illiterate voters.²³¹ According to Afghanistan's election law, each candidate had to gather support of 100,000 voters in at least 20 provinces to register.²³² The ECC vetted and cleared all 18 candidates, reporting that there were no complaints made against any them.²³³

CANDIDATES FOR THE 2019 PRESIDENTIAL ELECTION



Lead IG Commentary on Afghan Elections

Presidential Election Rescheduled for September 2019

In March, Afghanistan's Independent Election Commission (IEC) postponed the presidential election from July 20, to September 28, 2019. The IEC said that the delay was necessary to give the commission more time to organize the ballot and address identified problems from the October 2018 parliamentary elections. This is the second time that the presidential election has been delayed. In December 2018, the IEC moved the date of the election from April to July 2019.

During the quarter, the Afghan government and the international community took steps to attempt to address the many problems that occurred during the parliamentary elections in October 2018. In particular, many observers faulted the IEC for poorly executing the election, including problems with the development of voter lists, use of biometric identification machines, and coordinating with the ANDSF to ensure security. The full results of the election still had not been finalized or released as of the end of the In February, President Ghani dismissed all 12 IEC commissioners and members of the Electoral Complaints Commission. That month, the Afghan Attorney General's office prosecuted 313 people accused of elections-related violations and was investigating all of members of the IEC and the Electoral Complaints Commission in charge of the 2018 election. By March 1, the government reconstituted the electoral commissions with new members. The DoS told the DoS OIG that the new commissioners are focused on finalizing the results of the October 2018 election and planning for the September 2019 presidential election.

Also in February, President Ghani approved amendments to the electoral law, including a new system to appoint members of the IEC and the Electoral Complaints Commission, new regulations for the use of technology in elections, and amended vetting requirements for district- and village-level candidates. While these amendments address some of the concerns from the October parliamentary elections, they do not provide certainty that the new IEC members will be more capable than their predecessors in organizing the 8 million-person voter roster or ensuring security of the elections.

U.S. and international organizations are also supporting the Afghan government and the IEC in preparing for the presidential elections. The DoS reported to the DoS OIG that it provides funding to the UN Electoral Support Project, which is reviewing the previous election and tailoring its assistance to help the Afghan election authorities overcome identified deficiencies in the elections process.¹⁹⁶ USAID reported to the USAID OIG that the agency would support the presidential elections through funding of international initiatives, including the UN Electoral Support Project.

USAID will also continue to provide financial support to its Strengthening Civic Engagement in Elections initiative, which supports civil society organizations that monitor Afghan elections. USAID reported that it fielded 6,500 domestic observers for the October 2018 parliamentary elections through this program.

USFOR-A told the DoD OIG that it is using lessons learned from its review of the October 2018 elections as it supports the ANDSF in its security planning for the presidential elections. In particular, USFOR-A is advising the ANDSF as it undertakes joint planning with the IEC for election-related security operations. USFOR-A reported that the ANDSF is not making significant changes to its security plans, but will seek to improve its operations in line with the lessons learned from the October elections.

SIGAR on Lack of Effective Afghan Governance – July 2019 - I

NATIONAL GOVERNANCE

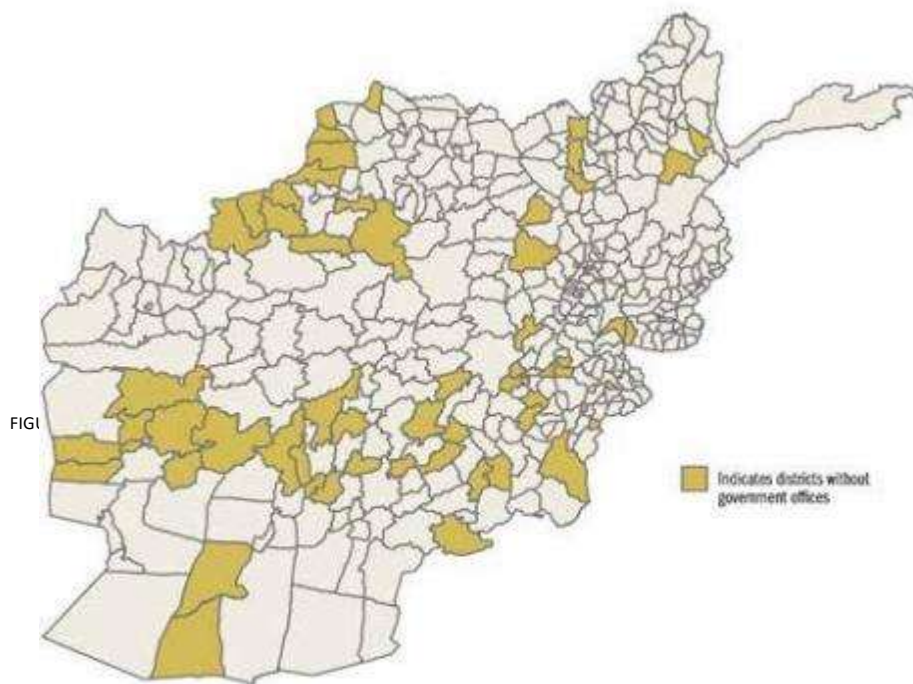
President Ghani inaugurated the first new parliament since 2011 (minus representatives from Kabul and Ghazni Provinces) on April 26, 2019.³²⁰ The elections took place in October 2018, but the Afghan election-management bodies did not finalize the results for Kabul Province until May 14, more than six months later. The parliamentarians from Kabul Province were sworn in on May 15. State reports that a dispute over the selection of the new speaker of the lower house and other administrative positions has prevented parliament from passing any legislation since it reconvened.

Parliament's recent internal dysfunction may coincide with a broader marginalization of the institution vis a vis the executive branch. For example, in 2018, President Ghani issued 34 legislative acts by decree under emergency powers, while both houses of parliament only passed 14 laws.

In another example of the legislative branch's weakness, the UN reported also this quarter that the Afghan government, effective October 2018, suspended the salaries of parliamentarians who failed to declare their assets per the terms of the anticorruption law that President Ghani enacted by presidential legislative decree. (According to the UN, the salary suspension was followed by a "remarkable" increase in asset declarations by parliamentarians, showing the importance of political will for anticorruption reforms.) For 2018, at least, the executive branch appears to have taken the lead in developing the laws it then executes.

SIGAR on Lack of Effective Afghan Governance – July 2019 - II

MEDIA REPORT: DISTRICTS WITHOUT AFGHAN CIVIL GOVERNMENT OFFICES



Note: This district map was adapted from the 5/29/2018 United Nations Office for the Coordination of Humanitarian Affairs (OCHA) "Afghanistan administrative level 0-2 and UNAMA region boundary polygons, lines, and points" shapefile that included 399 districts. SIGAR used ArcGIS Pro 2.3 for this analysis and all layers were project to UTM 42N. Because of changing district boundaries, the following districts are not exact matches for the TOLONews list: Qala-e-Kah District, Farah Province; Shindand District, Herat Province; Khan Abad District, Kunduz Province; and Gomal District, Paktika Province. Source: SIGAR, email communications with TOLONews, 7/2/2019, 7/3/2019.

SUBNATIONAL GOVERNANCE

This quarter, the Afghan news organization TOLONews conducted an investigation on the presence of Afghan government institutions at the district level. In June, TOLONews interviewed local officials, members of parliament and provincial councils, and, in some cases, visited selected districts. TOLONews found that in 64 out of 364 official and 11 unofficial districts, the Afghan government's civil offices either were working outside the district (for example, a district administrator worked out of a location such as the province capital) or were no longer functional. Figure 3.39 shows the districts TOLONews reported with no Afghan government civil offices.

According to TOLONews, the Independent Directorate of Local Governance (IDLG) confirmed that in approximately 20 of these districts, the Afghan government had no government presence (civil and security) at all. SIGAR has not independently verified this information but the latter findings do conform to other information provided to SIGAR.

SIGAR on Management of On-Budget Assistance – July 2019 - I

Civilian On-Budget Assistance

According to the World Bank, Afghan government domestic revenues finance 46% of its civilian expenditures.

USAID has provided on-budget civilian assistance in two ways: bilaterally to Afghan government entities, and through contributions to two multidonor trust funds, the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) and the Asian Development Bank-administered Afghanistan Infrastructure Trust Fund (AITF).²⁹⁷ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance (MOF) for each program.

The ARTF provides funds to the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.²⁹⁹ The AITF coordinates donor assistance for infrastructure projects.

As of March 2019, the United States remains the largest cumulative donor to the ARTF (30.8% of actual, as distinct from pledged, contributions paid in); the next-largest donor is the United Kingdom (16.8% of actual contributions).

The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. As of March 2019, the ARTF recurrent-cost window has cumulatively provided the Afghan government approximately \$2.6 billion for wages, \$600 million for operations and maintenance costs, \$1.1 billion in incentive program funds, and \$762 million in ad hoc payments since 2002.

On-Budget Assistance to the ANDSF

Approximately 70% of total U.S. on-budget assistance goes toward the requirements of the Afghan security forces. According to a recent World Bank estimate, Afghan government security expenditures—including off-budget security costs—were equal to 29% of gross domestic product (GDP) in 2018. The average low-income country spends 3% of GDP on security-related costs, according to the Bank.

DOD provides on-budget assistance to the Afghan government through direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund a portion of Ministry of Defense (MOD) and Ministry of Interior (MOI) requirements, and through ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan (LOTFA).

According to DOD, most of the ASFF appropriation is not on-budget because it is spent on equipment, supplies, and services for the Afghan security forces using DOD contracts. UNDP administers LOTFA primarily to fund Afghan National Police salaries and incentives. The Combined Security Transition Command-Afghanistan (CSTC-A) provides direct-contribution funding to the Ministry of Finance (MOF), which allots it incrementally to the MOD and MOI.

For Afghan fiscal year (FY) 1398 (December 2018–December 2019), CSTC-A plans to provide the Afghan government up to the equivalent of \$707.5 million to support the MOD and \$137.3 million to support the MOI.

As of May 25, CSTC-A had provided the Afghan government the equivalent of \$267.2 million to support the MOD for FY 1398. Almost all of these funds (90%) paid for ministry salaries. Additionally, as of May 25, CSTC-A had provided the equivalent of \$110.6 million to support the MOI. Of these funds, none were delivered via the LOTFA.

SIGAR's Concern with On-Budget Assistance

As the United States reduces its military and civilian presence in Afghanistan, U.S. agencies will likely provide a greater proportion of their foreign aid as on-budget assistance. If more U.S. reconstruction funds are provided directly to the Afghan government on-budget, SIGAR believes strong accountability measures and internal controls must be in place, as well as oversight of those measures and controls. Likewise, if more U.S. and other donor on-budget assistance is provided through international trust funds such as the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF), the UN Development Programme's Law and Order Trust Fund for Afghanistan (LOTFA), and Asian Development Bank's Afghanistan Infrastructure Trust Fund, enhanced accountability measures and internal controls by the Afghan government must be in place, as well as oversight of those measures and controls by the international organizations and the donor community. As Inspector General John E. Sopko has said, "If those conditions and that will to protect that money are lacking, and assistance is provided anyway, we at SIGAR believe you may as well take all of that cash and set it ablaze in Massoud Circle for all the help it will do to the Afghans or to us."

SIGAR has found that the World Bank and UN have had serious problems monitoring the on-budget funds they disburse. Further, U.S. agencies have shown very little inclination to monitor what the funds' financial agents are doing. For example, a 2017 SIGAR investigation uncovered corruption with Afghan-based contractors and the award process of the on-budget, USAID-funded, Ghazni-Kandahar Five Substations Project run by the Afghan national power utility, Da Afghanistan Breshna Sherkat (DABS), worth nearly \$135 million. As a result, in 2018, USAID deobligated all on-budget support to DABS for future and planned energy projects not yet awarded, worth nearly \$400 million.

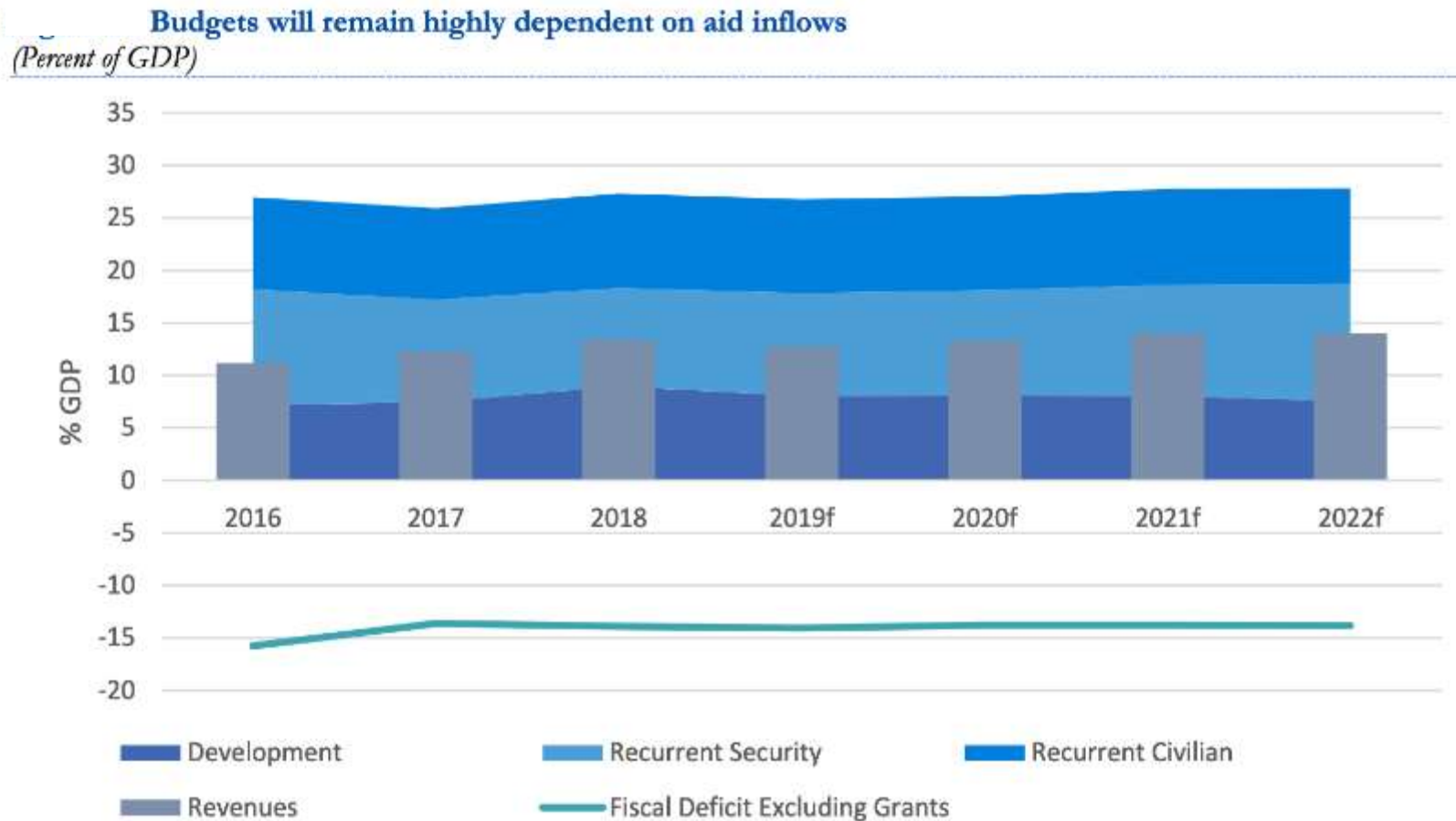
Additionally, SIGAR found that despite steps taken to improve monitoring and accounting of ARTF funds since 2011, continuing limitations on and lack of transparency into the World Bank and Afghan government's monitoring and accounting of ARTF funds put billions of dollars at risk. In 2013, SIGAR found that despite 13 years and after more than \$1 billion in U.S. assistance, the multilateral LOTFA, which pays Afghan National Police (ANP) salaries and helps build the capacity of the Ministry of Interior, could provide no assurance that personnel and payroll data were accurate.

To protect U.S. taxpayer funds and eliminate payments for nonexistent "ghost" soldiers and police, United States Forces-Afghanistan has since implemented the Afghan Personnel and Pay System to better integrate personnel data with compensation and payroll data, and to calculate payroll amounts. Still, as of June 2019, only about 73.6% of ANP personnel have been matched to an authorized position and met the requirements to be paid.

If U.S. agencies choose to provide more on-budget assistance, this aid should be conditioned on an independent and context-specific finding that adequate monitoring mechanisms and internal controls are in place for the Afghan ministry or multilateral trust fund in question. SIGAR has found that Afghanistan's programming environment presents unique challenges that strain the normal processes of foreign assistance. SIGAR urges Congress to consider these unique challenges for monitoring and managing foreign assistance in Afghanistan, particularly if these funds are provided on-budget.

World Bank on Budgets and Dependence on Foreign Aid: July 2019 - I

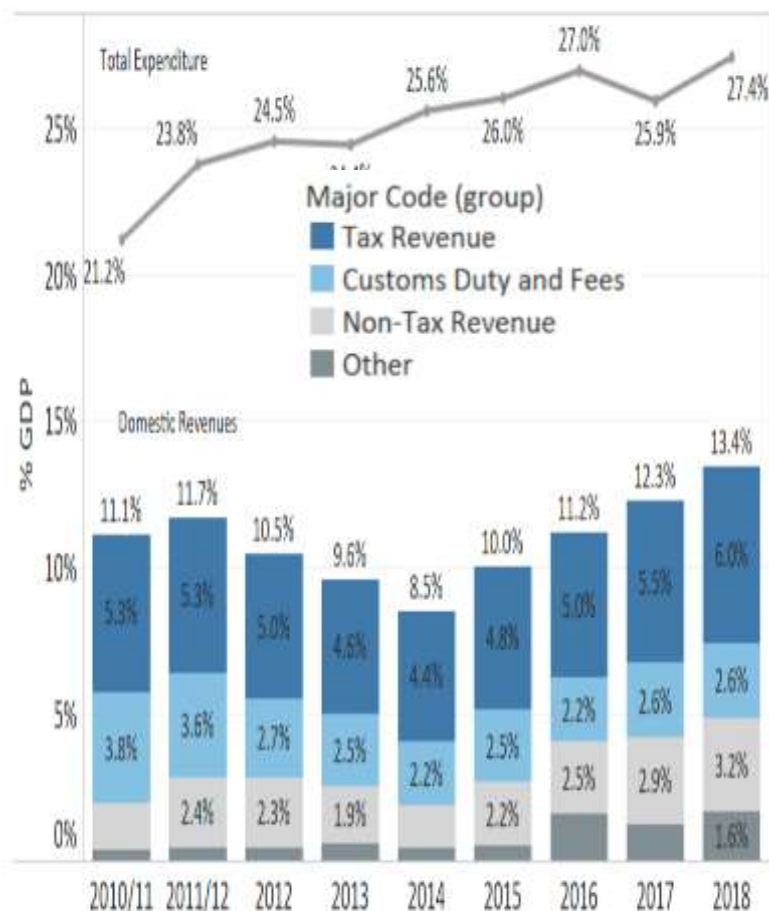
Grants (on-and off-budget) continue to finance around 75 percent of total public expenditures. Any rapid decline in international aid flows would drive difficult fiscal adjustment, potentially undermining the capacity of government to maintain basic services. Continued international assistance in security and development is critical to preserve development gains achieved over the last seventeen years. Clear commitment to sustained support from international partners would help to reduce current levels of uncertainty, supporting increased confidence and investment.



Sources: Ministry of Finance data, World Bank staff projections

World Bank on Budgets and Dependence on Foreign Aid: July 2019 - II

Figure 23: Domestic Revenues and Expenditure, 2011-18



Sources: Calculations based on AFMIS Data. Preliminary figures used for 2018. 2012 adjusted for 9-month fiscal

Selected Fiscal Indicators

	2016	2017	2018	2019	2020	2021	2022
<i>In billion Afghanis unless otherwise stated</i>							
				Proj.	Proj.	Proj.	Proj.
Domestic revenues	147.0	169.1	189.6	189.4	213.9	244.4	266.1
Tax revenues	65.4	75.9	83.5	74.2	96.5	97.8	106.4
Customs duty and fees	28.6	35.7	35.2	33.3	37.0	43.6	47.5
Nontax revenues	53.0	57.4	70.9	81.9	80.4	103.0	112.1
Donor grants	207.0	179.2	205.6	198.9	213.0	226.0	246.0
Discretionary grants	143.1	118.4	142.9	136.0	145.0	155.0	175.0
Nondiscretionary grants	63.9	60.8	62.8	62.9	68.0	71.0	71.0
Total expenditures	354.2	356.5	385.7	397.6	434.5	482.9	526.5
Recurrent expenditures	260.1	253.6	259.2	278.1	304.3	343.5	383.6
Security	145.6	133.9	132.3	145.5	160.1	184.1	211.7
Civilian	114.6	119.7	126.9	132.6	144.3	159.4	171.9
Wages and salaries	58.6	63.0	68.1	71.5	78.7	86.6	95.2
Operations and maintenance	29.7	29.1	25.0	26.3	28.9	33.3	34.9
Capital expenditure	2.3	2.8	3.2	3.3	3.6	4.0	4.4
Social transfers	22.3	23.0	28.5	29.4	30.8	33.3	35.0
Interest payments	1.6	1.8	2.0	2.1	2.2	2.3	2.4
Discretionary development	29.8	42.0	53.4	56.6	62.2	68.5	71.9
Nondiscretionary development	64.3	60.9	73.1	62.9	68.0	71.0	71.0
Discretionary balance	0.3	-8.1	19.8	-9.2	-7.6	-12.5	-14.4
Overall balance	-0.2	-8.2	9.5	-9.2	-7.6	-12.5	-14.4
Overall balance excluding grants	-207.2	-187.4	-196.1	-208.1	-220.6	-238.5	-260.4
Revenues to recurrent spending ratio (%)	56.5	66.7	73.1	68.1	70.3	71.2	69.4

SIGAR on SERVICE DELIVERY IN TALIBAN-CONTROLLED OR INFLUENCED AREAS – July 2019 - I

The Taliban have not ruled Afghanistan since 2001, but they still exert a heavy influence on the Afghan government's delivery of public services in many parts of the country. The Taliban seldom provide services themselves, but they reportedly can co-opt, modify, or choose to facilitate or hinder Afghan government services.

These observations—troubling given the Afghan government's need to improve perceptions of its legitimacy and effectiveness—emerge from studies conducted in the past two years by the Afghanistan Analysts Network (AAN), the United States Institute of Peace (USIP), the Overseas Development Institute (ODI), and the World Bank. Although SIGAR has not independently verified these studies, they highlight a rarely acknowledged aspect of service delivery in Afghanistan: bargains with insurgents are often a necessary compromise when operating in areas they control or influence. The ODI study described the situation in 2018:

Aid agencies, the [Afghan] government and the international community seem worryingly unaware of [the growing Taliban efforts to control and influence service delivery], deeply unprepared and reluctant to engage with the Taliban, despite their growing influence on the ground, including over aid and government programs.

These studies have largely sought to describe the Taliban's role in service delivery rather than examine its political consequences. However, some analysts argue that the Taliban's approach is part of a larger governing strategy. According to the scholar Antonio Giustozzi, some Taliban leaders seem to believe involvement in service delivery can be a source of political legitimacy for them. Since the group has few resources to dedicate to providing services themselves, it is more efficient, according to Giustozzi, for the movement to "hijack" Afghan government-provided services.

Since December 2018, AAN and USIP have issued a series of case studies on life in Taliban-controlled or influenced districts. This research relied on semi-structured interviews with key informants from districts under varying levels of insurgent influence. As shown in Table 3.23, there was a pattern to the Taliban's activities across districts. The Taliban were reported to monitor schools, prohibit some school subjects such as science, promote others such as Islamic studies, restrict polio campaigns from going door-to-door but instead to operate from the village mosque, and run commissions that would register nongovernmental service providers.

As one USIP author summarized, service delivery in Taliban-controlled and -influenced areas is a "hybrid of state- and nongovernmental organization-provided services, operating according to Taliban rules." The Taliban have been both disrupters and advocates or facilitators of services. For example, the Taliban regularly threaten cell phone

SIGAR on SERVICE DELIVERY IN TALIBAN-CONTROLLED OR INFLUENCED AREAS – July 2019 - II

providers to stop service at night. Conversely, the Taliban have threatened to attack Afghan government electrical infrastructure to force the government to provide electricity to villages under their control.

In multiple districts, the Taliban reportedly co-opted government services, taxing service providers, monitoring services, and presenting candidates for government jobs. These actions by the Taliban's "shadow state" are parallel to, but in many ways parasitically dependent on, the formal Afghan government. In some cases, the Taliban appeared to advance community interests. For example, respondents in Andar District in Ghazni Province reported that the Taliban removed nonexistent or "ghost" teachers from the Afghan government's roster. In other cases, the Taliban reportedly benefited from corruption. In Nad Ali District, Helmand Province, respondents said the Taliban collected ghost-teacher salaries.

The UK's ODI and the World Bank published research in 2017 and 2018, respectively, showing that development programming can continue (in some cases, rather successfully) in Taliban-controlled or-influenced areas through bargains with insurgents. ODI, relying on interviews with 162 individuals, reported that the Taliban co-opted government- and aid agency- provided goods and services in areas under their control. The report says that Afghan government service delivery ministries have struck deals with local Taliban and that most provincial or district-level government health and education officials interviewed for the report said they were in direct contact with their Taliban counterparts.

Similarly, an Afghan government official interviewed for the recent AAN/ USIP study of Dasht-e Archi District, Kunduz Province described how the responsibilities for school monitoring were divided between the government and the Taliban, depending on which group controlled the areas in which the school resided.

The World Bank wrote that where the Taliban was relatively reliant upon local support, agreements with local elites emerged to support delivery of government-funded health and education services. The World Bank found that after launching attacks on schools in 2006–2008, the group has since changed to attempting to influence state schools through local-level negotiations with Ministry of Education officials. Some Taliban were thus bargaining about co-opting rather than closing schools.

While the AAN/USIP, ODI, and World Bank studies offered similar descriptions of Taliban involvement in service delivery, only the ODI study drew strong conclusions on the consequences for Taliban governance. The World Bank demurred on a critical question, writing that their study did not address "the question of whether or how service

SIGAR on SERVICE DELIVERY IN TALIBAN-CONTROLLED OR INFLUENCED AREAS – July 2019 - III

delivery may contribute to, or undermine, state-building, peace-building, or conditions of fragility,” as they saw improving the delivery of services as a worthy goal in its own right. However, ODI argued that the bargains around service delivery were indicative of a coherent Taliban governing strategy. According to ODI, the Taliban’s involvement in service delivery allows the group to exert influence beyond the areas under its direct control in furtherance of its goal to impose its rule.

