Afghanistan: The Uncertain Impact of a Year of Transition

Part One: Civil and Economic Aspects

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Introduction
Putting the Analysis in Context

It has now been a year since U.S. and International Security Assistance Force (ISAF) combat forces formally left Afghanistan at the end of 2014. Previous Burke Chair reports have shown that a wide range of indicators warn that the Afghan government and Afghan forces are losing at many levels. These include trends in politics, governance, economics, and popular support as well as in security.

This report updates those reports to both cover all of 2015 and include a wide range of additional indicators. It shows that there are positive trends and developments as well as negative ones. Changes in the nature and level of outside military support and civil aid, and reform by the Afghan government, could reverse many of the growing problems revealed in this report. At the same time, it provides enough reliable metrics and narratives to raise serious concern about the level of progress in Afghanistan, the mix of civil and military trends that have developed since U.S. and allied forces began to make serious withdrawals, and the broad deterioration of the political, governance, economic, and security situation during 2015.

Giving Equal Emphasis to the Civil and Military Dimensions

One key aspect of the report is that it shows that trends shaping the war in Afghanistan are complex, and that the trends in the civil dimension are at least as important as those in the military one. Any valid picture of what is happening in Afghanistan must go far beyond beyond the tactical issues that are the focus of many military studies and media reports.

This is why the initial sections of the report focus on the civil dimension and the security section emphasizes patterns in casualties and the different estimates of the areas where Taliban and other insurgent influence has grown. Any military report that focuses only on the numbers of tactical clashes and their outcome is fundamentally flawed and misleading and this reflect the state of far too much official command and Department of Defense reporting on the war.

Key Uncertainties and Gaps Remain in the Metrics and Narratives Now Available

At the same time, the report shows that there are serious gaps in virtually every key aspect of the data, and that a comparison of maps, metrics, and narrative reveals many areas of conflict in the data and the way in which its is portrayed. Even with the additional data in the new Burke Chair report, it still impossible to put all of the key variables in their proper context.

There are many areas where reliable data and summary metrics are not available, and where summary maps, graph, and charts do more to reveal key analytic and policy differences than help lead to some clear conclusion about the course of the conflict and the deep political, governance, and economic problems that divide the Afghan civil sector.
There is, however, enough work by the Afghan and other governments, international institutions like the United Nations and World Bank, the Resolute Support Mission, various think tanks and NGOs, and media sources to illustrate both the key trends in post-Transition Afghanistan and many of the key differences in estimates of what has happened since most allied combat force were withdrawn in the course of 2014.

**There Is Still No Meaningful U.S. Strategy for Afghanistan**

The new report reflects the fact that the Obama administration is revising its plans for Afghanistan, extending the military training and assist mission from a planned end in 2016 to well beyond 2017, and gradually adapting the size and nature of U.S. military efforts in Afghanistan to reflect the fact that the various threats to the Afghan government and Afghan forces are gaining in military terms and in their political presence, control, and influence.

Recent press reports explain the reasons why – as do the broad range of security trends and data presented in the second half of this report. For example, an article in the *Washington Post* by Greg Jaffe and Missy Ryan reflects what seems to be the conclusion of many U.S. officers who have been involved in Afghanistan that,

“(Creating) effective Afghan army and police forces will take a generation’s commitment, including billions of dollars a year in outside funding and constant support from thousands of foreign advisers on the ground. ‘What we’ve learned is that you can’t really leave,’ said a senior Pentagon official with extensive experience in Afghanistan and Iraq who like others spoke on the condition of anonymity to describe internal discussions. ‘The local forces need air support, intelligence and help with logistics. They are not going to be ready in three years or five years. You have to be there for a very long time.’...Senior U.S. commanders have also been surprised by al-Qaeda’s resilience and ability to find a haven in the Afghan countryside, as well as the Taliban’s repeated seizure of large tracts of contested territory.”

Nevertheless, the security section of the report also shows that the United States still lacks a clear strategy and plan that can compensate for the divisions and weaknesses in the Afghan government and Afghan forces. It has slowly extended the time it plans to keep its current military mission in country, and seems to be committed to some use of U.S. counterterrorism forces and airpower in combat. It has never, however, clearly shifted from a focus on withdrawal to one based on the real-world conditions in Afghanistan and the region. It has never declared any credible overall strategy for dealing with the Taliban and other hostile elements that make up the insurgent threat to the government.

Simply extending the present train and assist mission without any net assessment of it's the limits imposed by the fact it cannot even cover every Afghan corps – much less directly support Afghan major combat units – or the potential need for U.S. combat airpower -- has not been a real world strategy. It at best may end in being little more than a way of passing responsibility on to the next Administration in the form of a legacy that would become a virtual “poison pill.”
Deep Flaws in Department of Defense Reporting on the Military Dimension

The latest Department of Defense (DoD) 1225 report on the war makes this all too clear. It is entitled *Enhancing Security and Stability in Afghanistan* and was issued in December 2015. The data generally cover 2015 only through the end of October, but this includes the key fighting seasons. (See [http://www.defense.gov/Portals/1/Documents/pubs/1225_Report_Dec_2015_Final_20151210.pdf](http://www.defense.gov/Portals/1/Documents/pubs/1225_Report_Dec_2015_Final_20151210.pdf)

This DoD report provides a frank and useful summary of many of the tactical military problems in the Afghan government and Afghan forces. It makes it clear that the Afghan forces were not ready for the withdrawal of U.S. and other ISAF combat forces at the tactical level, that the divisions in the Afghan government since the 2014 presidential election have had a critical impact in weakening the Afghan military effort, and that the Taliban and other insurgents are making serious gains.

The Department of Defense report also makes it clear, however, that there is no real U.S. strategy for Afghanistan. The report does not describe any plan to try to correct the problems in the Afghan forces, merely ongoing programs and efforts. It also only focuses on the tactical dimension: fighting the insurgents rather than addressing the broader political-military effort necessary to defeat them.

The report does not address the problems in reducing Taliban and other threat areas of influence, and in ending their growing ability to exploit the political and other failures of the Afghan government. In fact, it repeats one of the most consistent problems and failures in U.S. warfighting since Vietnam: A focus on tactical outcomes to the exclusion of the political, ideological, and civil actions of the insurgents. It also lacks any net assessment of the failures in the host country governance and security effort that now enable the Taliban and other insurgents to survive, expand their influence, and move toward victory. As such, the report has value but fails to describe critical aspects of the security situation or present a credible strategy for the future.

No meaningful Report on the Civil Dimension Except for the Special Inspector General for Afghan Reconstruction (SIGAR)

There is, however, a military report. There is no such U.S. government report on the civil dimension. Unlike the pre-Transition 1230 reports to Congress, the State Department and U.S. Agency for International Development (USAID) have no declared strategy at all, do not report on developments, and issue little more than public relations statements and empty generalities. While the current Department of Defense 1225 report may use the word “stability” in its title, it does not address any aspect of stability, and no other U.S. government report shows any indication that there is a broader strategy for the war.

No Effective Afghan Strategy for Afghanistan

In fairness, the primary failures shaping the overall strategy and course of the war in Afghanistan are scarcely American. The United States does not have primary responsibility for Afghanistan. That responsibility lies with the Afghans.
The near paralysis in many aspects of Afghan leadership and governance under Karzai, and then under Afghanistan’s present divided government, have made Afghan failures all too clear as well as the fact that far too many Afghan leaders put the interest of their nation before themselves, their tribe, their faction, or their ethnic group.

President Ashraf Ghani has made attempts to correct this situation, as has Abdullah Abdullah, his uncertain partner and Afghanistan’s CEO. Announcing reform plans does and an October 2016 election, however, do not mean any serious effort has taken place to implement reform or that there is an effective move toward resolving the problems in elections and a divided leadership. It does not mean that the host of Afghan power brokers, warlords, and corrupt leaders that have done so much in the past to weaken the nation have made any serious effort to move toward unity and serve Afghanistan’s people.

If anything, former president Hamid Karzai is still encouraging the Afghanistan’s divisions and problems, and he has more than ample company at every level of politics and governance from Kabulstan down through the provincial level to the district level. No matter how unformed the U.S. effort may now be, it is unclear that any outside effort can help a nation that cannot help itself.

“Losing” Does Not Mean “Lost”

It is important to stress, however, that the growing problems that have emerged since “Transition” do not mean that the war is lost or that Afghanistan cannot achieve both security and stability. The margin of Taliban and other insurgent gains is limited, and the Taliban, ISIS, and other rebel forces have major limitations of their own and are divided. The lack of any coherent U.S. strategy and effective Afghan leadership may well still be correctable.

At the same time, the wide range of problems and issues that emerge from the various maps, graphs, and data shown in this report clearly reflect the fact that Afghanistan remains one of the least-developed countries in the world and that much of the reporting on its “progress” in political, governance, economics, human development, and unity before the withdrawal of U.S. and ISAF forces—and most civil aid efforts—was little more than dishonest political spin.

Afghanistan did make some real progress in some areas during 2002–2014 by Afghan standards, and President Ghani and CEO Abdullah Abdullah seem to have the potential capability to lead. If they and other Afghan figures can become a more effective government, they may still succeed. The Taliban and other insurgent movements are not sufficiently strong, popular, and united to defeat a better organized and focused Afghan and U.S. effort—particularly if other nations can be brought into a better structure for providing outside aid.

Similarly, limited additions in terms of U.S. and allied airpower, and providing an expanded train and assist mission that reached down to the major combat unit level, might still make a decisive difference at an affordable cost and with limited casualties.
Key Lessons of “Failed State” Wars
Analyzing the Afghan Conflict

Making a reliable assessment of all of the challenges now posed by the Afghan conflict is not easy in spite of the wide range of different material presented in *Afghanistan: The Uncertain Impact of a Year of Transition*. As the report shows, the moment different sources are compared, their differences and uncertainties become all too clear. The Afghan conflict has become steadily more complex with time and steadily more difficult to assess.

**A Focus on the Taliban, ISIS, and Insurgents Rather than the Full Range of Threats**

One key problem is the tendency of many military sources to focus almost exclusively on the Taliban and other major insurgent groups. In reality, the enemies like the Taliban are only one of the four real world threats that shape every major insurgency that receives outside aid from any form of alliance or coalition:

**Host Country Government and Security Forces:** Governments almost inevitably create serious internal threats and enemies and their own actions post the most serious threat they face. Truly serious insurgencies are the product of failed states. Authoritarianism, failure to cope with internal divisions, poor governance and corruption, failed economy development and equity, population pressure and youth bulge, repression and violence by internal security forces, traditional and corrupt military.

**Overt “Threats”:** Almost all serious insurgencies do, however, are driven by extremist groups. Even when insurgencies have moderate and/or peaceful beginnings shift to extreme and violent movements that feed on the civil-military divisions and failures of the host country governments. The Taliban, ISIS, Haqqani Network, and other insurgents groups are all now hardline violent Islamist extremists.

**The U.S. Threat to the U.S.:** The U.S. has a long grim history of making the same mistakes in aiding host countries, and has to relearn key aspects of counterinsurgency again and again. It talks about “whole of government,” but separates military (tactical) and civil (project-oriented development) efforts. Its planning and operations are threat oriented and downplay Host Country problems. There is little or no meaningful net assessment or integrated civil-military planning and operations. There are far too many rapid rotations with limited expertise. There is a repeated cycle of initial denial of the seriousness of the threat, followed by a flood of resources, a rush to generate Host country forces, then leaving too soon. The U.S. ends by “taking note” of lessons it then go on to ignore.

**Other Nations:** Other outside powers divide into complex mixes of allies, neutrals, and hostiles. Each develops its own threats to effective action. Coalition operations present the further threat of allied limits to engagement, national caveats, demands; neutral interference for competing national interests, hostile action because anti-U.S., support overt threat, opposing national interests.
Far too much of the analyses and data on the Afghan war now focus only one of these four threats: the size and behavior of enemy forces like the Taliban. In the process, they focus on the tactical course of the fighting, rather than on the factors that allow the insurgent movements to keep on fighting, win more territory, and gain influence and control over the population. They ignore the grim reality that it is the Afghan government that is its own worst enemy in many dimensions of the fighting, and reforms in its conduct and the nature of outside aid need the same attention as the fighting. As Vietnam showed all too clearly, a war that loses the population can makes individual tactical victories irrelevant.

**Impact on Key Failures in USG Approach and Resulting Reporting and Analysis Efforts**

There are obvious dangers in generalizing about the resulting impact of how such failures in the U.S. approaches to conflicts like the war in Afghanistan affect the resulting U.S. official approach to U.S. reporting and analysis, but the U.S. has made many of the same general mistakes in both Afghanistan and Iraq, and they are ones which not only affect its operations but the quality of its reporting and analysis:

- Broad denial of the scale of complexity and the need for net assessment. Focus on hostile forces rather than overall security situation.
- Consistent Lack of meaningful integrated civil-military planning and suitable analysis, reporting, and metrics.
- The U.S. says it will focus on letting them do it their way, and helping them evolve their civil and security systems on their terms, but usually ends in imposing its way in ways that don’t work.
- Money is flooded in ways that feed corruption, waste, and ineffectiveness -- with little accounting and conditionality, and a lack of measures of effectiveness.
- Corruption is seen as a host country failure, and U.S. efforts at dealing with U.S. problems focus on past waste rather than future needs and effectiveness.
- Efforts at improving fiscal management, counter corruption, rule of law, police reform also reflect U.S goals and culture, are not practical in the host country, and often do more harm than good
- The U.S. creates massive headquarters, bases, embassy compounds. Grossly over-staffs them, and increasingly relies on large numbers of poorly supervised and managed contractors.
- U.S. military operations and analysis focus on tactical success, and short-term civil buy offs like CERP, and not on the scale of insurgent influence and control, and the causes of insurgency. “Win, hold, and build” becomes a slogan, but actual operations and reporting focus on temporary tactical “wins.”
• Training of Host country security forces -- and reporting and metrics -- focuses on force generation rather than combat effectiveness. Rush in too late, leave too early; don’t provide combat advisors, erratic programs and funding, lack of conditionality

• The civil side focuses on development metrics with limited regard to a state of war. It pursues illusions of progress, tries to reform everything, and then reverts to project aid that often ignores security and fighting.

• As the war lengthens, and becomes more difficult and uncertain, the policy level comes to focus on spin, and creates a lack of objective analysis and transparency. Congressional review focuses on partisan and member advantage.

• The U.S. does “take note of lessons” after the war, but then fails to really learn from the past.

**A Shift From Fact to “Spin”**

Transition has also had a negative impact on the quality of official reporting. It sharply cut the flow of data from the field beginning in 2014. The withdrawal of most Coalition combat forces from the field took place well before the end of December deadline. In the process, most aid, consular, and nongovernment organizations (NGOs) also had to withdraw.

As a result, the United States and its allies lost access to many sources in the field, had to cut back sharply on official reporting, and sometimes shifted from realistic assessments to public relations exercises that exaggerate success and disguise key challenges or fail to mention them.

Official Afghan reporting has become even more uncertain, and some data often seems to be generated by computer models that make detailed estimates based on only tenuous data collection.

**Strengths and Weaknesses of the Data that Are Available**

The report does shows there are still a wide range of sources that examine key aspects of the fighting and the current situation in Afghanistan. Some European countries have provided assessments of insurgent strength. NGOs like the Institute for the Study of War, and the *Long War Journal* have contributed regular analyses, as have major media sources like the *New York Times*, *Washington Post*, and BBC.

The United Nations still provides casualty and risk data that provide key insights into the fighting. A range of NGOs like Vision of Humanity have provided key data on the patterns of terrorism in Afghanistan and Pakistan, many drawing on the START database as well as their own sources.

Such sources include important survey efforts examining Afghan perceptions by the Asia Foundation and critical data on
population numbers and “youth bulge” issues, and on population density, sectarian, and ethnic issues from the United Nations, CIA, U.S. Census Bureau, and USAID. They also include reporting from a range of experts and NGOs on corruption, narcotics, and human development.

Finally, there are important official sources that examine the causes of instability in Afghanistan. These include data on governance, economics, and aid flows from international bodies like the United Nations, World Bank, and International Monetary Fund (IMF), as well as reporting by the U.S. Special Inspector General for Afghan Reconstruction (SIGAR).

At the same time, many of the data that these sources provide are complex and sometimes contradictory. It is often necessary to extrapolate from a wide range of sources to get even a rough picture of basic trends. In some cases, it is also necessary to ignore or sharply discount given sources simply because they are clearly political in their content or based on models and data sources that are too uncertain to use.

Many of the official sources that do have value also make little serious attempt to define key facts and figures in proper detail or assess their level of uncertainty, which is often “acute” at best.

Both international organizations and governments seem to feel that some of the most critical aspects of analysis—defining one’s terms and stating uncertainty—are not required in official reporting. There often is a clear attempt to avoid controversial or critical data and assessments—effecting “spinning” the outcome of Transition in favorable ways for political purposes.

**Comparing Key Data, Metrics, and Maps**

The report begins by focusing on the civil dimension. The search for security and stability can scarcely ignore the fact that a war is under way, and the Afghan government must win at the tactical level, as well as at the level of defeating the insurgency in ideological, political, and economic terms.

The report is divided into the following sections:

- **Key Lessons of “Failed State” Wars** summarizes key lessons of the fighting and nation-building effort to date, the need to address complexity, both civil and military trends, to provide suitable net assessments, and to focus on all the dimensions of an insurgency rather than the tactical dimension alone—lessons that have not been learned in practice.

- **Uncertain Outside Claims of Success versus Very Different Afghan Perceptions** highlights the fact that many past official claims of success in building up Afghan forces, helping Afghanistan develop, and modernizing and reforming the Afghan government have been exaggerated and uncertain. It is also clear that many and are not supported by either objective reporting or a survey of Afghan popular perceptions by the Asia Foundation — a poll which shows a sharp decline in popular expectations and confidence in the Afghan government.
• **A Nation Under Acute Population Pressure and with Critical Ethnic and Sectarian Divisions** provides detailed tables and comparative charts and maps describing the impact of population growth, Afghanistan's deep ethnic and sectarian divisions, and the impact of its exceptionally young population and youth “bulge” on the need for jobs to maintain stability. It highlights the fact that the pressure on Afghan security and stability are sharply affected by demographics, the “youth bulge,” and Afghanistan deep sectarian, ethnic, and tribal divisions.