	Role	Andar District, Ghazni Province	Hokumat-e Nad Ali District, Helmand Province	Obeh District, Herat Province	Dasht-e Archi District, Kunduz Province	Achin District, Nangarhar Province*
Education	Supervise/monitor schools	X	X	X	X	X
	Censor school books/subjects	X	X	X	X	X
	Involved in selecting teachers/monitoring teacher performance	X		X	X	X
Health	Health facilities agree to treat Taliban fighters	X	X	X	X	X
	Monitor health centers	X			X	X
	Post guards at health facilities	X				
	Involved in health staffing		X			
	Restrict or influence vaccinations	X	X	X		X
Revenue collection	Tax businesses/population	X	X	X	X	X
	Tax service providers	X	X	X	X	X
Communications	Restrict cell phone services	X	X	X	X	X
	Restrict television and/or radio (though often ignored)		X	X	X	X
Justice	Operate Taliban courts	X	X	X	X	X
Administration	Appoint resident shadow governor	X		X	X	
	Service-related shadow directors or registration of service providers	X	X	X	X	X
	Organize locals for small projects	X				X

Note: *According to the Afghanistan Analysts Network, the Islamic State-Khorasan (IS-K) is presently the principal antigovernment armed group in this district and the Afghan government mostly controls the district. This graphic summarizes the Taliban's approach to service delivery during their time of control between 2009 and 2015 rather than IS-K's uniformly opposed approach to state service delivery. For example, IS-K is reported to have run its own health clinic during but were opposed to state-funded health services.

Source: Afghanistan Analysts Network, "One Land, Two Rules (1): Service delivery in insurgency-affected areas, an Introduction," 12/6/2018; Afghanistan Analysts Network, "One Land, Two Rules (2): Delivering public services in insurgency-affected Obeh district of Herat province," 12/9/2018; Afghanistan Analysts Network, "One Land, Two Rules (3): Delivering public services in insurgency-affected Dasht-e Archi district in Kunduz province," 2/26/2019; Afghanistan Analysts Network, "One Land, Two Rules (4): Delivering public services in embattled Achin district in Nangarhar province," 3/25/2019; Afghanistan Analysts Network, "One Land, Two Rules (6): Delivering public services in insurgency-affected Nad Ali district of Helmand province," 6/2/2019; Afghanistan Analysts Network, "One Land, Two Rules (7): Delivering public services in insurgency-affected Andar district in Ghazni province," 6/13/2019.

The Afghan Police and the Rule of Law

The Afghan Police and the Rule of Law

There is no clear way to assess the current rule of law in Afghanistan, although virtually all outside expert conflict is negative. For a particularly good analysis, see Geoffery Swenson, “Why U.S. Efforts to Promote the Rule of Law in Afghanistan Failed,” *International Security*, Vol. 42, No. 1 (Summer 2017), pp. 114–151, doi:10.1162/ISEC_a_00285.) There are many different reasons, only some of which directly involve the operation of the formal legal system.

There is no agreement on the level of Government versus Taliban influence and control, and no reliable way to assess the level of corruption within any given aspect of central government operations or the integrity of any aspect of Provincial and District enforcement of the law and the actions of its courts. It is clear that corruption from the highest to the lower levels of the legal system and government,, powerbrokers, the Taliban, narco-traffickers, and individuals within the police and court system all have influence in given areas. But, as is the case with all aspects of Afghan governance, there are many exceptions who do attempt to enforce the rule of law and who sometimes do so at considerable risk.

The problems the various elements of the Afghan police present are somewhat different. OSD and SIGAR reporting have long made it clear that the national and local police are not properly trained and equipped for the paramilitary role they are forced to play – a role that may well be just as challenging in attempt to enforce any peace settlement. The Ministry of the the Interior continues to present major problems in spite of a long series of attempted reforms, the Police are having the same attrition problems as the Army, and corruption is still endemic. The following excerpts from recent OSD 1125 and SIGAR reporting make these problems all too clear, as do outside reports on corruption.

What is far harder to estimate is how these problems will play out if the Afghan National Police – and any new form of Afghan Local Police – have to compete with the Taliban and other sources of political and financial power in bringing order and stability to given parts of the country, and deal with a pattern of governance which does not meet the practical economic and other popular needs for governance. It is easy to talk about form, and Afghanistan has for nearly two decades. Actually creating a meaningful rule of law is likely to be a very different story.









World Justice Project (WJP) on the Afghan Rule of Law, 2019 – The Fourth Worst Justice System in the World? - I

Afghanistan

Region: South Asia
Income Group: Low

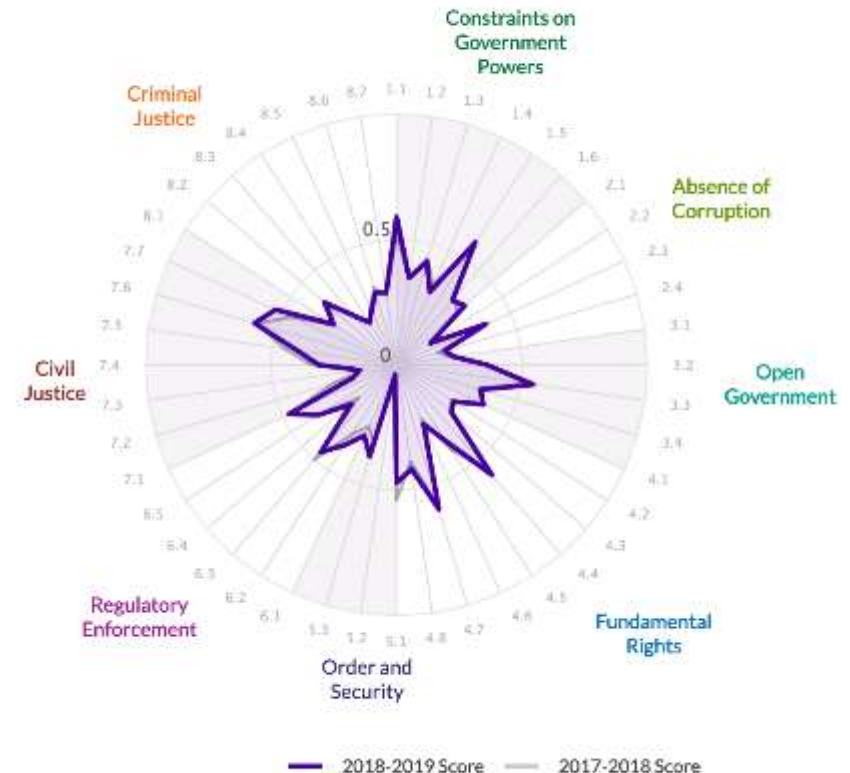
Overall Score	Regional Rank	Income Rank	Global Rank
0.35	6/6	19/20	123/126

Score Change	Rank Change
0.00	—

	Factor Trend	Factor Score	Regional Rank	Income Rank	Global Rank
 Constraints on Government Powers	—	0.43	5/6	13/20	98/126
 Absence of Corruption	—	0.28	6/6	17/20	119/126
 Open Government	—	0.37	6/6	14/20	107/126
 Fundamental Rights	—	0.40	4/6	16/20	108/126
 Order and Security	—	0.30	6/6	20/20	126/126
 Regulatory Enforcement	—	0.35	6/6	19/20	122/126
 Civil Justice	—	0.38	6/6	19/20	119/126
 Criminal Justice	—	0.28	6/6	18/20	119/126

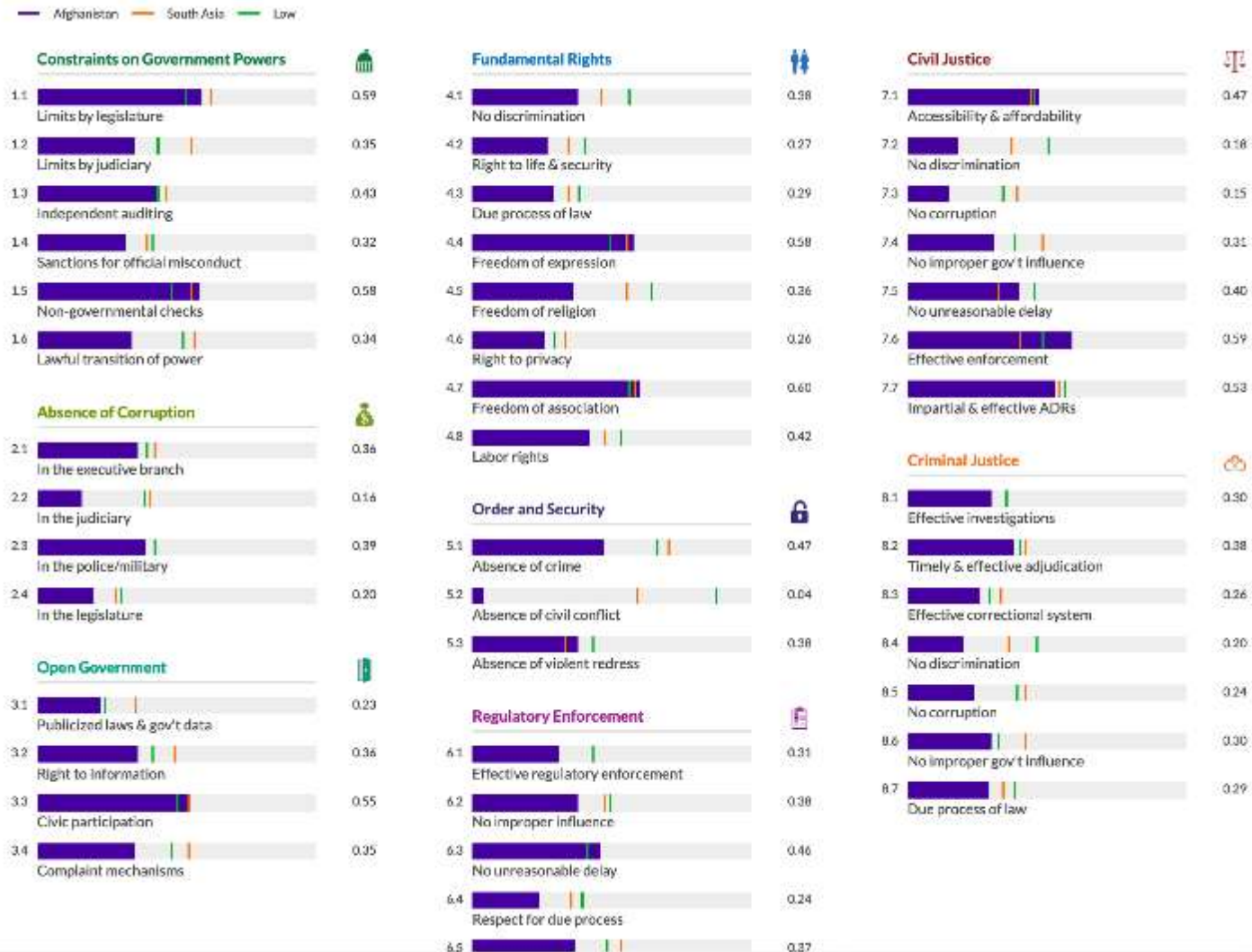
▲ Trending up ▼ Trending down ■ Low ■ Medium ■ High

— Afghanistan — South Asia — Low



Source: World Justice Project, "Rule of Law Index," 2019 Rankings, <http://data.worldjusticeproject.org/#/groups/AFG>, Accessed 21 August, 2019.

World Justice Project (WJP) on the Afghan Rule of Law, 2019 – The Fourth Worst Justice System in the World? - II



Daily Outlook on the Afghan Rule of Law, 2018 - I

According to a global study about the rule of law which carried out by the World Justice Project (WJP) in 113 countries, Afghanistan ranked 111th—ahead of only Cambodia and Venezuela. The rankings were determined on the basis of nine factors, including constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice and criminal justice.

However, the study focused on large cities while the rural residents have less access to the justice system rather than urban citizens. On the other hand, despite the widespread acceptance of Islamic law in Afghanistan, traditional practices always override both Islamic law and general law.

In public universities, the legal education has been split into two faculties—one for law and one for Shari'a law. Since 2001, the number of law schools has increased and the number of law school graduates has also seen a rise. However, the teaching methods focus on rote review of the theoretical aspects of law, leaving students without the capacity to express thoughts, legal opinions, and conclusions; all practical skills they would require to become effective lawyers. In addition, the critical skill of legal writing, the primary way that information is distributed and recorded in courts and to and from lawyers, has been largely left out of legal education, until recently.

Anyway, both laws are enacted to ensure justice, and protect the rights of citizens in a country. In fact, it is the rule of law that draws a distinction between human societies and wildlife, and provides a safe environment for people to live in. Laws on paper and without rule can never help societies. Based on reports, flaws and loopholes in Afghan laws, especially the Constitution, have also contributed to their increased violations. Some ambiguities and deficiencies in the constitution and other laws have given the transgressors a window to enjoy impunity, and have led to the blatant and rampant corruption in the judicial and justice institutions, where it has practically become a way of life.

The main victims of the violations of the constitution and other laws are the poor Afghans, who no longer can tolerate the trend. National and international conventions have been widely violated in climate of impunity and frequent failure to investigate cases and bring those suspected of criminal responsibility to justice. It is said that 161 out of the total 162 articles of the Constitution have been contravened over the past few years; the only article which has not been violated so far is Article 21 of the Constitution that reads, "Kabul shall be the capital of Afghanistan".

From human rights defenders, politicians, women activists, businessmen to a simple shopkeeper frequently confronted threats by known and unknown actors. Women participating in public life are at risk of violence than men because of different social reasons but violence against women are under-reported in Afghanistan due to insecurity, lack of a functioning government or judiciary, and traditional practices which combined to discourage victims and their families from reporting violence. The government committed to take practical steps to improve women's participation in governance but not succeeded as expected.

Other issue is lack of legal awareness, for example: The Afghan Labor Law which is recognized as one of very standard law to protect workers from discrimination and children from forced labor practices are not well known among Afghan citizens at the national or

Daily Outlook on the Afghan Rule of Law, 2018 - II

provincial levels. This is the important responsibilities of MoLSAMD to provide jobs and monitor governmental and non-governmental organizations to strengthen understanding, awareness, implementation, and enforcement of the all laws in Afghanistan.

The Labor Law Guarantees citizens the right to work and receive fair treatment, equitable pay, pensions, and health and safety in the work place but Afghanistan is one most exploiting, unemployed and misemployed countries in the world.

Generally, the grow of insecurity and criminal activity negatively affected the culture of lawlessness and impunity across the country. Taliban and Daesh terrorist groups successively attack to destroy the markets and kill innocent civilians. Thus, poverty criminal kidnap businessmen and burgle homes but government failed to take any fundamental measures. As result, the critical conditions intensified by further investment outflow, brain drain and increasing unemployment. However, Afghan government emphasize that they would use all means available against the terrorist group in reaction to those brutal attacks and recently created some hopes with newly approved Kabul security strategy.

Finally, experts believe that the violation of laws in a massive scale underlines the need to convene the Constitutional Loya Jirga, and address all the existing flaws. Additionally, for the justice and equal implementation of laws, the law enforcement agencies should be strengthened, and become more independent because only law amendment cannot suffice. Howsoever, justice cannot be ensured unless there is rule of law. Afghans can no longer endure laws which are only meant to be enforced on the indigent, and which provide for the bribery of law enforcement agencies, and cannot help ensure justice.

Luckily, most of new age group have realized the risks to tolerate worsening conditions of lawlessness, discrimination, violence, hatred and incompetency anymore. It is proven when the rule of law disappears we are ruled by the criminals and corrupt men. The more we tolerate lawlessness, the more we repress. It is never acceptable that the law can be used to justify tragedy, to keep things as they are, to make us abandon our ideas of a different world. Law is the path of liberty, and must open the pathway to progress for everyone.

Source: Mohammad Zahir Akbari , "A Glance at the Rule of Law in Afghanistan," *Daily Outlook*, http://outlookafghanistan.net/topics.php?post_id=20124.

Read more: http://outlookafghanistan.net/topics.php?post_id=20124#ixzz5xE0sMRjK and http://outlookafghanistan.net/topics.php?post_id=20124#ixzz5xE0TpwVE

Crisis Croup on the Afghan Rule of Law, 2011 - I

Afghanistan's justice system is in a catastrophic state of disrepair. The majority of Afghans still have little or no access to judicial institutions. Judicial institutions have withered to near non-existence and the lack of justice has destabilised the country. Many courts are inoperable and those that do function are understaffed.

The public, consequently, has no confidence in the formal justice sector amid an atmosphere of impunity. A growing majority of Afghans have been forced to accept the rough justice of Taliban and criminal powerbrokers in areas of the country that lie beyond government control.

While there is now a clear understanding by Afghanistan's international partners of the need to rebuild the justice sector and a willingness to commit significant resources to that end, many daunting challenges remain.

1. The first challenge is the political one.

Building the rule of law in Afghanistan involves challenging vested interests at the highest levels of the Afghan government. It is as much a political exercise as a technical one.

Many Afghan power holders – from President Karzai downwards – benefit from a patronage based system. It enables them to buy and maintain loyalty. Corruption is an integral part of such a system. So implementing proper rule of law reforms, including the establishment of an effective justice sector, is an existential threat to these interests.

Those reforms that support the existing power structures – such as building a national police force – will be enthusiastically supported. Those that will constrain the freedom of power-holders to dispense patronage will be strongly resisted, as we have seen with some of the high-level anti-corruption efforts. Reforms that challenge the centre – such as a more independent Supreme Court, reform of the Ministry of Interior, and anti-corruption efforts - will be fiercely opposed, though often obliquely rather than directly.

2. The second, closely related, challenge is that of accountability.

The objective of any rule of law effort must be equal treatment of all before the law. And while this is aspirational in Afghanistan, as in many other places, that's no reason not to make a start on challenging the culture of high-level impunity in Afghanistan, as failure to do so will undermine all other rule of law efforts. International intervention encouraged and promoted that impunity by empowering formerly disempowered warlords and commanders. Afghans see that today's reality is not much different from that of the last 30 years - that it's still largely about powerful men with guns.

This reality will not change until some of those responsible for the worst abuses against the Afghan people are prosecuted.

The best option would be for the government itself to pursue some of these abusers. This would increase its legitimacy in the eyes of the people and would send a warning to those in authority and those seeking to do deals with the government who believe they can continue to act with impunity. It would also undermine one of the claimed attractions of the Taliban – that it provides harsh, but fair, justice where none otherwise exists.

Crisis Group on the Afghan Rule of Law, 2011 - II

Unfortunately, there is no prospect of the government providing high-level justice. The Karzai regime has consistently opted for expediency over principle when it comes to accountability, most notably with the 2010 amnesty law. Most international actors have been largely silent on this law. In fact, it appears that a desire for a quick exit by NATO may have stifled all discussion of the critical need to link reconciliation with accountability and to tackle Afghanistan's longstanding culture of impunity. But expediency will not promote stability, and a failure to genuinely pursue issues of accountability will lead to more instability not less.

3. The third challenge is the constitutional one.

The strong presidential system adopted under the 2004 constitution has exacerbated the weakness of judicial institutions. The lack of a clearly defined arbiter of the constitution has undercut the authority of the Supreme Court and transformed the court into a puppet of President Karzai. He has adeptly exploited the Court's relative weakness to blunt challenges from rivals and circumscribe the powers of other branches of government. The president has often turned to the court to settle political disputes, substantially weakening perceptions of its independence. For instance, he successfully used the Supreme Court to block parliament's efforts to override presidential vetoes and assert its powers.

Encouraging the Supreme Court to publish and translate its decisions would be a start to building more transparency and accountability.

More substantive reform would require constitutional reform, as it's unrealistic to expect the President to promote reform that would significantly constrain his powers. The National Assembly would be the institution best placed to push for such reform, but the President has successfully hobbled that following last year's parliamentary elections, leaving little confidence that the parliament will push for substantive reform. And the international community for far too long has ignored the Assembly, contributing to its dysfunction.

There are many other challenges. I've just sought to highlight three of particular concern. And addressing them is a daunting task. But if our objective is genuinely to help build the rule of law in Afghanistan, and not just to facilitate our rapid exit, then we already understand that our commitment will require many, many years of engagement beyond 2015.

Source: "Rule of Law and the Justice System in Afghanistan," Presentation by Nick Grono, Deputy President of the International Crisis Group, at the Foreign and Commonwealth Office, London Tuesday 26 April 2011, <https://www.crisisgroup.org/asia/south-asia/afghanistan/rule-law-and-justice-system-afghanistan>.

OSD on Limits to MOI, Afghan National Police and Rule of Law – June 2019 - I

The ANP mission is to maintain civil order; reduce corruption; prevent the cultivation, production, and smuggling of illegal narcotics; provide security for individuals and the community; and safeguard legal rights and freedoms.....**Although ANP work with and alongside the ANA to fight the insurgency, ANP lack training and are not equipped for traditional counterinsurgency tactics. ANP's focus and employment in COIN military functions have hindered the development of anti- crime and other community policing capabilities, and they are several years behind the ANA in terms of development.**

The desired ANP end-state is a professional and effective police force focused on community- centric, traditional, evidenced-based law enforcement policing. Milestones include determining the proper operating model and force distribution to police Afghanistan effectively, redefine ANP roles and responsibilities, assign ANP pillar responsibilities, and establish training standards and work ethics to facilitate effective policing. (p.76)

.... The MoI dissolved the ANP Zone structure during this reporting period. The Zones HQs served as the MoI HQ's subordinate reporting commands HQ and acted as the administrative control for the provincial headquarters (PHQ) within each geographic location. Provincial Chiefs of Police (PCOP) reported directly to the Zone Commanders who, in turn, reported to the MoI HQ. The Zone structure served Ministerial-level interests by providing centralized, geographic locations for MoI HQ to maintain management and oversight of its forces. In practice, however, PHQs routinely bypassed Zones and Zone Commanders by reporting directly to the Ministry. Zone Commanders maintained limited influence over the PCOPs in their zone. (p. 71)

Similar to past reporting periods, MoI offices do not effectively communicate strategic guidance to the PHQs, so finance personnel at lower levels cannot conduct requirements planning based on high headquarters guidance. These shortcomings demonstrate poor vertical communication; (p. 71)

The MoI lacks a refined human resource and career management capability. The majority of MoI's personnel management activities this reporting period consisted of enrolling and slotting ANP personnel in the APPS system. Maintaining a clear picture of the ANP force size and ensuring police are paid is a fundamental service that the MoI must accomplish before it can develop additional human resource management tools. The MoI continues to struggle with an inadequate promotion process and an ambiguous career path structure. A functional Performance Appraisal system to support the promotion process does not exist. Instead, the ministry relies on the High Oversight Board (HOB) and advisory assistance to standardize promotion.

One element of MOI optimization is to "civilianize" part of its workforce, to emphasize strong civilian leadership, leverage subject matter expertise, and build continuity within the MoI, in accordance with the MISP and MoI optimization efforts. The MoI civil servant Subject Matter Expert (SME) and the Capacity Building for Results (CBR) programs were designed to integrate specialized civilian talent to manage critical ministerial programs and build Afghan civilian capacity within the ministry. Unfortunately, MoI has been unable or unwilling to leverage the SME program to continue to civilianize positions and attract new recruits. To date, the MoI remains reliant on the international community to fund and maintain this program. (p. 72)

...The MoI's institutional training arena has suffered from shifting visions and priorities for how best to train and utilize MoI police forces. Police training over time has swung from combat training to law enforcement training as the ANP and its employment have transitioned towards typical policing functions, but institutional training remains nascent. Initiatives like the MoD's UTEDC are notably absent within the MoI. The MoI also lacks human resource expertise and career management.

OSD on Limits to MOI, Afghan National Police and Rule of Law – June 2019 - II

...Beyond early training, the ANP lacks an institutionalized leadership development program at the district and local level. Furthermore, mid- level ANP leaders lack leadership development opportunities. (p. 73).

...The MoI maintains a robust stockpile of supplies, but struggles to execute distribution processes. Inadequate convoy security for logistics re-supply, lack of trained logisticians capable of understanding and correlating warehouse inventory with automated systems, poor retention of qualified logistics specialists, and inaccurate consumption reporting of commodities represent persistent roadblocks to ANP logistics maturity. The ANP's lack of supply chain management and poor coordination and distribution of parts has direct impacts on equipment maintenance and the ANP's ability to properly supply and sustain its forces. (p. 73)

...In April 2018, the MoI developed the comprehensive Ministry of Interior Strategic plan (MISP). The MISP provides a single and coherent plan to meet the strategic vision for reforming the Ministry and ANP through 2021. The MISP seeks to transform the ANP into a publicly trusted, accountable, transparent, and professional organization focused on enforcing the rule of law by establishing a framework of goals that can be achieve and strategic direction on how to achieve them. Successful implementation requires considerable national effort and international support to build ministerial-level ownership and capacity of national-level strategy, planning, and dissemination.

SIGAR on Limits to Afghan National Police and Rule of Law – July 2019

—USFOR-A continued to classify most information about MOD and MOI performance at the request of the Afghan government. (p. 83) ...USFOR-A continued to classify detailed ANP attrition information this quarter at the request of the Afghan government, but provide limited attrition information unclassified. (p. 93)...As of June 30, 2019, the United States had obligated \$4.0 billion and disbursed \$3.9 billion of ASFF from FY 2005 through FY 2018 appropriations for ANP, some ASSF, and MOI training and operations....At the request of DOD, SIGAR will await completion of GAO's forthcoming audit on the cost of ASFF-funded ANDSF training contracts before reporting on the status of (training) contracts. (p. 95)

...CSTC-A said there are 180,869 Afghan National Army (ANA) and 91,596 Afghan National Police (ANP) personnel enrolled and accounted for in APPS as of May 25, 2019. This is roughly 10,000 ANA fewer and 25,000 ANP fewer than the numbers reported to SIGAR last quarter...This quarter's strength of 272,465 puts the ANDSF at 77.4%, and 79,535 personnel short, of its goal strength of 352,000...When asked about the gulf between last quarter's Afghan-reported strength numbers and this quarter's APPS validated ones, CSTC-A said that it "does not expect that the APPS reported data will ever equal the amount that was self-reported [by the Afghans]" and that it "cannot categorize the excess individuals as 'ghost' personnel, because it is not known why the Afghan reported numbers are higher." (p. 64)...Current APPS-based strength figures (180,869 for the ANA and 91,596 for the ANP), show that the ANA's APPS enrollment is at 79.5% of its authorized strength and the ANP is at 73.6%. (p.80)

...Given persistent concerns related to the existence of "ghost" personnel on the ANDSF rolls, SIGAR is currently developing an audit to examine the processes and procedures, and identify risks, associated with the use of the Afghan Personnel and Pay System. (p. 80.)