• **Key Civil Challenges** provides a detailed analysis of the real world civil challenges that Afghanistan still faces and the extent to which the State Department and USAID have made exaggerated claims of progress and success. It provides metrics on Afghanistan's level of corruption, human development indicators, real world progress in education, and how the Afghan people view such challenges.

• **Uncertain Politics and Large Areas of Failed Governance** highlights the critical problems in the quality of Afghan governance and the political problems that limit public support and trust. The comparison of the trends in World Bank assessments of governance and Asia Foundation survey of Afghan perceptions provide critical warning indicators.

• **The Corruption Challenge** provides equally critical warning data. It shows why many Afghans do not trust their government—a warning reinforced by later data on the broad perception that the Afghan police are corrupt and that there are serious problems in the justice system.

• **The Budget Challenge** warns that the Afghan government faces serious challenges in meeting its goals for raising domestic revenues and remains acutely over-dependent on aid – although it met its 2015 revenue goals and received a $75 million IMF bonus in recognition. It highlights the impact of other data showing the impact of aid and military spending cuts on key quality of budget development and review in terms of Afghan ability to spend the money available, the lack of any estimates of the impact of corruption and waste, and the lack of any reliable estimates on the impact of spending and measures of effectiveness.

• **Economic Challenges** explores the key problems in Afghan economics and development—highlighting World Bank warnings about the impact of the Transition process although the Tokyo reforms have been replaced with SMAF - which were monitored at the SOM in September, and are on track for reporting in Brussels in October.

• **Poverty Challenges** summarizes World Bank and other warnings that Afghan poverty began to increase well before Transition and that popular concerns over income and employment provide valid warnings of discontent.

• **Economic Stability and Development Challenges** warns that Transition has led to serious problems in sustaining development and Afghan perceptions of such progress. It also highlights Afghanistan’s acute dependence on a fragile and
• rain-driven agriculture sector and a service sector that cannot be sustained now that military and aid spending has been sharply reduced.

• **Business, Investment, Mining, and LoC Challenges** warns about the myth of any major near-term wealth or increase in government income from mines, pipelines, outside investment, or concepts like the “New Silk Road.”

• **Narco-Economy Challenges** warns that the counter-narcotics program has been a dismal failure, that drugs are a far more critical aspect of the entire Afghan economy than many sources have been willing to admit, and that estimates based on farm gate prices are inherently ridiculous in a country where power brokering and narco-trafficking interact to create “value added” that goes far beyond farm gate prices and the grower.

• **Warfighting and Violence Challenges** highlights the fact that the “surge” in U.S. forces in Afghanistan failed to have any lasting effect and the levels of violence have grown sharply in the process of Transition. A comparison of the previous civil trends, and overall trends in Afghan perceptions, shows the interaction between civil progress and violence, and that the Transition is not succeeding in its current form.

• The quality of USG reporting in this section is surprisingly poor. The narrative portions of the most recent Department of Defense 1225 report on the war— *Enhancing Security and Stability in Afghanistan*—are far superior to the now almost nonexistent metrics and data provided on the fighting. U.S. official metrics are down to one glaringly meaningless metric on “Effective Enemy Initiated Attacks,” statistics that are undefined, unrelated to their tactical much less the strategic effects, and little more than military rubbish.

• **A Focus on Tactical Outcomes Disguises a Lack of Meaningful Reporting on the Key Impact of the Insurgency: Growing Insurgent Influence and Control and Declining Support for the Government** provides a grim warning that an official U.S. focus on tactical clashes, rather than the relative level of government and insurgent influence and control. It clashes with far more convincing UN data and marks a critical failure in any meaningful and objective analysis of the course of the war, and that a lack of transparency and objectivity present dangerous risks in addressing real world warfighting problems. It is clear that the various assessments made by governments, the United Nations, media, and think tanks are so different that there is a critical need to improve the official data collection and analysis effort. (The estimates made by the Institute for the Study of War [ISW] have become steadily more sophisticated over time, and the actual estimates made by the Institute seem to do a much more accurate job of portraying the complexities involved than the media adaptations of the ISW data.)

• It is striking that aside from one now-dated German map, the most meaningful metrics on the fighting do not come from governments, but rather from the maps provided by NGOs like the Institute for the Study of War and the United Nations, and that the only meaningful trend data on the scale and intensity of the fighting consist of the UN casualty data.
• **Casualty Data** provides relatively reliable data on the trends in violence, as well as important metrics on the fact that the surge in Helmand has proven to be largely a failure and that violence is sharply increasing in the East and North.

• **Declining Afghan Perceptions of Security** provides polling data than warn of serious deterioration in perceptions of security that goes far beyond the kind of assessment made by General Campbell and other official U.S. sources at the end of 2015.

• **Terrorism Challenges** provides a range of estimates on the sharp rise in terrorism in Afghanistan, as well as metrics on these trends relative to those in other areas and countries. The data, however, are based on press reports and not declassified intelligence estimates and raise serious questions about how terrorism should be assessed when the fighting is dominated by insurgency and counterinsurgency.

• **Afghan National Security Forces (ANSF) Strength and Readiness Challenge** provides an overview of the readiness of the Afghan forces and popular sympathy for the Taliban and other insurgents versus support for the Afghan Army and Afghan Police. Here, the narrative excerpts from the Department of Defense 1225 report on the war—**Enhancing Security and Stability in Afghanistan**—provide far more meaningful assessments of actual Afghan combat capability, and the real world problems in given force elements, as well as in the Ministry of Defense (MoD) and Ministry of the Interior (MoI)—than the metrics.

• The additional narratives that are not excerpted and cover each of the following force elements are also far more useful than the metrics and do provide a strong indication that limited improvements in leadership, putting train and assist advisers in major combat units, and providing adequate U.S. and allied air support could make a major difference.

• **Ministry of Defense and Afghan National Army (ANA) Forces and Readiness**: The official metrics here are of very limited value and do more to disguise problems than reveal them. The only useful data are the attrition data, which do not seem particularly reliable. They do, however, warn of a high desertion rate and a force that may be overstressed. Reports of a 27% increase in ANSF casualties in 2015 are not well defined or put in context of efforts to allow forces leave and time to train and regroup, but they are a warning. Like the other readiness data that follow, the lack of detail does not seem driven by security as much as by a desire to avoid added pressure to provide more forces for an adequate train and assist mission.

• **Afghan Air Force vs. U.S. and Allied Air Support** again provides anodyne official data. The public reporting is essentially meaningless. It disguises grave problems in the ANSF data, as well as the critical need for more sustained outside air support from the United States and other allied countries.

• **Afghan Ministry of Interior Forces and Readiness** provides similar data on the MoI and various elements of the police. Once again, the readiness data are largely meaningless and do nothing to illustrate either paramilitary capabilities or the ability to provide a functioning local justice system. Unofficial polling data do highlight broad levels of corruption in the police force, corruption that has extended in the past into much of the MoI and many elements of the Afghan justice system.
• The U.S.-ISAF Force Drawdown and Withdrawal data highlight the problems inherent in cutting forces to meet a deadline, rather than a conditions-based level that reflects Afghan’s progress and continuing needs. New decisions to maintain a significant advisory presence through 2016 may help but cannot correct for the lack of clear plans to extend the train and assist mission to Afghan combat units or provide the necessary level of air support.

• U.S. Civil and Military Aid draws heavily on the work of SIGAR and others to show how critical aid remains, but also that past funding and program stability has been poorly managed and in ways that sharply limit the benefits of such spending. Reporting on the ongoing level of corruption and waste by SIGAR warns that these problems continue, but it is equally clear that rapid cuts could effectively undermine the Afghan Transition effort. The lack of any meaningful data on future plans or effectiveness is striking, as is the lack of any tie between aid and conditionality in actually executing reforms. The total lack of meaningful State Department and USAID reporting is a serious indictment of the quality of senior leadership in both State and USAID. New FY2015 U.S. OCO Budget Data also raise critical issues about the adequacy of future U.S. aid support.

• An Uncertain Pakistan warns that Pakistan remains an ally that is also a threat and continues to play an important role as a sanctuary for insurgents.

A Cautionary Note

This is a working paper and will be revised over time. Comments, corrections, and additional material will be gratefully received. More broadly, any summary of this kind presents several serious problems. It often presents data that were never designed for direct comparison, takes them out of context, and does not provide the narrative behind the data shown, which is critical to a full understanding.

It is a guide to issues that need further study and examination and that have a critical impact on the course of the fighting and Transition, but it is not in any sense a definitive analysis. It also only represents material that is public and unclassified; the selection is the author’s, and so are the judgments made about the data presented.

The practical problem, however, is that some base is needed to provide an overview of the data available, its limits and differences, and how broad comparisons of the full range of factors shaping Transition can be displayed and sometime quantified. It is also all too clear that such a comparison often highlights critical problems in past decision making and areas that urgently need more policy-level attention.

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• The civil side focuses on development metrics with limited regard to a state of war. It pursues the illusion of progress, tries to reform everything, and then reverts to project aid that often ignores security and fighting.

• As the war lengthens, and becomes more difficult and uncertain, the policy level comes to focus on spin, and creates a lack of objective analysis and transparency. Congressional review focuses on partisan and member advantage.

• U.S. does “take note of lessons” after the war, but then fails to really learn from the past.
The Four “Threats” That Drive Serious Terrorism and Insurgency (In Order of Priority)

1. **Host Country Government and Security Forces**: Governments almost inevitably create serious internal threats and enemies and their own actions post the most serious threat they face. Truly serious insurgencies are the product of failed states. Authoritarianism, failure to cope with internal divisions, poor governance and corruption, failed economic development and equity, population pressure and youth bulge, repression and violence by internal security forces, traditional and corrupt military.

2. **Overt “Threats”**: Almost all serious insurgencies do, however, are driven by extremist groups. Even when insurgencies have moderate and/or peaceful beginnings shift to extreme and violent movements that feed on the civil-military divisions and failures of the host country governments. The Taliban, ISIS, Haqqani Network, and other insurgents groups are all now hardline violent Islamist extremists.

3. **The U.S. Threat to the U.S.**: The U.S. has a long grim history of making the same mistakes in aiding host countries, and has to relearn key aspects of counterinsurgency again and again. It talks about “whole of government,” but separates military (tactical) and civil (project-oriented development) efforts. Its planning and operations are threat oriented and downplay Host Country problems. There is little or no meaningful net assessment or integrated civil-military planning and operations. There are far too many rapid rotations with limited expertise. There is a repeated cycle of denial, followed by a flood resources, a rush to generate Host country forces, then leaving too soon. The U.S. ends by “taking note” of lessons it then go on to ignore.

4. **Other Nations**: Other outside powers divide into complex mixes of allies, neutrals, and hostiles. Each develops its own threats to effective action. Coalition operations present the further threat of allied limits to engagement, national caveats, demands; neutral interference for competing national interests, hostile action because anti-U.S., support overt threat, opposing national interests.
Uncertain Outside Claims of Success versus Very Different Afghan Perceptions
The Uncertain State of “Progress”

- UN Human development data reflect progress, but also serious limits to that progress, and input data are very uncertain.
- World Bank estimates poverty increasing.
- Security remains a key problem.
- Far too much US, NGO, and other reporting accepts “best case” estimates and polls without validating data or methodology.
- Data on Progress in life expectancy, education, medical services raise major questions about quality of data.
- Critical near term challenges in revenues, job creation, electric power, agriculture, and roads.
- Need to maintain and recover. No major near-term development options before 2020.
- More than a decade of war has gone on with no meaningful estimates of the effectiveness of aid and only suspect accounting.
- Military and aid spending has often been driving factors in increase in corruption and distorting economy to dependence on outside spending.
## ISAF/RS Contributions

### Infrastructure [Slides 25-28]

<table>
<thead>
<tr>
<th></th>
<th>Taliban 2001</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadways/Paved Roads</td>
<td>18,000km/60 km</td>
<td>42,150km/1 2,350km</td>
</tr>
<tr>
<td>Access to Reliable Electricity</td>
<td>6%</td>
<td>28%</td>
</tr>
<tr>
<td>TV/Radio Stations</td>
<td>None/3</td>
<td>50/150</td>
</tr>
<tr>
<td>Internet Users</td>
<td>None</td>
<td>6,000,000+</td>
</tr>
<tr>
<td>Cell Phone Subscribers</td>
<td>25,000</td>
<td>22,000,000+</td>
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</table>

### Vehicles & Equipment [Slides 18-20]

<table>
<thead>
<tr>
<th></th>
<th>Taliban 2001</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Aircraft</td>
<td>51</td>
<td>106</td>
</tr>
<tr>
<td>Ground Fighting Vehicles</td>
<td>600</td>
<td>21,017</td>
</tr>
<tr>
<td>Ground Support Vehicles</td>
<td>UNK</td>
<td>81,141</td>
</tr>
<tr>
<td>Howitzer</td>
<td>UNK</td>
<td>176</td>
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</tbody>
</table>

### Human Capital [Slide 24]

<table>
<thead>
<tr>
<th></th>
<th>Taliban 2001</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools</td>
<td>1,000</td>
<td>14,000+</td>
</tr>
<tr>
<td>Teachers</td>
<td>20,000</td>
<td>186,000+</td>
</tr>
<tr>
<td>Students in Primary &amp; Secondary Schools % Who Are Females</td>
<td>&lt;900,000 (&lt;900,000)</td>
<td>8 M+ (36%)</td>
</tr>
<tr>
<td>Students Enrolled in Universities</td>
<td>UNK</td>
<td>150,000+</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>12%</td>
<td>39%</td>
</tr>
</tbody>
</table>

### Indicators of Progress [Slides 5-6, 21-23]

<table>
<thead>
<tr>
<th></th>
<th>Taliban 2001</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (USD per Capita)</td>
<td>$186.00</td>
<td>$688.00+</td>
</tr>
<tr>
<td>Access to Clean Water</td>
<td>22%</td>
<td>64%</td>
</tr>
<tr>
<td>Passenger Cars (p/1000)</td>
<td>0.5</td>
<td>20</td>
</tr>
<tr>
<td>Commercial Overflights &amp; Landings (Daily)</td>
<td>None</td>
<td>756</td>
</tr>
<tr>
<td>Refugees</td>
<td>&gt;3.5 M</td>
<td>&lt;2.7 M</td>
</tr>
<tr>
<td>Healthcare Access/Facilities</td>
<td>9%/498</td>
<td>60%/2507</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>43</td>
<td>64</td>
</tr>
</tbody>
</table>
Major Declines in Perception Things Are Going Right: North, Northwest, and East

The regions of the country that report the lowest levels of optimism are the Central/Kabul (27.8%) and North West (30.5%) regions. Of all regions in Afghanistan, these two regions also experienced the greatest decrease in optimism since 2014. Within these regions, the provinces that experienced the greatest declines are Farah (down 35.2 percentage points to 28.9%), Kabul (down 32.3 percentage points to 22.5%), Sari-i-Pul (down 30.7 percentage points to 23.4%), and Nangarhar (down 30.3 percentage points to 30.0%). Notably, these provinces were among those that reported the highest rates of optimism in 2014. This year, the provinces that report the highest levels of optimism about the overall direction of the country are Helmand (62.1%), Khost (58.7%), and Paktika (54.7%).

Security and Economy as Key Reasons Things Are Going Wrong

### Declining Confidence in Security versus Other Causes

#### REASONS FOR RIGHT DIRECTION: BY YEAR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>GOOD SECURITY</td>
<td>31</td>
<td>34</td>
<td>39</td>
<td>44</td>
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<td>39</td>
<td>41</td>
<td>24</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>RECONSTRUCTION / REBUILDING</td>
<td>21</td>
<td>39</td>
<td>32</td>
<td>36</td>
<td>35</td>
<td>40</td>
<td>35</td>
<td>33</td>
<td>36</td>
<td>32</td>
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<tr>
<td>SCHOOLS FOR GIRLS HAVE OPENED</td>
<td>16</td>
<td>19</td>
<td>19</td>
<td>21</td>
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<td>10</td>
<td>13</td>
<td>12</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>PEACE / END OF THE WAR</td>
<td>29</td>
<td>16</td>
<td>21</td>
<td>9</td>
<td>12</td>
<td>7</td>
<td>7</td>
<td>7</td>
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<td>11</td>
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<tr>
<td>HAVING ACTIVE ANA AND ANP</td>
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<td>7</td>
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<td>7</td>
<td>6</td>
<td>11</td>
<td>13</td>
<td>12</td>
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<td>10</td>
</tr>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
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<td>5</td>
<td>6</td>
<td>10</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>DEMOCRACY / ELECTIONS</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>10</td>
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<td>3</td>
<td>3</td>
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#### REASONS FOR RIGHT DIRECTION: BY REGION

<table>
<thead>
<tr>
<th></th>
<th>CENTRAL / KABUL</th>
<th>EAST</th>
<th>SOUTH EAST</th>
<th>SOUTH WEST</th>
<th>WEST</th>
<th>NORTH EAST</th>
<th>CENTRAL / HAZARAJAT</th>
<th>NORTH WEST</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONSTRUCTION / REBUILDING</td>
<td>32</td>
<td>25</td>
<td>28</td>
<td>24</td>
<td>32</td>
<td>42</td>
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<td>39</td>
</tr>
<tr>
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<td>34</td>
<td>23</td>
<td>31</td>
<td>40</td>
<td>27</td>
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<td>DON'T KNOW</td>
<td>16</td>
<td>6</td>
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<td>17</td>
<td>12</td>
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<td>8</td>
<td>6</td>
<td>9</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>HAVING ACTIVE ANA AND ANP</td>
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<td>16</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>7</td>
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<tr>
<td>IMPROVEMENT IN EDUCATION SYSTEM</td>
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<td>21</td>
<td>6</td>
<td>6</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>SCHOOLS FOR GIRLS HAVE OPENED</td>
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<td>12</td>
<td>8</td>
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<td>3</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

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

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

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

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

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

### Biggest Problems: National Level by Region

<table>
<thead>
<tr>
<th></th>
<th>Central/Kabul (%)</th>
<th>East (%)</th>
<th>South East (%)</th>
<th>South West (%)</th>
<th>West (%)</th>
<th>North East (%)</th>
<th>Central/Hazarajat (%)</th>
<th>North West (%)</th>
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<tbody>
<tr>
<td>Insecurity</td>
<td>55</td>
<td>47</td>
<td>41</td>
<td>28</td>
<td>38</td>
<td>40</td>
<td>53</td>
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<tr>
<td>Corruption</td>
<td>17</td>
<td>26</td>
<td>25</td>
<td>36</td>
<td>24</td>
<td>26</td>
<td>18</td>
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<td>Unemployment</td>
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<td>16</td>
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<td>31</td>
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<tr>
<td>Poor Economy</td>
<td>13</td>
<td>20</td>
<td>14</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>14</td>
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<tr>
<td>Education</td>
<td>4</td>
<td>6</td>
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<td>10</td>
<td>5</td>
<td>4</td>
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<tr>
<td>Taliban</td>
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<td>10</td>
<td>4</td>
<td>7</td>
<td>6</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Poverty</td>
<td>7</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>6</td>
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<td>8</td>
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</table>

### Biggest Problems: Local Level

<table>
<thead>
<tr>
<th>Problem</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Unemployment</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Security Issues / Attacking / Violence</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Electricity</td>
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<tr>
<td>Roads</td>
<td>18</td>
<td>18</td>
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<tr>
<td>Water</td>
<td>16</td>
<td>17</td>
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<tr>
<td>Education / Schools / Literacy</td>
<td>12</td>
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<tr>
<td>Health Care / Clinics / Hospitals</td>
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</table>

## Biggest Problems Facing Youth

<table>
<thead>
<tr>
<th></th>
<th>CENTRAL / KABUL</th>
<th>EAST</th>
<th>SOUTH EAST</th>
<th>SOUTH WEST</th>
<th>WEST</th>
<th>NORTH EAST</th>
<th>CENTRAL / HAZARAJAT</th>
<th>NORTH WEST</th>
<th>OVERALL</th>
</tr>
</thead>
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<tr>
<td><strong>UNEMPLOYMENT</strong></td>
<td>72</td>
<td>74</td>
<td>65</td>
<td>64</td>
<td>76</td>
<td>75</td>
<td>68</td>
<td>73</td>
<td>71</td>
</tr>
<tr>
<td><strong>ILLITERACY</strong></td>
<td>24</td>
<td>37</td>
<td>27</td>
<td>33</td>
<td>21</td>
<td>23</td>
<td>25</td>
<td>27</td>
<td>26</td>
</tr>
<tr>
<td><strong>POOR ECONOMY</strong></td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>14</td>
<td>17</td>
<td>18</td>
<td>32</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td><strong>NO HIGHER EDUCATION OPPORTUNITIES FOR YOUTH</strong></td>
<td>23</td>
<td>8</td>
<td>12</td>
<td>4</td>
<td>10</td>
<td>20</td>
<td>14</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td><strong>BECOMING DRUG ADDICTS</strong></td>
<td>14</td>
<td>11</td>
<td>26</td>
<td>22</td>
<td>11</td>
<td>11</td>
<td>6</td>
<td>9</td>
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<tr>
<td><strong>INSECURITY</strong></td>
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<td>11</td>
<td>12</td>
<td>6</td>
<td>5</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td><strong>LACK OF YOUTH'S RIGHTS</strong></td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>LACK OF SCHOOLS</strong></td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

A quarterly assessment of public perceptions in Afghanistan, conducted in November 2015 under NATO sponsorship, found a decline over the past year in public sentiment pertaining to Afghan governance and security, even though the public view of the ANSF remained positive. The survey, known as “ANQAR Wave 30,” represented the opinions of Afghans nationwide based on a sample of 13,461 men and women over the age of 18 in all 34 provinces with an overall complex margin of error equal to plus or minus 1.2 percent.\textsuperscript{139}

The capability of the Afghan government was viewed as declining in four key areas: providing services, ensuring security, growing the economy, and improving the quality of life as indicated below. Government corruption continues to be a widespread issue with 78 percent saying that it affects their daily life and 39 percent saying there is more corruption than one year ago. Just 42 percent of those surveyed thought the Afghan government was doing an “overall good job,” compared to 55 percent at the end of 2014. The lack of jobs and unemployment was the most frequently mentioned concern of those surveyed, with 65 percent mentioning it as a top concern, compared to security, the second most often mentioned concern—cited by 39 percent of respondents.

Public opinion of the Afghan National Army has held steady, with 70 percent holding a favorable opinion (69 percent at the end of 2014). Nearly half of Afghans (48 percent) say that the Army will defeat the insurgency in the next few years which is down from 59 percent in December 2014 but above historic levels (30-35 percent). Perceptions of the ANP are slightly lower with just 58 percent having a positive opinion, although 70 percent of those surveyed indicated that the ANP was capable of protecting their local area. A high percentage of Afghan men said they would consider joining the ANSF if they were looking for a job (79 percent ANA; 77 percent ANP).

Eighty-eight percent of those surveyed said it would be bad for the people if the Taliban returned to power, up from 85 percent a year ago. Only 3 percent supported arrival of ISIL-K, compared to 7 percent a year ago.


A Nation Under Acute Population Pressure and with Critical Ethnic and Sectarian Divisions
Afghanistan Country Profile: (CIA World Factbook, May 2015)

- **Population:** 31,822,848 (July 2014 est.)
- **Youth Bulge: 64.2%:** 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)
- **Entering Labor Force Annually:** 392,116 male; 370,295 female (2010 est.)
- **Ethnic Divisions:** Pashtun, Tajik, Hazara, Uzbek, other (includes smaller numbers of Baloch, Turkmen, Nuristani, Pamiri, Arab, Gujar, Brahui, Qizilbash, Aimaq, Pashai, and Kyrghyz) note: current statistical data on ethnicity in Afghanistan is not available, and data from small samples 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 (2015)
- **Sectarian Divisions:** Sunni Muslim 80%, Shia Muslim 19%, other 1%
- **GDP vs. Labor Force:** agriculture: 24.6%, industry: 21.8%, services: 53.5% (data exclude opium production (2012 est.) versus agriculture: 78.6% industry, 5.7%, services: 15.7% (FY08/09 est.)
- **Urbanization:** 26.3% (3.96% per year)
- **GDP:** $61.69 (PPP 2014) $21.71B (2014 Official Exchange Rate)
- **Per Capita Income:** $2,000 (2014 in $2013) (in the world)
- **Budget:** revenues: $4.91 billion; expenditures: $5.037 billion (2013 est.)
- **Taxes & Other Revenues:** 22.6% of GDP
- **Exports vs. Imports:** $6.39 billion versus $2.785 billion
- **Direct Unemployment:** 35% (2008)
- **Poverty Level:** 36% (2008)
- **Transparency International Global Corruption Ranking:** 172nd worst of 175 countries
Census Bureau Estimate of Demographic Pressures on Afghanistan

Afghanistan Total Population (in millions)

CIA estimates Youth Bulge is 64.2% of population: 0-14 years: 42% (male 6,793,832/female 6,579,388); 15-24 years: 22.2% (male 3,600,264/female 3,464,781)


<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population (millions)</th>
<th>Population Growth Rate (percent)</th>
<th>Total Annual Births (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>8.2</td>
<td>NA</td>
<td>0.7</td>
</tr>
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<td>1955</td>
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<td>2015</td>
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<td>2025</td>
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Different Estimates of Afghanistan’s Demographic Pressure

<table>
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<tr>
<th>Population Estimates in Millions</th>
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<tbody>
<tr>
<td>Afghan CSO</td>
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<tr>
<td>Census Bureau</td>
</tr>
<tr>
<td>CIA</td>
</tr>
<tr>
<td>United Nations</td>
</tr>
<tr>
<td>World Bank</td>
</tr>
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Sources: [http://www.census.gov/population/international/data/idb/informationGateway.php](http://www.census.gov/population/international/data/idb/informationGateway.php) and [http://esa.un.org/unpd/wpp/unpp/panel_population.htm](http://esa.un.org/unpd/wpp/unpp/panel_population.htm)

Source: Dr. Abdullah Toukan, 23.9.15
World Bank Estimate of Afghanistan’s Youth Bulge by Age Group and Sex: 2000-2013

Source: Dr. Abdullah Toukan, 23.9.15

Source: Dr. Abdullah Toukan, 23.9.15
Administrative Divisions

Source: United Nations Assistance Mission in Afghanistan (UNAMA), August 2015
Notes: This map is intended to be illustrative of the approximate demographic distribution by region of Afghanistan. CRS has no way to confirm exact population distributions.
AFGHANISTAN Central Statistics Organization (CSO) Estimated Population 2012-2013

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

ESTIMATED POPULATION BY DISTRICT

The settled population of the country, by civil divisions, urban, rural and sex is estimated which covers 34 provinces and 398 districts. The total population of the country in 1391 (2012-13) is estimated to be about 27 million. Around 13.8 million of the said figure are men and 13.2 million women. The settled population of the country (excluding nomads) is estimated at 22.5 million, of which, 12.4 million (49%) are females and 13.1 million (51%) males. Similarly, out of 22.5 million settled population, 19.4 million (76.1%) live in rural areas and 6.1 million (23.9%) in urban areas.

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

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

The boundaries used in this map do not imply any endorsement by IMMAP or USAID/OFDA.

For copies or questions contact: afghan@immap.org

3/6/2016
Ethnic Groups of Afghanistan

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Key Civil Challenges
The Uncertain State of Progress

- UN Human development data reflect progress, but also serious limits to that progress, and input data are very uncertain.

- World Bank estimates poverty increasing.

- Security remains a key problem.

- Far too much US, NGO, and other reporting accepts “best case” estimates and polls without validating data or methodology.

- Data on Progress in life expectancy, education, medical services raise major questions about quality of data. For example, maternal mortality ratios are very high by standards of neighboring states. Afghanistan is one of 22 countries with the highest burden (incidence, prevalence, and mortality) of tuberculosis in the world. Afghanistan is one of two nations in the world that still has incidence of wild (occurring in nature as distinct from human-borne) polio virus.

- Education claims are specious; ignore ghost schools, teachers, and students. Claims of total students include students up three years absent on grounds “might return.”

- Critical near term challenges in revenues, job creation, electric power, agriculture, and roads.

- No major near-term development options before 2020.

- More than a decade of war has gone on with no meaningful estimates of the effectiveness of aid and only suspect accounting.

- Military and aid spending has often been driving factors in increase in corruption and distorting economy to dependence on outside spending.
The Human Development Challenge

Early Childhood Development

ECD is very weak in Afghanistan and the country has one of the highest levels of stunting: 1 in 2 children under the age of 5 is stunted.

- Giving all children a strong start in life through nutrition, care and stimulation and expanding access to pre school.
  - establish a robust ECD and nutrition program in Afghanistan

Access and learning in Schools

8 million students are enrolled in schools (female students make only 37% of this number) and an estimated 4 million children are out of school in Afghanistan.

- Access and Quality Health Care
  Only 57 percent of the population have access to health services. Afghanistan has some of the highest infant and maternal mortality rates: under 5 mortality rate is 97 per 1,000 births and maternal mortality is 327 per 100,000 births.

- Improving conditions for access and learning for all by building strong and accountable education system.
  - enhance focus on quality of learning through doing regular learning assessments
  - continue to enhance access and equity as demand for education increases

Employability and Skills

Out of 200 thousand high school graduates each year, only 60,000 of them are enrolled at universities and 30,000 of them are enrolled in TVET. The remaining directly enter the labor market as unskilled workers.

- Promoting employability and productivity of the workforce through skills-building and facilitating labor market transition.
  - link TVET and higher education to market needs to improve skills and employability of graduates
Exaggerated State Department and USAID Claims of Success – I

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

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

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

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

• **Economic growth and increases in GDP/GNI per capita; Five-Fold Increase in Per Capita GDP**: Claims take credit for the impact of favorable rains which are a driving force in the Afghan GDP and stopped in 2012. GDP per capita data ignore gross uncertainties in population estimates and PPP estimates of tends in economy. No assessment of impact of narcotics share of economy, macro-economic impact of corruption and capital outflows.

• **Agriculture**: Extremely high impact assessments for programs limited in scope, implied gains in output that are largely a matter of favorable rains. No estimate of uncertainty in the data

• **Education**: Uncertainties in population, existence of ghost or ineffective schools and teachers, quality of Afghani government reporting, tendency to exaggerate time and years of schooling, uncertain reporting on education by sex.
Exaggerated State Department and USAID Claims of Success –II

• *Democracy and governance*: Estimates only cover output of aid programs. Have stopped reporting on effectiveness of governance by by district. Ignore ISAF and NGO estimates of scale of corruption. Do not explicitly assess shortfalls in government personnel in the field and its impact. Ignore far more negative World Bank assessments.

• *Infrastructure*: Take credit for construction, but do not address corruption, effectiveness, or sustainability – already a critical problem with roads.

• *Stabilization*: Ignore UNAMA assessments of trends in civilian killed and wounded, do not map areas of relative success.

• *Dramatic Growth in Afghan Government Revenue Collection*: some reporting ignores recent negative trends, serious shortfalls in projections. Failure to assess corruption and government’s ability use revenues effectively. No public assessment of current and projected gaps between revenues and needed post-Transition expenditures.

• *Exceptional Advances for Women*: Real gains and their sustainability are overstated. No mapping of critical problem areas, and areas where legal protection does not exist in real world. Failure to note regressive aspect of Afghan law.

• *New Silk Road, Promoting Regional Connections*: Exaggeration of current and future economic impact, problems in sustaining current roads, political and security problems with Pakistan.

• *Electric power*: Generation capacity is tied estimates of consumers where credibility of data are unclear. Failure to create real world prices and sustainable problems is understated.

• *Medical services and life expectancy*: Use of controversial best case data. No attempt to resolve widely differing estimates of life expectancy.

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

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

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

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

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

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

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

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

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

According to USAID, the MOE includes absent students in the enrollment total until three years have elapsed, because absent students are considered to have the potential to return to school. However, a MOE Education Joint Sector Review from September 2013 recommended the MOE revise its regulations and no longer consider permanently absent students to be counted as enrolled.
USAID’s Afghanistan Mortality Survey (AMS) results are frequently used as evidence that U.S. intervention efforts have contributed to remarkable improvements in Afghanistan’s health system.

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

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

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

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

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

- Transparency International ranks 172nd worst of 175 countries rated. Has led corruption rankings for years.
- Affects all aspects of governance including security services and financial sector.
- Focus on budget expenditures rather than fiscal controls and measures of effectiveness makes far worse.
- World Bank, IMF, aid donors, intelligence community makes no attempt to quantify effects.
- Same is true of analysis of interaction between real world economic effect of narco-trafficking, power brokers.
- Unstable government jobs and politics, declining security makes worse, adds to capital flight and brain drain to foreign countries.
- Coupled to broad failures in court system, rule of law, policing.
- Major barrier to investment, ease of doing business, development.
- Often makes Taliban and insurgents seem better than government in the field.

For more details see SIGAR, Quarterly Report, July 30, 2015. pp.. 153-160
UNDP Ranking of Human Development Indicators in Afghanistan in 2015: 169th worst of 187 Countries

<table>
<thead>
<tr>
<th>Human Development Index</th>
<th>Index</th>
<th>Rank</th>
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<tr>
<td></td>
<td>0.468</td>
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<thead>
<tr>
<th>Trends 1980 - Present</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

| + Health               | Life expectancy at birth | 60.95 |
| + Education            | Mean years of schooling  | 3.21  |
| + Income/Command Over Resources | Gross national income (GNI) per capita (2011 PPP $) | 1,903.66 |
| + Inequality           | Inequality-adjusted HDI (BHD) | 0.321 |
| + Gender               | Gender Inequality Index   | 0.705 |
| + Poverty              | Population in multidimensional poverty (%) | 58.81 |
| + Employment and Vulnerability | Employment to population ratio | 52.2 |
| + Human Security       | Homeless population (% of population) | 0.656 |
| + Trade and Financial Flows | International Trade (% of GDP) | 45.26 |
| + Mobility and Communication | Net migration rate (per 1000 population) | -2.6 |
| + Environment          | Carbon dioxide emissions per capita (tonnes) | 0.29 |
| + Demography           | Population total (millions) | 30.55 |


3/6/2016
UN Human Development Progress Lags by Comparison With Other Poor States: 1980-2012
(175th out of 187 Rated Countries)
UN Human Development Progress by Category: 1980-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (2005 PPP$)</th>
<th>HDI value</th>
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<td>39.2</td>
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<td>1995</td>
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<td>2005</td>
<td>46.6</td>
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<td>2010</td>
<td>48.3</td>
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<td>0,953</td>
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<td>2011</td>
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<td>8.1</td>
<td>3.1</td>
<td>0,979</td>
<td>0.371</td>
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<td>2012</td>
<td>49.1</td>
<td>8.1</td>
<td>3.1</td>
<td>1,000</td>
<td>0.374</td>
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</table>
Decades of conflict have had a long-lasting impact on the human capital stock of the country.

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

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

Particularly challenging are education gaps in sectors crucial for future economic growth and development such as agriculture, mining, construction, commerce and manufacturing.
Uncertain Politics and Large Areas of Failed Governance
Failed Governance

- Karzai heritage of corruption, power brokering, indifference to security issues, alienation of U.S.
- Nominal democracy which is often really government by power broker.
- U.S. heritage of unworkable constitution, election process, dysfunctional legislature without real local representation and fiscal powers.
- Over-centralized with provincial and district officials not elected, police chiefs not local, often corrupt or incompetent, and no funds of their own.
- Deeply divided and sometimes corrupt security services, including police and border police.
- Near paralysis over ethnic divisions and Ghani vs. Abdullah since June 14, 2014 election.
- Failure at election reform is pushing Ghani and Abdullah towards new election deadline, expiration of power sharing agreement.
- Corrupt ministries, some times incapable of planning and executing budgets, no measures of effectiveness and few real world data.
- Tokyo and other reforms in governance remain uncertain or are poorly implemented.
- Ghani development plan was widely endorsed through the election debates along with the Realizing Self Reliance Agenda, and the internal rolling 100 day plans and council mechanisms which are the domestic policy making mechanisms, but actual implementation is uncertain.
- Dependent indefinitely on outside aid.
- Civil service centered in “Kabulstan,” not country.
• October 15, now scheduled for long-delayed parliamentary and district council elections, but Independent Election Commission may not have had full government support.