...According to CSTC-A, dissolving the police zones was a recent political decision made by President Ghani. CSTC-A said that doing away with police zones has generally changed ANP leadership and accountability structures by reducing the "power distance" across the MOI hierarchy, meaning the 34 Provincial Chiefs of Police (PCOPs), rather than eight regional zone commanders, now routinely interact directly with multiple MOI deputy ministers to gain access to important resources and meet policy requirements...The benefits of the new PCOP system primarily appear to be long-needed changes to ANP leadership. The PCOPs now report directly to the MOI's new Deputy Minister of Security, Brigadier General Khoshal Sadat, who is said to frequently check in with them. General Sadat, a former Afghan commando who was mentored by former U.S. commander in Afghanistan General Stanley McChrystal, recently replaced 27 of 34 PCOPs (all but five of the replacements were young officers from special operations...units).

...General Miller, current U.S. and NATO forces commander in Afghanistan, has hailed the 35-year old General Sadat as "represent(ing) a new generation of Afghan leadership." The brisk pace of these personnel changes brings an influx of young officers (partly through Inherent Law retirements) that is reinvigorating the aging ANDSF leadership ranks. But some have suggested that some of the younger officers may lack the military management and operational experience they need to be effective lead-ers.¹²¹ See Table 3.9 for progress on Inherent Law retirements, as of June 2019.

Some disadvantages to the new PCOP system have also been identified. USFOR-A said the change has primarily affected the division of labor between the various ANDSF elements at a local level. Zone commanders previously directed and coordinated between the

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elements providing security and law enforcement in population centers. City security and law enforcement is primarily the responsibility of PCOPs, but at times the Afghan National Civil Order Force and Afghan Border Force and other elements are also involved. Now the PCOPs themselves must divide security responsibilities in their area of responsibility. USFOR-A reported that PCOPs have begun making some adjustments to deconflict their duties with other forces elements and hopes this will create a greater unity of effort across the ANDSF.

In addition, MOI's logistics and supply system has always struggled to function well, and USFOR-A has noted that MOI is now overwhelmed with requests from 34 different PCOPs rather than eight zone commanders. The dissolution of the zones has also led to a lack of coordination between the provincial police headquarters in some regions of the country. Issues that would previously be coordinated and solved by the zone commanders must now be brought to Kabul for deconfliction.... (76-77)

The change appears to have made U.S. advising more difficult. CSTC-A's advisors, responsible for training, advising, and assisting (TAA) the MOD, MOI, and some of the ANDSF's combat elements, said their ability to impact the ANP in support of campaign objectives has been limited. DOD said in June that RS advisors are providing TAA only to "select" provincial police headquarters. This is not entirely due to the shift from zone commanders to police chiefs. U.S. and Coalition advisors have in recent years placed less advisory attention on the MOI and ANP than the MOD and ANA. But CSTC-A reports the zone-dissolution change further constrains their ability to track Afghan policing effectiveness from the policy (strategic) level down to the tactical (output) level. Another complicating factor is the lack of zone headquarters, which previously provided a central TAA location for advisors to meet with the four or five PCOPs in each zone. Without the zone headquarters, advisors no longer have safe or easy access to TAA district and provincial police chiefs in some areas of the country...

Only Train Advise Assist Command (TAAC)-South reported that the dissolution of police zones has been useful. (pp. 76-77)

..."In western Afghanistan, the Italian *Carabinieri* [national gendarmerie] train the ANP [Afghan National Police] to do community policing, while U.S. military personnel train the ANP elsewhere to conduct counterinsurgency operations. ... Implementing various and at times contradictory advisory models hinders unity of effort." (p. 6)

...Beyond early training, the ANP lacks an institutionalized leadership development program at the district and local level. Furthermore, mid-level ANP leaders lack leadership development opportunities. (p. 73).

...The MOI maintains a robust stockpile of supplies, but struggles to execute distribution processes. Inadequate convoy security for logistics re-supply, lack of trained logisticians capable of understanding and correlating warehouse inventory with automated systems, poor retention of qualified logistics specialists, and inaccurate consumption reporting of commodities represent persistent roadblocks to ANP logistics maturity. The ANP's lack of supply chain management and poor coordination and distribution of parts has direct impacts on equipment maintenance and the ANP's ability to properly supply and sustain its forces. (p. 73)

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...NSOCC-A reported that according to the ALP Staff Directorate, the ALP had roughly 28,000 guardians on hand as of May 11, 2019, roughly 23,500 of whom were fully trained. The ALP's strength declined by roughly 150 personnel since last quarter, and by about 1,300 since the same period in 2018. However, the number of trained personnel increased by about 2,000 personnel since last quarter, causing the percentage of the force that is untrained or in training to decrease to 15%, down eight percentage points since last quarter. (p. 96)

...NSOCC-A reported last quarter that ALP reform has been a challenge due to the uncertainty regarding the ALP's future. Both RS and NSOCC-A, in coordination with the Afghan government, are planning a possible transfer of the ALP to other ANDSF force elements. This quarter, USFOR-A confirmed this is still the case. They added that the FY 2020 ASFF budget request does not include funding for the ALP and that it is possible the ALP may be reorganized within the ASSF.

This quarter, NSOCC-A provided SIGAR with the latest ALP powerbroker-influence report that lists ALP personnel determined to be under the influence of local powerbrokers such as village elders, parliamentarians, and other individuals outside the proper chain of command...

...As of March 2019, 147 ALP personnel were under the influence of powerbrokers across five provinces, an increase of 31 personnel but a decrease of six provinces since last quarter's report (as of December 2018). This quarter's figures still reflect a decrease from the 219 ALP personnel across 12 provinces reported under the influence of powerbrokers in July 2018. The provinces with the most ALP personnel under the influence of powerbrokers shifted since December 2018, with the most in March in Takhar Province (46 ALP) and Baghlan Province (41 ALP). In December, it was Nangarhar with 36 ALP under powerbroker influence and Uruzgan (40 ALP)...(p. 97)

(The SD claims to investigate all of the powerbroker influence cases, but USFOR-A says that much of this investigating gets decentralized back to the district and provincial chiefs of police due to manpower limitations on the SD's assessment teams. Generally speaking, the SD's goal is to remove the identified ALP personnel from powerbroker influence, and return them to their assigned duties, not to fire them. USFOR-A said that optimally, powerbrokers themselves would be held accountable, but that is often beyond the reach of the SD. If some culpability is found on the part of the influenced ALP, they can be fired, usually under the auspices of not performing their duties for an extended period of time or going absent without leave.) (p. 97)

Key Causes of Instability

- Economics and “Poverty”**

The Civil “Threat” and Causes of Instability – Economics and “Poverty”

Many of the data on Afghan economics and poverty – and possible reasons why Afghans become alienated from the government or become insurgents — are uncertain. Some U.S. government reporting also seems to have deliberately exaggerated Afghan economic progress, and have produced reports of economic progress which focus on nationwide fiscal balances or percentages of GDP growth that do not reflect real progress in meeting the needs of the Afghan people.

The metrics that follow do, however, provide a clear indication of just how serious Afghanistan’s problems remain in spite of massive foreign aid, and a long series of Afghan reform plans and pledges. They show that Afghanistan remains one of the poorest and least developed states in the world, and that many — if not most — Afghans face critical challenges in terms of personal income.

Poverty is a key indicator. World Bank field teams no longer have access to much of the country, but have concluded that poverty began to rise again from 2008 onwards and that poverty levels have continue to rise in recent years. Continuing refugee and displacement into urban areas with higher costs and few jobs has almost certainly made the problem worse. Meeting basic human needs is a problem for many Afghans, and so is finding employment.

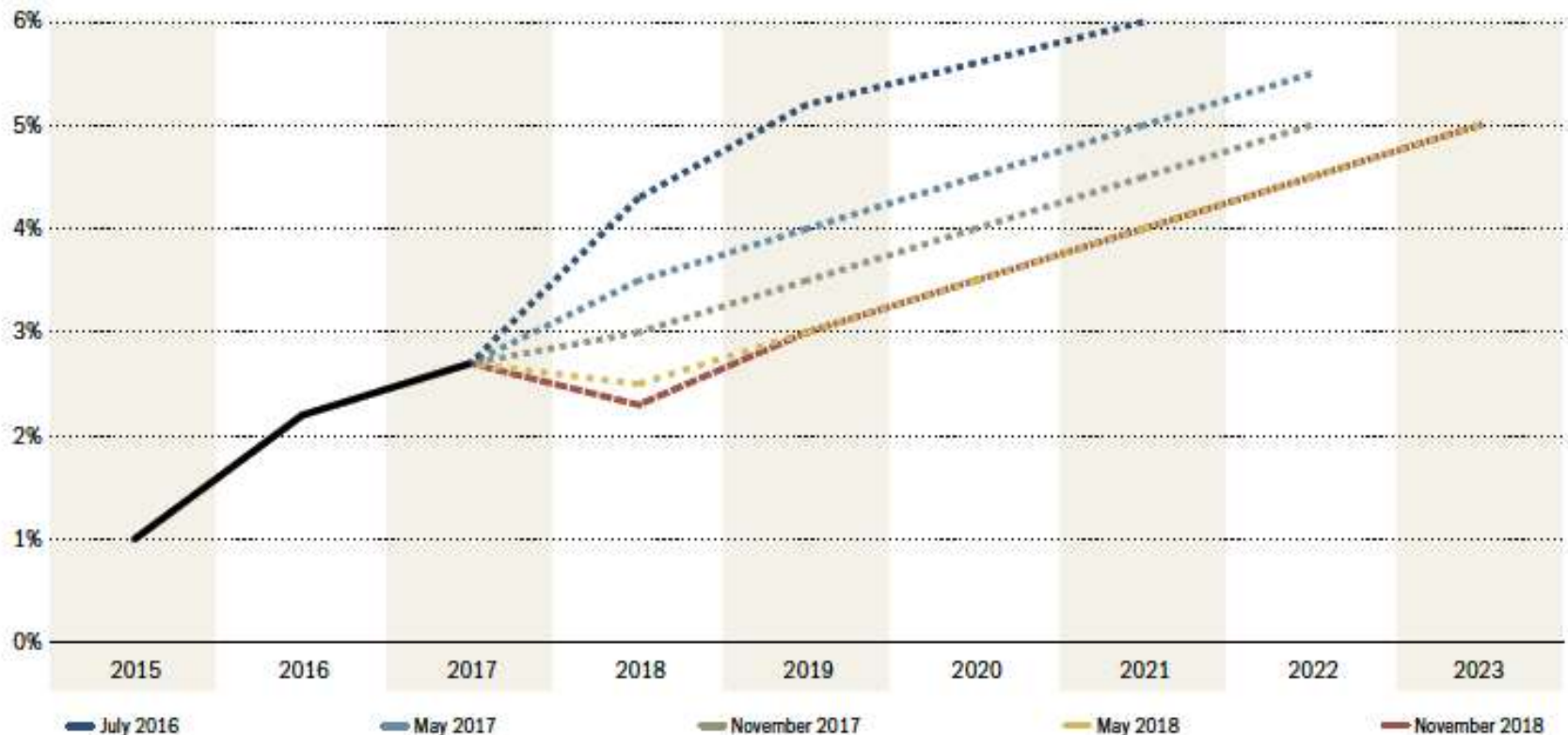
This may have benefited the Afghan forces — since jobs in the Army and Police have been one of the few employment options available to many young Afghan men. (Some reporting does indicate that the Taliban and other insurgent groups are able to offer better pay than the Afghan forces). As the next section shows, however, the demographics of Afghanistan are creating population pressures for jobs that clearly exceed Afghanistan’s current level of economic progress.

Any peace settlement that does not meet these needs — and shows that the government is not providing real reform or job opportunities to all of the population — may quickly prove to be unstable. It also is unclear how the Taliban will deal with Afghanistan’s need to modernize every level of economic activity, and what its impact will be on outside aid and investment.

A successful development effort will also have to be based on economic realities that neither the Afghan government nor outside sources of aid have so far been able to address:

- Pledges of reform and development are not actual reform and development, and forecasts based on such plans and pledges actually being implemented notoriously go unmet. Only real progress counts. No one can eat, wear, or live in plans or promises.
- Far too many assessments of Afghan economic progress are based on estimates that do not involve active data collection in the field except for government budget data and international payments data.
- Development plans and economic and poverty data are only reported in broad national terms. They do not address the differences by ethnicity, sect, tribe, region, or class that can feed extremism, terrorism, and insurgency — or a failure to actively support the government.
- These issues are further compounded by a failure to address and quantify the practical realities and impact of gross corruption, and the extent to which it leads to the failure of development, rises in cost, and the need for educated and skilled workers to become “corrupt” as a critical part of the pay and privileges in given positions and jobs.
- Finally, they fail to fully address the fact that much of Afghanistan’s economy is a narco-economy.

Economic Promises vs. Actual Progress: IMF Projections



Note: The IMF conducts periodic reviews of Afghanistan's macroeconomic situation through its Extended Credit Facility (ECF) program. The figure above displays the IMF's real economic growth projections for Afghanistan, as presented in five sequential reviews for, or under, its ECF arrangement. The ECF provides modest amounts of financing to the Afghan government in exchange for implementing various reforms. The IMF generally enters into ECF arrangements with countries experiencing protracted balance of payment problems. Some ECF real growth projections stopped short of 2022 or 2023. In those cases, the lines above terminate in the final year for which a projection was provided. For example, the ECF Request (July 2016) projections terminated in 2021, with a projection of 6% real growth for that year. Growth rates for 2015–2017 are from the IMF's fourth review under the ECF.

Source: IMF, *Fourth Review Under The Extended Credit Facility Arrangement, Request For Modification Of Performance Criteria, And Request For Extension And Rephasing Of The Arrangement*, 11/20/2018, p. 24; IMF, *Third Review Under The Extended Credit Facility Arrangement And Request For Modification Of Performance Criteria*, 5/9/2018, p. 24; IMF, *Staff Report For The 2017 Article IV Consultation And Second Review Under The Extended Credit Facility Arrangement, And Request For Modification Of Performance Criteria*, 11/21/2017, p. 36; IMF, *First Review Under The Extended Credit Facility Arrangement And Request For Modification Of Performance Criteria*, 5/8/2017, p. 26; IMF, *Request For A Three-Year Arrangement Under The Extended Credit Facility*, 7/1/2016, p. 27.

Afghanistan and Its Neighbors – World Bank Per Capita Income Estimate

(GNI Per Capita, Atlas Method (Current International \$US))

Definition: GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country...

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Afghanistan	450.0	510.0	530.0	630.0	660.0	630.0	600.0	570.0	550.0	550.0
Bhutan	1,670.0	1,810.0	1,910.0	2,090.0	2,300.0	2,450.0	2,480.0	2,530.0	2,600.0	2,730.0	2,890.0	3,080.0
Iran, Islamic Rep.	4,270.0	4,950.0	5,520.0	6,200.0	6,860.0	7,140.0	7,040.0	6,550.0	5,400.0	5,520.0	5,470.0	..
Kazakhstan	4,980.0	6,150.0	6,780.0	7,440.0	8,280.0	9,940.0	11,840.0	12,090.0	11,420.0	8,800.0	7,960.0	7,830.0
Kyrgyz Republic	610.0	760.0	860.0	850.0	880.0	1,040.0	1,190.0	1,250.0	1,180.0	1,110.0	1,110.0	1,220.0
India	910.0	1,000.0	1,120.0	1,220.0	1,360.0	1,480.0	1,520.0	1,560.0	1,600.0	1,690.0	1,830.0	2,020.0
Bangladesh	610.0	660.0	730.0	800.0	890.0	970.0	1,040.0	1,110.0	1,220.0	1,370.0	1,520.0	1,750.0
Pakistan	870.0	970.0	1,010.0	1,030.0	1,090.0	1,200.0	1,290.0	1,320.0	1,360.0	1,420.0	1,500.0	1,580.0
Nepal	370.0	430.0	480.0	540.0	610.0	700.0	750.0	770.0	780.0	770.0	850.0	960.0
Tajikistan	440.0	570.0	660.0	920.0	1,020.0	1,150.0	1,340.0	1,360.0	1,250.0	1,110.0	1,000.0	1,010.0
Sri Lanka	1,550.0	1,790.0	2,010.0	2,410.0	2,850.0	3,360.0	3,490.0	3,640.0	3,760.0	3,810.0	3,880.0	4,060.0
Uzbekistan	770.0	980.0	1,150.0	1,340.0	1,530.0	1,740.0	1,970.0	2,210.0	2,440.0	2,660.0	2,350.0	2,020.0
South Asia	871.8	953.6	1,058.6	1,153.3	1,283.7	1,397.7	1,444.9	1,489.4	1,534.9	1,624.4	1,746.5	1,925.4
Europe & Central Asia	22,544.7	24,546.6	24,287.4	24,485.6	24,944.1	25,245.7	25,930.3	25,955.8	24,581.0	23,259.7	22,709.1	24,276.1

Source: <https://databank.worldbank.org/indicator/NY.GNP.PCAP.CD/1ff4a498/Popular-Indicators>, accessed 28.8.2019.

Comparative Poverty Estimates in Countries with Failed State Wars

Like the data on unemployment, poverty data could be a key indicator of the causes of extremism, terrorism, insurgency, and civil conflict. In practice, the data are so bad, so rarely reported, and often so dated that there is no way to tell. (See World Bank, *Piecing Together the Poverty Puzzle*, 2018)

Many countries simply do not report. Others report meaninglessly low levels for what seem to be political purposes and to avoid negative public reactions.

A few countries in the attached table – Afghanistan and Yemen – do report what seem to be credible figures, but most estimates are far too low, and are often based on long outdated levels of poverty that do not reflect real world income needs, particularly in urbanized areas or ones dependent on market prices.

These data also present the same problems as the other data shown in this survey. They report nation-wide figures and do not display inequities in income distribution, or by ethnicity, sect, tribe, or region.

Country	CIA (%)	World Bank Extreme Poverty (%)	IMF Multi-Dimensional Poverty
1. Afghanistan	54.5% (2017)	ND	56.10%
2. Algeria	23% (2006)	0.4% (2017)	2.11% (2013)
3. Egypt	27.8% (2016)	1.4% (2015)	5.22% (2014)
4. Iran	18.7% (2007)	0.4% (2014)	ND
5. Iraq	23% (2014)	2.2% (2012)	14.6% (2011)
6. Libya	33.3%**	ND	1.97% (2014)
7. Somalia	ND	<u>ND</u>	82.22% (2006)
8. Syria	82.5% (2014)	21.2 (2004)	7.39% (2009)
9. Yemen	54% (2014)	40.9% (2014)	47.77% (2013)

ND= No data. * Poverty level is a real world \$7.30 per person. **CIA rough estimate.

Source: CIA, National Poverty Levels), <https://www.cia.gov/library/publications/the-world-factbook/fields/221.html>, accessed 17.3.2019. World Bank, *Piecing Together the Poverty Puzzle*, 2018, <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>. IMF is World Economic and Financial Surveys, World Economic Outlook Database, Table Six: Multidimensional Poverty Index, Developing Countries, <https://www.imf.org/external/pubs/ft/weo/2018/01/weodata/index.aspx>.

Comparative Human Development Estimates in Countries with Failed State Wars

The HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone.

The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.

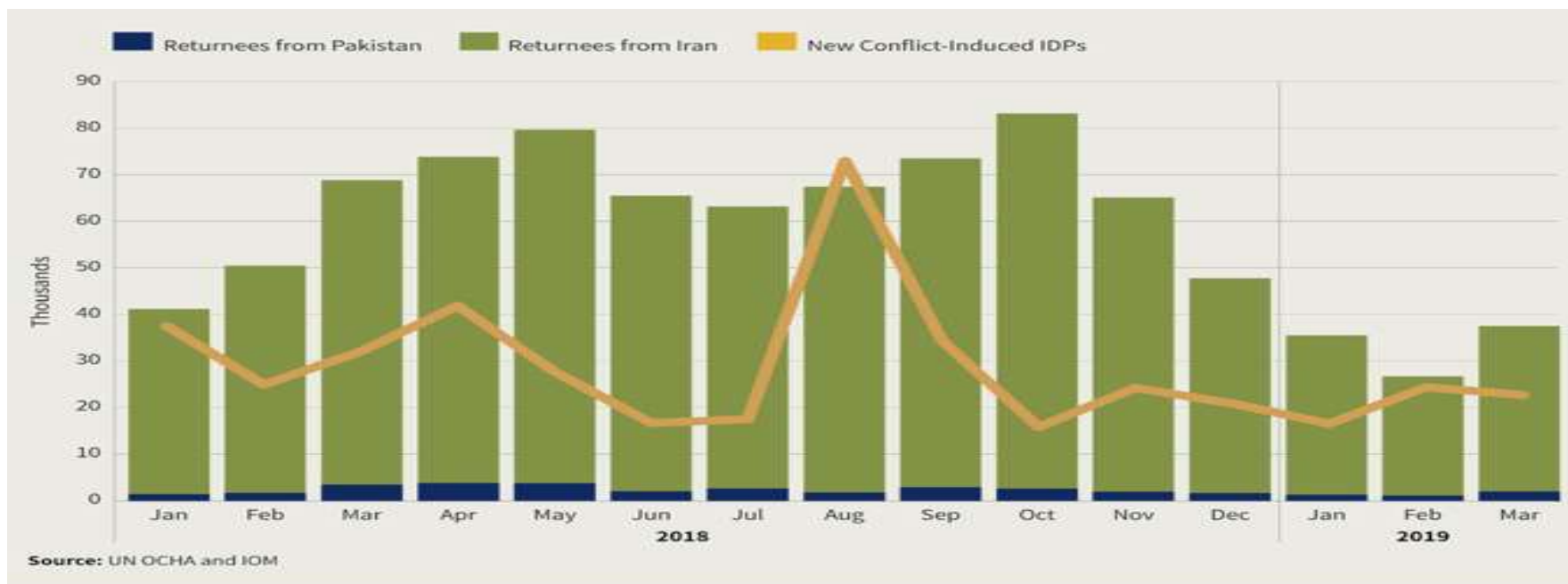
The health dimension is assessed by life expectancy at birth, the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age.

The standard of living dimension is measured by gross national income per capita. The HDI uses the logarithm of income, to reflect the diminishing importance of income with increasing GNI. The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean.

The HDI simplifies and captures only part of what human development entails. It does not reflect on inequalities, poverty, human security, empowerment, etc.

Country	World Rank In 2017 (189th is Worst)	Human Development Score 2017	Change in Ranking 2012- 2015	Average Annual HDI Growth 1990-2017 (%)
1. Afghanistan	168	0.498	-1	ND
2. Algeria	85	0.754	-3	0.99%
3. Iran	60	0.798	-2	1.21%
4. Iraq	120	0.685	1	0.67%
5. Libya	108	0.706	0	0.15%
6. Somalia	ND	ND	ND	ND
7. Syria	155	0.536	-0.21	0.87%
8. Tunisia	95	0.735	2	0.95%
9. Yemen	178	0.452	-20	0.46%

Conflict-Related Humanitarian Needs, Refugees, and IDPs in Afghanistan



The number of Afghans who were newly displaced by conflict in Afghanistan during the quarter declined compared to the previous quarter and compared to the same period the previous year, as shown in Figure 6. Approximately 62,000 people were newly displaced in Afghanistan during the quarter, in addition to the 668,000 people who were displaced in 2018. The UN Office for the Coordination of Humanitarian Affairs (OCHA) projected that these figures will decline to approximately 500,000 new IDPs by the end of 2019, a 25 percent reduction from last year's levels.

Afghans continued to return from Iran and Pakistan in the first three months of 2019, but their numbers are declining compared to the previous year. Approximately 800,000 people returned to Afghanistan in 2018 from nearby countries, primarily Iran, where devaluation of the Iranian currency led to a shortage of employment opportunities for Afghans. During the quarter, 96,000 Afghans returned from Iran, compared to more than 150,000 during the same quarter one year ago. OCHA projects that the decline in returnees from Afghanistan will continue, estimating that the number of returnees from Iran will drop by more than 200,000 people in 2019. In contrast, the number of returnees from Pakistan is expected to rise, but by only 14,000 people.

As the numbers of IDPs and returnees declined during the quarter, *OCHA projected that humanitarian needs in Afghanistan will increase in 2019. OCHA projected that that 6.3 million Afghans will require humanitarian assistance in 2019, nearly double the number from 2018. Of these people, 3.6 million are projected to suffer emergency levels of food insecurity, up from 1.9 million reported in the previous year.*²³⁵ As of April 7, 2019, the Humanitarian Response Plan for Afghanistan was 12 percent funded (\$71.5 million out of \$611.8 million requested).

SIGAR on Economy: July 30, 2019

Donor plans articulated in the ICS and CDCS must grapple with the reality that Afghanistan remains poor, conflict-affected, and aid-dependent, despite sustained efforts by the United States and others to lift the country's economic prospects. Estimates of Afghanistan's real economic growth rate in 2018 ranged from 1.8% (World Bank) to 2.7% (IMF). Both the IMF and the Bank estimated 2017 growth at 2.7%.

The current environment of relatively low growth contrasts sharply with the donor-driven, near double-digit rate Afghanistan experienced over the first decade of reconstruction. It also contrasts with a very high overall growth rate (7%) in South Asia, which the Bank described as "the world's fastest growing region."

With the precarious security situation, heightened political uncertainty (due in part to the presidential elections slated for September 2019), and a widespread drought weighing down output in 2018, the IMF said the current growth rate remained too low to make headway in reducing poverty in the country... A broad national survey conducted by Afghanistan's statistical authority in 2016 and 2017 found that 55% of Afghans were living below the poverty line (defined as the national norm for covering the costs of basic needs, which was around \$1 per day), up from 34% in 2013–2014....The results implied that close to 16 million Afghans were living in poverty.

Overall, the IMF said Afghanistan's GDP was projected to rise slightly to 3% in 2019 due to the agricultural sector's recovery from widespread drought..... This is well below the estimated 8% the Afghan economy would have to grow by annually to absorb several hundred thousand Afghans entering the labor market every year, according to a 2018 World Bank analysis.

And, adding that there were "significant downside risks to the baseline growth scenario," the IMF also said political and security challenges could limit the predicted recovery. Specifically, the IMF cautioned that in the last presidential election year (2014)—which was characterized by high levels of political uncertainty, stalled reforms, and the withdrawal of international troops—Afghanistan experienced a sharp drop in both growth and domestic revenues.

Nevertheless, the IMF said that a durable peace could raise growth prospects fundamentally by boosting private-sector confidence and supporting higher levels of investment...Whether such a peace is possible is not yet clear.

...As of June 15, 2019, more than 205,000 Afghans have returned to Afghanistan from Iran since January 1, 2019, according to the UN. State said the total number of Afghan returnees since January 1, 2018, had exceeded 950,000, as of June 23, 2019, resulting in higher economic and social-support costs in the less-stable provinces of western Afghanistan. The UN projected that, due to ongoing economic conditions in Iran, the number of Afghan returnees from Iran would exceed 570,000 in 2019.

The IMF also said that U.S. dollar outflows to Iran (the sanctions have driven demand for U.S. dollars in Iran higher) were partially responsible for substantial recent depreciation of the Afghani (AFN) against the U.S. dollar (the Afghani depreciated by 14.5% from an average rate of 70.5 AFN/USD in June 2018 to 80.7 AFN/USD on June 19, 2019). However, the IMF noted that because the Afghani appreciated against regional currencies, it was "broadly stable."

World Bank on Economy: Development Update: July 2019 - I

Recent economic developments

Afghanistan faced severe economic headwinds in 2018, with the economy growing by an estimated 1.8 percent. Slow growth was driven by two major factors. Firstly, severe drought had a strong negative impact on agricultural production. Agricultural growth slowed to 0.8 percent as low snowfall during late 2017 and early 2018 led to the loss of grain crops and livestock productivity. Secondly, business and investor confidence deteriorated significantly in the context of elevated uncertainty around: i) the level and duration of international security assistance; ii) the outcome of upcoming presidential elections (now delayed until September); iii) prospects of continued or worsening election-related violence (civilian deaths reached their highest level since 2001); and iv) ongoing peace negotiations with the Taliban.

Real GDP growth is expected to have accelerated during the first half of 2019, mainly driven by the easing of drought conditions and improved agricultural production. Intensifying political uncertainties, however, are expected to have continued to dampen private sector confidence and investment.

Poverty is estimated to have increased and deepened. The rate of economic growth substantially lagged population growth, leading to declining per capita incomes. The drought negatively impacted livelihoods of many of the 82 percent of the poor living in rural areas, including those reliant on poppy cultivation (poppy production declined by 30 percent). Reflecting widespread hardship, drought-induced displacement reached record levels of 298,582 individuals, mainly to urban areas in adjacent provinces.

Inflation remained moderate in 2018, with period average inflation reaching only 0.6 percent. Despite drought conditions, food price inflation remained negative during most of 2018 due to a sharp decline in regional grain prices and increased food imports. Non-food prices rose by a moderate 1.8 percent year-on-year in December. Since February 2019, headline consumer price inflation has accelerated steadily, reaching 3.6 percent y-o-y as of April 2019 with food prices increasing by 5.1 percent. The current account recorded a small surplus despite the widening trade deficit.

Weaker export growth and a moderate increase in imports widened the trade deficit to around 35.3 percent of GDP in 2018. After strong growth of 28 percent in 2017, nominal exports increased by five percent in 2018. Slowing growth reflected strengthening of the Afghani against trade partner currencies and economic disruption in important neighboring economies. Imports increased by 0.7 percent, led by a strong increase in vegetable imports. The current account surplus narrowed, reflecting the widening trade deficit and declining grants. Aid flows almost entirely financed the trade deficit. Exports growth has accelerated during the first half of 2019, with improved agricultural performance, while imports have slightly declined suggesting a narrowing of the trade deficit.

The exchange rate depreciated by nine percent against the US dollar during 2018, mainly driven by general strengthening of the US dollar. On the other hand, appreciation of Afghani against other major trading partners contributed to lower imported inflation. Depreciation of the Afghani against the USD further accelerated over the first half of 2019, and at a faster rate than other regional currencies. Recent depreciation is thought to primarily reflect declining confidence in the context of upcoming elections.

World Bank on Economy: Development Update: July 2019 – II

Fiscal management remained strong. An overall fiscal surplus of around 0.7 percent of GDP was achieved in 2018. Despite slow growth, domestic revenues reached a record high of Afs 189.6 billion, an increase of 12 percent from 2017 levels. Strong revenue growth was supported by improved tax administration, with estimated arrears collection of Afs 10.5 billion and a surge in non-tax revenues from state-owned enterprises. Strong revenue performance continued through the first half of 2019, closely tracking 2018 levels.

Budget execution increased from 83 percent in 2017 to 92 percent in 2018, with the development budget execution rate reaching 92 percent. Execution performance has remained strong through the first half of 2019, reaching 43 percent by end-June, driven mostly by improved development budget execution. Public debt remains low, at around seven percent of GDP. Despite low levels of debt, Afghanistan is classified as at high risk of external debt distress under the World Bank/IMF debt sustainability framework, largely due to its very high reliance on grant financing.

Reflecting high levels of uncertainty, credit-to-the-private sector declined by four percent in 2018 and is now equal to just three percent of GDP. The credit intermediation function of the banking system has remained weak, with private sector credit equal to just 12.8 percent of bank assets in 2018. Excess liquidity of banks reached 63 percent of total bank assets. The central bank has recently taken action to facilitate access to credit, including expanding the list of eligible collateral and the coverage of the Public Credit Registry.

Outlook

Growth in 2019 is expected to remain sluggish but slightly recover, largely due to improved weather conditions. Growth in the industry and service sectors will remain subdued amidst continued political uncertainty surrounding the upcoming presidential elections, discussions over continued international security support, and a potential peace agreement with the Taliban. Over the medium-term, growth is projected to gradually accelerate to around 3.5 percent by 2021, assuming a stable political transition following the presidential election and subsequent improvement in investor confidence. Inflation is expected to increase to 3.1 percent in 2019 and will stabilize at around five percent in the medium term.

The current account is expected to gradually deteriorate over the medium-term, because of declining international grants. A substantial deficit of around two percent of GDP is expected by 2021-22. International reserves are expected to remain at comfortable levels (from the current level of nearly one year's import cover down to less than eight months' import cover by 2021).

A slight fiscal deficit is expected in 2019. Revenue mobilization is expected to stall through the second half of the year, reflecting: i) exhaustion of revenue potential from measures implemented in 2018, including amnesty programs; and ii) declining customs revenues in the context of political instability and weakened governance. Both security and civilian grants are expected to decline substantially, leading to increased fiscal pressures. Reflecting limited access to debt financing, the overall debt-to-GDP ratio is expected to remain around 7 percent of GDP with interest payments amounting to 0.2 percent of GDP.

World Bank on Economy: Development Update: July 2019 – III

Risks and medium-term prospects: The short-term growth outlook is subject to significant downside risks. Continued violence and political instability could further dampen investment and growth. Election-related disruptions to revenue collection and expenditure discipline could undermine fiscal management and confidence. Any rapid decline in international aid flows would drive difficult fiscal and external adjustments and undermine the capacity of government to maintain basic services. On the other hand, ongoing peace talks may unlock substantial investment and growth if they lead to a comprehensive and sustained improvement in security.

Without accelerated reform and an improved security situation, growth is likely to remain slow with limited progress in reducing poverty from current very high levels. Reforms are required immediately to both improve general investment confidence and mobilize existing economic potential, especially in agriculture and extractives. Continued international assistance in security and development is critical to preserve development gains achieved over the last seventeen years. Clear commitment to sustained support from international partners would help to reduce current levels of uncertainty, supporting increased confidence and investment.

Real Sector Activity... Following a period of sustained growth between 2003 and 2013, Afghanistan's economy has recently stagnated in the context of insecurity, political instability, and internal displacement. From 1.5 percent in 2015, growth reached 2.3 percent in 2016 and 2.7 percent in 2017. Nascent recovery was led by the agriculture and services sectors and supported by: i) strong progress with economic reforms; ii) sound macroeconomic management; and iii) a relatively stable political environment. Growing momentum was lost in 2018, however, due to mounting political uncertainty and the severe impacts of drought. The World Bank now estimates growth at 1.8 percent for 2018. This differs from the preliminary estimates disseminated by the National Statistics and Information Authority (NSIA) in March (2.7 percent), reflecting different methodological approaches to assessing construction sector growth. NSIA is expected to release revised estimates using a new revised methodology (with base year) in August/September.

Agricultural output growth declined to an estimated 0.8 percent, after growing at 3.8 percent in 2017, largely due to the impacts of drought (Figure 2).¹ Extremely low snowfall between December 2017 and February 2018 in most parts of the country heavily affected the planting of crops and livestock productivity. Wheat production is estimated to have declined by around 24 percent from the five-year average. Livestock productivity declined by 48 percent while milk production declined by 30 percent. With almost 80 percent of the population engaged in agriculture for livelihoods, slowdown in agricultural production had adverse knock-on effects on household income and consumption. Agricultural production is thought to have improved through the first half of 2019, due to the easing of drought conditions.

Industry and services grew at 2.5 percent and 1.8 percent respectively in 2018. Slow growth reflected both linkages to the agricultural sector and general weak confidence in the context of parliamentary elections and upcoming presidential elections (scheduled for September 2019). Firms reported weakening confidence throughout 2018 (Figure 3). While all types and sizes of businesses expressed more negative views on the business environment, the construction and trade sectors appear to have been the most heavily affected.

World Bank on Economy: Development Update: July 2019 - IV

Afghanistan faced major economic headwinds in 2018, with growth slowing to 1.8 percent.

Real GDP Growth by Sector (Percent)



Source: National Statistics and Information Authority and World Bank, MTT team forecast

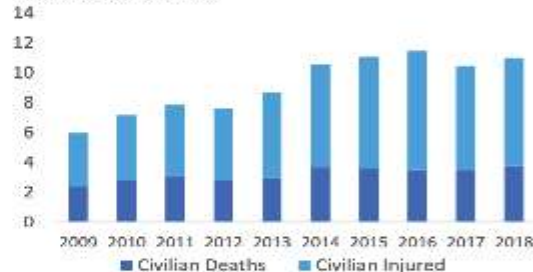
Slow growth reflected the impacts of severe drought and intensifying insecurity.

Drought-related IDPs (000s)



Source: United Nations OCHA

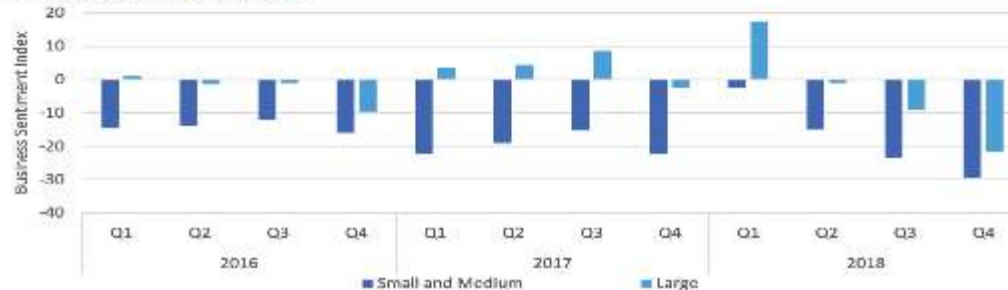
Civilian casualties (000s)



Source: United Nations Assistance Mission in Afghanistan

Investment confidence continued to deteriorate in the context of uncertainty regarding future international security presence, upcoming presidential elections, and ongoing peace negotiations with the Taliban.

Business confidence by firm size (Index)



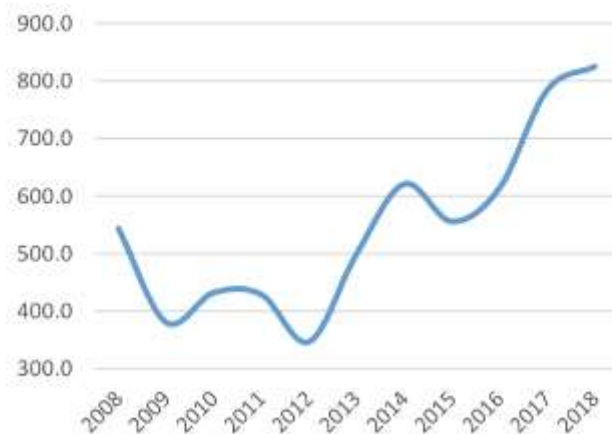
Source: Afghanistan Chambers of Commerce and Industries, Business Monitor Survey

Source: World Bank Group,
AFGHANISTAN DEVELOPMENT
UPDATE JULY 2019
Building Confidence Amid
Uncertainty, p. i1.

World Bank on Economy: Development Update: July 2019 - V

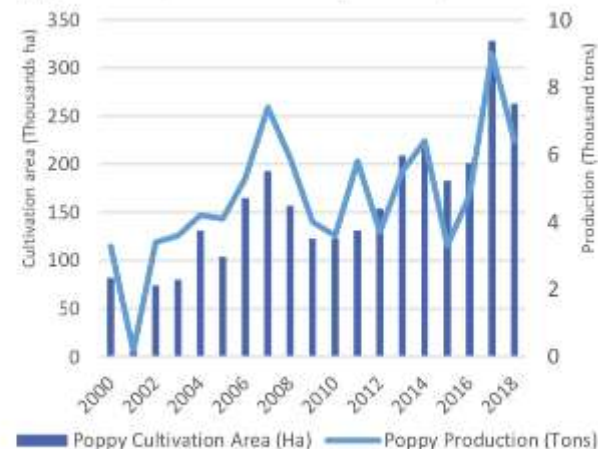
Recent export growth moderated, and poppy production declined, reflecting the impacts of drought.

Nominal exports in million USD



Source: National Statistics and Information Authority, Afghanistan

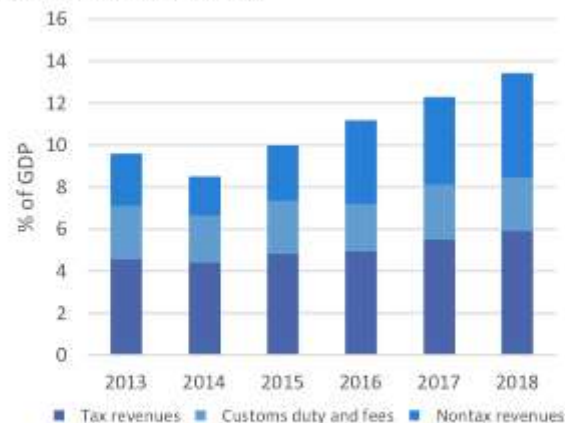
Poppy production (cultivation area and production)



Source: United Nations Office on Drugs and Crime

Macroeconomic management remains sound, with sustained strong revenues and moderate inflation.

Revenue by source as % GDP



Source: Ministry of Finance, Afghanistan

CPI Inflation (12 month percent change)



Source: National Statistics and Information Authority, Afghanistan

Source: World Bank Group,
AFGHANISTAN DEVELOPMENT
UPDATE JULY 2019
Building Confidence Amid
Uncertainty, p. i2.

World Bank on Poverty and Welfare: July 2019

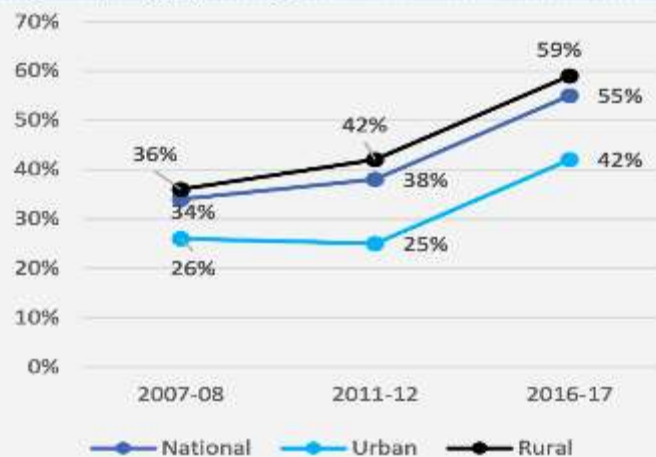
The recent Afghanistan Living Conditions Survey of 2016/17 shows that 54.5 percent of Afghanistan now live below the poverty line compared to 38.3 percent in 2011/12.

From 2007-08 to 2011-12, the national poverty rate increased relatively gradually from 34 to 38 percent, driven by an increase in rural poverty while urban poverty moderately declined. However, between 2011-12 and 2016-17, the poverty rate surged to 54.5 percent, driven by declining incomes in both rural and urban areas (Figure 6.a). Poor agricultural production has forced migration to urban centers looking for employment opportunities, further stressing limited urban employment opportunities.

Relatively wealthier households tend to reap or lose more welfare gains from growth fluctuations. The welfare of the bottom 80 percent of the Afghan population appears to be relatively unresponsive to trends in economic growth, with real per capita expenditures in steady decline over the last decade. Figure 6.b plots average per capita expenditures by quintiles in 2016-17 prices. During the period of high economic growth from 2007 to 2011, only the top 20 percent of the expenditure distribution experienced real gains in welfare. Average per capita expenditures increased slightly (by 3 percent) during this period, driven by welfare improvements among the well-off. Expenditures fell by 10 percent among the poorest 20 percent; and by 6 percent on average among the bottom four-fifths of the distribution. During the subsequent period of slower growth between 2011 and 2016, per capita expenditures fell in every quintile, with the richest 20 percent experiencing the largest real declines in welfare. On average, per capita expenditure fell by 18 percent across the distribution between 2011-12 and 2016-17 and fell by 11 percent among the poorest 20 percent.

Figure 7: Poverty has increase while consumption has declined for all quintiles

Poverty rate (% of population)



Expenditure by quintile (Afs)



World Bank on Trade Imbalance: July 2019

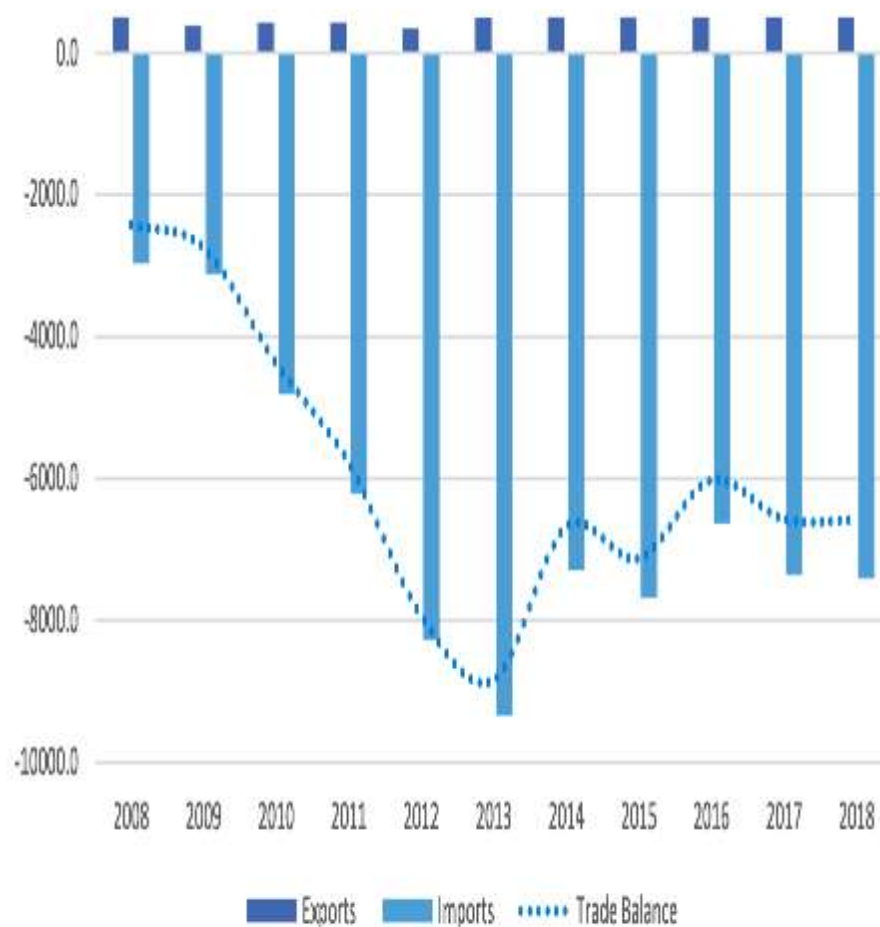
Exports remain limited and concentrated within a narrow range of commodities. Vegetable products, which include fresh and dry fruits constituted 77 percent of total exports in 2018. Driven by strong domestic production and supported by highly subsidized air corridors, dry and fresh fruits exports amounted to US\$576.6 million in 2018. Total exports from minerals, textiles, and leather reached US\$163 million in 2018.

Imports increased from US\$7,355 million in 2017 to US\$7,407 million in 2018, an increase of 0.7 percent. Imports declined in the first quarter of 2019, relative to the first quarter of 2018, by around seven percent. Slowing imports are driven by weak domestic demand and a sharp decline in regional food prices. Imports, constituting about 39 percent of GDP, are concentrated in food, machinery, and fuel and chemical products. Reflecting the impacts of drought on domestic food production, imports of vegetable products increased from US\$ 1,370 million in 2017 to US\$ 1,540 million in 2018, an increase of 12 percent. Imports of other major items associated with investment dropped sharply, including mineral products (25 percent) and machinery (14 percent) through 2018.

Traditional trade partners remained the dominant import origins, with Iran, Pakistan, and China accounting for 47 percent of total imports. Afghanistan's imports, however, have been more diversified over the last five years, with gradually increasing imports from central Asian countries whose import share rose from 18 percent in 2013 to 23 percent in 2018. Similarly, export destinations slightly diversified with India now importing the same share of Afghan exports as Pakistan, thanks in large part to expanded air corridors.

The current account is expected to have recorded a small surplus in 2018, with aid flows almost entirely financing the widening trade deficit. Worker's remittances reached \$284 million in the first nine months, exceeding the annual inflow of remittances (\$270 million) in 2017. The official worker's remittance data, however, is likely to underestimate the actual size of remittance due to continued heavy reliance on the informal hawala system.

Figure 11: The trade balance deteriorated slightly, with weakening exports and stronger imports
(USD Million)



Sources: National Statistics and Information Authority

IMF Estimate of Economic Indicators: 2017-2020

	2017	2018	2019		2020
		Est.	ECF Fourth review	Proj.	Proj.
Output and prices 1/	(Annual percentage change, unless otherwise indicated)				
Real GDP	2.7	2.7	3.0	3.0	3.5
Nominal GDP (in billions of Afghanis)	1,378	1,421	1,555	1,491	1,597
Nominal GDP (in billions of U.S. dollars)	20.2	19.6	19.7	20.0	20.7
Consumer prices (period average)	5.0	0.6	4.0	1.8	3.5
Food	6.9	-0.3	—	—	—
Non-food	3.2	1.8	—	—	—
Consumer prices (end of period)	3.0	0.8	4.0	3.0	4.0
Investment and savings	(In percent of GDP)				
Gross domestic investment	17.7	17.3	15.5	17.2	18.7
Of which: Private	5.8	5.7	6.5	6.5	7.0
Gross national savings	21.1	24.2	14.4	19.3	20.1
Of which: Private	9.9	11.1	6.2	9.4	8.4
Public finances (central government)					
Domestic revenues and grants	25.3	28.6	23.1	26.0	29.2
Domestic revenues	12.2	13.4	11.7	12.6	12.9
On-budget grants (excl. donors' direct spending outside the budget)	13.0	15.2	11.4	13.4	16.4
Expenditures	25.9	27.0	23.9	26.8	29.2
Operating 2/	18.4	18.2	18.4	18.3	19.7
Development	7.5	8.9	5.5	8.4	9.5
Operating balance (excluding grants) 3/	-6.2	-4.8	-6.7	-5.7	-6.8
Overall balance (including grants)	-0.6	1.5	-0.8	-0.8	0.0
Public debt 4/ 5/	7.5	6.9	6.9	6.8	7.1
Monetary sector	(Annual percentage change, end of period, unless otherwise indicated)				
Reserve money	10.2	-2.7	10.8	10.5	9.9
Currency in circulation	2.2	-0.2	8.0	8.0	8.0
Broad money	5.9	2.6	9.0	9.0	9.0
Interest rate, 28-day capital note (in percent)	3.0	3.0	—	—	—
External sector 1/	(In percent of GDP, unless otherwise indicated)				
Exports of goods (in millions of U.S. dollars)	784	875	956	946	1023
Exports of goods (annual percentage change)	27.6	11.6	7.3	8.1	8.1
Imports of goods (in millions of U.S. dollars)	7,024	6,900	7,562	7,103	7,323
Imports of goods (annual percentage change)	7.5	-1.8	2.1	3.0	3.1
Merchandise trade balance	-30.8	-30.7	-36.8	-30.8	-35.0
Current account balance					
Excluding official transfers	-32.4	-30.2	-35.9	-31.3	-31.2
Including official transfers	3.4	6.9	-1.1	2.1	1.4
Foreign direct investment	0.3	0.7	0.5	0.5	0.5
Total external debt 4/	6.3	6.4	6.9	6.8	7.0
Gross international reserves (in millions of U.S. dollars)	8,139	8,273	8,249	8,349	8,348
Import coverage of reserves 6/	12.1	11.9	10.9	11.6	11.3
Exchange rate (average, Afghanis per U.S. dollar)	68.1	72.4	—	—	—
Real exchange rate (average, percentage change) 7/	2.5	-8.2	—	—	—
Sources: Afghan authorities, United Nations Office on Drugs and Crime, WITS database, and IMF staff estimates and projections.					
1/ Excluding the narcotics economy.					
2/ Comprising mainly current spending.					
3/ Defined as domestic revenues minus operating expenditures.					
4/ Public sector only. Incorporates committed but not yet delivered debt relief. Debt relief recorded fully at time of commitment.					
5/ Public debt includes promissory note issued by MoF to settle DAB's Kabul Bank exposure.					
6/ In months of next year's import of goods and services.					
7/ CPI-based, vis-a-vis the U.S. dollar. Positive - real appreciation of the Afghani.					

Source: IMF, ISLAMIC REPUBLIC OF AFGHANISTAN, FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, June 2019, p. 23.

SIGAR on Afghan Health: July 30, 2019

Since 2001, Afghanistan's health outcomes have improved...However, serious data limitations complicate a precise evaluation of the extent of those improvements... Specifically, Afghanistan has made progress in key health indicators concerning maternal and child health, health service delivery, and nutrition, among other measures, despite increasing insecurity since 2005.

For example, the Bank said that Afghanistan benefited from a significant reduction in the under-five mortality rate, which fell from 97 per 1,000 live births in 2010 to 55 per 1,000 live births in 2015.

Even with this progress, however, Afghanistan's health outcomes remain worse than most countries'; according to the CIA World Factbook, Afghanistan also has the lowest life expectancy (52.1 years) in the world.

SIGAR on Fighting, Taliban, and Education : July 30, 2019

...donors have generally highlighted Afghanistan's progress in the education sector as a significant success story...But poor data quality makes it difficult to ascertain the extent of that success. Figures for the number of children and youth in school vary widely... Afghanistan's Ministry of Education (MOE) counts students who have been absent for up to three years as enrolled because, it says, they might return to school, which limits the usefulness of Afghan government data to determine attendance rates...Numerous challenges plague the education sector. They include insecurity, shortages of school buildings and textbooks, rural access issues, poor data reliability, and the alleged appointment of teachers on the basis of cronyism and bribery...