• Spokesman for Abdullah Abdullah, the government’s chief executive, criticizes because electoral reform Abdullah Abdullah had not occurred. “The current election commission has no legitimacy because it was their weak management of the previous election that brought us on the brink of chaos,” said Javid Faisal, a spokesman for Mr. Abdullah. “Reforming the election process is a precondition to any election, and a part of the larger reform is the changing of current commission officials.” President Ghani did not comment.

• U.S. helped broker Afghan unity government after Mr. Ghani and Mr. Abdullah fought over results of corrupt election in 2014, and some feel the political agreement expires in October 2016 while other feel the year is 2019. Agreement requires the government to hold local elections by the time it completes two years in office that October.

• Government is supposed to make its best efforts to convene a Loya Jirga or Grand Assembly to consider whether or not to create the post of PM, (i.e. or other options which could include a 3rd VP position, and if a PM it would not necessarily be for AA). A Loya Jirga is not required, and must decide on any option, but is not required to confirm it.

• Reforming the electoral process a key condition for political agreement. Abdullah has said he will not compromise on, and has called for existing election commission to be replaced before any vote is held.

• Unclear where money and security for new election would come from.
Overall Satisfaction with Government Sharply Declining

## Declining in Faith in Central Government and Parliament

<table>
<thead>
<tr>
<th>CONFIDENCE IN OFFICIALS, INSTITUTIONS, AND ORGANIZATIONS</th>
<th>2007 (%)</th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
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<td>67</td>
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<td>COMMUNITY SHURAS/JIRGAS</td>
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<td>RELIGIOUS LEADERS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74</td>
<td>73</td>
<td>65</td>
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<td>64</td>
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<tr>
<td>YOUR MEMBER OF PARLIAMENT</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47</td>
<td>52</td>
<td>43</td>
</tr>
</tbody>
</table>

World Bank Rankings of Governance Shows Very Uncertain Trends

Source: Worldwide Governance Indicators

World Bank Rankings of Failed Governance in Afghanistan - I

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
Note: The Worldwide Governance Indicators (WGI) are a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.


Transparency International ranks so corrupt is 172nd worst of 175 countries rated in 2014.
### World Bank Rankings of Failed Governance in Afghanistan - II

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Country</th>
<th>Year</th>
<th>Percentile Rank (0 to 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and Accountability</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Political Stability and Absence of</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td>Violence/Terrorism</td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
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<tr>
<td>Government Effectiveness</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Rule of Law</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>Afghanistan</td>
<td>2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td></td>
</tr>
</tbody>
</table>
State Department: Uncertain Legitimacy and Leadership

“Presidential and provincial elections occurred on April 5, 2014, with a second presidential runoff-round held on June 14. Reports of fraud marred the elections and led to an audit of all ballot boxes. Protracted political negotiations between the presidential candidates resulted in the creation of a national unity government. On September 21, the independent election commission named Ashraf Ghani the president-elect and Abdullah Abdullah the runner-up in the runoff election.

In accordance with a political agreement signed by both candidates, Abdullah took the newly created post of chief executive officer, and Ghani and Abdullah formed a national unity government. Parliamentary elections were last held in 2010 and were marred by high levels of fraud and violence according to national observers, the Office of Security and Cooperation in Europe, and other international election-monitoring organizations. Authorities generally maintained control over the security forces, although there were instances in which security forces acted independently.”

..In the June 14 runoff election, the IEC estimated a turnout of nearly eight million voters, including 38 percent women. Although there were again reports of ballot shortages, the IEC more effectively dispatched contingency ballots where needed. The ANSF was largely successful in securing most areas, and there was better coordination between the ANSF and IEC staff than in the first round of voting. While insurgent attacks caused slightly more casualties than during the first round, there were a third fewer significant security incidents.

After the June 14 runoff election, allegations of fraud led to a dispute over the accuracy of the preliminary results announced by the IEC on July 7, which showed Ghani in the lead with 56.4 percent to Abdullah's 43.5 percent. Following a protracted standoff, the two candidates agreed to an unprecedented 100 percent audit of the ballot boxes and committed to forming a national unity government with the runner-up being chief executive officer in the government. The IEC completed the election audit in September and named Ghani the winner on September 21.

....The 2009 Party Law granted parties the right to exist as formal institutions for the first time in the country’s history. The law requires parties to have at least 10,000 members from a minimum of 22 of the country’s 34 provinces.

Political parties were not always able to conduct activities throughout the country, particularly in regions where antigovernment violence affected overall security. Violence against participants in the political party system was common, even during nonelection periods. As of August 15, there were 58 political parties registered with the Ministry of Justice. In 2012 the Council of Ministers approved a regulation requiring political parties to open offices in at least 20 provinces within one year of registration and provides that parties failing to comply are to be removed from the ministry’s official list.

According to justice ministry officials, a deregistered party would be able to meet and continue “informal” political activities, but candidates for political office would not be able to run under the party’s name. During a 2013 nationwide review of provincial political party offices, the Ministry of Justice found various political parties not in compliance with the regulation but did not publicly announce the deregistration of any party. Provincial party members continued to assert the ministry’s monitoring process was inconsistent, with some parties reporting regular interactions with ministry officials and others having none at all.’ leadership played key roles in the campaigns.

- See more at: http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper
Despite a constitutional requirement for elections 30–60 days prior to the expiration of the Wolesi Jirga (lower house) term, the continuing disagreement between President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah on election reforms has delayed the scheduling of parliamentary elections.

Although the lower house’s term expired on June 22, 2015, no elections were held. 6 On June 19, Ghani announced that the lower house would continue its work until elections are held and the results are known. The president also said a date for elections would be announced within one month. On July 4, the lower house of parliament rejected Masoom Stanekzai as minister of defense. Stanekzai, who has been acting minister of defense since May and before that served as the head of the secretariat for the High Peace Council, received only 84 of the 107 votes necessary for confirmation. The Ministry of Defense (MOD) has been without an approved minister for nine months."

...The 2014 presidential elections, which international monitors noted experienced substantial fraud, highlighted Afghanistan’s continuing need for electoral reforms. As the United Nations Secretary-General observed in June, “comprehensive electoral reforms will be crucial for restoring the faith of the Afghan people in the democratic process.”

...Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his rival, Chief Executive Officer Abdullah, after the troubled presidential elections.

The September 2014 agreement that led to formation of the national-unity government called for (1) immediate establishment of a special commission for election reform with the aim of implementing reform before the 2015 parliamentary elections and (2) distribution of electronic identity cards to all Afghan citizens as quickly as possible. However, according to State, the Afghan government has made only incremental progress on electoral reform during the quarter.

On March 21, the Office of the President announced that Ghani had established the Special Electoral Reform Commission (SERC). According to the statement, Ghani formed the SERC to bring “fundamental reform” to the Afghan electoral system, strengthen rule of law and the democratic process, and prevent violations of electoral laws and regulations. It was not until July 16 that Ghani’s office announced the full SERC appointments. The SERC began its work on July 22.

...Between April 27 and June 7, Ghani, with the agreement of Abdullah, appointed 18 provincial governors. As of June 23, the national-unity government has appointed new governors for 21 of 34 provinces.

...In February, Ghani established the National Procurement Commission (NPC) to centralize procurements of large contracts under a presidential commission consisting of a core group of Afghan officials with “impeccable credential[s] for honesty.”552 SIGAR is one of two U.S. government bodies to attend the NPC meetings as neutral observers. Ghani’s effort to reduce MOI and MOD procurement-related corruption has slowed procurement and created what CSTC-A has labeled the “[Afghan fiscal year] 1394 Procurement Crisis.” 3 Of the 648 MOD requirements, only 266 have been submitted to the MOD acquisition agency and only 31 contracts have been awarded. The MOI is experiencing a similar backlog with 925 defined requirements, 209 of which have been submitted to the MOI procurement directorate, and 47 contracts have been awarded.

...International donors and the Afghan government agreed at the December 2014 London Conference that the TMAF should be refreshed to cover the period after 2015. The Afghan government and donors are discussing and drafting updated goals and indicators for the refreshed framework. The goal is for the refreshed framework to be approved at the Senior Officials Meeting scheduled for early September in Kabul.
Failed Afghan Government Deliverables in 2015

On September 5, international donors and the Afghan government met in Kabul for the second Senior Officials Meeting (SOM). The meeting was a continuation of the annual high-level meetings to follow up on mutual commitments from the July 2012 Tokyo Conference. The purpose of the SOM was to review progress on the Afghan reform program, discuss key policy issues, and to jointly decide the way forward.

As a result of the September SOM, the Self-Reliance through Mutual Accountability Framework (SMAF) has superseded the Tokyo Mutual Accountability Framework (TMAF). The SMAF will now guide the activities of the Afghan government and the international community at least to the end of the term of the present government. The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens’ development rights (three indicators); (5) private-sector development and inclusive growth and development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).

In addition to the SMAF indicators, there are 39 short-term deliverables across the same six areas that are collectively due to be completed by the end of 2016. Nine SMAF short-term deliverables were due to be completed by the end of 2015.

According to USAID, as of December 28, 2015, only two were complete. According to other sources:

1. The commitment was to prepare Anticorruption plans and finish and implement them by June 2016. All 5 were submitted (3 of the 5 weak). Now they are being revised for action.
2. National Action Plans for Women was approved and launched in 2015. Funding is in the 2016 budget.
3. Development Councils are approved and meet.
4. Informal settlement survey and certification were launched in December, right on schedule.
5. The full pilot program for kitchen gardens is in the budget and operational (physical launch waits for the spring thaw, of course.
6. Power distribution to 40,000 poor households was completed in December.

SIGAR, Quarterly Report, January 30, 2016, P. 109
Failed Electoral reform in in 2015

On December 16, President Ghani issued a presidential decree announcing the seven members of a selection committee that will decide on the candidates for the new Independent Election Commission (IEC) and the Central Complaints Commission (CCC) commissioners. The IEC will establish the timeline for parliamentary and district-council elections, as well as administer and supervise the elections.

On December 21, the Special Elections Reform Commission (SERC) presented its final electoral-system recommendations. The SERC proposed that, the IEC and the Electoral Complaints Commission (ECC) be merged, that election violations be prosecuted, and that a special court for election disputes be established.

On December 26, the lower house of parliament rejected President Ghani’s electoral decree. This threw the status of the electoral selection committee into confusion; the head of the IEC supported parliament’s move, while the deputy of the selection committee accused the IEC of having lost its credibility. Chief Executive Abdullah Abdullah, reacting to parliament’s move, insisted that new commissioners would be appointed to the IEC and ECC.

The 2014 presidential elections, which international monitors noted had experienced substantial fraud, highlighted Afghanistan’s continuing need for electoral reforms. As the United Nations Secretary-General observed in June, “Comprehensive electoral reforms will be crucial for restoring the faith of the Afghan people in the democratic process.” Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, current Chief Executive Abdullah Abdullah, after the troubled presidential elections. The September 2014 agreement that led to formation of the national-unity government called for the immediate establishment of a special commission for election reform with the aim of implementing reform before the 2015 parliamentary elections, and distribution of electronic identity cards to all Afghan citizens as quickly as possible.
The Corruption Challenge
Corruption Remains a Critical Factor in 2015

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

### Corruption Remains a Critical Factor in 2015 - II

<table>
<thead>
<tr>
<th>EXPOSURE TO CORRUPTION</th>
<th>2006 (%)</th>
<th>2007 (%)</th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>2013 (%)</th>
<th>2014 (%)</th>
<th>2015 (%)</th>
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<td>PROVINCIAL GOVERNOR’S OFFICE</td>
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<td>CUSTOMS OFFICE</td>
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<td>STATE ELECTRICITY SUPPLY</td>
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<td>WHEN APPLYING FOR A JOB</td>
<td>59</td>
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<td>ADMISSIONS TO SCHOOLS/UNIVERSITY</td>
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</tbody>
</table>
The Challenge of Corruption

• 172nd most corrupt country out of 177 ranked by Transparency International in 2014. Budget openness is minimal.

• Bad rating on World Bank’s “Control of corruption index”. Improvement is driven by aid donors.

Who Takes Bribes: The ANA Got Worse

Prevalence of bribery, by public official receiving the bribe, Afghanistan (2009 and 2012)

<table>
<thead>
<tr>
<th>Official Type</th>
<th>2009</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province, district or municipal officers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land registry officials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customs officials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police officers (ANP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members of Afghan National Army (ANA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax/revenue officials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nurses/paramedics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teachers/lecturers</td>
<td></td>
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</tr>
<tr>
<td>Judges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prosecutors</td>
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</tr>
</tbody>
</table>

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

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

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

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

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

Source: General population survey 2009 and general population survey 2012
State Department Reports Growing Afghan Government Corruption in 2014 – I

The law provides criminal penalties for official corruption. The government did not implement the law effectively, and there were reports officials frequently engaged in corrupt practices with impunity. There were some reports of low-profile corruption cases successfully tried at the provincial level. The government made several commitments to combat corruption, including former president Karzai’s 2012 decree, but little progress was made toward implementation at year’s end. At the beginning of 2013, the Attorney General’s Office created a monitoring department, as required by the decree, and it began accepting referred cases. There was no progress on the cases reported as of year’s end.

A June 2013 law organizing the judiciary weakened the Control and Monitoring Department of the Supreme Court. The department had been considered effective in dealing with corruption within the judiciary in the districts and provinces. The new law eliminated some of the department’s key positions and its authority to conduct investigations, make arrests, and prosecute violators.

Reports indicated corruption was endemic throughout society, and flows of money from the military, international donors, and the drug trade continued to exacerbate the problem. Reports indicated many citizens believed the government had not been effective in combating corruption. Credible foreign reporting indicated the equivalent of tens of millions of dollars was smuggled out of the country each year. Corruption and uneven governance continued to play a significant role in allowing the Taliban to maintain its foothold in the east-central part of the country and to exert influence in the southern, eastern, and some northern provinces, particularly in remote areas.

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

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

State Department Reports Growing Afghan Government Corruption in 2014 – II

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

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

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

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

Provincial police benefited financially from corruption at police checkpoints and from the narcotics industry. ANP officers reportedly paid higher-level Ministry of Interior officials for their positions and to secure promotions. The justice system rarely pursued corruption cases, especially if they involved police, although authorities arrested and detained a provincial chief of police on drug-trafficking charges. The Ministry of Interior continued to be affected by widespread corruption, poor performance, and abuse of power by officers. From January 2013 to June 2014, police were defendants in more than two thousand cases on charges of neglect of duty, bribery, theft, assault and battery, and murder.

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

Credible sources reported local police in many areas extorted a “tax” and inflicted violence at police checkpoints for nonpayment. Truck drivers complained they had to pay bribes to security forces, insurgents, and bandits to allow their trucks to pass. Police reportedly extorted bribes from civilians in exchange for release from prison or to avoid arrest. Citizens paid bribes to corrections and detention officials for the release of prisoners who had not been discharged at the end of their sentences.

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

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

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

Financial Disclosure: … While collection and publication occurred, there was only limited progress on the verification of such declarations by domestic and international experts independent of the government. There is no legal penalty for any official who submits documentation with omissions or misrepresentations, undermining a key tool to identify possible wrongdoing.
The Regionalization and Rising Scale of Corruption as of 2014

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

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

In the same poll, Afghans were questioned about various governance bodies and whether they abused their authority and power. More than half of respondents felt that every level of government and every office abused its power. Notably, President Karzai, who was viewed as corrupt by “only” 38 percent of respondents, experienced a rise in the number of people who felt he abused his authority, to the highest level since an August 2011 poll.
## Transparency International Scorecard from Bad to Suspect in 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicators</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
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<td>Defence &amp; Security Policy</td>
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<td>Defence Committee</td>
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<td>Defence Policy Deated</td>
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<tr>
<td></td>
<td>CSO Engagement</td>
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<tr>
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Transparency International Warning of Growing Corruption in Governance and the Afghan Security Forces in 2015 - I

Afghanistan’s GI ranking in Band E places it in one of the highest risk categories for corruption in the defense and security sector. The highest risk area is Finance, which fell in Band F (critical risk of corruption). Ineffective audit and prosecutorial authorities, a lack of civilian oversight over the defense and security sectors, and a challenging environment for civil society enable organized crime and the abuse of power by military and security personnel. At the same time, the current government has significantly stepped up oversight over procurement contracts and the development of anti-corruption training for select personnel. But serious risks remain; to reduce corruption risk and state fragility, reforms are urgently needed across the following areas:

Strengthen civilian control over the defense and security sector:

The Afghan government, together with international actors, is working to increase its cadre of external auditors, which has shown a nascent capability for auditing MOD funds, though implementation of audit findings has been weak to non-existent. However, a major issue facing auditors is that the majority of defense spending is still off-budget (i.e. external to central government allocation), and provided by the international community. Overall, the transparency and accountability of this off-budget international community funding, to the Afghan people, is less transparent than on-budget spending and because a large portion of aid is channeled through an off-budget system, the Afghan government, including auditors, the legislature and people have no control or oversight over these funds. At the same time, the Afghan government’s failure to provide parliament with detailed accounts of their defense on budget expenditure does not build confidence in donors that more on-budget spending will be wisely managed.