Attacks Against Schools Tripled in 2018 and Continue at a High Rate...This quarter, the United Nations Children's Fund (UNICEF) reported that the number of attacks against schools in Afghanistan tripled in 2018, compared to the number of attacks in 2017. UNICEF said that more than 1,000 Afghan schools were closed at the end of 2018 due to the ongoing conflict. Consequently, the report said approximately 500,000 children "were denied their right to education."

Attacks on schools, UNICEF said, increased from 68 in 2017 to 192 in 2018—the first increase since 2015. UNICEF attributed the rise in school attacks in part to the use of schools as polling and voter registration centers for Afghanistan's parliamentary elections held in 2018. The Taliban targeted schools used as polling centers during those elections, according to the UN. High levels of school closures have continued in 2019. In May, Afghanistan's Ministry of Education told the *New York Times* that approximately 400 schools had been closed over the last several months for "security reasons."

...A June 2019 report from the Afghanistan Analysts Network (AAN) explored service delivery in Nad Ali District in Helmand Province. According to AAN, the majority of Nad Ali was captured by the Taliban in 2016, but service delivery remained funded by the Afghan government and non-governmental organizations. It is likely that some of the funding provided by the Afghan government for education in Nad Ali actually comes from donors via the World Bank-administered Afghanistan Reconstruction Trust Fund.

AAN said that although the Taliban did not close schools when they captured most of the district in 2016, the group did impose a series of restrictions on education. For example, the Taliban required male teachers to wear turbans and grow their beards long. The Taliban also staffed schools with teachers from among their own ranks for religious-education classes funded by the Afghan government (and likely also by donors). Using a Taliban-approved curriculum, these Taliban-picked teachers taught students for one hour prior to the start of "regular" school.

Following what AAN described as "local traditions," the Taliban allowed girls to study through grades 4, 5, or 6, depending on the location. Similarly, girls were generally only allowed to study through the end of primary school in government-controlled areas of Nad Ali. AAN described the relationship between the Taliban and the Afghan government in Nad Ali District as "pragmatic," with government monitors allowed to access schools with prior coordination with the insurgents.

SIGAR on Mines and Extraction: July 30, 2019

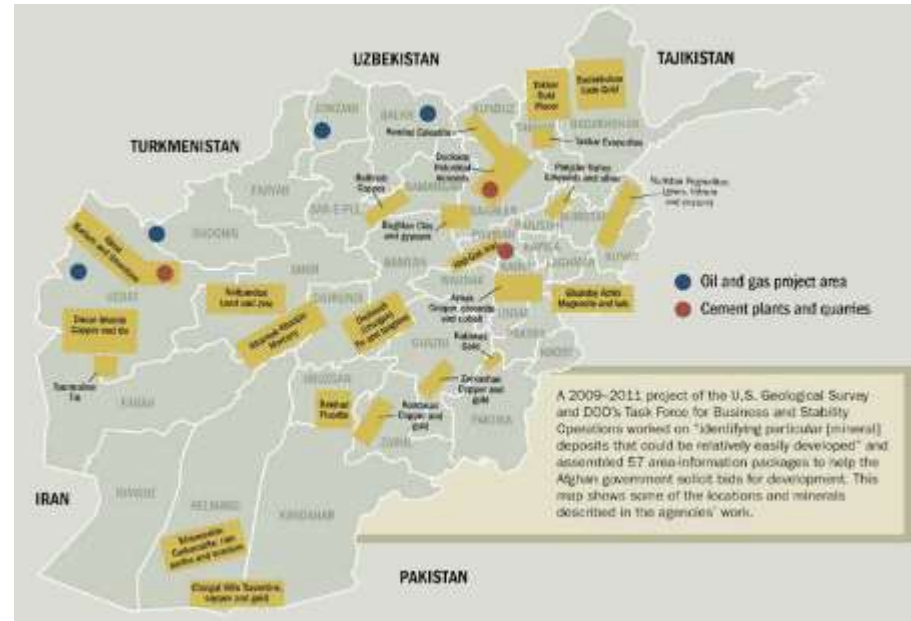
...Over the course of the 17-year-long reconstruction effort, the extractives sector has periodically been touted as a possible path for Afghanistan—which has extensive deposits of copper, iron, sulfur, talc, chromium, salt, gold, and lithium, among other minerals—to wean itself from foreign donor support.⁵⁶⁵ The U.S. government has estimated that Afghanistan has more than \$1 trillion in untapped natural resource reserves, provided those reserves can be extracted profitably.

But while the new developments may prove to be positive, previous spurts of optimism about Afghanistan's extractives sector have not come to fruition. For example, in December 2011, former MOMP Minister Wahidullah Shahrani declared that by 2024 mining would contribute between 42% and 45% of Afghanistan's GDP. However, in 2017, mining contributed less than 1% of Afghanistan's \$21.4 billion GDP.⁵⁶⁸ Moreover, the Afghan government recorded just \$31 million in mining revenues in 2017, according to USAID. In contrast, the Taliban may generate as much as \$200–300 million annually from unregulated mining, according to a 2017

...Many obstacles to the development of Afghanistan's extractives sector remain, including ongoing security issues, inadequate infrastructure, and declining global commodity prices, according to the Afghan government. Commenting on prospects for the sector in a 2017 inter- view with *Foreign Policy*, U.S. Secretary of Commerce Wilbur Ross said, "I used to be in the mining business—in iron ore and coal—and it's not an easy activity ... there are myriad questions that have to be answered for the project to come to fruition." Echoing Secretary Ross, former USAID Administrator for the Office of Afghanistan and Pakistan Affairs Greg Huger said in November 2017, that U.S. efforts to develop Afghanistan's extractives sector, "really weren't very successful." More recently, in January 2019, Afghanistan was suspended from the Extractives Industries Transparency Initiative, an international standard designed to ensure transparency in the extractives sector.

Nevertheless, the consensus among both donors and the Afghan government is that catalyzing the extractives sector remains essential for Afghanistan's economic development (Figure 3.45 shows mineral deposits identified for development by the U.S. government). Afghan President Ashraf Ghani said in September 2017, "The economic development and prosperity of Afghanistan depends on its mining sector, which will enable Afghanistan to pay its military expenditure and achieve self-reliance." In May 2019, the IMF said that further development of Afghanistan's natural-resource sector "remain[s] essential for domestic revenue mobilization over the medium term." According to the World Bank, Afghanistan's medium-term economic growth will depend in part on the realization of Afghanistan's extractives-industry potential.

The new mining contracts have raised higher hopes. for the sector than in recent years and it is possible that extractives could play a vital role in Afghanistan's economic development sometime in the future. But for the time being, experience suggests more modest expectations. It is unlikely that natural resources will represent an economic game-changer for Afghanistan any time soon.



Source: SIGAR, *Report to Congress*, July 30, 2019, pp. 153, 156, 159.

Afghan Economy – World Bank Overview April 2019

Reflecting slow recent growth, poverty has increased significantly, resulting in 55 percent of the population living below the national poverty line in 2016–2017, compared to 38.3 percent in 2012–2013 – an increase of 5 million.

Living standards are also threatened by continued drought conditions, which are negatively impacting wheat harvests, generating food insecurity in many areas of the country.

The displacement crisis also continues, with more than 1.7 million Afghans internally displaced and more than 2 million returning to Afghanistan – mostly from Pakistan and Iran – since 2015.

Few Afghans have access to productive or remunerative employment. A quarter of the labor force is unemployed, and 80 percent of employment is vulnerable and insecure, comprising self- or own account employment, day labor, or unpaid work.

Almost three-quarters of the population are below the age of 30, and roughly 25 percent are between the ages of 15 and 30. This large youth cohort of approximately 8 million is entering the labor market with little education and few employment opportunities.

Afghan Economy – World Bank Overview, June 2019 - I

Economic recovery is slow as continued insecurity is curtailing private investment and consumer demand. Agricultural growth has been constrained by unfavorable weather conditions in the past years. The fiscal position has remained strong, driven by improvements in revenue performance, although the government remains heavily reliant on donor grants.

Poverty has increased amid slow growth, security disruptions to services, and poor agricultural performance due to severe drought.

Afghanistan faces numerous political challenges as it fights the insurgency. Presidential elections are due in September 2019. The ongoing direct peace talks between the United States and Taliban has increased hope for an intra-Afghan peace negotiations and peaceful settlement of the 40 years long war, but it has also added uncertainty and concerns among the Afghan people. The process gained some momentum after the Kabul Conference in February 2018 in which President Mohammad Ashraf Ghani made an unconditional offer for negotiations with Taliban, followed by a brief first-ever ceasefire in June. The Government of Afghanistan is hosting a Consultative Loya Jirga in late April 2019 to renew the road map of peace.

...The security situation has worsened. Civilian casualties are at their highest since 2002, with an unprecedented level of conflict-induced displacement. Since 2007, the number of injuries and deaths has increased five-fold, and in 2016 and 2017, more than 1.1 million Afghans were internally displaced due to conflict. Between January – December 2018, the [United Nations Assistance Mission for Afghanistan](#) (UNAMA) recorded 3,804 civilian. UNAMA attributed 37 percent of civilian casualties to Taliban, 20 percent to Daesh, while unidentified anti-government elements have been called responsible for six percent of the civilian casualties. The return of almost 1.7 million documented and undocumented Afghan refugees, primarily from Pakistan and Iran during 2016-2017 remains a huge pressure on the country's economy and institutions. Internal displacement and large-scale return within a difficult economic and security context poses risks to welfare, not only for the displaced, but also for host communities and the population at large, putting pressure on service delivery systems and increasing competition for already scarce public services and economic opportunities.

The Government of Afghanistan continues to pursue its ambitious reform agenda. On 27–28 November 2018, the [Geneva Conference on Afghanistan](#) was co-hosted by the Government of the Islamic Republic of Afghanistan and the United Nations. Delegates from 61 countries and 35 international organizations, and representatives of civil society, the private sector and the media attended in the conference. Participants at the conference renewed their partnership and cooperation for Afghanistan's peace, prosperity and self-reliance. The conference was held between two pledging conferences: the [Brussels Conference on Afghanistan](#) (2016) and the next pledging conference expected to be held in 2020.

In October 2016, the government presented the [Afghanistan National Peace and Development Framework](#) (ANPDF) at the Brussels Conference on Afghanistan. At the conference, attended by representatives of around 70 countries and 30 international organizations, development aid of \$3.8 billion per year was committed.

Recent Economic Developments

In Afghanistan output growth has slowed to an estimated 1.0 percent in 2018, down from 2.7 percent in the previous year. The decline was because of: a severe drought that affected wheat production and livestock pasture and, heightened political uncertainty and election-related violence, which dampened business confidence. Despite the lower agriculture output, inflation remained moderate at 0.6 percent on average in 2018, due to lower regional food prices and appreciation of exchange rate against major trading partners.

Afghan Economy – World Bank Overview, June 2019 - II

Poverty is estimated to have increased and deepened. The severe drought resulted in lower income for rural households and large internal displacement in the country. The rate of economic growth lagging population growth, leading to declining per capita incomes. The drought negatively impacted livelihoods of many of the 82 percent of the poor living in rural areas, including those reliant on poppy cultivation (poppy production declined by 30 percent). Reflecting widespread hardship, drought-induced displacement reached record levels of 298,000 individuals.

Weaker exports and a moderate increase in imports have widened the trade deficit to around 35.9 percent of GDP in 2018. Nominal exports, after strong growth of 28 percent in 2017, declined by four percent in 2018, potentially reflecting a strengthening of the Afghani against trade partner currencies and economic disruption in important neighboring economies. Imports increased by 0.7 percent, led by a strong increase in vegetable imports. The current account narrowed, reflecting the widening trade deficit and declining grants. Aid flows almost entirely financed the trade deficit.

Fiscal management remained strong. An overall fiscal surplus of around 0.7 percent of GDP was achieved in 2018. Despite slow growth, domestic revenues reached a record high of Afs 189.7 billion, an increase of 12 percent from 2017 levels. Strong revenue growth was supported by improved tax administration, with estimated arrears collection of Afs 10.5 billion and a surge in non-tax revenues. Budget execution increased from 83 percent in 2017 to 92 percent in 2018, with the development budget execution rate reaching 93 percent.

Reflecting high levels of uncertainty, credit-to-the-private sector declined by four percent in 2018 and is now equal to just three percent of GDP. The credit intermediation function of the banking system has remained extremely weak, with private sector credit equal to just 12.8 percent of bank assets in 2018. Excess liquidity of banks reached 63 percent of total bank assets. The central bank has recently taken action to facilitate access to credit, including expanding the list of eligible collateral and the coverage of the Public Credit Registry.

Few Afghans have access to productive or remunerative employment. A quarter of the labor force is unemployed, and 80 percent of employment is vulnerable and insecure, comprising self- or own account employment, day labor, or unpaid work. Almost three-quarters of the population are below the age of 30, and roughly 25 percent are between the ages of 15 and 30. This large youth cohort of approximately 8 million is entering the labor market with little education and few employment opportunities. A natural consequence of the poor security situation and limited development resources, job creation has been unable to keep up with population growth, and good jobs are few and far between.

Though increasing over time, just over half (54 percent) of young Afghans are literate. Labor force participation rates of young Afghan women are particularly low due to higher rates of inactivity and unemployment. Young Afghans (age 15–24) have a high unemployment rate of 31 percent, while 42 percent are neither in employment, education, or training. Progress with education is threatened by the security situation. The net attendance rate in secondary education fell from 37 percent to 35 percent between 2013 and 2016, driven by declining attendance among girls.

Economic Outlook

Growth in 2019 is expected to remain sluggish but slightly recover, largely due to improved weather conditions. Growth in the industry and service sectors will remain subdued amidst continued political uncertainty surrounding the upcoming presidential elections, discussions over continued international security support, and a potential peace agreement with the Taliban. Over the medium-term, growth is projected to gradually accelerate to around 3 percent by 2021, assuming a stable political transition following the presidential election and subsequent improvement in investor confidence.

Source: World Bank, Overview, accessed June 6, 2017, <http://www.worldbank.org/en/country/afghanistan/overview>,

Afghan Economy – World Bank Overview, June 2019 - III

A slight fiscal deficit is expected in 2019. Revenue mobilization is expected to stall, reflecting: i) exhaustion of revenue potential from measures implemented in 2018, including amnesty programs; and ii) weakening customs revenues in the context of political instability and weakened governance.

The current account is expected to gradually deteriorate over the medium-term, because of declining international grants. A substantial deficit in the range of 4-6 percent of GDP is expected by 2021-22. International reserves are expected to remain at comfortable levels (from the current level of over one year's import cover down to less than 10 months' import cover by 2021).

The short-term growth outlook is subject to significant downside risks. Continued violence and political instability could further dampen investment and growth. Election-related disruptions to revenue collection and expenditure discipline could undermine fiscal management and confidence. Any rapid decline in international aid flows would drive difficult fiscal and external adjustments and undermine the capacity of government to maintain basic services. On the other hand, ongoing peace talks may unlock substantial investment and growth if they lead to a comprehensive and sustained improvement in security.

Without accelerated reform and an improved security situation, growth is likely to remain slow with limited progress in reducing poverty from current very high levels. Reforms are required immediately to both improve general investment confidence and mobilize existing economic potential, especially in agriculture and extractives. Continued international assistance in security and development is critical to preserve development gains achieved over the last seventeen years. Clear commitment to sustained support from international partners would help to reduce current levels of uncertainty, supporting increased confidence and investment.

Last Updated: Apr 02, 2019

Table 2. Afghanistan / Macro outlook	2016	2017	2018e	2019f	2020f	2021f
Real GDP growth, at constant market prices	2.1	2.2	1.0	2.5	3.2	3.5
Agriculture	6.0	3.8	-3.0	4.0	2.7	4.5
Industry	-0.8	0.4	1.5	2.0	3.0	3.0
Services	2.2	2.5	1.8	2.0	3.5	3.5
Inflation (Consumer Price Index)	4.3	4.7	0.6	3.1	5.0	5.0
Current Account Balance (% of GDP)	5.6	1.0	0.3	-1.4	-2.5	-3.8
Net Foreign Direct Investment (% of GDP)	-0.1	-0.1	0.1	0.1	0.1	0.1
Fiscal Balance (% of GDP)	0.1	-0.5	0.7	-0.7	-0.7	-0.5
Debt (% of GDP)	6.1	5.9	6.9	7.0	7.0	7.3
Primary Balance (% of GDP)	0.2	-0.4	0.8	-0.6	-0.5	-0.3
Nominal GDP at Market Prices (USD), million	19,363	20,192	18,511	18,600	19,161	19,799

Source: World Bank

Note: (e) = estimate, (f) = forecast

Afghan Health and Economy – CIA Summary: August 2019


- Despite improvements in life expectancy, incomes, and literacy since 2001, Afghanistan is extremely poor, landlocked, and highly dependent on foreign aid.
- Much of the population continues to suffer from shortages of housing, clean water, electricity, medical care, and jobs.
- Corruption, insecurity, weak governance, lack of infrastructure, and the Afghan Government's difficulty in extending rule of law to all parts of the country pose challenges to future economic growth.
- Afghanistan's living standards are among the lowest in the world. Since 2014, the economy has slowed, in large part because of the withdrawal of nearly 100,000 foreign troops that had artificially inflated the country's economic growth.
- The international community remains committed to Afghanistan's development, pledging over \$83 billion at ten donors' conferences between 2003 and 2016. In October 2016, the donors at the Brussels conference pledged an additional \$3.8 billion in development aid annually from 2017 to 2020. Even with this help, Government of Afghanistan still faces number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure.
- In 2017 Afghanistan's growth rate was only marginally above that of the 2014-2016 average. The drawdown of international security forces that started in 2012 has negatively affected economic growth, as a substantial portion of commerce, especially in the services sector, has catered to the ongoing international troop presence in the country.
- Afghan President Ashraf Ghani Ahmadzai is dedicated to instituting economic reforms to include improving revenue collection and fighting corruption. The government has implemented reforms to the budget process and in some other areas. However, many other reforms will take time to implement and Afghanistan will remain dependent on international donor support over the next several years.

Afghan Health and Economy – CIA Factoids: August 2019

Health

- Life expectancy total population: 52.1 years (2018 est.) country comparison to the world: 223 — lowest in world
- Infant mortality: 108.5 deaths/1,000 live births (2018 est.) Highest in the world: 1

Economic Strains

- 
- \$2,000 per capita PPP income (2017) Country comparison to the world: 209 (20th lowest)
 - 23.9% unemployment (2017 est.) Country comparison to the world: 194 (23rd worst)
 - 54.5% of population below the poverty line in 2017: (World Bank 55%, \$1.90 a day)

Budget Gap

- Revenues: 2.276 billion (2017 est.)
- Expenditures: 5.328 billion (2017 est.)

Trade Imbalance

- Exports: \$784 million (2017 est.) — including opium (India & Pakistan)
- Imports: \$7.616 billion (2017 est.) – imports 9.7 times exports

Afghanistan: World Bank Ease of Doing Business Rankings:

Better, But
Only 167th in
the World in
2019

World Bank,
<http://www.doingbusiness.org/en/data/exploreeconomies/afghanistan#>.

DB 2019 Ease of Doing Business Score



Note: The ease of doing business score captures the gap of each economy from the best regulatory performance observed on each of the indicators across all economies in the *Doing Business* sample since 2005. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance. The ease of doing business ranking ranges from 1 to 190.

Topics	DB 2019 Rank	DB 2019 Score	DB 2018 Score ¹	Change in Score (% points)
Overall	167	47.77	37.13	↑ 10.64
Starting a Business ✓	49	92.04	82.55	↑ 9.49
Dealing with Construction Permits	184	34.54	33.70	↑ 0.84
Getting Electricity	168	44.51	44.58	↓ 0.07
Registering Property	186	27.50	27.50	..
Getting Credit ✓	99	50.00	45.00	↑ 5.00
Protecting Minority Investors ✓	26	71.67	10.00	↑ 61.67
Paying Taxes ✓	177	43.27	41.97	↑ 1.30
Trading across Borders	177	30.63	30.63	..
Enforcing Contracts	181	31.76	31.76	..
Resolving Insolvency ✓	74	51.78	23.62	↑ 28.16

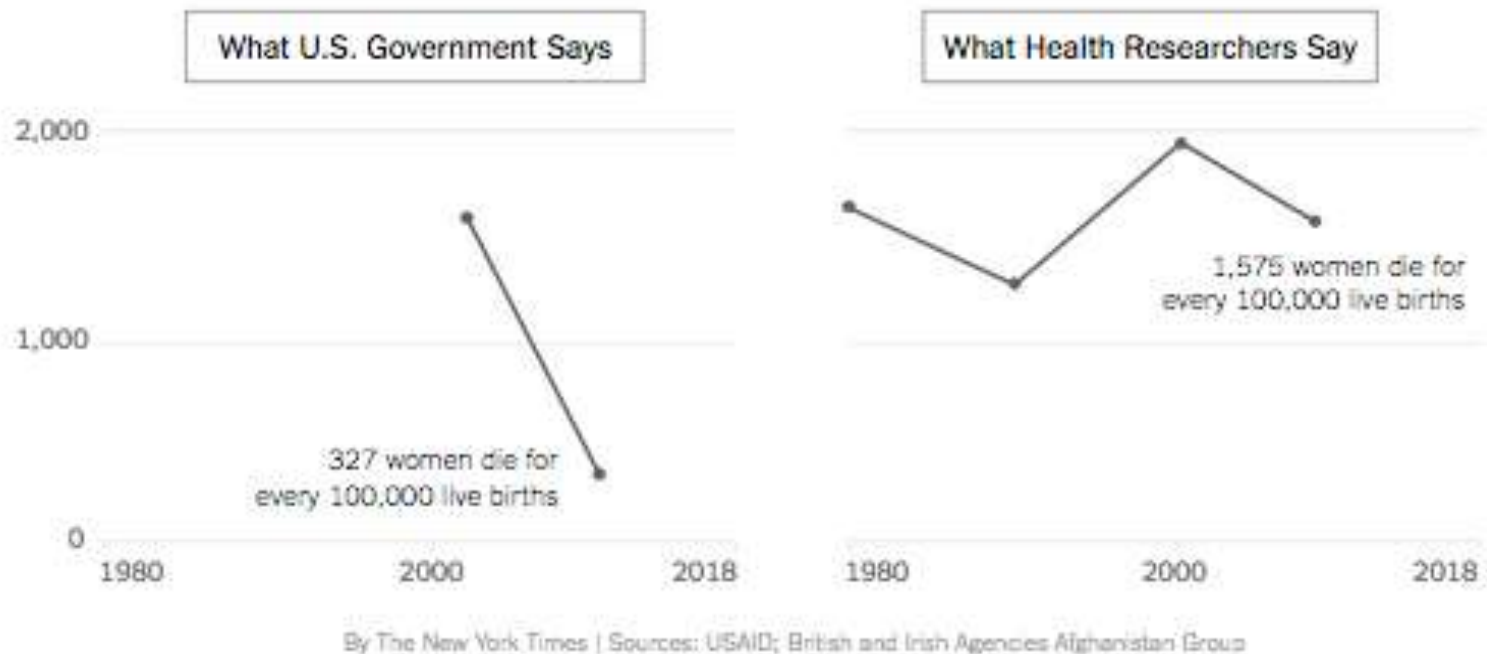
✓ = Doing Business reform making it easier to do business. ✗ = Change making it more difficult to do business.

[Click here to see all reforms made by Afghanistan.](#)

Afghanistan: Conflicting Health Claims – Maternal Mortality

With the status of the battlefield looking grim, American officials say that at least the coalition has improved Afghan living standards — although often they use exaggerated claims there, too.

The most blatant example may be maternal mortality, one of the most important indicators of a society's health. In 2002, American officials reported that 1,600 Afghan mothers died for every 100,000 live births, a rate comparable to Europe during the Middle Ages. By 2010, the United States Agency for International Development said the rate had improved drastically, falling to 327.



Researchers [noted that](#) not since the world discovered antibiotics has any nation seen such a big improvement in maternal health. The long-running security and development challenges Afghanistan faces are factored into health researchers' estimates of maternal mortality. The British and Irish Agencies Afghanistan Group cited a study indicating that 1,575 women died out of 100,000 births in 2010. Other estimates cited by the group put the figure at 885 to 1,600 of 100,000 — meaning that nearly one in a hundred Afghan women will die giving birth. The rate in the United States is 24 in 100,000.

Afghanistan: Conflicting Health Claims – Maternal Mortality

USAID points to a similarly drastic improvement in life expectancy, to 63 years in 2010, up from 41 years in 2002. But the figures were adjusted to ignore a high death rate in early childhood, which skewed results.

What U.S. Government Says

63 years

Afghan life expectancy

What Health Researchers Say

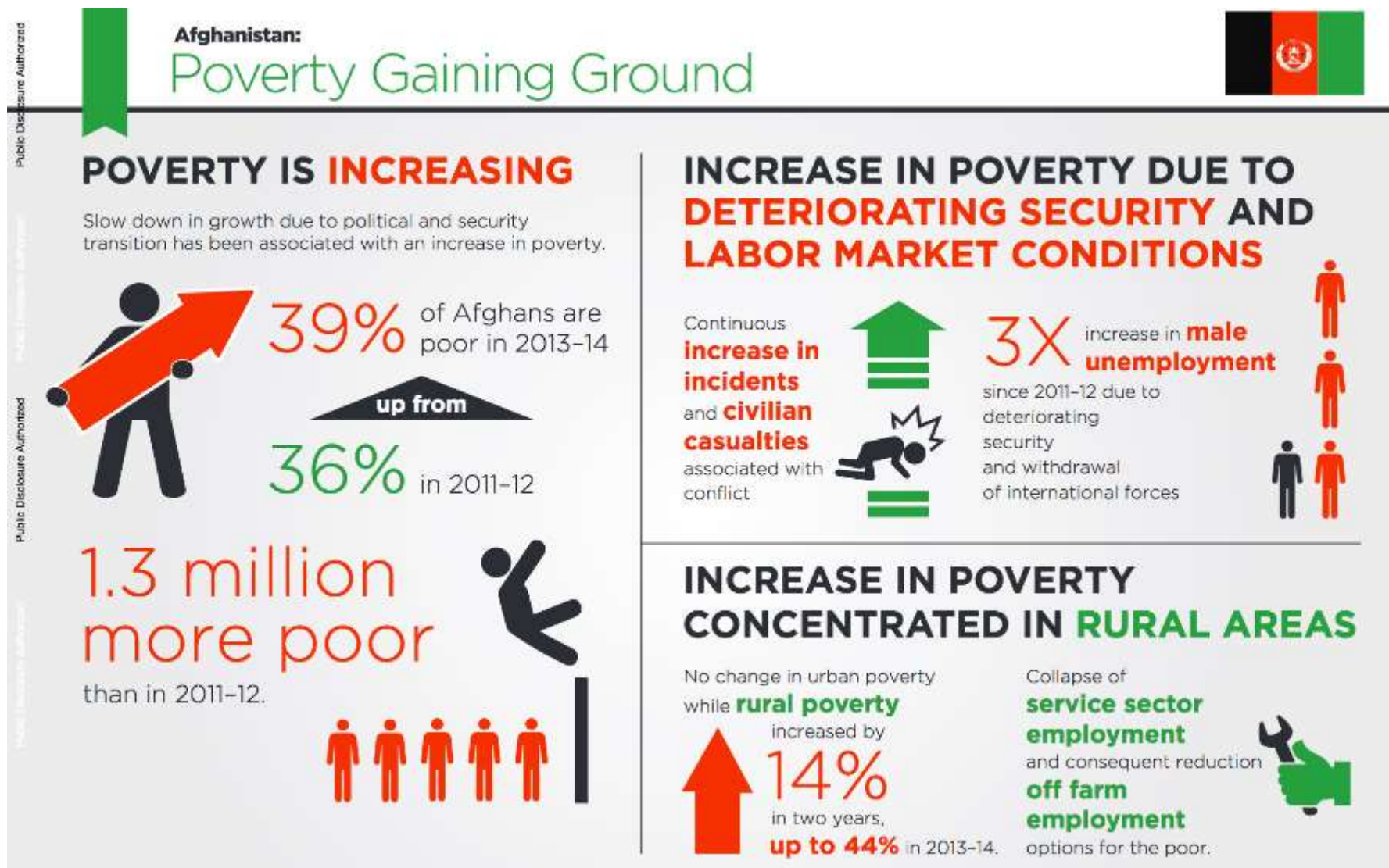
48 years

Afghan life expectancy

Sources: USAID (U.S. data, from 2010); World Health Organization (researchers' data, from 2009)

The World Health Organization, meanwhile, estimated in 2009 that Afghan life expectancy was 48 years. Even the [C.I.A. does not agree with USAID's number](#), estimating in 2017 that Afghans typically live to age 51.

Afghanistan: World Bank Poverty Warning - I



Afghanistan: World Bank Poverty Warning - II

Afghanistan:

A Labor Market Crisis



JOBS WERE LOST DURING THE TRANSITION PHASE

Slow down in growth has been accompanied by deteriorating labor market conditions:

1.92 million unemployed in 2013-14

Between 2011-12 and 2013-14, unemployment registered a

3X increase in rural areas
2X increase in urban areas



JOBS CRISIS ESPECIALLY CHALLENGING FOR YOUTH



1 in 2 unemployed Afghans is 14 to 24 years old.



500,000 male youth are unemployed,

2/3 live in rural areas



COLLAPSE OF SERVICE SECTOR IN RURAL AREAS

76% of jobs destroyed were in the rural service sector
4 out of 5 of the jobs that were created between 2007-08 and 2011-12 were lost by 2013-14.

Employment changes, male workforce (25-50)



Source: Afghanistan Living Conditions Survey (ALCS) 2007-08, 2011-12, and 2013-14

URBAN/RURAL DISPARITIES IN EDUCATION



Male youth who are unemployed have different education profile depending on where they live:

Majority in rural areas has no education

Majority in urban areas has higher education



Afghanistan: World Bank Poverty Warning - III

Afghanistan:

Education Outcomes at Risk



INCREASED CONFLICT RESULTED IN LOWER PRIMARY SCHOOL ATTENDANCE

Attendance rates fell from
56%
in 2011-12



54%
in 2013-14



CONFLICT KEEPS CHILDREN OUT OF SCHOOL, PARTICULARLY GIRLS IN RURAL AREAS

Girls have **difficulty** attending school due to **conflict**



for every 3 boys,
2 girls attend primary school

Children in **rural areas** are **falling behind**

Urban school attendance



Rural school attendance



POOR CHILDREN MORE LIKELY TO BE OUT OF SCHOOL



School attendance
non-poor:



School attendance
poor:



Attendance increased for non-poor by **1.8%**
from 2011-12 to 2013-14

but **decreased** by **6%**
for poor children



Source: Afghanistan Living Conditions Survey (ALCS) 2007-08, 2012-13, and 2013-14

USAID's Strategy for Afghanistan

USAID Country Development and Cooperation Strategy Focuses on Private Sector and Exports

In September 2018, USAID released its first Country Development and Cooperation Strategy (CDCS) for Afghanistan.

The CDCS is USAID's overarching strategy for programming to support Afghanistan's path to becoming more inclusive, economically viable, and self-reliant.²²¹ USAID's previous strategy in Afghanistan, the USAID/ Afghanistan Plan for Transition 2015-2018, focused on Afghan-led sustainable development and expanding sustainable agriculture-led economic growth. The CDCS for Afghanistan emphasizes private sector and export-led economic growth.²²² USAID has 34 programs, totaling approximately \$1.277 billion, which support this CDCS objective, including programs that emphasize trade shows, a carpet export center, agricultural development and marketing, and livestock.

USAID told the USAID OIG that its assistance to Afghan firms in fiscal year 2018 resulted in approximately \$278 million in export deals. USAID assistance to Afghan firms during the quarter resulted in more than \$23 million in export deals. In addition, USAID reported that Afghan exports by air (excluding exports by ground) increased from 267 tons in January 2018 to 1,028 tons in November 2018.

On balance, USAID's export promotion efforts have been insufficient in improving Afghanistan's trade deficit. The International Monetary Fund reported that exports—by both ground and air—totaled only \$891 million in 2018 compared to \$7.4 billion in imports.²²⁶ The World Bank reported that trade deficit increased to 35.9 percent of GDP in 2018; the trade deficit was almost entirely financed by international assistance. According to World Bank data, Afghanistan's projected economic growth of 3 percent for 2019 does not match Afghanistan's population growth, especially among youth who are in need of employment.

Afghan exporters faced an additional hurdle during the quarter when Pakistan closed its airspace on February 27, 2019, following escalating tensions with India, causing Afghanistan and India to seek other routes for the export and import of products. As a result, trade transaction costs increased, affecting the economies of both countries. Pakistan reopened its airspace for most flights on March 27, 2019.

Demographic Pressures and the “Youth Bulge”

The Civil “Threat” and Causes of Instability – Demographics, Population Pressure, Social Change, and the “Youth Bulge”

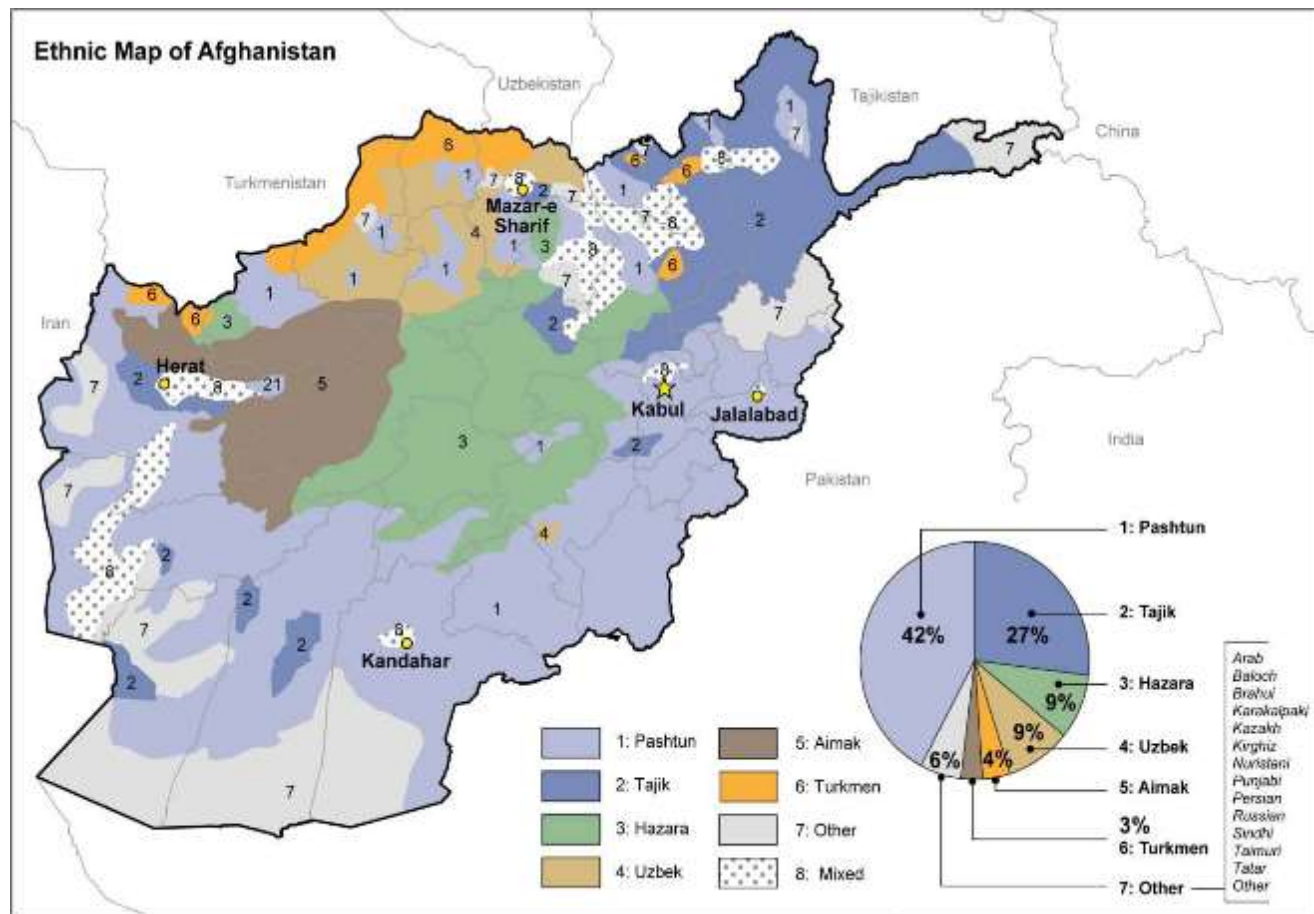
Population pressure, the number of young men and women seeking jobs and that are satisfied with them, and the high ratio of dependents in countries with young populations are three key indicators of a nation’s success or failure. Polls show that security, employment, and corruption are also key indicators of popular support for governments, and may well be key warning indicators of the potential radicalization of young men.

The Afghan metrics in this section sound such a warning. They show that in spite of its long history of war, Afghanistan still has acute population pressure, and one of the largest “youth bulges” in the world.

These metrics also help illustrate some of the pressures to move out of rural areas and into urban areas, and the motive to either join the security forces as the only available form of employment – or to join the Taliban or ISIS if they pay more or offer both pay and more local security.

Finally, these data need to be put in the practical context of why young (or any) Afghans should be satisfied with the quality and level of their government. It is one thing to read about reform plans at a distance. It is another to live with the actual lack of progress on the scene.

Afghan Population and Internal Divisions



Source: Adapted from the CIA World Factbook database as of 3.5.19 and NGIA and GAO material.

Ethnic groups: Ethnic groups starting with the largest Pashtun, Tajik, Hazara, Uzbek, other (includes smaller numbers of Baloch, Turkmen, Nuristani, Pamiri, Arab, Gujar, Brahui, Qizilbash, Aimaq, Pashai, and Kyrghyz) (2015). Current statistical data on the sensitive subject of ethnicity in Afghanistan are not available, and ethnicity data from small samples of respondents to opinion polls are not a reliable alternative; Afghanistan's 2004 constitution recognizes 14 ethnic groups: Pashtun, Tajik, Hazara, Uzbek, Baloch, Turkmen, Nuristani, Pamiri, Arab, Gujar, Brahui, Qizilbash, Aimaq, and Pashai

Religions: Muslim 99.7% (Sunni 84.7 - 89.7%, Shia 10 - 15%), other 0.3% (2009 est.)

Languages: listed in rank order based on prevalence, starting with the most-spoken language, include Afghan Persian or Dari (official) 77% (Dari functions as the lingua franca), Pashto (official) 48%, Uzbek 11%, English 6%, Turkmen 3%, Urdu 3%, Pashayi 1%, Nuristani 1%, Arabic 1%, Balochi 1% (2017 est.) Shares sum to more than 100% because there is much bilingualism in the country and because respondents were allowed to select more than one language. The Turkic languages Uzbek and Turkmen, as well as Balochi, Pashayi, Nuristani, and Pamiri are the third official languages in areas where the majority speaks them

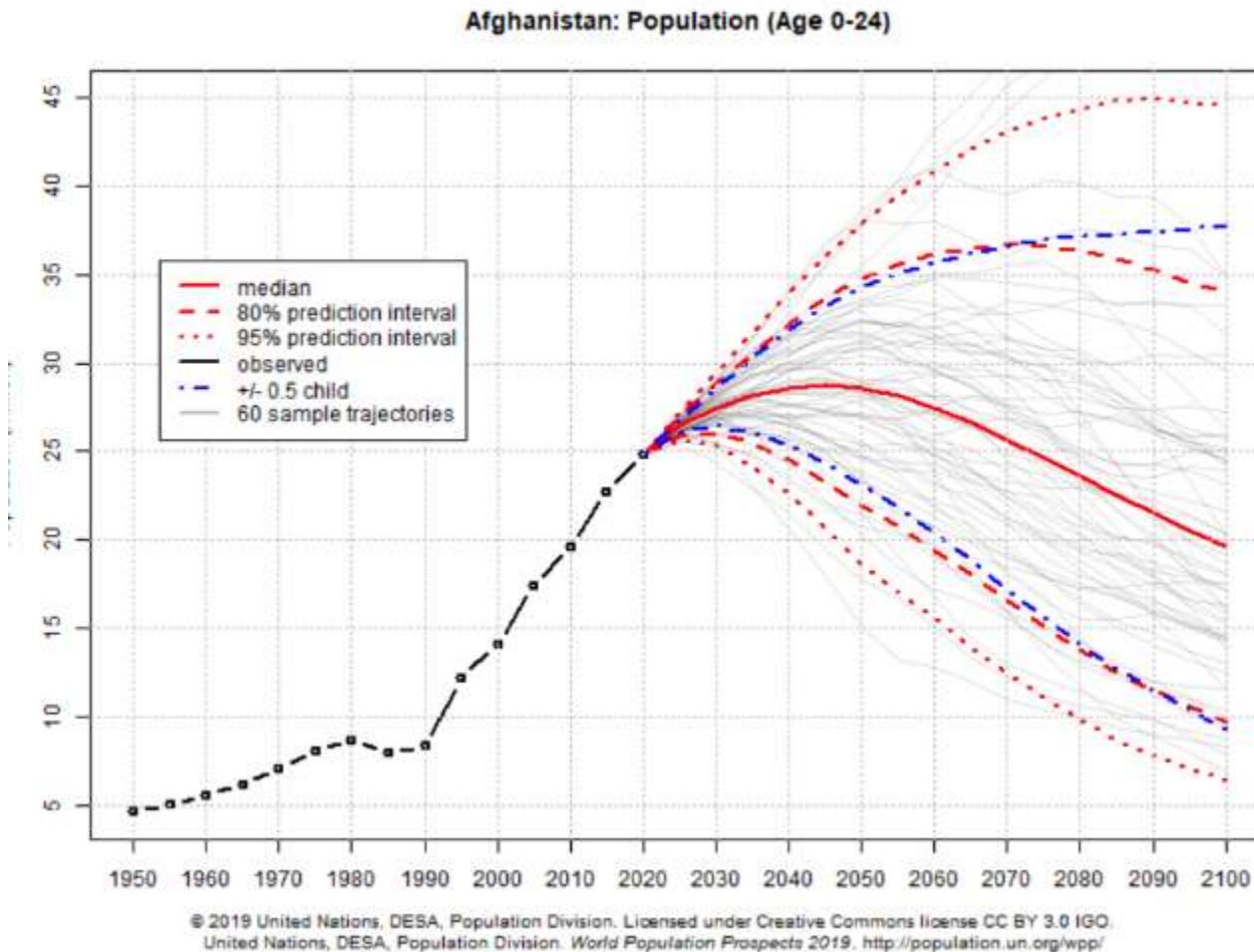
Afghanistan Population Growth – U.S. Census Bureau Estimate: 1950-2050

Demographic Overview - Custom Region - Afghanistan

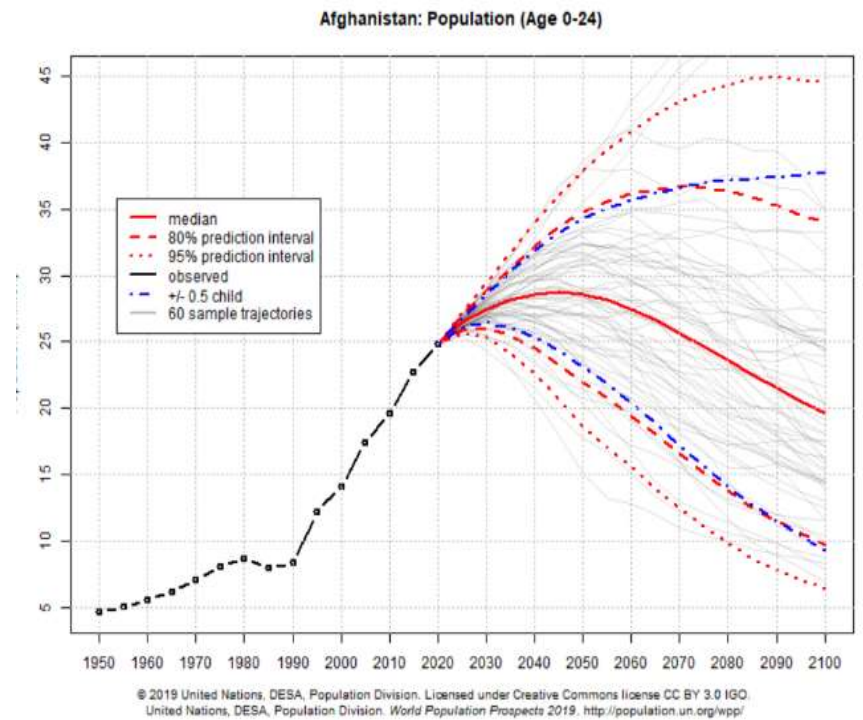
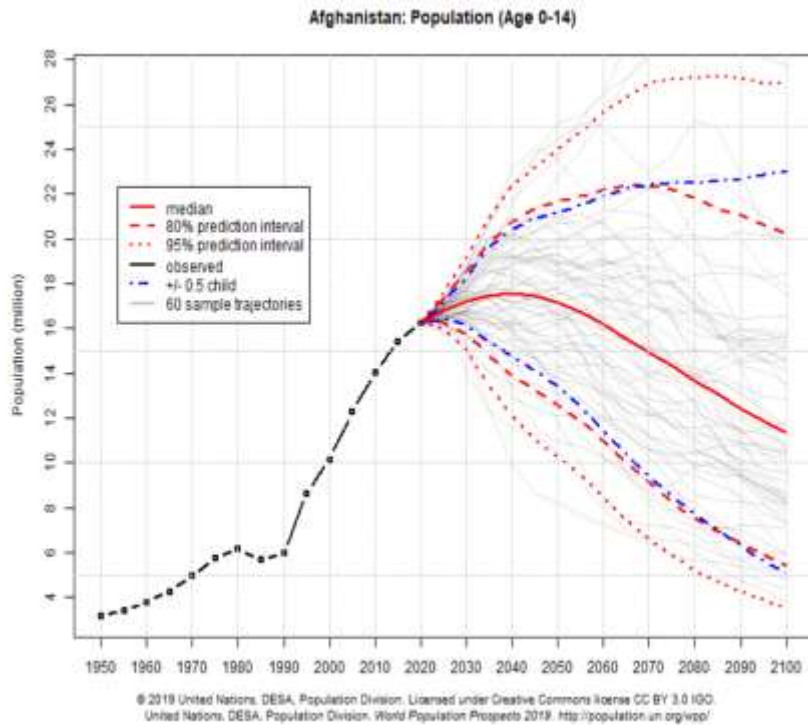
Demographic Indicators	1950	1960	1970	1980	1990	1995	2000	2005	2015	2019	2020	2025	2030	2040	2050
Population															
Midyear population (in thousands)	8,150	9,829	12,431	15,044	13,568	19,445	22,461	26,335	32,564	35,780	36,644	41,117	45,665	54,717	63,795
Growth rate (percent)	(NA)	(NA)	(NA)	-5.9	-1.9	3.5	-1.3	3.4	2.3	2.4	2.4	2.2	2.0	1.7	1.4
Fertility															
Total fertility rate (births per woman)	(NA)	(NA)	(NA)	6.9	8.0	8.0	8.0	6.4	5.3	4.9	4.8	4.3	3.9	3.2	2.8
Crude birth rate (per 1,000 population)	(NA)	(NA)	(NA)	47	54	53	51	42	39	37	37	34	30	26	22
Births (in thousands)	(NA)	(NA)	(NA)	709	739	1,035	1,153	1,093	1,256	1,327	1,344	1,383	1,386	1,396	1,422
Mortality															
Life expectancy at birth (years)	(NA)	(NA)	(NA)	39	42	44	45	47	51	52	53	55	57	61	65
Infant mortality rate (per 1,000 births)	(NA)	(NA)	(NA)	191	168	157	147	137	115	106	104	94	84	65	49
Under 5 mortality rate (per 1,000 births)	(NA)	(NA)	(NA)	286	251	235	220	205	169	155	151	135	119	90	66
Crude death rate (per 1,000 population)	(NA)	(NA)	(NA)	24	23	21	19	17	14	13	13	11	10	9	8
Deaths (in thousands)	(NA)	(NA)	(NA)	366	305	408	434	436	452	463	465	472	474	486	515
Migration															
Net migration rate (per 1,000 population)	(NA)	(NA)	(NA)	-82	-51	3	-45	9	-2	-0	-0	-0	-0	-0	-0
Net number of migrants (in thousands)	(NA)	(NA)	(NA)	-1,235	-695	52	-1,017	248	-49	-13	-4	-4	-5	-5	-6

Source Information: Afghanistan

Afghanistan Youth Growth, Ages 0-24 - United Nations Estimate: 1950-2050



Afghanistan Youth Growth United Nations Estimate: 1950-2100



Source: UN Population Division, <https://population.un.org/wpp/Graphs/Probabilistic/POP/0-24/4>. <https://population.un.org/wpp/Graphs/Probabilistic/POP/0-24/4>.

Afghan Urbanization: World Bank

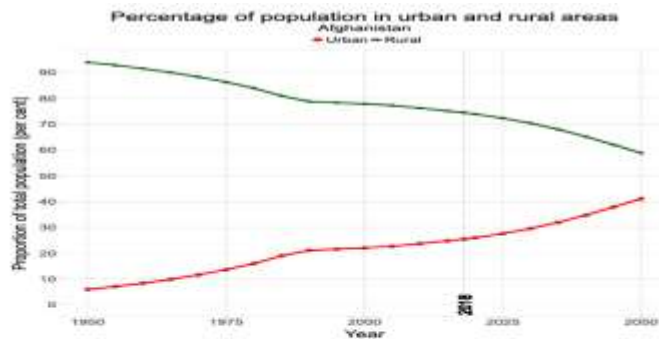
CIA: urban population: 25.5% of total population (2018); rate of urbanization: 3.37% annual rate of change (2015-20 est.) Population of Kabul is 4.01 million out of total population of 34.94-37.05 million in July 2018. The second-largest city is Kandahar, with less than 400,000 people.

World Bank: Afghanistan is undergoing a rapid urban transition. While the current share of its population living in cities is comparatively low (25.8 percent in 2014 compared to 32.6 percent across South Asia), Afghanistan's urbanization rate is among the highest in the region. Jun 21, 2017.

Here are 10 key findings for Afghanistan made in a World Bank report:

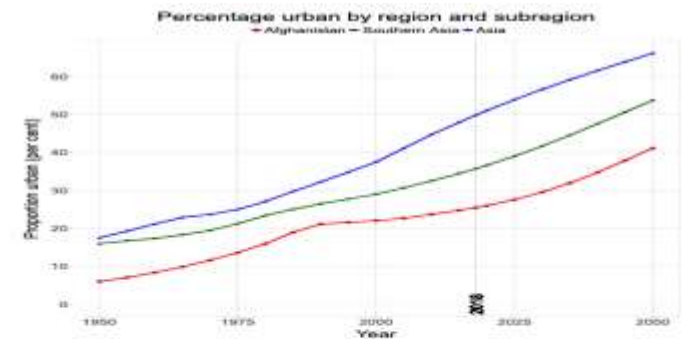
- Afghanistan's urban population grew by almost 4.5 percent a year between 2000 and 2010. Within the region, only Bhutan and Maldives experienced faster growth rates of urban population.
- Much of Afghanistan's urban population growth has been attributable to natural growth rather than rural-urban migration. As a consequence, the share of the population living in officially classified urban settlements has been growing at a much slower pace of just over 1.2 percent a year between 2000 and 2010.
- As of mid-2014, there were, according to UN High Commission for Refugees (UNHCR) estimates, 683,000 people internally displaced by conflict in Afghanistan, more than half of which were living in urban areas.
- In 2010, 27.6 percent of Afghanistan's urban population lived below the national poverty line, while, in 2005, almost 89 percent of the urban population lived in slums.
- An analysis of nighttime lights data shows that Afghanistan experienced growth in urban area of almost 14 percent a year between 1999 and 2010, the fastest in the South Asia region. Urban area grew at more than three times the speed of urban population, suggesting an increasing prevalence of lower-density sprawl. The existence of sprawl, poverty and slums reflects messy urbanization.
- According to the Agglomeration Index, an alternative measure of urban concentration, the share of Afghanistan's population living in areas with urban characteristics in 2010 was 29.4 percent. This compares to an urban share of the population based on official definitions of urban areas of 23.2 percent, suggesting the existence of at least some hidden urbanization.
- In Afghanistan, as in Maldives, Nepal and Pakistan, the shift out of agriculture has been associated with a large decline in the proportion of GDP derived from manufacturing. This implies that urbanization in Afghanistan since 2000 has been led by services rather than by manufacturing — something of a departure from expected trends based on the historical experiences of today's developed nations.
- Afghanistan's expanding urban population presents it with a considerable affordable housing challenge. In the best case scenario in which urban population density remains constant, meeting this challenge will require expanding the amount of developable urban land by 6,959 km² — or just over 350 percent — between 2010 and 2050.
- Analysis of World Health Organization outdoor air pollution in cities data reveals that, from a global sample of 381 developing-country cities, 19 of the 20 with the highest annual mean concentrations of PM_{2.5} are in South Asia. Kabul has the most polluted air amongst Afghan cities in the sample, with an annual mean concentration of 86 mg/m³, which is higher than the recorded annual mean concentration for Beijing.
- Afghanistan completed its last census in 1979, and that was a partial count. A lack of data hampers rigorous descriptive analysis of urbanization and related economic trends for the country.