- The MOD needs to demonstrate urgently that on-budget defense spending will be transparent and accountable to both national and international taxpayers. A detailed defense budget and acquisition plans should be available to the National Assembly, with as much information as possible made public.
- The MOD should provide a public account of how they have addressed the findings of audits conducted by the Supreme Audit Organization and make a clear commitment to acting upon all future audit findings. Defense and Finance Committees should be sufficiently resourced to review external audit results and a mechanism to allow dialogue between audited entities and the SAO should be created. This might include in the short term increased support from international experts, training, or exchanges with equivalent institutions in other countries.
- The Audit Law should be strengthened to ensure clear penalties for non-compliance. With large spending by the executive on security and weak independent oversight capability, there is an urgent need for stronger more effective civil society oversight to ensure the defense sector is held to account.
Transparency International Warning of Growing Corruption in Governance and the Afghan Security Forces in 2015 - II

The Afghan government should support an enabling environment by removing ambiguous and problematic terms from the new Access to Information Law. The MoD should take a proactive stance towards information disclosure, including establishing an effective Public Information Office to provide timely responses, especially to journalists.

• The government should provide a clear political signal of support to civil society and their role in building a high integrity culture, including taking a strong stance against cases of intimidation, harassment and violence against journalists and CSOs.

Reduce military predation and build the integrity of the armed forces: Commitments by the President to employ merit-based recruitment and the introduction of anti-corruption training are important first steps in addressing integrity challenges. However, a culture of impunity and a lack of merit-based appointments and promotions continue to weaken the ability of the ANDSF to respond effectively to insecurity.

• The MoD should strengthen its internal audit capacity and investigative powers, including monitoring conduct violations, payroll and attendance (i.e. to tackle ghost soldiers), and field procurement.

• Asset registration, verification, and publication, as required by Afghan law and UNCAC commitments, should be prioritized, especially for defense and security officials.

• Stronger and more transparent responses to acts of corruption involving senior leadership and political figures are needed. The AGO should act and report on cases of defense corruption. A case tracking and public reporting system should be established. Assistance to the Major Crimes Task Force should be bolstered and its independence guaranteed.

• Whistleblowing should be protected and encouraged, in law and in practice.

• Progress on Train-the-Trainer courses at the National Defense University should be continued to ensure that integrity building and human rights are central to training and career progression.

The Role of the International Community

Addressing corruption in Afghanistan is essential to ensuring extremist groups do not increase their territorial reach or establish safe havens from which they can plan acts of global terrorism. In the last decade, the Taliban and now Daesh have repeatedly drawn attention to the Afghan government’s inability to control corruption and exploit this narrative in their recruitment. The country has some active political participation from among the youth, which needs to be effectively channeled
The Budget Challenge
Budget Execution Has Been a Major Problem

- Operating expenditures:
  - Increased during the first six months of 2013, as more spending moved on-budget. Yet execution rates remain low, particularly for the development budget.
  - Increased to Afs 82.1 billion in the first six months in 2013, compared to Afs 75.4 billion over the same period in 2012.
- Development expenditures declined to Afs 23.7 billion in the first half of 2013, compared to Afs 27 billion in the first half of 2012.
- Low budget execution continues to be a problem in Afghanistan, particularly affecting development expenditures in 2013.
- Budget execution was only 36.4% of the operating budget and 17% of the development budget in the first half of 2013, compared to 50% and 24%, respectively, in the first half of 2012.
- Among ministries with development budgets of more than $50 million, only three (ministries of health, finance, and rural development) have executed more than 20% through the first half of 2013.
Afghanistan’s fiscal vulnerability remains high, according to the World Bank, and will require a large increase in revenues and sustained levels of aid. Its medium-term economic outlook is “unfavorable.”

While domestic revenues have increased, the World Bank said security costs have grown beyond donors’ initial projections. The 2012 NATO summit in Chicago predicted Afghanistan’s contribution to the Afghanistan National Defense and Security Forces (ANDSF) costs would be at least $500 million in 2015. Afghanistan did not meet this commitment.

The Department of Defense (DOD) reported that the Afghan economy cannot grow quickly enough in the next five years to cover a significantly larger share of ANDSF costs. Those costs were estimated at $5.4 billion in FY 2015, of which the United States paid $4.1 billion. FY 2016 costs are projected to be $5 billion.

Total collected domestic revenues—a figure that excludes donor grants—stood at 106.7 billion afghanis (AFN) ($1.6 billion) in the first 11 months of FY 1394, about 21.1% above the same period in FY 1393, but below initial targets. The Afghan government is close to meeting the IMF’s revised (lower) 2015 revenue target of AFN 114.2 billion.

Still, domestic revenues paid for less than half (40%) of Afghanistan’s total budget expenditures of AFN 266.8 billion ($4.0 billion) in that time; donor contributions make up the difference. Afghan government expenditures in FY 1394 increased by AFN 3.0 billion (by 1.1% or $45.1 million in current dollars) compared to the same period last year.

Afghanistan’s fiscal gap is large. Donor assistance either narrows or closes this gap, as depicted in Figure 3.29. In the first 11 months of FY 1394, Afghanistan had a $2.4 billion total budget deficit against domestic revenues; donor contributions reduced that deficit to $72.2 million.

The operating budget, which includes recurring costs such as public-sector payroll, would have had a $1.4 billion deficit if not for donor assistance, which produced a $205.3 million surplus. Without donor assistance, the development budget would have had a $963.5 million deficit. After donor funds, the deficit was reduced to $277.5 million.

...As this report was being prepared for press, the Afghan parliament approved a $6.6 billion national budget for FY 1395 on January 18, 2016
A Budget and Economy Driven by Aid, Military Spending, and Narcotics

Outside Aid Spending Drives GDP After 2003/2004

Only 10% of Afghan Budget is Self-Funded

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

World Bank: Fiscal Challenges to Transition

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

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

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

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

The implications of the transition process, therefore, give urgency to Afghanistan’s need for a growth model that provides not only high numbers of jobs but also high levels of fiscal income and foreign exchange earnings to finance Afghanistan’s development process. aged in wage-earning employment. At the same time, the fertility rate is very high, at 5.1 percent in 2011/12. Increasing the share of female labor market participation will key to reducing fertility and reducing demographic pressures in the future.
In 2013, the Afghan government’s domestic revenue was only about $2 billion, while its overall budget expenditures were $5.4 billion. Donor grants made up the difference, funding 63% of the budget. Afghanistan’s current budget, approved in January 2014, is about $7.6 billion, with donor grants expected to fund about $4.8 billion, or still more than 60% of the total. U.S. FY 2014 appropriations for Afghan reconstruction are $7.5 billion—by coincidence, almost the same as Afghanistan’s current national budget of $7.6 billion. But most of that U.S. aid, as well as most of other international donors’ assistance, goes through programs and funds that are not part of the Afghan budget.
Transition Financing Critically Dependent on No Increase in Security Costs

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* 2013Bgt figures are initial budgeted figures.
Afghanistan’s real growth in gross domestic product (GDP), excluding opium, has slowed significantly over the last year, from an estimated 3–4% for 2013 to a World Bank-projected 1.5% in 2014 due to increasing political and security uncertainties.

This has led to a slump in investor and consumer confidence, which is expected to continue through at least the first half of 2015.

With foreign direct investment already in decline, continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth.

All main sectors of the licit economy slowed in 2014, including the services sector, which accounts for about half of GDP; non-opium agriculture, which typically accounts for about a third of GDP depending on output; and manufacturing and industries, which comprise most of the rest. Afghanistan’s Fiscal Crisis.

Opium production is not calculated in official GDP figures, although it figures prominently in the economy. Farm-gate value of the opium economy is estimated at 3.3% of GDP by the World Bank and 4% by the UN Office on Drugs and Crime ($853 million). Higher-priced opium exports are calculated at 7–8% of GDP by the World Bank and 15% by the UN.

...In December 2014, the Afghan government reported a fiscal crisis,694 two months after reporting a $537 million FY 1393 budget shortfall.695 The MOF reported that in FY 1393, total domestic revenues—tax and non-tax revenues, and customs duties—missed targets by $602 million (-35%), and fell by approximately $187 million from the same period in FY 1392 (-9.9%).696 Domestic revenues paid for only 33% or $1.7 billion of Afghanistan’s total budget expenditures of $5.2 billion in FY 1393, with donor contributions making up the difference. Afghan government expenditures in FY 1393 increased 9.2%, compared to FY 1392. The State Department said the Afghan government carried over some arrears from FY 1393 and could face similar budget shortfalls in FY 1394.698

Afghanistan has one of the lowest rates of domestic revenue collection in the world, averaging 9% of GDP from 2006 to 2013, compared to an average of around 21% in low-income countries, according to the IMF. Expenditures are expected to continue rising—to 30.5% of GDP in FY 1395 (2016) versus 27.3% in FY 1393, according to World Bank projections—largely due to increased spending on security, service delivery, essential infrastructure, and operations and maintenance (O&M).700 The fiscal gap is large and growing. Donor assistance narrows this gap, but does not close it.
The World Bank said the uncertainty surrounding the 2014 security and political transition likely increased economic rent seeking and tax evasion. Although budget austerity measures were introduced in the second half of 2014—overtime, salary increases, bonuses, and other benefits to civil servants were reduced, as were new discretionary development projects—the cost of security and mandatory social benefits caused overall expenditures to increase. As a result, Afghanistan began 2015 (Afghan FY 1394) with weak cash reserves and significant arrears, while revenue-collection reforms stalled in parliament in the first quarter.

The World Bank warned that Afghanistan could face budget shortfalls this year similar to last year’s $537 million shortfall of $537 million. The FY 1394 budget projected domestic revenues of approximately $2.2 billion, about 30% more than collected in FY 1393, which the World Bank found “ambitious,” cautioning that the government has smaller cash reserves from which to draw should revenues not be realized. With a sluggish economy and weak growth forecast, further austerity-measure options are limited, meaning that the government could require even more fiscal help.

“Revenue mobilization from domestic resources has become critical,” according to the ADB; one-third is lost to “weak governance and poor tax and customs administration.” Ten percent of 500 large businesses registered with the Afghan government are reportedly evading taxes. Three large companies are said to owe about $248 million in back taxes.

Afghanistan will require substantial donor aid for the foreseeable future, according to the World Bank, which projected a total financing gap above 20% of GDP through 2025. Domestic revenues—tax and nontax revenues, and customs duties—declined in 2014 for the third consecutive year, falling to 8.4% of GDP, largely due to weak tax and customs enforcement and compliance.

Revenues were 11.6% of GDP in 2011. They have been rising slightly in 2015. Covering the budget-financing gap without donor assistance would thus require Kabul to collect roughly 30% of the country’s entire economic output as revenue for the government.
The Budget & Economic Crisis in Afghanistan in 11/2015

Total collected domestic revenues—a figure that excludes donor grants—stood at 106.7 billion Afghanis (AFN) ($1.6 billion) in the first 11 months of FY 1394, about 21.1% above the same period in FY 1393, but below initial targets. The Afghan government is close to meeting the IMF’s revised (lower) 2015 revenue target of AFN 114.2 billion.

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As this report was being prepared for press, the Afghan parliament approved a $6.6 billion national budget for FY 1395 on January 18, 2016.
The Trade Balance in Afghanistan at End -2015

Afghanistan’s trade balance—negative $8.1 billion (39.6% of GDP) in 2014 and an estimated negative $8.4 billion (39.2% of GDP) in 2015—is unsustainable, and shows an urgent need for an environment that promotes domestic and foreign investment. The Afghan government pledged to simplify the visa process and work to identify ways to “expedite, rather than impede exports.” The government aims to increase the number of border crossings, develop dry ports to advance trade and transit agreements, and increase customs cooperation.

Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-projected positive current-account balance of 4.5% of GDP—about $872 million—in 2015. Without it, the IMF estimates Afghanistan would have a current-account deficit equivalent to 38.9% of its GDP—about $7.9 billion. This estimate is $416 million (or 32.3%) lower than Afghanistan’s 2014 current account. During 2013–2014, Afghanistan exported around $3.2 billion–$4 billion worth of goods and services annually, but is projected to export $2.6 billion in 2015, not including illicit narcotics, according to the IMF. Unsurprisingly, IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management. During 2013–2014, Afghanistan imported between $11.3 billion–$10.8 billion worth of goods and services annually. The IMF estimated Afghanistan’s 2015 imports at more than $10.6 billion of goods and services, with about $8.8 billion paid for by official donor grants.

Afghanistan Trade and Revenue Project

USAID’s four-year, $77.8 million Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade-liberalization policies, including support for Afghanistan’s accession to the World Trade Organization; (2) improve and streamline the government’s ability to generate revenue by modernizing Afghanistan’s customs institutions and practices; and (3) facilitate bilateral and multilateral regional trade agreements. To achieve sustainable economic growth, job creation, enhanced delivery of government services, and fiscal sustainability, it assumes that the Afghan government will carry out its commitments to reform, and a stable security environment will allow the private sector to take advantage of an improved business climate.

On December 3, 2015, Afghanistan’s Customs Department and central bank expanded a program to allow customs duties in Balkh Province to be paid electronically from any commercial bank, rather than at central bank offices within customs houses. This follows a successful pilot program at Kabul International Airport and at Kabul’s inland customs office completed last quarter. The State Department said electronic payments expedite the release of goods at the border, reduce the need to carry cash, and reduce opportunities for graft.
Aid has since fallen, but international donors who supplied more than 60% of the country’s national budget in 2013 still covered a “financing gap” equivalent to 7.7% of the country’s GDP. Much of the reconstruction effort, however, is “off-budget,” representing donor-funded programs and projects that the Afghan government does not control or fund.

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

The Afghan government has estimated its annual development-aid need at $3.9 billion a year between 2013 and 2020. At various international conferences, the United States and other donors have pledged continuing aid through the “Decade of Transformation” ending in 2025, at which time Afghanistan is expected to achieve financial self-sufficiency. Afghanistan in turn has promised to achieve agreed-upon benchmarks under the Tokyo Mutual Accountability Framework (TMAF) as a condition for further donor assistance.

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

However, according to the latest Department of Defense (DOD)-commissioned independent assessment by the Center for Naval Analyses (CNA), “in the likely 2015–2018 security environment, the ANSF will require a total security force of about 373,400 personnel.” CNA cautions that “a force of lesser size than 373,000 would, in our assessment, increase the risk of instability of Afghanistan and make success less likely for the U.S. policy goal.” The CNA estimates that a 373,000-strong ANSF would cost roughly $5–6 billion per year to sustain.
Afghanistan’s aid dependence is predominantly a fiscal issue. While most civilian and military aid has been delivered in the form of development projects outside of the government’s budget system, on-budget aid is an important financing source. While domestic revenues increased to an impressive 11.4 percent of GDP in 2011, Afghanistan can today only finance about 40 percent of its total expenditures on its own.

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

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

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

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

Afghan government agencies do not have the accurate trade data they need to determine what customs revenue should be. President Ghani told a U.S. audience in March 2015 that Afghanistan’s Central Statistics Organization reported imports from Pakistan at $800 million, while Pakistan told Afghan authorities that the value of their exports to Afghanistan was $2.5 billion. Tolo News reported Afghanistan Customs Department (ACD) data could be off by up to $1 billion—about 4.8% of the country’s GDP.

State said the United States has almost no ability to monitor and assess Afghan customs collections due to ongoing reductions in U.S. personnel. State has not directly monitored operations at Afghanistan’s border crossings or their customs assessment and collection locations since the DHS and BMTF departed, and does not correlate the United States’ diminishing presence with an increase or decrease in Afghan revenue collections. Officials at USAID’s ATAR project, which is designed in part to improve and streamline Afghanistan’s customs institutions and practices, said mounting security risks hamper its ability to deliver technical assistance and visit the ACD’s main offices in Kabul, ACD regional customs facilities, and other customs-collection sites, as well as the Afghanistan National Customs Academy.

Non-Afghan nationals are particularly restricted in their movement; Afghan nationals can travel as security permits. ATAR personnel reported that corruption is pervasive at ACD; they have encountered numerous obstacles to monitoring and improving the Afghan custom collection process. 1 In addition, USAID reported that X-ray scanners do not function and need repair, efforts to standardize the automated customs data system are incomplete, ATAR’s electronic customs payment activity has not begun, and the customs academy, which trains customs officers, operates only in the morning.

USAID and ATAR representatives do not have access to ACD computer systems or databases, nor do they produce annual estimates of lost revenue due to smuggling, theft, and corruption. Instead they must rely on customs-collection information provided to them by the ACD.713 USAID and State both said that the scope of customs revenue lost to corruption is unknown.714 CSTC-A, which funds the Ministry of Interior’s (MOI)

Afghan Border Police, constructed 15 border-crossing points from 2011–2015. However, CSTC-A is unaware of any specific funding stream to support efforts to safeguard inspection equipment at Afghanistan’s border crossings, customs assessment, and collection facilities; does not track the exact amount of its funding that MOI applies to each border crossing point; and has no visibility on the use or condition of border crossing point facilities—CSTC
Much of civilian and military aid has been delivered outside of the budget through external, budget contributions. Of the US$15.7 billion in aid to Afghanistan in 2010/11, only a small portion, roughly 11 percent, was delivered on-budget. Nevertheless, on-budget aid is an important financing source. While domestic revenues significantly increased between from 3 percent in 2002 to 11.4 percent in 2012, they have been insufficient to sustain the government’s operation and investment. In 2012, domestic revenues only financed 40 percent of total expenditures; the remainder was financed by foreign grants. The fiscal sustainability ratio, which measures domestic revenue over operating expenditures, was only 60 percent in 2012, which means that Afghanistan can currently not even fully meet the recurrent costs of its public service provision. This renders the operations of the government unsustainable without additional external financing.

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

Security spending is projected to be more than 15.2 percent of GDP in 2021 (about as much as total projected domestic revenue in that year), the civilian wage bill 4.8 percent, and the civilian nonwage O&M bill 7.2 percent. Depending on how many of the O&M liabilities the government takes on, total government spending could assume between 38 percent and 54 percent of GDP by 2025. This would result in a total financing gap of 20 percent of GDP in 2025, and even higher levels in the intermediate years.
Afghanistan needs to move toward fiscal sustainability to reduce its dependence on donor support. This will entail revenue mobilization, and better expenditure management including better prioritization and service delivery to assure security and development. Domestic revenues have stagnated due to the economic slowdown, faltering efforts, and leakages, and are expected to rise only slowly, while operating budget expenditures, which were at 15 percent of GDP in 2010 are projected to increase to over 29 percent of GDP by 2018 as part of the security transition. The combination of these factors generates large fiscal vulnerabilities. Afghanistan has one of the lowest domestic revenue collections in the world, with an average of about 9 percent of GDP in 2006–13 compared to about 21 percent in low-income countries. Factors behind this poor performance include a very low starting point, low compliance, opposition to new taxes, and a limited set of taxes.
Economic Challenges
Economic Challenges

• Massive current dependence on outside war spending and aid

• “New Silk Road” is dead, and “Ring Road” is uncertain; mineral wealth is no miracle solution to economic challenges. Very little real growth other than aid and military spending driven – cyclical impact of rainfall.