Urbanization Pressure in Afghanistan: 1950-2050



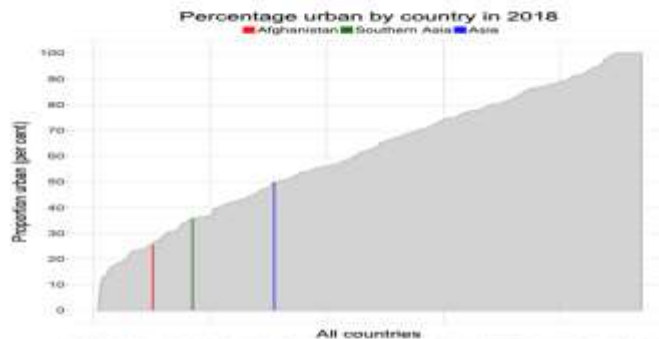
Note: Urban and rural population in the current country or area as a percentage of the total population, 1950 to 2050.

Data file



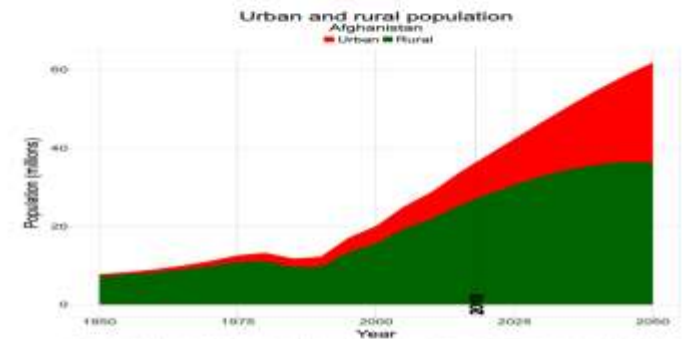
Note: Proportion of urban population in the current country as compared to its subregion and region. The proportion is expressed as a percentage of the total population, 1950 to 2050.

Data file



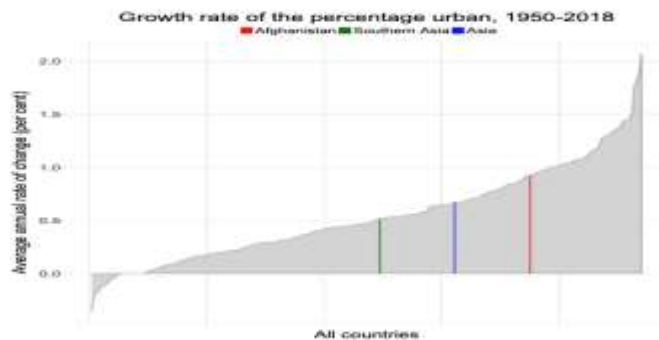
Note: Proportion of urban population in the current country, subregion and region as compared to the ranked urban proportions of all countries of the world (grey area).

Data file

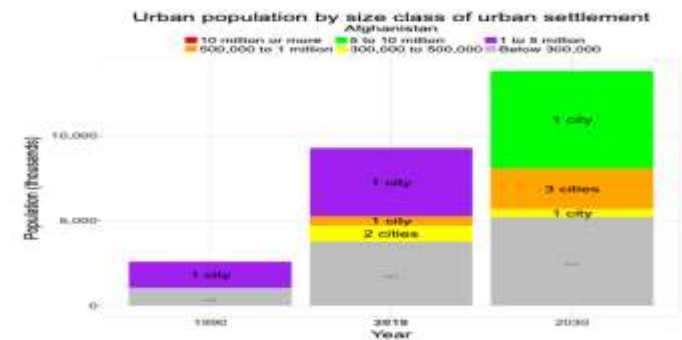


Note: Urban and rural population in the current country.

Data files: file 1 & file 2



Note: Average annual rate of change of the percentage urban of the current country, subregion and region between 1950 and 2018, as compared to the average annual rates of change of the percentage urban of all countries of the world (grey area). The figure illustrates that urban growth rates between 1950 and 2018 were positive in almost all countries of the world.



Note: Urban population by size class of urban settlement and number of cities, 1950, 2018 and 2050. The grey area is a residual category that includes all urban settlements with a population of less than 300,000 inhabitants.

Source: UN, World Population Prospect, 2019, <https://population.un.org/wup/Country-Profiles/>

Afghanistan: Population 0-24 Years of Age and Dependency ratio: 1950-2050

Youth Pressure on Total Population

Year	Age	Both Sexes Population	Male Population	Female Population	Percent Both Sexes	Percent Male	Percent Female	Sex Ratio
2000	0-24	14,778,266	7,538,888	7,239,378	65.8	65.9	65.7	104.1
2010	0-24	18,975,565	9,655,145	9,320,420	65.2	65.3	65.0	103.6
2019	0-24	22,303,139	11,335,684	10,967,455	62.3	62.5	62.1	103.4
2030	0-24	26,391,583	13,409,453	12,982,130	57.8	58.1	57.5	103.3
2040	0-24	29,509,248	14,996,229	14,513,019	53.9	54.4	53.5	103.3
2050	0-24	31,262,668	15,894,542	15,368,126	49.0	49.6	48.4	103.4

CIA Estimate as of 2018

Age structure:

0-14 years: 40.92% (male 7,263,716 /female 7,033,427)

15-24 years: 21.85% (male 3,883,693 /female 3,749,760)

25-54 years: 30.68% (male 5,456,305 /female 5,263,332)

55-64 years: 3.95% (male 679,766 /female 699,308)

65 years and over: 2.61% (male 420,445 /female 491,085)

Dependency ratios:

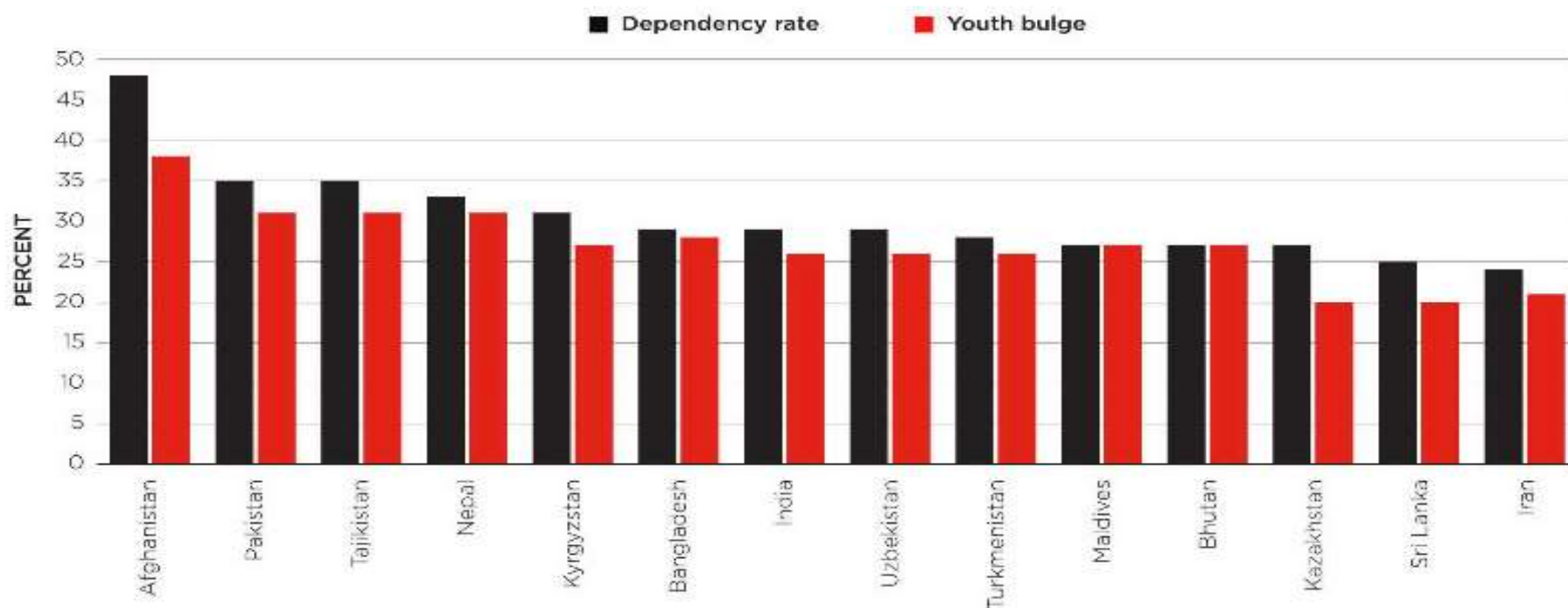
total dependency ratio: 88.8 (2015 est.)

youth dependency ratio: 84.1 (2015 est.)

elderly dependency ratio: 4.7 (2015 est.)

potential support ratio: 21.2 (2015 est.)

Afghanistan: Youth Bulge (15-24 years of age) and Employment

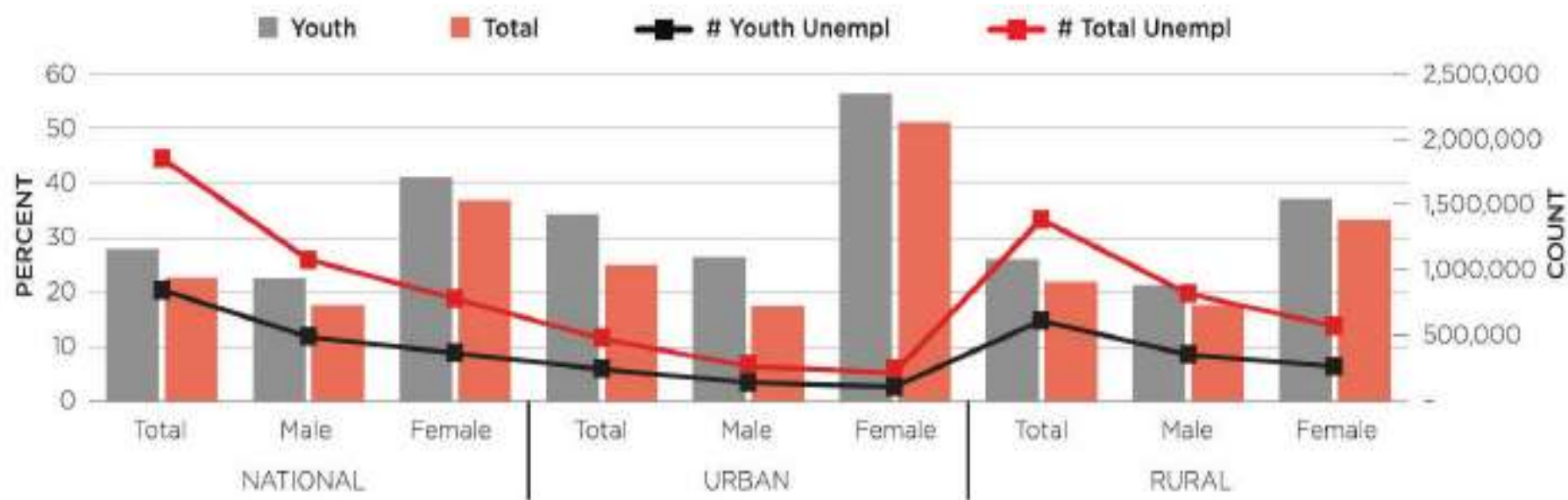


Notes: Dependency rate defined as (0-15)/(Total Population); Youth bulge defined as (15/24)/(15+).
Source: ALCS 2013-14 (Afghanistan); UNDESA (2015)

The Afghanistan economy struggles to create enough jobs to accommodate its fast growing labor force. Slowdown in economic growth has focused attention on Afghanistan's chronic excess of labor. With a fertility rate steadily above five children per woman ²⁴, Afghanistan has the fastest growing population, the highest dependency rate, and the biggest "youth bulge" in South Asia. Afghanistan's demographic profile poses tremendous challenges to public finances and the labor market. In particular, high dependency rates squeeze private savings, which hampers investment and growth while straining spending on social services, notably health and education. In the labor market, an estimated 400,000 jobs need to be created every year to accommodate new workers; this is a daunting challenge in the absence of economic growth and with constrained budgets for public investment.

the Total Fertility Rate in Afghanistan is 5.3 children per woman (DHS, 2015). Together with Timor-Leste, Afghanistan remains the only country outside Africa where the TFR is above 5 children per woman (UNDESA 2015). ²⁵ According to UNDESA (2015), Afghanistan is endowed with the third largest youth bulge in the world, after Uganda and Chad, as more than one fifth of the population is aged between 15 and 24. The Afghan population is expected to double in size from 28.4 million in 2010 to 56.5 million in 2050. It is estimated that, even under optimistic growth and labor-intensity of growth scenarios, the Afghan labor market will not be able to match labor supply growth until 2027.

Afghanistan: The Urban Rural Youth Employment Gap



"Unemployment" and "poor economy" are the biggest problems cited by Afghans in the most recent opinion polls. Evidence supports these perceptions of a bleak labor market. According to ALCS data, in 2013-14, 22.6 percent of the Afghan labor force was unemployed. Almost one in every four people participating in the labor market, or 1.9 million individuals, are either working less than eight hours per week or do not have a job and are actively looking for one.

Unemployment was particularly severe among youth (27.9 percent) and women (36.8 percent). Nationwide, almost half of the unemployed are below the age of 25 (45.6 percent), reflecting Afghanistan's struggle to create jobs for its growing labor force amidst the economic recession that accompanied the transition phase.

As of 2013-14, approximately 877 thousand youth were unemployed; two-thirds were young men, about 500 thousand, and four in five of these unemployed young men lived in rural areas (Figure 14).

There are stark differences in the education profiles of unemployed youth; while unemployed male youth in urban areas are more likely to be educated-54 percent have secondary education or above-the opposite holds in rural areas, where 54 percent of unemployed male youth have no formal education and 37.1 percent are illiterate.

**Narcotics Exports Keep Growing and
Are *The* Critical Foreign Currency
Earner in the Afghan Economy**

Narcotics

Afghanistan plays a critical role in the global supply of opiates. It is clear that massive U.S. efforts to make major cuts in Afghan production have only had sporadic success and have become less successful with time as Afghanistan has become more dependent on opiate exports as a key source of income and hard currency. It is also clear from UNDOC and SIGAR reporting that weather, plant diseases, and demand have been far more important in determining the size of the opium crop than efforts at eradication and persuading farmers to find substitute crops.

The metrics in this section highlight both the growth of opium production and the issues surrounding its role in shaping Afghan macroeconomics. The work by SIGAR on this subject is particularly important because it indicates that opium is a major source of Afghan economic growth, and is Afghanistan's most important export. It also shows a high correlation between opium production and Taliban control and influence and indicates that opium plays a key role in financing the war as well as in areas where power brokers still operate with some degree of independence from the central government.

The importance of opium has been understated in the past because international bodies like the World Bank and IMF did not fully assess the impact of opium on the Afghan economy, and because various estimates of the value of the crop focused on farm gate prices rather than the massive rise in income and profits once the product left the farm — and particularly after it was processed. It also took time to realize how important opium income was becoming to the Taliban, and there is still a tendency to ignore how important opium is as cause of corruption and income to Afghan power brokers and officials in the Afghan government and security forces.

SIGAR on Narcotics and the Economy: July 30, 2019

...Largely as a result of Afghanistan's drought, global production of opium fell by some 25% in 2018, reversing the upward trend of the past two decades, according to the United Nations Office on Drugs and Crime (UNODC) 2019 *World Drug Report* released in June. Opium prices in Afghanistan also fell rapidly between 2016 and 2018, likely from overproduction in previous years, making the crop less lucrative for farmers, the report said.

...Total U.S. appropriations for counternarcotics activities in Afghanistan now exceed \$9 billion. Nevertheless, Afghanistan remains the largest global producer and cultivator of opium-poppy, accounting for 82% of the world's production: 263,000 hectares were cultivated in 2018 and potential opium production reached 6,400 metric tons. (A hectare is about 2.5 acres; a metric ton is about 2,200 pounds.) More than two-thirds of opium production in the country continues to take place in southern Afghanistan, most notably in the provinces of Helmand (52% of the total) and Kandahar (9%)

...Opium-poppy cultivation provided employment for as many as 507,000 Afghans in 2018, making the industry one of the country's largest employers, according to a May 2019 paper from the Afghanistan Research and Evaluation Unit (AREU). Since 2002, USAID has disbursed more than \$2.2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production....

...The U.S. government is holding talks with the Taliban and laying the groundwork for an intra-Afghan dialogue on a peace agreement. SIGAR's *High-Risk List* released in March 2019 raised questions about the state of counternarcotics efforts in the event of a peace settlement, as a peace accord would not necessarily translate to a reduction in the country's illicit narcotics trade or opium-poppy cultivation. Afghan drug-trade expert David Mansfield notes that discussions surrounding peace and reconciliation largely overlook the economic impact of the country's illegal drug trade. Opium poppy is the country's most valuable cash crop, valued at \$863 million, and the largest industry, employing over 500,000 individuals. Assuming that the Taliban will repeat their 2000 opium-poppy cultivation ban in areas under their control once a peace deal is reached fails to address the complex issues and risks to a political settlement, according to Mansfield. He adds, experience shows that bans are short-lived, ineffective, and destabilizing.

According to Mansfield, the political situation in provinces where drugs are produced includes multiple armed groups, some with members holding positions in the provincial and central government, vying for control over revenues. Therefore, solutions focusing on drug prohibition, regulation, or controlled counternarcotics interventions, like alternative development, are inadequate. The Taliban has not said it would support a ban on opium in the event of a peace settlement and the current Taliban movement is also fragmented, so they're unlikely to be able to successfully enforce an opium ban is also unlikely. Further, Taliban commanders would face resistance from local farmers. Many areas of the country where the crop is concentrated have few alternatives to opium-poppy cultivation.

....The United States has invested over \$10 billion since the start of Plan Colombia in 1999 on improving security, disrupting the drug trade, and combating criminal networks in Colombia. Besides law-enforcement efforts, Plan Colombia also featured crop substitution and alternative development in rural areas to reduce coca cultivation. Though coca cultivation decreased after the agreement went into effect, UNODC recently reported that criminal groups have moved in to fill the vacuum and expanded cultivation in areas previously controlled by FARC. In 2018, INL reported that coca cultivation and production in Colombia exhibited "extraordinary growth ... over the past three years."

...The security situation remains poor, often hindering the access of government forces to extensive areas where opium is grown, and where drug products are trans-ported, processed, and sold. During the quarter, most interdiction activities occurred in the southwest region. These events included routine patrols, cordon and search operations, vehicle interdictions, and detention operations. Seizures from Afghan combined operations are listed in Table 3.36.

Though the performance and capacity of Afghan specialized units has improved over the years, the number of seizures and arrests they conduct have minimal impact on the country's opium-poppy cultivation and production. For example, cumulative opium seizure results since the start of the reconstruction effort amount to approximately 8% of the country's 6,400 metric tons of opium production as reported by UNODC for 2018.

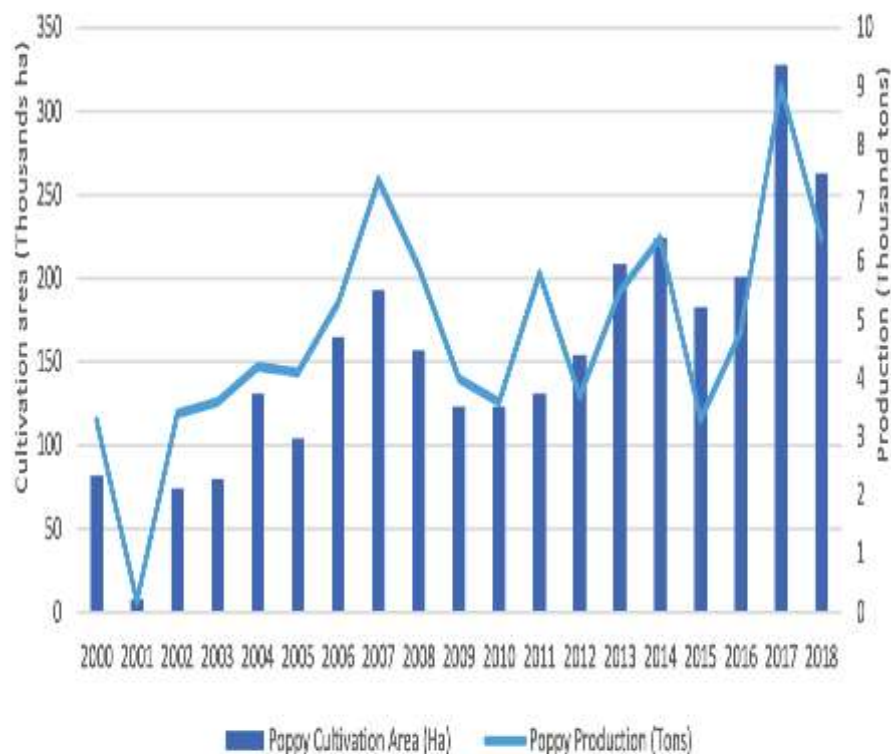
World Bank on Opium and the Economy: July 2019

Opium production dropped from its peak in 2017. The UNODC (United Nations Office on Drugs and Crime) estimated that overall production declined to 6,400 tons in 2018 from 9,000 tons in 2017—a decline of 29 percent. Decreased opium production is mainly attributed to severe drought and declining farm-gate prices. Land under opium cultivation shrank by about 20 percent, notably in the northern and western regions that were heavily affected by drought conditions. Its cultivation remained concentrated in southern (69 percent) and western regions (12 percent), followed by eastern (8 percent) and northern (7 percent) regions. Average farm-gate price dropped by 39 percent for dry opium and by 42 percent for fresh opium at harvest time, reflecting high supply from the 2017 season. Although lower than the previous year, the current level of opium production is the second highest since 1994.

The total farm gate value of opium, which represents the total income generated for the farmers, reached US\$0.6 billion in 2018—equivalent to around 3 percent of GDP. Due to the record-low farm gate prices and reduced production, the total farm gate value of opium production declined by 56 percent from US\$1.4 billion (around 7 percent of GDP) in 2017. The UNODC estimated that the value added from the processing of opium and the exports of opiates was in the range of US\$2.6-4.8 billion in 2017. This amounted to 13-24 percent of the 2017 GDP, while licit agriculture remained at around 18 percent of GDP. While the overall size of the opium economy is estimated to have shrunk in 2018 along with the declining farm gate value, the opium economy could expand again in 2019 with improving weather conditions and continued declines in alternative sources of livelihood.

Opium production dropped in 2018, from its peak in 2017

Opium cultivation area and production



Sources: UNODC

The Macroeconomics of Narcotics

CONTRASTING MACROECONOMIC OBSERVATIONS, INCLUDING AND EXCLUDING THE OPIUM ECONOMY	
Observation Including the Opium Economy	Observation Excluding the Opium Economy
Afghanistan's 2017 economic growth rate was a robust 7.2%.	Afghanistan's 2017 economic growth rate was a modest 2.7%.
Depending on the level of opium exports, Afghanistan's 2017 merchandise trade deficit may have been between zero and \$2.3 billion.	Afghanistan's merchandise trade deficit in 2017 was \$6.3 billion.
Afghanistan's real growth rate in 2015 was -2.4%. By 2017, it had risen to 7.2%, an average annual growth rate increase of nearly five percentage points.	From 2015–2017, Afghanistan's economic growth rate gradually rose from 1.0% to 2.7%.

Source: IMF, *Fourth Review Under The Extended Credit Facility Arrangement, Request For Modification Of Performance Criteria, And Request For Extension And Rephasing Of The Arrangement*, 11/20/2018, p. 23; NSIA, *Afghanistan Statistical Yearbook 2017–2018*, p. 110; UNODC, *Afghanistan Opium Survey 2017: Challenges to Sustainable Development, Peace and Security*, 5/2018, p. 14; NSIA, *Afghanistan Statistical Yearbook 2016–17*, 5/10/2017, p. 163; NSIA, *Afghanistan Statistical Yearbook 2015–16*, 5/31/2016, p. 139; SIGAR analysis.

Any presentation or analysis of Afghanistan's economic output (and by extension its growth rate) without accounting for the opium trade provides an incomplete picture of the Afghan economy. By value, opium poppy is the most important crop in Afghanistan, generating between \$4–6.5 billion of potential exports in 2017—the equivalent of 20–32% of Afghanistan's licit GDP—according to the United Nations Office on Drugs and Crime (UNODC).⁵⁴⁰

The drug trade's impact on the political economy of Afghanistan has been deeply corrosive. Corruption associated with the opium economy undermines state legitimacy and public institutions, particularly in the security and justice sectors.⁵⁴¹ Opium production has also directly worked against security goals by financing insurgent groups.⁵⁴²

Nevertheless, from a purely economic perspective, it has also brought significant benefits, supporting Afghanistan's *balance of payments* and bolstering *aggregate demand* (although it does not directly contribute to Afghan government revenues).⁵⁴³ Additionally, from a livelihoods perspective, opium-poppy cultivation can substantially impact rural households through both employment and increased purchasing power.⁵⁴⁴ According to the UNODC, opium-poppy weeding and harvesting provided up to 354,000 jobs in rural areas in 2017.⁵⁴⁵ In poppy-growing areas, opium has a strong *multiplier effect*, creating secondary jobs as farmers accrue capital to spend on food, medical care, and other consumer products.⁵⁴⁶

Setting aside the various ways in which it undermines the Afghan state, the opium economy's sheer size renders it highly relevant to assessments of Afghanistan's economic performance. However, the World Bank, IMF, and others exclude the value of opium production from their reported GDP estimates, as SIGAR has reported previously.⁵⁴⁷ In contrast to these multi-lateral institutions, since 2015–2016, Afghanistan's National Statistics and Information Authority (NSIA) has reported the country's GDP and GDP growth rates with two figures: one that includes, and one that excludes the opium economy.⁵⁴⁸ Due to what the UNODC described as "record-high" opium production in 2017, Afghanistan's total economy, including the opium sector, grew by a robust 7.2% in 2017, according to the NSIA, compared to 2.9% excluding opium.⁵⁴⁹ More or less in line with the NSIA's licit growth estimate for 2017, the IMF and the Bank reported that Afghanistan's growth rate in 2017 was 2.7%.⁵⁵⁰

While visiting Kabul this quarter, SIGAR's Research and Analysis Directorate asked USAID's Office of Economic Growth whether it accounts for opium in evaluating the performance of Afghanistan's economy. Despite the potential for the inclusion of opium to generate contradictory conclusions about Afghanistan's growth and trade picture, OEG stated it does not, claiming that opium statistics are speculative.⁵⁵¹ But the extent to which opium-related economic figures are actually speculative, relative to other economic data from Afghanistan is debatable. One economic expert on Afghanistan—a former World Bank economist—wrote in 2008, "data on the opium economy are generally no worse, and in many respects better, than the data available on the rest of Afghanistan's economy."⁵⁵² While this statement may be dated, the World Bank readily compares the size of the opium economy with the size of the licit agricultural economy in its most recent (August 2018) macroeconomic update on Afghanistan, implying data quality equivalency (though again, the Bank does not incorporate the opium economy into its GDP estimates and projections for Afghanistan).⁵⁵³ On the topic of licit economic figures, the IMF said in May 2018, "Data provision has significant shortcomings, hampering evidence-based policy decisions. The national accounts, the BOP, *CPI*, and inter-sectoral consistency are areas of concern."⁵⁵⁴ In other words, poor data quality pervades many areas of the licit macroeconomy.