• Still at war and highly aid dependent. Major barriers remain to “doing business.”

• Unclear who will plan and manage aid and revenues in government. No clear structure for managing aid, revenue flows, outside plans and focus.

• The goal of 50% Afghan control ignores the roll back of aid/NGO presence; government ability to use and manage is insufficient.

• Tokyo reforms in limbo. New reform plans not tied to clear plans for execution.

• Failure of UNAMA, uncertain role of World Bank and outside help in development planning, post-Transition economic stability.

• Key problems in transport, agriculture, power sector. Rising poverty, acute population pressure, uncertain employment level

• Service sector was dependent on flow of outside money. may leave, export capital, collapse.

• Major barriers to private development

• At least some risk of major recession and collapse of the market-driven sector.
CIA Overview

Afghanistan's economy is recovering from decades of conflict. The economy has improved significantly since the fall of the Taliban regime in 2001 largely because of the infusion of international assistance, the recovery of the agricultural sector, and service sector growth.

Despite the progress of the past few years, 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. Criminality, 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. The international community remains committed to Afghanistan's development, pledging over $67 billion at nine donors' conferences between 2003-10. In July 2012, the donors at the Tokyo conference pledged an additional $16 billion in civilian aid through 2015.

Despite this help, the Government of Afghanistan will need to overcome a number of challenges, including low revenue collection, anemic job creation, high levels of corruption, weak government capacity, and poor public infrastructure. Afghanistan's growth rate slowed markedly in 2014. Some estimates are that just the withdrawal of Coalition military forces by the end of 2014 cost the Afghan economy some 500,000 jobs.

Newly elected President Ashraf GHANI is dedicated to instituting economic reforms. However, the drawdown of international security forces that occurred in 2014 will negatively affect economic growth, as a substantial portion of commerce, especially in the services sector, has catered to the ongoing international troop presence in the country.
The Economist Threat to Counterinsurgency Economics

1. The economic factors that divided and sometimes shattered a nation are largely ignored.

2. The specific economic forces driving given factions, areas, and terrorist-insurgency threats are not measured or taken into account. (Sects, ethnic groups, regional tensions, conflict/war zones, IDP-refugee impacts, etc.)

3. Reliance on classic national wide metrics for developed nations at peace: GDP, GDP per capita, Inflation, debt, Balance of Payments, etc..

4. Fail to address major uncertainties, limits to data.

5. Focus on classic nation-wide development as if war and causes of war did not exist, and need to reconstruct and construct basic services and functions did not exist.

6. Economic aid becomes project aid without valid national analysis and plans. Fails to alter dominant military focus on fighting, conflict termination, departure, (possibly short-term stability) and not national stability.

7. Largely ignore demographic pressures, youth needs, corruption costs and impacts, critical problems in governance and budget planning and execution.

8. Live in “now”, rather than economic history, examine best-case, not real futures.


10. Focus on getting money and spending, not auditing use of money and measuring effectiveness.
<table>
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<tr>
<th>Subject Descriptor</th>
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<tr>
<td>Afghanistan: Gross domestic product, constant prices</td>
<td>Percent change</td>
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<td>3.660</td>
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<td>Units</td>
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<td>658.933</td>
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<td>Current international dollar</td>
<td>Units</td>
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<td>1,924.681</td>
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<td>Afghanistan: Inflation, average consumer prices</td>
<td>Percent change</td>
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<td>7.386</td>
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<td>-8.683</td>
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<td>Afghanistan: Volume of exports of goods and services</td>
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<td>8.838</td>
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<td>Afghanistan: Unemployment rate</td>
<td>Percent of total labor force</td>
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<td>Afghanistan: Population</td>
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<td>Afghanistan: General government net debt</td>
<td>Percent of GDP</td>
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<tr>
<td>Afghanistan: General government gross debt</td>
<td>Percent of GDP</td>
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<td></td>
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<td>Afghanistan: Current account balance</td>
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IMF Estimate of Key Economic trends in Afghanistan: 2000-2013

(Source: IMF World Economic Outlook)

Source: Dr. Abdullah Toukan, 23.9.15
With the sharp contraction in foreign presence, formerly robust Afghan GDP growth rates slowed from 14.4% in 2012 to 3.7% in 2013 and to 1.3% in 2014, according to the World Bank. The slowdown, according to the USIP report, “also reflects loss of business and consumer confidence, lack of private investment, very low public investment, and deepening uncertainty over the political transition and security outlook,” as well as concerns about “the slow start and continuing weaknesses of the national unity government.”

Note: Steady drop after 2012-2013. Rise in 2016 depends on unrealistic estimate of reform, but no figure includes drug portion of economy.

World Bank Warnings About Transition: November 2011 - II

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

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

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

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

Economic growth is much slower under less favorable scenarios. The growth projections are based on a set of assumptions (scenarios) related mainly to security, sources of growth, aid levels, and changes in investment climate. If the assumptions in the less favorable scenarios come to pass — for example, if agriculture performance is poor, if major mining investments (Aynak for copper and Hajigak for iron ore) do not materialize, or if aid declines precipitously over the period — then growth could drop to 3-4%. Deteriorating security and governance would lead to further economic decline. The underdeveloped financial sector and low rates of financial intermediation leave little scope for helping Afghan businesses adjust to slowing growth. Conversely, the decline could be partly mitigated by reducing aid in a gradual, planned manner and by increasing the amount of aid that is actually spent within Afghanistan that would result if more aid channeled through the Afghan budget.
Underemployment will increase because the activities affected by declining financial inflows (services, construction) are relatively labor-intensive. Unemployment and especially underemployment in Afghanistan—respectively estimated at 8% and 48%—are already high, even with today’s rapid economic growth. Roughly 6–10% of the working population has benefited from aid-financed job opportunities, most of these in short-term employment. Declining aid, therefore, can be expected to exacerbate underemployment levels (with fewer casual labor opportunities and lower pay for skilled employees).

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

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

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

Every South Asian economy except Afghanistan’s grew faster in 2014 than in 2013.

Afghanistan’s real growth in gross domestic product (GDP), excluding opium, slowed significantly, from 3.7% in 2013 to a World Bank estimated 2% in 2014 due to increasing political and security uncertainties.

This has led to a slump in investor and consumer confidence in non-agricultural sectors, which the World Bank expects to continue through 2015. With agricultural output expected to contract this year, the World Bank estimates 2.5% growth in 2015, based on “highly fluid” projections.

Afghan growth prospects, according to the Asian Development Bank (ADB), depend on the stability of the political, security, and business environments. The Department of Defense (DOD) reported that the Afghan economy cannot grow quickly enough to cover its security costs.

Taking a best case scenario, DOD wrote that even if 2018–2020 growth averaged 9% (the 2003–2012 average) and all the gains went to fund Afghanistan’s Ministries of Defense and Interior, it would only cover 20% of total security costs at current force levels. Therefore, the government will need to reduce security costs in order to ensure economic sustainability.

DOD said many security-related resources are wasted due to “lack of control mechanisms in business processes, massive corruption, and lack of long-term partnerships with the private sector.”

The World Bank said the most important perceived constraint for private investment in Afghanistan is lack of security, which directly impacts growth and poverty by damaging human capital, constraining productive economic activities, increasing social unrest, promoting unequal access to basic services, and increasing political instability.

Indicative of the risky market conditions and political developments in Afghanistan, private investment declined in 2014. New-firm registrations were down 26% across all economic sectors, following a 36% drop in 2013, according to the World Bank.

Continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth.

Consumer price inflation, for both food and non food items, dropped to 4.6% in 2014 compared to 7.4% in 2013, mostly due to strong domestic agricultural production and lower global food prices, as well as declining housing, internet, and oil prices.
Every other South Asian economy grew faster than Afghanistan’s in 2014 and 2015, a trend the Asian Development Bank (ADB) expects to continue, in 2016... Agriculture drives Afghanistan’s economy and is the main source of gross domestic product (GDP), employment, and subsistence, according to the World Bank... The IMF said, “Apart from agriculture, (recent) economic activity has been subdued.” Agricultural output and income, though, fluctuate with the weather and economic growth based on this sector is necessarily volatile.

Meanwhile, construction, trade, and services, all of which previously benefitted from the Coalition’s large presence, security spending, and aid flows, now remain depressed. Generally, the Afghan government said economic conditions were “not conducive to the kind of private sector investment that could drive a diversified and sustainable economy.”

Afghanistan’s real (net of inflation) GDP, excluding opium, slowed significantly in 2014 to a World Bank-estimated $20 billion—1.3% growth versus 3.7% in 2013. The World Bank projected Afghanistan’s real GDP to grow 1.9% in 2015 to $20.4 billion, with medium-term performance expected to remain sluggish because of the deteriorating security environment.

Afghan economic growth prospects, according to the World Bank, depend on the government’s progress on reforms, the country’s ability to create a sufficient number of jobs to meet the growing demand, and improved security.

Private investment declined in 2014 and remained flat in 2015, according to the World Bank, which is indicative of Afghanistan’s risky market conditions and political developments. The number of new firm registrations—a measure of investor confidence—in 2014 dropped 26% across all economic sectors. New firm registration in the first six months of 2015 matched 2014, year-on-year. The ADB reported that investor and consumer confidence was low in the first half of 2015 as the political and security situation declined and the government struggled to deliver anticipated reforms. Foreign direct investment declined by 30%.

Consumer price inflation, for both food and non-food items, dropped to an IMF-estimated average -1.3% in 2015 compared to 1.4% in 2014. This was attributed to weak economic activity, declining global food and fuel prices, and waning domestic demand. The World Bank said this deflationary pressure on Afghanistan’s economy was being offset by the inflationary pressure of their currency, the afghani, depreciating against the U.S. dollar. Exchange-rate depreciation would normally cause higher consumer prices for an import-dependent nation like Afghanistan, but this was offset by declining global prices. The Afghan government acknowledged that the speed, scale, and depth of its economic crisis and associated human costs is unsustainable. Although it is working with the IMF and other donors on long-term
reforms to the economy, the government reported that the country is suffering from a major economic downturn that has led to “large-scale job loss, deep popular unhappiness, widespread human suffering, and a large upswing in out-migration as disillusioned Afghans leave for Europe and beyond.”

The government said it miscalculated the economic costs of the Coalition withdrawal. Lower foreign military spending has reduced demand for services, leading to tens of thousands of jobs lost, and negatively impacted domestic demand for products and services.

Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments, reducing its ability to provide jobs for an estimated 700,000 Afghans entering the workforce annually, including 400,000 high school and college graduates.

In response, President Ashraf Ghani announced this quarter a jobs-focused stimulus and stabilization program—Jobs for Peace—that aims to provide short-term, labor-intensive employment in rural and urban areas.

• The World Bank said access to finance remains low and is a major constraint to economic growth. Only 5.7% of Afghan firms are reported to have a bank loan, and only 2% use banks to finance investments.

• More generally, less than 10% of the Afghan population uses banks, 5 preferring to hold cash. The ADB said this reflects continued distrust of banks and weak banking-sector performance since the massive Kabul Bank failure.

• The IMF reported that lax governance and regulatory enforcement in early 2014 caused the financial positions of some Afghan banks to deteriorate, two of which were characterized as in “hazardous condition.”

• Recognizing the necessity of banking-sector profitability, Afghan authorities, with donor and IMF assistance, began to address banking vulnerabilities in 2015.

• The IMF said important, albeit delayed, progress was made, including passing a new banking law to strengthen bank governance, amending the anti-money laundering law, improving revenue and customs department capacities, and renewing preparations to sell New Kabul Bank.

• Additionally, the IMF said supervisory and regulatory enforcement is getting stronger, the restructuring of weak banks continues, and the newly established Bad Debt Commission is helping recover nonperforming loans (participation for public banks is required, but voluntary for private banks).
World Bank: Afghanistan’s Economic growth and Human Development Indicators
Economy: The political and security transition continues to take a heavy toll on Afghanistan’s economy. Economic growth is estimated to have fallen further to 2 percent in 2014 from 3.7 percent in 2013 and an average of 9 percent during 2003-12. Political uncertainty combined with weak reform progress dealt a further blow in 2014 to investor and consumer confidence, already in a slump from uncertainty building since 2013. The economy also faces headwinds from the drawdown in aid, affecting growth in non-agricultural sectors (manufacturing, construction, and services). The agricultural harvest in 2014 was strong for the third year in a row, but was up only marginally from the bumper year of 2012. Agriculture benefited from robust cereals production thanks both to well distributed, timely rainfall and an increase in irrigated area for wheat cultivation. The growth outlook for 2015 remains weak.

Afghanistan’s fiscal situation is precarious. Domestic revenues fell from a peak of 11.6 percent of GDP in 2011 to 8.4 percent in 2014, because of the economic slowdown and weaknesses in tax and customs enforcement. The decline in revenue collection took place across all sources, including tax revenues, customs duties, and non-tax revenues. As a result, in spite of measures to restrain expenditures, the authorities faced a financing shortfall in excess of $500 million in 2014, managed by drawing down cash reserves, accumulating arrears, and exceptional donor assistance. The authorities curtailed civilian operations and maintenance (O&M) and discretionary development expenditures, although overall expenditures increased in 2014 because of higher security and mandated social benefit spending. Restoring fiscal stability will require accelerating revenue enhancing reforms, additional discretionary assistance, and prioritizing expenditures. The government began 2015 with a weak cash reserve position and significant arrears (around $200 million). Afghanistan thus faces a financing gap in 2015 that could be as large as last year, against the backdrop of a weaker cash position. In response to these challenges, the Government agreed to introduce a set of revenue-enhancing measures and further consolidate expenditure within the framework of an IMF-Staff Monitored Program (SMP). However, there are a number of downside risks that could undermine the impact of these measures such as the weak economic outlook or a deteriorating security environment.

Education: In 2001, after the fall of the Taliban, net enrollment was estimated at 43 percent for boys and a dismal 3 percent for girls. Moreover, there were only about 21,000 teachers (largely under-educated) for a school-age population estimated at more than 5 million — or about 240 students for every marginally trained teacher. Since 2002, school enrollment has increased from 1 million to 8.2 million; girls’ enrollment increased from 191,000 to more than 3.75 million. Majority of the teacher force—195,000—have received teacher training either through Teacher Training Centers or In-service Teacher Training. Efforts are ongoing to continuously upgrade teacher qualifications and overall access to equitable and quality education in Afghanistan. In the same period, the number of teachers had grown from 20,000 to more than 187,000.
Economy: The political and security transition continues to take a heavy toll on Afghanistan’s economy. Economic growth is estimated to have fallen further to 2 percent in 2014 from 3.7 percent in 2013 and an average of 9 percent during 2003-12. Political uncertainty combined with weak reform progress dealt a further blow in 2014 to investor and consumer confidence, already in a slump from uncertainty building since 2013. The economy also faces headwinds from the drawdown in aid, affecting growth in non-agricultural sectors (manufacturing, construction, and services). The agricultural harvest in 2014 was strong for the third year in a row, but was up only marginally from the bumper year of 2012. Agriculture benefited from robust cereals production thanks both to well distributed, timely rainfall and an increase in irrigated area for wheat cultivation. The growth outlook for 2015 remains weak.

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Over the past decade, Afghanistan has made enormous progress in reconstruction, development, and lifting per capita income. The authorities have taken steps to lay the foundation for economic stability and growth, to reduce poverty, and to achieve social and development objectives despite a very difficult security situation and the challenges associated with building political and economic institutions. However, security conditions, political uncertainty, and weak institutions continue to constrain growth and weigh on social outcomes. The international community has delivered substantial financial support and pledged to continue doing so over the medium term.

Afghanistan is one of the poorest countries in the world and relies heavily on donor grants to fund development and security spending. Per capita income for 2014 is estimated at about US$660, and the country ranks well below its neighbors on most human development indicators despite its progress toward meeting its social and development objectives and the Millennium Development Goals. For example, child mortality has been reduced and school enrollment increased, albeit from very low levels—the enrollment rate for primary school is less than 40 percent.

At the same time, achievements in some areas are below expectations: more progress is needed in reducing the number of children under the age of five that are underweight; in increasing access to potable water and sanitation; and improving literacy rates for men and women aged 15 to 24. Overall, the low implementation rate of the development budget impedes more rapid progress toward poverty reduction. Despite these drawbacks, Afghanistan became one of 20 fragile and conflict-affected states that have already met one or more the Millennium Development Goals (MDGs).

...Afghanistan has completed the first-ever democratic transfer of power in the country’s history in September 2014, with the conclusion of protracted presidential elections and establishment of the unity government. This peaceful transfer of power raised hopes and signaled Afghan people’s desire for change. Moreover, international community and key donors reaffirmed their partnership and commitment to Afghanistan’s future in the London Conference in December 2014. They welcomed the new government’s commitment to macroeconomic stability and reforms that will promote sustainable and inclusive growth.

Political and security uncertainties associated with presidential elections and the drawdown of international troops weighed on economic performance in 2014. They weakened confidence and growth declined to 1.5 percent in 2014. Inflation declined to 1.4 percent year-on-year in December 2014 due to lower international food prices and weak domestic demand. International reserves and the exchange rate remained broadly stable while the external current account and budget were financed by donor grants.
Fiscal and banking sector vulnerabilities emerged in 2014. Weak growth, declining imports, and lower tax compliance resulted in a decline in domestic revenue collection, while higher social and development expenditures added to spending. As a result, the treasury’s cash position was depleted and arrears were incurred. A deterioration in the banking sector’s asset quality exposed vulnerabilities and weaknesses, with eight of 16 banks rated as weak (reflected in CAMEL ratings of 4 or 5).

The new government is resolved to address economic vulnerabilities and push ahead with critical reforms in financial sector and revenue mobilization as well as improving governance. IMF staff had productive discussions with the new government on their policy framework and reform plans. These discussions culminated in announcement of a staff-level agreement on a nine-month Staff Monitored Program (SMP) on March 20, 2015.

The SMP is designed to support the authorities’ reform agenda with a framework to address economic vulnerabilities and facilitate engagement with the international community to sustain donor support. The SMP will aim to address fiscal and banking vulnerabilities and preserve buffers (low debt and a comfortable international reserves position), maintain low inflation and strengthen competitiveness and therefore laying the basis for high growth.

Under the SMP, fiscal policy will focus on mobilizing domestic revenue to finance projected expenditure and rebuild the treasury’s cash balance. Monetary policy will aim to preserve low inflation, and exchange rate policy will protect international reserves and strengthen competitiveness. Structural reforms will focus on:

1. revenue mobilization, expenditure control and repayment of arrears;
2. financial sector reform to deal with weak banks, promulgate and implement the new banking law, amend the central bank law, strengthen banking supervision, and address weaknesses in state banks; and
3. better economic governance by strengthening anti-corruption, anti-money laundering and countering the financing of terrorism.

Substantial grant financing from donors will be needed over the medium term to finance Afghanistan’s development and security needs, support the move toward fiscal sustainability, and enhance confidence in the Afghan economy.
IMF Estimate of Imports vs. Exports
Challenge of Post Transition Trade Balance

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

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

Afghanistan’s Imbalance of Trade

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an estimated current account balance of 5.7% of GDP in 2014.

Without it, the IMF estimates Afghanistan would have a current-account deficit equivalent to 36% of its GDP—about $7.3 billion—similar to those of Mozambique (-35%) and Liberia (-32%).

During 2012–2014, Afghanistan exported around $3.3–4 billion worth of goods and services annually, not including illicit narcotics, according to IMF estimates.

The World Bank said Afghanistan exports only a small number of products and has few trade partners, making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.

The IMF estimated Afghanistan’s 2014 imports at more than $10.6 billion of goods and services, with more than $8 billion paid for by official donor grants. Treasury has informally projected Afghanistan’s real import capacity, without a significant foreign presence driving demand, at less than $2 billion annually, excluding illicit narcotics revenues.

In its latest analysis, the World Bank found that Afghanistan’s trade deficit narrowed in 2014—to $8 billion (38% of GDP) compared to $8.3 billion (41.9%) in 2013. Official exports were 19.5% higher than in 2013, due mostly to higher agricultural output that boosted exports of dried and fresh fruits.

While the World Bank said lower consumer and business confidence led to 20% lower demand for imports, it also estimates that most of the decline of official imports is probably due to poor recording and increased smuggling since 15–20% of all Afghan trade is thought to be unrecorded and smuggled. Despite the trade deficit’s narrowing, it remains large and is fully financed by donor assistance.
Economic Stability and Development Challenges
Afghan Perceptions of the Economy in 2015

### ECONOMIC CONCERNS BY PROBLEM AREA

<table>
<thead>
<tr>
<th>Problems in Your Local Area</th>
<th>Unemployment (31.2%), Poor Economy (6.7%), Poverty (5.9%), High Prices (5.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problems Facing Afghanistan</td>
<td>Unemployment (22.4%), Poor Economy (13.1%), Poverty (5.9%)</td>
</tr>
<tr>
<td>Problems Facing Youth</td>
<td>Unemployment (71.4%), Poor Economy (15.9%)</td>
</tr>
<tr>
<td>Problems Facing Women</td>
<td>Lack of Job Opportunities (22.3%), Poverty (8.7%)</td>
</tr>
<tr>
<td>Biggest Cause of Crime</td>
<td>Unemployment (21.7%), Poverty / Weak Economy (8.4%)</td>
</tr>
</tbody>
</table>

- This year the majority (57.5%) of Afghans say they believe their country is moving in the wrong direction.
- When asked about the reasons for their pessimism, the second most common response (after insecurity) is unemployment (25.4%). Other economic reasons for pessimism include a bad economy (12.4%) and high prices (3.4%).
- The survey has found that economic issues are cross-cutting. Afghans often cite economic concerns when asked about a range of topics, including the problems in their local area, problems facing youth and women, problems facing Afghanistan as a whole, and even perceived causes of crime.
- Among Afghans who say that the nation is moving in the right direction, 43.1% cite positive reasons related to the economy, particularly reconstruction and rebuilding (31.8%) and economic revival (7.9%).
- Construction of roads and public infrastructure has been driven by foreign aid. In urban areas, the housing market has grown rapidly from a rise in Afghan private sector investment.
- When asked about their reasons for optimism about the direction of the country, notably few Afghans cite reasons of more job opportunities (2.4%), low prices (0.9%), or more factories (0.2%).

Poverty by Region: Declining Perception of Indicators

**AVERAGE MONTHLY INCOME**

- Central / Kabul: $251
- East: $194
- Southeast: $150
- Southwest: $194
- West: $117
- Northeast: $130
- Central / Hazarajat: $91
- Northwest: $142

**ECONOMIC INDICATORS: BETTER HOUSEHOLD SITUATION**


Declining Perception of Development

AWARENESS OF DEVELOPMENT PROJECTS IN LOCAL AREA: 2006-2015

Nine Major Challenges that are not War Related

• Past reporting on GDP growth has been dishonest in that it took figures shaped by the agriculture sector, and gains determined by peak rainfall, and implied these were the result of development and aid.

• Transition and cuts in military and aid spending may have a critical impact on both the service and industries sector during transition. The lack of a comparable estimate of the impact of the narcotics sector is analytically absurd.

• In spite of these problems, there seems to have been real progress in human development in spite of gross exaggeration of improvement in medical services, and in students actually in school versus expected years of schooling.

• This still, however, has left Afghanistan far behind other poor Asian state like Bangladesh and Nepal.

• Transition will make the major barriers to doing business in Afghanistan – which ranks only 164th out of 189 countries – far more serious.

• There are no credible estimates of just how dependent Afghanistan has been on outside military spending and aid, but the World Bank and CIA warn that Afghan imports were 17 time exports in 2012.
Formidable Development Challenges

Poverty and Demography
- Poverty high and persistent (36% of population in 2012)
- About 400,000 new entrants into labor force each year
- Low human development, despite decade of progress

Aid Dependence
- Economic activity, service delivery, security highly reliant on aid

Security and Fragility
- Undermine progress toward job creation and self-reliance
- Continued progress on service delivery critical for social cohesion

Corruption and Governance
- Progress in fighting corruption and building institutions critical
Possible Options; Key Issues for Attention

**Restore fiscal stability by creating fiscal space**

- Improve revenues, secure additional on-budget assistance, prioritize expenditures to safeguard progress on development outcomes
- Fiscal space even more important with revenues lower than previously projected
- Security spending pressures may require rethinking financing options

**Restore confidence and create private sector jobs**

- Investor confidence down; jobs needed for 400,000 new workers per year; poverty high and persistent at 36% and 50% considered vulnerable

**Strengthen social cohesion and service delivery**

- Fragility and conflict remain pervasive; women’s labor force participation, literacy, infant mortality remain lacking despite improvements of the past decade

**Corruption and Governance**

- Fighting corruption and strengthening governance critical across the board
**Tokyo Conference and Development Challenges: The Financing Gap**

- **Persistent financing gap:**
  Aid will decline as share of GDP, but a persistent financing gap will remain through 2025 (with considerable needs for security, O&M, and improving low levels of development)

- **Economic Growth:**
  Projected at 5 percent per year given smooth political and security transition

- **International community:**
  Recognized need for more on-budget assistance to mitigate impact of declining aid

- **Government:**
  Recognized need to improve revenues, prioritize spending, and strengthen absorptive capacity and PFM systems
World Bank: Afghanistan’s Growth and Development Progress Remains Fragile – March 2014

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

• **The security situation deteriorated after 2009** and the level of violence remains high. Annually, between 2,000 and 3,000 civilians are harmed or killed in violent incidences related to the ongoing insurgency.

• **Economic growth has not been pro-poor.** Poverty levels are high, with 36 percent of the population living below the national poverty line in 2011/12 and more than 50 percent vulnerable to becoming poor. Recent data suggests that overall poverty levels have not declined between 2007 and 2011, despite rapid growth in this period. At the same time, inequality measured by the Gini coefficient appears to have increased somewhat.

• **Unemployment is relatively low,** at 8.2 percent in 2011/12 but underemployment is a serious issue, with 16.8 percent of the employed population working less than 40 hours per week. At the same time, labor participation is low, at 60 percent, due mainly to a very low participation of women in the labor market.

• **The governance deficit relative to other low-income countries is still very large.** Reforms in areas that could have improved rule of law and control of corruption have been very slow. Corruption is pervasive and widespread. In 2012 Transparency International ranked Afghanistan 174th out of 176 countries, joint last with North Korea and Somalia. But most concerning is that the governance situation appears to have regressed, especially in areas such as control of corruption, rule of law and political stability.

• **In addition, the country is facing huge demographic challenges.** The Afghan labor market is characterized by a young and fast-growing workforce. Decades of conflict, international migration and staggeringly high fertility rates make Afghanistan – together with Pakistan and Nepal – one of the youngest countries in South Asia. Between 2010/11 and 2015/16 alone, the labor force is expected to increase by 1.7 million people, and by an additional 4 million by 2025/26. These trends pose significant risks to social cohesion in a situation that is already characterized by strong political, regional, and ethnic tensions.
World Bank Estimate of Afghan GDP Growth Tied to Agricultural Growth and Rainfall

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

Source: CSO
World Bank Estimate of Afghan GDP Growth 2010-2016
(In Constant $US 2010 Dollars)

Status in 2013
- GDP = $20.5 billion
- Population = 29.82 million
- GDI per capita = $680
- Poverty % of Population = 36%
- Life expectancy = 61 years
- Improved water = 61%

Country: Afghanistan
Created from: Global Economic Prospects
Created on: 05/05/2014
World Bank Estimate of Afghan GDP Growth 2004-2013
(Annual % Growth in Constant $US 2010 Dollars)
World Bank Estimate of GDP Growth in Comparison with Rest of South Asia

Barriers to Doing Business in 2016


• While Afghanistan ranks high in starting a business (34th), increased registration and publication fees made it more costly to do so.

• Afghanistan is nearly last in dealing with construction permits (185), getting electricity (156), registering property (184), trading across borders (174), and enforcing contracts (172).

• It is considered the worst country in protecting minority investors, partly a reflection of the country’s corporate-governance rules and the weakness of its legal institutions.

• President Ghani has stressed the need for accountability in carrying out the difficult economic reforms needed for Afghanistan to build a competitive, export-oriented economy, with access to neighboring markets.

• USAID, which is assisting in this effort, has disbursed more than $1 billion cumulatively for economic growth programs in Afghanistan

PRT/DST Impact
Map of regional commands and PRTs in Afghanistan

Source: Special Inspector General for Afghanistan Reconstruction, "U.S. Civilian Uplift is Progressing but Some Key Issues Merit Further Examination as Implementation Continues" (2010), figure 2.
## Reported achievements and challenges of civilian representatives aligned against their 7 objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Indications of achievement</th>
<th>Complications to achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve security</td>
<td>• Shaped some military operations.</td>
<td>• Struggled to pursue civilian objectives independently of military objectives.</td>
</tr>
<tr>
<td></td>
<td>• Assisted military spending of the Commander’s Emergency Response Program.</td>
<td>• Relied on military commander for resources.</td>
</tr>
<tr>
<td></td>
<td>• Provided some oversight to military-funded projects, as possible.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Communicated and advocated for Afghan concerns during U.S. military planning.</td>
<td></td>
</tr>
<tr>
<td>Implement reconstruction</td>
<td>• Improved some Afghan quality-of-life indicators, such as education and health.</td>
<td>• Had few resources—financial or personnel—to oversee projects.</td>
</tr>
<tr>
<td></td>
<td>• Provided short-term political and security support through quick-impact projects.</td>
<td>• Inconsistently focused on sustainability of projects.</td>
</tr>
<tr>
<td></td>
<td>• Projects and programs sometimes used as access to powerful Afghans; projects enabled</td>
<td>• Contributed to increased Afghan desire for more long-term, large infrastructure.</td>
</tr>
<tr>
<td></td>
<td>civilian representatives to have a role in dispute resolution.</td>
<td>• Focused security-linked projects on insecure areas at the expense of secure areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Long-term development now minimal.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Faced funding requirements that created disincentives to development and fueled corrupt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>practices among Afghans.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Unable to develop effective alternative to services provided by the Taliban, notably</td>
</tr>
<tr>
<td></td>
<td></td>
<td>justice and courts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provided skills training to Afghan counterparts that often went underused.</td>
</tr>
<tr>
<td>Objective</td>
<td>Indications of achievement</td>
<td>Complications to achievement</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Professionalize government</td>
<td>• Communicated military actions and priorities to Afghans.</td>
<td>• Faced time constraints so that time spent advising Afghans reduced time spent advising military; objectives conflicted.</td>
</tr>
<tr>
<td></td>
<td>• Built trusted relationships with Afghans, often due to specific skills or traits of the representative.</td>
<td>• Faced too few resources and were spread too thin to build system of governance; minimal contact with civilian representatives in ministries or U.S. Embassy.</td>
</tr>
<tr>
<td></td>
<td>• Provided disincentive for bad behavior and mitigated overt corruption.</td>
<td>• Faced unclear policy on support to formal government—Afghan governor—and informal local officials—shuras.</td>
</tr>
<tr>
<td></td>
<td>• Began localized reconciliation programs to address fundamental political grievances.</td>
<td>• Unable to adjust the Afghan power dynamics often relied on by nontechnocrats.</td>
</tr>
<tr>
<td></td>
<td>• Built some government capacity, primarily with existing technocrats.</td>
<td>• Had limited time, incentives, or resources to address micro-conflicts or to disaggregate them from the larger counterinsurgency.</td>
</tr>
<tr>
<td>Build trust among and with Afghans</td>
<td>• Promoted Afghan government publicly to Afghan constituents.</td>
<td>• Raised expectations from Afghan constituents for Afghan government capability. Afghans disillusioned with government unable to deliver like the United States did.</td>
</tr>
<tr>
<td></td>
<td>• Urged Afghan leaders to pursue U.S. objectives, often military.</td>
<td>• Discredited by some Afghan constituents solely due to alignment with Afghan officials.</td>
</tr>
<tr>
<td>Promote democratic principles</td>
<td>• Supported elections, the results of which Afghans generally accepted.</td>
<td>• Alienated some conservative Afghans with democracy promotion programs, such as women promotion programs.</td>
</tr>
<tr>
<td>Provide oversight, intelligence, and reporting</td>
<td>• Increasingly developed civilian-military campaign plans.</td>
<td>• Struggled with few resources to develop metrics and measurements or to gather data.</td>
</tr>
<tr>
<td></td>
<td>• Reported weekly through U.S. government.</td>
<td>• Received minimal guidance or policy feedback from embassy or Washington agencies.</td>
</tr>
<tr>
<td>Demonstrate commitment to the Afghan government and buy political time</td>
<td>• Galvanized international partners to increase civilian representatives and civilian programs in Afghanistan.</td>
<td>• Viewed by Afghan government as creating a parallel government.</td>
</tr>
<tr>
<td></td>
<td>• In the United States, demonstrated civilian agencies’ commitment to national security objectives.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Aggregated responses from authors’ survey and interviews with civilian representatives and Afghan officials, May to September 2015.
**Mixed results of civilian representatives**

“Do you believe that the Provincial Reconstruction Teams’ increased service delivery in the province/district fulfilled this goal of increasing stability and reducing the insurgency’s strength?”

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Number of responses

20

18

**Short-term gains were temporary**

“Please rate the effect of PRT project implementation on the coordination among Afghan groups (tribes, communities, line ministries, genders).”

<table>
<thead>
<tr>
<th>Improved and was sustained</th>
<th>Improved and was temporary</th>
<th>Did not improve</th>
<th>No coordination occurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>50%</td>
<td>12%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Number of responses

14

21

8

5

**Afghans may have had heightened expectations due to civilian representatives**

Perception among U.S. civilian representatives

“At the end of your tour, did you believe Afghans had an increased demand for service delivery based on PRT/DST projects/programs?”

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Number of responses

34

9

**Sustainability was lacking**

“Do you believe that the PRTs/DSTs sustainably increased service delivery in the province/district after your tour?”

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Number of responses

8

33

**The Taliban provided a justice system, but little else**

“Did the Taliban or other anti-government elements provide service delivery to Afghans in your province or district?”

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>67%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Number of responses

32

16
Poverty Challenge
Poverty vs. Economic Pressure

• Poverty data are national, dated, based on extremely uncertain inputs, and often do not reflect real world level of poverty and economic stress.
• No data to help locate key districts under stress.
• Acute pressure to leave for cities creates urban slums and pockets of poverty for which no clear data exist.
• Data are not precise but population pressure clearly increasing work force faster than real jobs are being created; major impact on disguised unemployment -- particularly for younger Afghans.
• No meaningful data on income distribution, but corruption, power brokering, misuse of aid have create acute problems, visible signs of elite benefiting at people’s expense.
• Lack of security, narco-trafficking, power brokers all add to economic stress.
• Little security for educated, technically competent. Strong reasons to become corrupt or leave.
World Bank: Most of Population Excluded from Economic Growth–March 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Second, the persistent high level of un- and underemployment implies that growth in Afghanistan did not produce sufficient employment opportunities, especially for the poor and underprivileged segments of the population. Finally, the increase in violence over the same period might have disproportionally affected the poor. A deteriorated security situation restricts public service delivery, the reach of humanitarian development efforts, and access to markets for the poor. Moreover, insecurity also restricts access to public services, especially for women and children who might refrain from visiting clinics or going to school.
Notwithstanding agriculture’s importance to the economy, Afghanistan is not able to fully meet its food needs. Before the conflicts, Afghanistan was self-sufficient in cereals – and in some years was able even to be a small exporter. Today, however, and despite the large area devoted to cultivation of the primary staple (wheat), Afghanistan remains a highly food-insecure country (Table 1.3). High year-to-year fluctuations in domestic cereal production make the country dependent on food imports and have exposed the economy to external food-price shocks. For example, wheat demand in 2011 stood at 4.69 million tons, while national production was only 3.46 million tons, leaving a food deficit of more than 1.20 million tons. Adding to this a seed demand of 626,000 tons, the overall wheat deficit in 2011 was nearly 1.86 million tons.