The opium economy contracted in 2018: due to high levels of supply that resulted in price reductions, income earned by farmers fell from an estimated \$1.4 billion in 2017 to just over \$600 million in 2018—a 56% reduction, according to the UNODC.⁵⁵⁵ The UNODC added that the area under opium-poppy cultivation declined by 20% in 2018, year-on-year—a decrease of approximately 65,000 hectares—driven in part by the ongoing drought.⁵⁵⁶ Nonetheless, the estimated 2018 figure of 263,000 hectares was the second-highest number recorded since systematic monitoring began in 1994.⁵⁵⁷ Opium, in other words, is not going away. Ultimately, the significance of narcotics to Afghanistan's economy is far from speculative and is likely to complicate assessments of Afghanistan's macroeconomy for years to come.

Key UNDOC 2018 Narcotics Survey Results - I

Fact sheet – Afghanistan opium survey 2018

	2017	Change from 2017	2018
Net opium poppy cultivation (after eradication)	328,000 ha (301,000 - 355,000)	-20%	263,000 ha (242,000 - 283,000)
Number of poppy free provinces ¹	10	0%	10
Number of provinces affected by poppy cultivation	24	0%	24
Eradication	750 ha	-46%	406 ha
Average opium yield (weighted by cultivation)	27.3 kg/ha	-11%	24.4 kg/ha
Potential production of opium	9,000 mt (8,000 - 10,000)	-29%	6,400 mt (5,600 - 7,200)
Average farm-gate price (weighted by production) of fresh opium at harvest time	US\$ 131/kg	-42%	US\$ 76/kg
Average farm-gate price (weighted by production) of dry opium	US\$ 155/kg	-39%	US\$ 94/kg
Total farm gate value of opium production	US\$ 1.4 billion	-56%	US\$ 0.6 billion

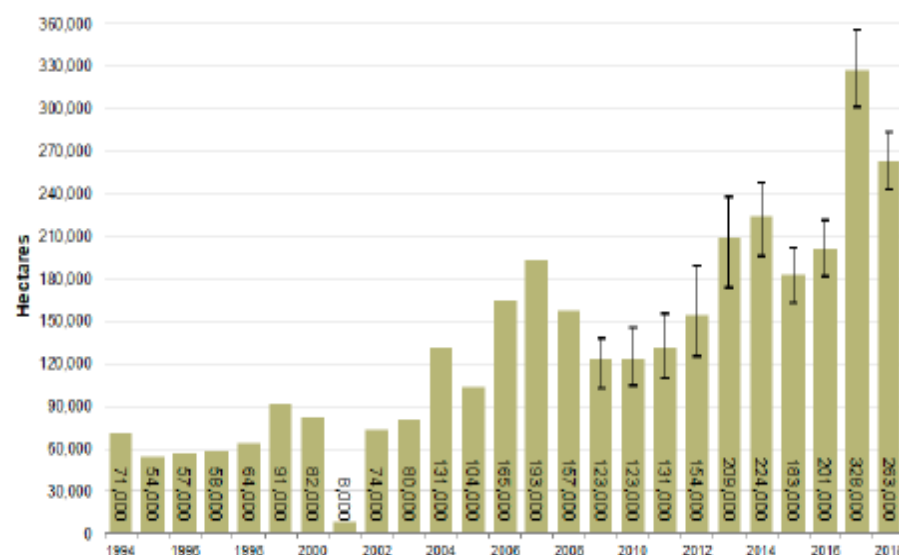
Area under opium poppy cultivation decreased by 20% since 2017 but remains at very high levels

The total opium poppy cultivation area in Afghanistan was estimated at 263,000 (242,000 – 283,000) hectares in 2018, a 20% or 65,000 hectares decrease compared to the previous year. It is the second highest measurement since the beginning of systematic opium poppy monitoring and recording in 1994. The level of 2018 exceeds the third highest level of 2014 by 17% or 39,000 hectares.

Opium poppy cultivation decreased by some 24,000 hectares (-56%) in the Northern region, by 23,200 hectares (-43%) in the Western region and by 15,000 hectares (-8%) in the Southern region. The strong decreases in the Northern and parts of the Western regions were mainly attributed to the adverse effects of a drought.

Most of the opium poppy cultivation took place in the Southern region (69%), followed by the Western region (12%). The Eastern and Northern regions accounted for 8% and 7% of total cultivation, respectively. The North-eastern and Central regions together accounted for 4% of the total cultivation.

Opium poppy cultivation in Afghanistan, 1994-2018 (Hectares)



Sources: MCN/UNODC opium surveys 1994-2018. The vertical lines represent the upper and lower bounds of the 95% confidence interval. The purple line represents the average farm-gate price without inflation adjustment, the orange line the farm-gate price after inflation adjustment.

Potential opium yield and production decreased in 2018, reducing the potential amount of heroin produced from Afghan opium

Potential opium production was estimated at 6,400 (5,600 – 7,200) tons in 2018, a decrease of 29% from its 2017 level (9,000 tons). The decrease in production was due to decreases in area under opium poppy cultivation and opium yield per hectare.

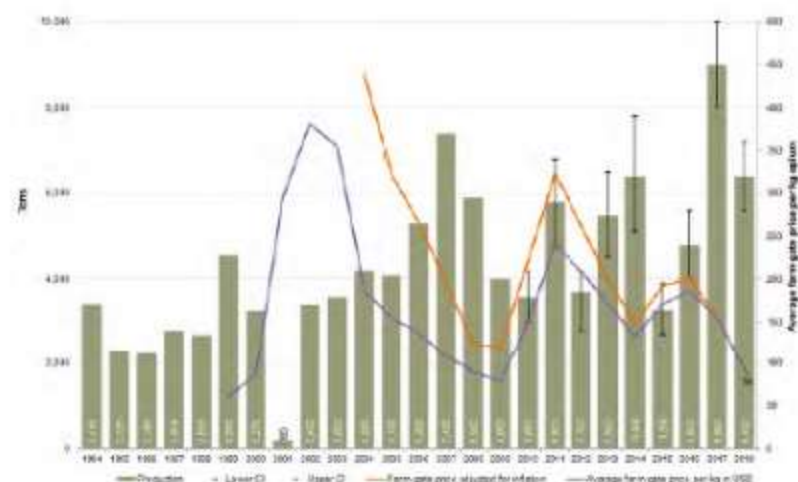
The average opium yield in 2018 was estimated at 24.4 kilograms per hectare, which was 11% lower than in 2017. Yields in the Central, Eastern and Northern regions decreased notably by 47%, 29% and 19% respectively. Yields decreased by 8% in the Southern region and remained stable in the Western and North-eastern regions.

The Southern region continued to produce most of the opium in Afghanistan (68% of national production), followed by the Western (11%), Eastern and Northern regions (8% each). The North-eastern and Central regions accounted for 5%.

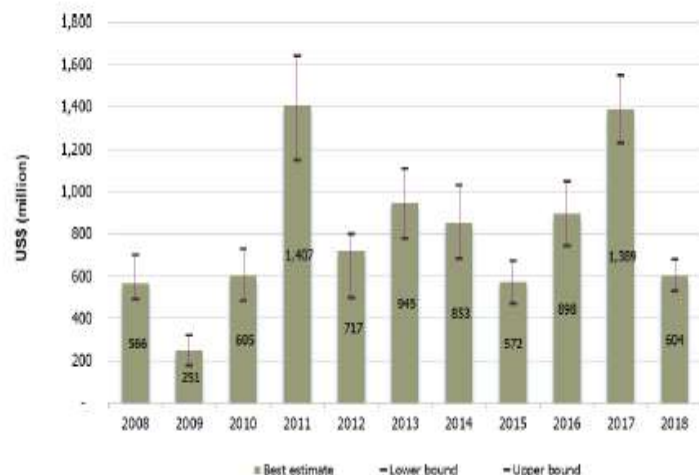
After accounting for consumption of raw opium in the region of Afghanistan and neighbouring countries, it can be estimated that 5,000 to 5,300 tons of opium are potentially available for heroin production in and outside of Afghanistan. This can potentially yield some 360 to 610 tons of heroin of export quality (between 50 and 70 per cent purity) or 250 to 300 tons of pure heroin base.

Key UNDOC 2018 Narcotics Survey Results - II

Potential opium production in Afghanistan and average farm-gate prices of opium, 1994-2018 (mt, US\$/kg opium)



Farm-gate value of opium production in Afghanistan without inflation adjustment, 2008-2018 (Million US dollars)



At 263,000 hectares, the area under opium poppy cultivation decreased by 20% when compared to 2017. This decrease can be attributed to an heavy drought in the Northern region and parts of the Western region, and possibly to low and decreasing prices in regions less affected by the drought. Remote sensing data of the Northern region and Badghis (Western region) showed that crops failed at major scale in rain-fed land due to less and late rain. Irrigated areas were also affected, since reduced snow fall in the winter restricted the water available for irrigation in spring. The impact of the drought on opium poppy cultivation appeared to be limited in the Southern region. Here the moderate reduction in opium poppy cultivation could be potentially linked to the low and continuously falling opium prices.

The area under opium poppy cultivation remained at very high levels in 2018 (it is the second highest level since beginning of the monitoring), in spite of decreasing prices and a seemingly saturated opium market. Opium poppy has become a crucial component of the Afghan economy that secures the livelihoods of many Afghans who engage in cultivation, work on poppy fields or partake in the illicit drug trade. In rural areas, a considerable share of the population earned income from opium poppy cultivation. In addition to farming households, opium provides daily wage labor to many local and migrant workers hired by farmers. In 2017, opium poppy weeding and harvesting provided for example the equivalent of up to 354,000 full time jobs to rural areas.

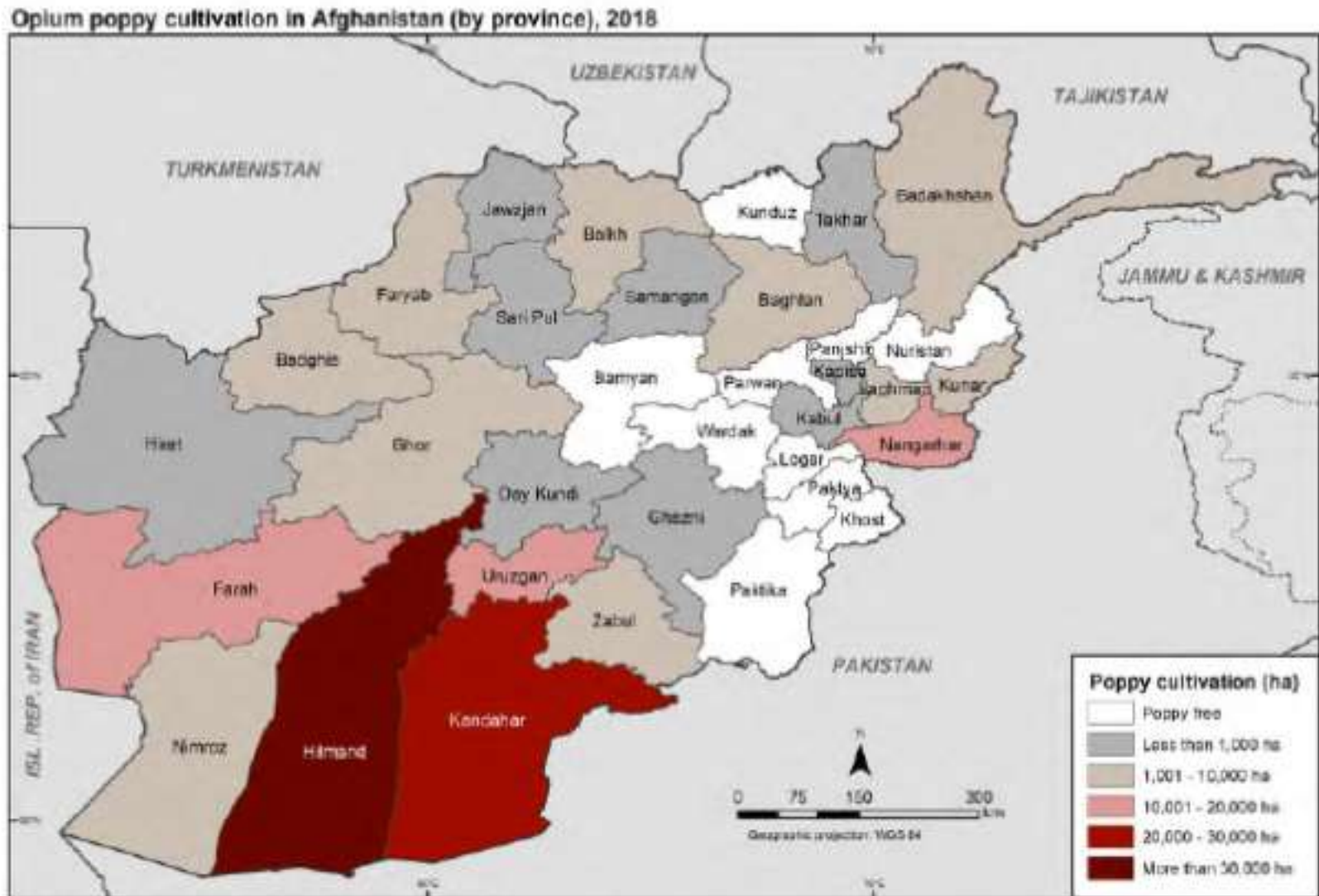
With viable alternatives lacking, many communities - not only farmers - have become dependent on the income from opium poppy to sustain their livelihoods. Afghan farmers continue to grow opium poppy at large scale, even with prices at an all-time low (after adjusting for inflation). This indicates the degree of dependence and the lack of better alternatives to opium poppy.

The continuing improvement of agricultural productivity also plays a role, including the use of solar panels for powering irrigation pumps and fertilizers and pesticides, which may have made opium poppy cultivation increasingly profitable even under unfavorable natural conditions and falling prices. Solar panels for irrigation seem to have replaced diesel pumps in many areas. These panels require a sizable initial investment but have lower running costs than diesel-powered pumps.

There is, however, no single explanation for these continuing high levels of opium poppy cultivation. The multiple drivers are complex and geographically diverse, as many elements continue to influence farmers' decisions regarding opium poppy cultivation. Rule of law-related

challenges, such as political instability, lack of government control and security, as well as corruption, have been found to be among the main drivers of illicit cultivation. Socio-economic drivers also impact farmers' decisions. Scarce employment opportunities, lack of quality education and limited access to markets and financial services continue to contribute to the vulnerability of farmers towards opium poppy cultivation.

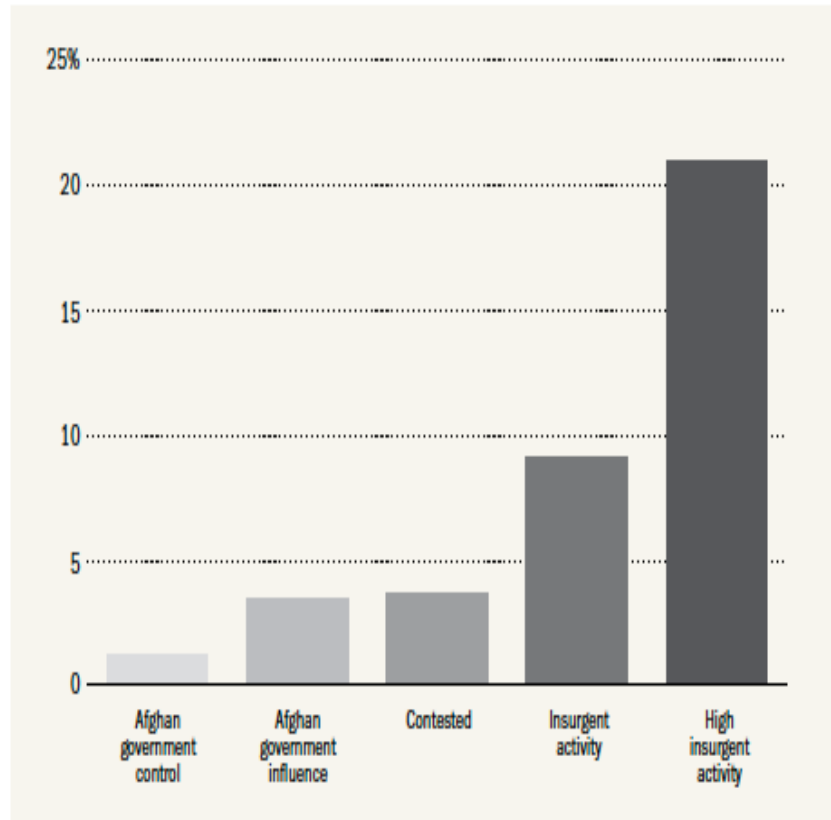
UNDOC Map of Major Opium Production Areas in 2018



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

Control of Narcotics Production

PERCENTAGE OF AGRICULTURE DEVOTED TO OPIUM-POPPY CULTIVATION BY RS-DEFINED DISTRICT CONTROL



Note: Percentages are unweighted averages.

Source: UNODC, *Afghanistan Opium Survey 2018: Cultivation and Production*, 11/2018, pp. 61–68; FAO, *2010 Land Cover Database of the Islamic Republic of Afghanistan* (www.fao.org/geonetwork); RS, response to SIGAR data call, 12/20/2018.

While insurgent activity and high-activity districts account for the majority of opium-poppy cultivation, SIGAR found that only 40% of opium poppy was cultivated in insurgent activity or high-insurgent-districts in 2017; this rose to 48% of opium-poppy cultivation in 2018.⁸¹⁸

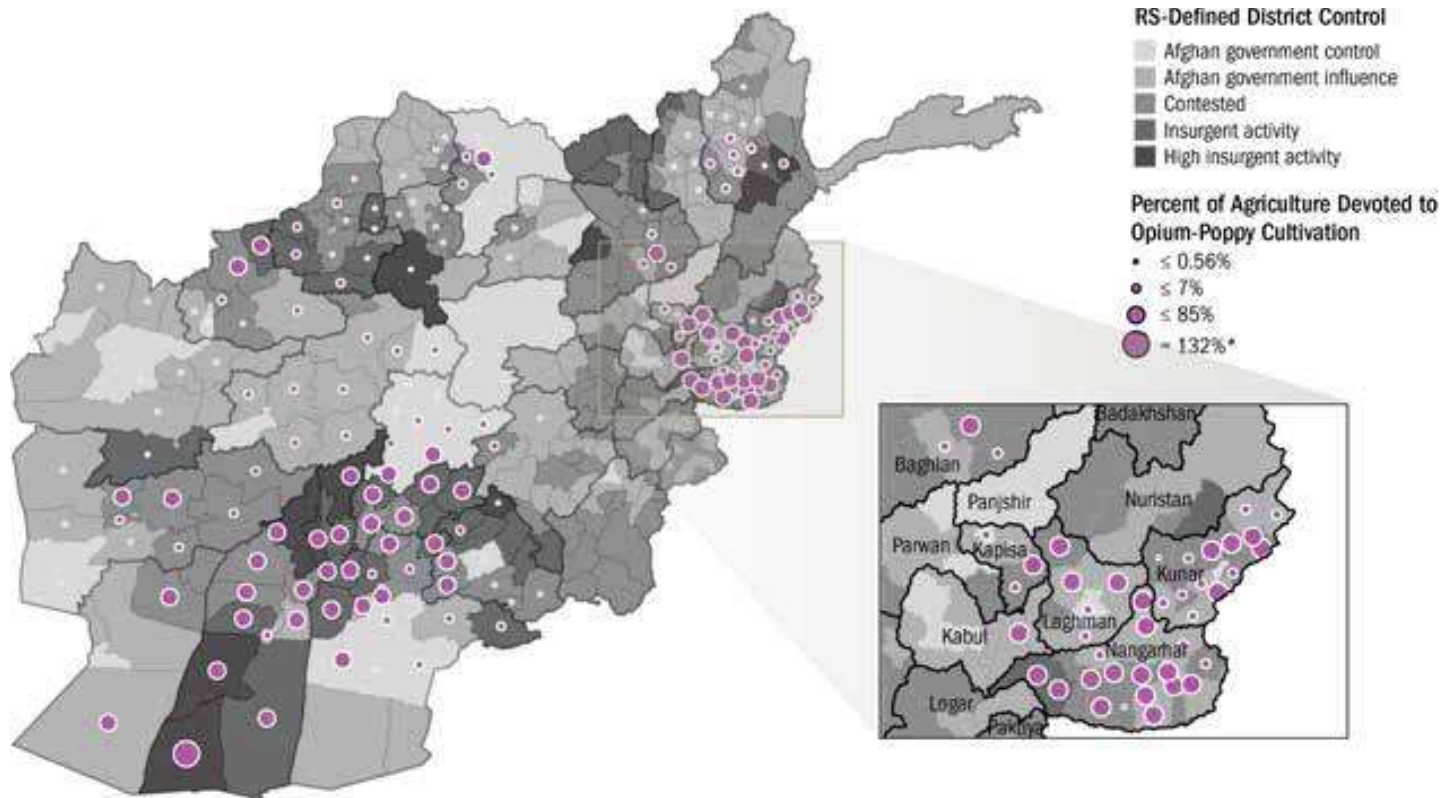
According to the UN Food and Agricultural Organization, Afghanistan has approximately 7.3 million hectares of irrigated or rain-fed agricultural land suitable for cultivating annual crops such as wheat or opium poppy, among others.⁸¹⁹ RS-defined district control data from October 2018 indicates that most agricultural land is in government-influenced districts (145 districts, 2.66 million hectares), followed by contested (138 districts, 2.20 million hectares), government-controlled (74 districts, 1.14 million hectares), insurgent activity (38 districts, 960 thousand hectares), and high insurgent activity districts (12 districts, 374 thousand hectares).⁸¹⁷

If opium-poppy cultivation were spread evenly across agricultural areas, one would expect that the amount of opium poppy cultivated should be highest in government-influenced districts and lowest in high insurgent activity districts because of the disparity in their respective land areas. However, SIGAR found that most opium poppy is cultivated in contested districts (71,973 hectares), followed by insurgent activity (64,481 hectares), high insurgent activity (59,449 hectares), and at the bottom, government-influenced (54,557 hectares), and government-controlled districts (12,130 hectares).⁸¹⁸

The mismatch between expected opium-poppy cultivation and measured opium-poppy cultivation can be explained by the intensity in which high insurgent activity districts cultivate opium poppy. Figure 3.48 on shows that at least 21% of the agricultural area in high insurgent activity districts was planted with opium poppy during the 2018 opium-poppy season. In contrast, only about 1% of the agricultural area in government-controlled districts was sown with opium poppy during the same time period. The remaining control types (insurgent activity, 9%; contested, 4%; and government-influenced, 4%) fall between these two extremes.⁸¹⁹

In short, the agricultural economy in high insurgent activity districts is about 21 times more specialized in opium-poppy cultivation than in government-controlled districts. The cause of this difference is unknown, but likely factors may include security or governance tactics used on all sides, the more rural character of insurgent districts, and varying types of control along the opium-supply chain (opium-poppy cultivation versus opium export).⁸²⁰

Location of Narcotics Production Relative to Control and Influence



Note: The district map was adapted from the 2012 Afghan Geodesy and Cartography Head Office (AGCHO) shapefile that included 399 districts. Adjustments, some approximate, were made to data for districts that were whole in AGCHO's 399-district set but that were split in RS's 407-district set. See R.L. Helms, District Lookup Tool, <https://arcg.is/1b0JGv> accessed 10/14/2018, for differences amongst district sets. This year, UNODC recognized a total of 406 districts in comparison to RS's 407 districts. Efforts were made to fit UNODC districts and cultivation data into RS's districts in the following manner: UNODC recognizes but RS does not recognize Baghlan and Baghlan-i Jadeed (RS includes Baghlan in Baghlan-i Jadeed), Ghormach in Faryab (RS recognizes Ghormach in Badghis), Kohistan in Kapisa (unable to locate Kohistan; district ignored because it had no opium-poppy cultivation), Ali Kahil and Shamul in Paktiya (ignored due to zero opium-poppy cultivation in Paktiya), and Hissai Duwumi in Panjshir (ignored due to zero opium-poppy cultivation in Panjshir). UNODC does not recognize but RS does recognize Marjah in Helmand (UNODC opium-poppy cultivation data split evenly between RS's Nad Ali and Marjah), Dand in Kandahar (all UNODC opium-poppy cultivation data accounted for in RS's Dand instead of Kandahar District), Bad Pash in Laghman (ignored due to zero opium-poppy cultivation in Mehtar Lam from which Bad Pash was separated in 2011), Delaram in Nimroz (a municipality formerly recognized as part of Khash Rod, ignored due to its urban environment), Mirzakah in Paktiya (ignored due to zero opium-poppy cultivation in Paktiya), Abshar in Panjshir (ignored due to zero opium-poppy cultivation in Panjshir), Chinartu in Uruzgan Province (broken off of Tarin Kot, due to the prevalence of agriculture in RS's Tarin Kot, all UNODC opium-poppy cultivation estimates remained in RS's Tarin Kot). In addition to UNODC opium-poppy cultivation estimates and RS-defined district control data, the UN Food and Agricultural Organization's (FAO) 2010 Land Cover Database of the Islamic Republic of Afghanistan was used to determine total district-level irrigated and rainfed agricultural area. To produce the map, SIGAR used ArcGIS Pro 2.2, all layers were projected to UTM 42N, and hectares of opium-poppy cultivation were divided by total district agricultural area to derive a percent of district agriculture devoted to opium-poppy cultivation. The percent of opium-poppy cultivation was then symbolized using the quantile method which produces an approximately equal number of observations per class to facilitate comparative analysis, but the interval of the class must therefore be variable.

*Dishu District in the south of Helmand Province registered a seemingly impossible 132% of agriculture devoted to opium-poppy cultivation. This anomaly is most likely due to a rapid increase in total agricultural area between 2010, when FAO collected its land cover data, and 2018 when UNODC recorded their most recent opium-poppy cultivation estimates. Because the percentage of agriculture devoted to opium-poppy in Dishu was approximately 47% higher than the next highest intensity district, Dishu District was excluded from averages, but Dishu opium-poppy and agricultural land area were included in total area calculations.