Cereal Production in Afghanistan (thousands of tons)

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

Sources: World Food Program (2012); Agriculture Commodity Price Bulletin (year 8, vol. 7), and Agriculture Prospects Report, July 2012
Business, Investment, Mining, and LoC Challenges
Growth and Development Challenges

- Massive current dependence on outside war spending and aid.
- “New Silk Road” is dead, and “Ring Road” is uncertain; mineral wealth is no miracle solution to economic challenges. Very little real growth other than aid and military spending driven – cyclical impact of rainfall.
- Still at war and highly aid dependent.
- Unclear who will plan and manage aid and revenues in government. No clear structure for managing aid, revenue flows, outside plans and focus.
- The goal of 50% Afghan control ignores the roll back of aid/NGO presence; government ability to use and manage is insufficient.
- Failure of UNAMA, uncertain role of World Bank and outside help in development planning, post-Transition economic stability.
- Key problems in transport, agriculture, power sector. Rising poverty, acute population pressure, uncertain employment level.
- Service sector was dependent on flow of outside money. may leave, export capital, collapse.
- Major barriers to private development.
- At least some risk of major recession and collapse of the market-driven sector.
Afghanistan’s economy remains largely agrarian. Manufacturing contributed very little to economic growth over the past decade with the economy dependent primarily on agricultural output. The service sector is relatively unsophisticated and mainly informal.

Structural changes observed over the past ten years have come from reconstruction and recovery activities financed predominantly by donors.

Private-sector investment, hampered by persistent and increasing violence, has been very small. Growth over the past decade was driven mainly by demand from public sector activities.

There have been some important achievements. However, development challenges are still very large. In spite of strong economic growth, poverty remains pervasive and has not decreased in the past five years.

With 400,000-500,000 young people entering the labor market annually, Afghanistan faces an unprecedented demographic challenge. Without drastic changes in the country’s security situation to enable greater private investment, labor market pressures will continue to rise, and in turn increase the risk of conflict and violence.

Enhancing the impact of growth on poverty and shared prosperity in the post-transition period will require steps to ensure that growth is strong and steady, accompanied by greater job creation.
World Bank: Afghanistan’s Near Bottom Ease of Doing Business

<table>
<thead>
<tr>
<th>Region</th>
<th>South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Category</td>
<td>Low income</td>
</tr>
<tr>
<td>Population</td>
<td>30,551,674</td>
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<tr>
<td>GNI per Capita (US$)</td>
<td>700</td>
</tr>
<tr>
<td>City Covered</td>
<td>Kabul</td>
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</table>

### Rankings

#### Topics

<table>
<thead>
<tr>
<th>Topic</th>
<th>DB 2015 Rank</th>
<th>DB 2014 Rank</th>
<th>Change in Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a Business</td>
<td>24</td>
<td>17</td>
<td>-7</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>185</td>
<td>182</td>
<td>-3</td>
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<tr>
<td>Getting Electricity</td>
<td>141</td>
<td>146</td>
<td>5</td>
</tr>
<tr>
<td>Registering Property</td>
<td>183</td>
<td>182</td>
<td>-1</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>89</td>
<td>86</td>
<td>-3</td>
</tr>
<tr>
<td>Protecting Minority Investors</td>
<td>189</td>
<td>189</td>
<td>No change</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>79</td>
<td>75</td>
<td>-4</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>184</td>
<td>183</td>
<td>-1</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>183</td>
<td>183</td>
<td>No change</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>159</td>
<td>158</td>
<td>-1</td>
</tr>
</tbody>
</table>

IMF Estimate of Business Problems

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

1/ Low income countries;
2/ Middle East, North Africa, and Pakistan;
3/ Emerging market economies;
4/ Worldwide Governance Indicators include government effectiveness, regulatory quality, rule of law, and control of corruption; trend line is based on cross-country regression.
Going Forward: Restore Confidence and Creating Private Sector Jobs

Restore fiscal stability through improved revenues, securing adequate on-budget grant assistance, and prioritizing spending.

Restore investor confidence and create private sector jobs by addressing financial sector, land, and business climate impediments and by unlocking the potential of agriculture, services, and extractive industries.

Strengthen social cohesion and service delivery by promoting social inclusion, targeted rural and urban programs, and improving efficiency of service delivery.

Prioritize regional integration to establish Afghanistan’s role as a regional economic partner in trade and transit, energy and water, and labor migration.

High level commitment to tackle corruption, strengthen governance, and safeguard public financial management is critical across the board.

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

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

Agricultural development meets this requirement as it would directly improve income for the majority of households in Afghanistan. And as the large volatility in agriculture output demonstrates, the sector still has potential to grow even within the existing parameters of insecurity and violence. The large international interest and successful outcome of the recent tenders for the exploration and production in Amu Darya, Aynak, and Hajigak indicate a similar “conflict resilience” for extractive industries. However, international experience shows that not only does natural resource exploitation have limited job creation potential, but that it also carries large risks, especially for governance, social cohesion, and conflict. With the development of the extractive industries, Afghanistan is now adding another stress factor to its already-vulnerable country context. In fact there is ample empirical evidence that natural resource endowment can be detrimental to the development prospects of a country – even under more favorable circumstances than those found in Afghanistan.

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

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

SIGAR July 2014 Report to Congress

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

The World Bank estimates annual extractive-sector revenues could reach between $0.7 billion and $1.5 billion by 2022–2024. However, the United States Institute for Peace warned that revenue projections from mineral extraction are often difficult to make with any accuracy, given commodity-price fluctuations and uncertainty whether identified resources can be fully extracted. Moreover, the government will not necessarily receive the full value of Afghanistan’s mineral wealth in revenues.

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

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

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

SIGAR July 2014 Report to Congress

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

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

Source: Google, Search “Map of Afghan Road System,” Accessed April 8, 2014
Critical Importance of Uncertain LoC Security and $7-9 Billion in Added Investment Funds
Narco-Economy Challenge
The Uncertain Realities of a Narco-Economy - I

• Lack of proper attention leads to widely different estimates of overall impact on economy.
• Limited analysis of actual economic impact. Generally excluded from development plans, overall assessment of agriculture and service sectors, and comparative economics of aid.
• It is almost impossible to distinguish the impact of rain and water availability and blight on narcotics output and cultivation. Trend analysis sometimes seem to confuse these impact with effective counternarcotics measures.
• US government reports sharply downplay political impact, effects on corruption and security services.
• Many analyses focus on farm gate prices (4%+ of GDP) and not overall impact on economy once processed and/or begin transit to export markets (13%+ of GDP).
• Reports on output and area under cultivation are fundamentally flawed because they do now address valued added at each state of processing and actual export prices. Reports that do not cover all aspects of narco-trafficking through the export stage are little more than analytic rubbish.
• SIGAR raises critical questions about value of counterdrug aid effort.
• Many reports focus on eradication, seizures, and alternative crops although UNDOC reporting shows such programs may actually have a negligible effect on overall cultivation and production.
The Uncertain Realities of a Narco-Economy - II

- No explicit analysis of impact on corrupt power brokers, and financing of Taliban and other threat elements.
- The Taliban now has all the elements of an international criminal network in narco-trafficking – sometimes cooperating with Afghan officials and security forces and sometimes competing with the for control of the drug trade.
- This is critical in Helmand and some other areas, but official reporting is largely in denial of the corruption and role of the Afghan government in the drug trade – reportedly from at least one recent governor on down.
- Key portions of a New York Times report notes that, “Taliban leader, Mullah Akhtar Muhammad Mansour, is at the pinnacle of a pyramid of tribal Ishaqzai drug traffickers and has amassed an immense personal fortune, according to United Nations monitors. That drug money changed the entire shape of the Taliban: With it, Mullah Mansour bought off influential dissenters when he claimed the supreme leadership over the summer, according to senior Taliban commanders.*
- “In some areas of Afghanistan, the Taliban have provided seeds for farmers to grow opium on the insurgents’ behalf, or paid middlemen to purchase opium for them to store while they wait for prices to increase.
- “In its most recent monitoring report, the United Nations warned that the Taliban’s deeper drift into the drug business was bad news for the prospect of peace. “This trend has real consequences for peace and security in Afghanistan, as it encourages those

within the Taliban movement who have the greatest economic incentives to oppose any meaningful process of reconciliation with the new government,” the authors wrote.

- “Some of the change in the nature of the Taliban movement can be attributed to the devastating military campaign to take out its leaders, leaving younger, more radical commanders on the battlefield. With competing conflicts diminishing some of the money from traditional donors in the Persian Gulf, the Taliban have been forced into greater self-reliance, cobbling money together from a variety of sources. Those sources include gem and lumber smuggling, but drug trafficking has become, by far, the Taliban’s most important and steady revenue source.”

- Most narcotics reports do not examine problems of population pressure and low agricultural incomes on reasons for cultivation. CIA estimates Agriculture is a far lower percent of GDP than labor force: Distribution of GDP is: agriculture: 24.6%, industry: 21.8%, services: 53.5% and data exclude opium production (2012 est.) Distribution of labor force is agriculture: 78.6% industry, 5.7%, services: 15.7% (FY08/09 est.)

- Cannabis is largely excluded from economic and trafficking analysis.
Drugs in a Rural Economy

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

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

Source: World Bank staff calculations based on CSO data

Afghanistan’s economy is dominated by agriculture in more than one dimension. Aside from its direct contribution to GDP, agricultural production feeds into the economic growth process through its impact on aggregate demand and significance in manufacturing. In 2011/12, 49 percent of all households derived their income from agriculture; for 30 percent of all households agriculture constitutes the main income source. Not surprisingly, private aggregate demand is highly correlated with agricultural production (Figure 1.9). Moreover, 96 percent of the manufacturing sector depends on agricultural products for inputs (food and beverages, textiles, and leathers).
Both opium production and area under poppy cultivation increased considerably in 2013—and is expected to remain at a high level in 2014.

According to UNODC data, opium production increased by almost 50 percent to 5,500 tons in 2013, while the total area under poppy cultivation expanded by 36 percent to 209,000 hectares.

Opium production in 2013 appears to have recovered from the decline in 2012 triggered by adverse weather and disease. While the total value of opium production at farmgate prices remained at about 4 percent of GDP (or $950 million) in 2013 due to a decline in the farm-gate price, the export value of opiates (including drugs) increased from 11 percent of GDP in 2012 to 15 percent of GDP—or $3.1 billion—in 2013.

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

Although opium’s importance in GDP has been declining over time (down from 13 percent of GDP in 2007 to 4.1 percent in 2013 at farm-gate prices), it is likely an important source of livelihood for a segment of the rural population.
In terms of production and share of GDP, opium’s importance has been declining since 2007, when it reached a record production of 8,200 tons. Nowadays, production is closer to 3,700 tons (UNODC, 2012), which amounts to 3.3 percent of GDP in farm-gate value, or 10 percent in export value – compared to 13 percent of GDP by farmgate value in 2007. However, measuring opium production as part of the national income is not straightforward. While the nominal difference between opium-GDP and non-opium-GDP is relatively small – an average of US$500 million each year – non-opium and opium GDP growth can differ by more than 5 percentage points in some years. However, average opium GDP growth has been only slightly higher than non-opium GDP growth: 9.4 percent compared to 9.2 percent, which suggests that between 2003 and 2012 opium has not been an important driver of economic growth.

That said, opium is still Afghanistan’s single most important cash crop and therefore has significant implications for income and consumption of rural, poor households. The average cash income of poppy-growing households is 52 percent higher than that of households that had never grown poppy. Poppy-growing households also tend to be farther away from markets. This, in turn, adds to the complexity of finding the right approach to reducing opium production, which ultimately hinges on the development of alternative and competitive agricultural supply chains.
Drug production and trafficking are macro-relevant in Afghanistan. Production includes opium, heroin, morphine, and cannabis. In 2013, the farm-gate value of potential opium production was estimated at 4 percent of GDP. The potential net value of opiates and the value of opiates potentially available for export were estimated at 15 percent and 14 percent of GDP, respectively.¹ The combination of high opium prices and Afghanistan’s significant involvement in its cultivation exposes the country to risks of economic instability, as a number of factors could trigger a shock to production and prices which would transmit to the formal economy, including through farmers’ incomes. These include climate and water supply, eradication campaigns, external demand, change in policies (e.g., Taliban’s ban in 2000), border controls, and conflicts in neighboring countries.

There could be significant distorting effect of the drug industry on the formal economy.² Resources devoted to drug cultivation and trafficking are diverted from other productive opportunities, decreasing activity in others sectors of the economy. It is also possible that spillovers from the drug sector may increase activity in other sectors.
IMF Estimate of Value of Opium vs. Other Exports
The Drug Outcome of the Surge: Change in Poppy Cultivation 2012-2013

SIGAR Estimate Total Area Under Poppy Cultivation: 2002-2013
Main global trafficking flows of opiates

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

Afghanistan’s Global Role in Opiates - I

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

The Balkan and northern routes are the main heroin trafficking corridors linking Afghanistan to the huge markets of the Russian Federation and Western Europe. The Balkan route traverses the Islamic Republic of Iran (often via Pakistan), Turkey, Greece and Bulgaria across South-East Europe to the Western European market, with an annual market value of some $20 billion. The northern route runs mainly through Tajikistan and Kyrgyzstan (or Uzbekistan or Turkmenistan) to Kazakhstan and the Russian Federation. The size of that market is estimated to total $13 billion per year.
According to the limited information available, global prevalence of the use of opioids (0.7 per cent of the world’s adult population, or 32.4 million users) and the use of opiates (0.4 per cent, or 16.5 million users worldwide) has remained stable, whereas global opium poppy cultivation in 2014 reached the highest level since the late 1930s. This was mainly attributable to the fact that opium poppy cultivation reached historically high levels in the main country in which opium poppy is cultivated, Afghanistan, where potential production of opium also continued to increase.

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

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

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

Besides opiates, reports show a growing prevalence of cannabis production in Central Asia. The hashish trade has grown in recent years, and total production today may rival that of Europe's traditional supplier, Morocco. All of Afghanistan's neighbors are reporting increases in cannabis seizures, and cannabis production has been reported in 20 of Afghanistan's 33 provinces. With entrenched smuggling networks, widespread insecurity and a drug-based economy, Afghanistan is ideally placed to become a major player in the global hashish market.
UNDOC Estimate of Rising Afghan Opium Cultivation 1994-2014
The total area under opium poppy cultivation in Afghanistan was estimated to be 224,000 hectares (200,000-250,500) in 2014, which represents a 7% increase from 2013, which was a 36 percent increase over 2012.

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

Hilmand remained the country’s major opium-cultivating province (103,240 hectares), followed by Kandahar (33,713 hectares), Farah (27,513 hectares), Nangarhar (18,227 hectares), Nimroz (14,584 hectares), Uruzgan (9,277 hectares), Badghis (5,721 hectares), Badakhshan (4,204 hectares), Zabul (2,894 hectares), Laghman (901 hectares), Kunar (754 hectares), Hirat (738 hectares) Day Kundi (587 hectares), Ghor (493 hectares), Kapisa (472 hectares), Kabul (233 hectares) and Sari Pul (195 hectares).
In 2014, estimated potential opium production in Afghanistan amounted to 6,400 tons (5,100-7,800 tons), an increase of 17% from its 2013 level (5,500 tons). Average opium yield amounted to 28.7 kilograms per hectare in 2014, which was 9% more than in 2013 (26.3 kilograms per hectare).

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

...The Southern region continued to produce the vast majority of opium in Afghanistan in 2014, representing 69% of national production. The Western region was the country's second most important opium-producing region (16%). The rest of the country contributed 15% of total opium production.
Drug Eradication Has Had a Negligible and Dropping Impact: 1998-2014

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

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

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

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

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

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

Although certain areas of the Provinces of Farah and Balkh (northern Afghanistan) have similar levels of risk of opium cultivation, despite great variations in their levels of socioeconomic vulnerability and environmental suitability, their respective outcomes in terms of opium cultivation are completely different: the area around Balkh is poppy-free, while Farah is one of Afghanistan’s main poppy-producing provinces.
Alternative Crop Programs Have Not Worked, In Spite of Drop in Farm Gate Price with End of Crop Disease That Began in 2010

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

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

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

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

Things Did Improve in 2015?

AFGHANISTAN DRUG REPORT 2015: PRESS RELEASE

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

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

Key finding of the Report include the following:

- Poppy cultivation decreased by 19% from an estimate of 209,000 ha in 2014 to 183,000 ha in 2015 - this is the first year that the area under opium cultivation has decreased since 2009. Eradication increased by 29% whilst total opium production decreased by 48% in the last year to 3300 tons.

- Estimates show between 1.9 million to 2.4 million adult drug users which is equivalent to 12.6% of the adult population - more than double the global drug use rate of 5.2%. There are only 123 treatment centers in the country which is sufficient for treating 10.7% of the opium and heroin users.

- There was a welcomed increase in total drugs seized from 119,960 Kg in 2013/14 to 128,079 Kg in 2014/15. However, it is worth noting that this increase was mostly due to a 81% increase in hashish seizures whilst seizures of heroin, morphine and opium decreased by 32, 25, and 14 per cent respectively.

- The Afghanistan Drug Report makes use of the MCN Afghanistan Drug Reporting System, a central repository of narcotics-related data collected within the country that was launched in June of this year and serves as the location for all CN data in the country.

- The Alternative Development sections of the report were informed by discussions with counterparts from other countries including Colombia, Peru and Thailand on key success factors.

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

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

Things Did Improve in 2015 – Largely Because of Blight and Water Shortfalls

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

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

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

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

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


Things Did Not Improve in 2015

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

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

Source: SIGAR, Quarterly Report to Congress, January 30, 2015, p. 94.