



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

January 4, 2024

The Honorable Michael T. McCaul, chairman  
House Foreign Affairs Committee

Thank you for your letter dated March 13, 2023, requesting information about the oversight and management mechanisms of the Fund for the Afghan People (the Afghan Fund, or Fund). You asked that we report on:

- The operations, policies, and expenditures of the Afghan Fund, and whether adequate safeguards have been put into place for protecting Fund disbursements from waste, fraud, and abuse—to include diversion (or other direct or indirect support) to the Taliban regime;
- The vetting of all appointments to the management and operation of the Afghan Fund and its boards as well as the vetting of all contracts for the Fund; and
- Matters for Congress to consider for improving the operations and effectiveness of the Afghan Fund.

The Afghan Fund is a Swiss-based charitable foundation capitalized with \$3.5 billion of the approximately \$7 billion of Afghan central bank (Da Afghanistan Bank, or DAB) assets deposited in U.S. financial institutions at the time the Afghan government collapsed in August 2021. Following the collapse, the DAB assets were frozen through an executive order. Approximately half of the assets were then transferred to the Fund pursuant to a license issued by the U.S. Department of the Treasury and instructions by two Afghan nationals selected by the Department of State pursuant to section 25B of the Federal Reserve Act (section 25B).<sup>1</sup> State told SIGAR that it chose these two individuals—Dr. Anwar ul-Haq Ahady and Dr. Shah Mehrabi—for their knowledge and experience with DAB and other Afghan economic institutions, degree of independence from Taliban and other political influence, record of non-corrupt conduct, and technical background, among other factors.

The Fund’s board of trustees includes Drs. Ahady and Mehrabi, Under Secretary of the Treasury for International Affairs Jay Shambaugh, and Ambassador Alexandra Baumann, a Swiss government representative.

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<sup>1</sup> Section 25B of the Federal Reserve Act (12 U.S.C. § 632) establishes a mechanism for addressing uncertainty surrounding who is authorized to conduct transactions on accounts holding the property of foreign governments. Such uncertainty existed for DAB’s U.S.-based accounts due to the Taliban takeover in August 2021, and the fact that the U.S. government does not recognize the Taliban or any other entity as the government of Afghanistan. State objected to our use of “selected” in reference to State’s 25B certification of Drs. Mehrabi and Ahady. State told us it “identified” and “certified” these individuals. We view this characterization as factually equivalent to selection. State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; Federal Reserve Act, Pub. L. No. 117-263, 12 U.S.C. § 632 (2023), pp. 108–110; White House, “Executive Order on Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan,” February 11, 2022; Treasury, response to SIGAR vetting draft, December 4, 2023; State, response to SIGAR vetting draft, December 4, 2023.

The purpose of the Fund, according to its articles of association, is to “receive, protect, preserve, and disburse” the assets it holds “for the benefit of the Afghan people.”<sup>2</sup> U.S. government officials said the United States’ short-term goal in setting up the Fund is to “promote monetary and macroeconomic stability”; the long-term goal is for unused monies to be returned to DAB, to recapitalize the bank.<sup>3</sup> Decisions regarding the disbursement of funds require a unanimous vote of the board of trustees, the Fund’s “supreme governing and decision-making body.”<sup>4</sup> The articles of association describe how the Fund must be administered and do not restrict the range of potential disbursements, provided that such disbursements are consistent with the aforementioned purpose of the Fund. However, U.S. officials and members of the board have said the Fund will not be used to provide humanitarian or development assistance.

Additional DAB assets could eventually be transferred to the Fund, potentially increasing its value to well over \$3.5 billion. For example, the disposition of DAB’s remaining U.S.-based assets—another \$3.5 billion—depends in part on the final outcome of litigation involving claims filed against the assets by the families of 9/11 victims and other plaintiffs. Furthermore, Afghan central bank reserves held in Europe and the United Arab Emirates could also end up in the Fund.

As a result of our work, we found:

- **Over a year since being created, the Fund has made no disbursements for activities intended to benefit the Afghan people. Treasury and State are not currently willing to support a return of funds to DAB.**

Treasury reported that, as of September 2023, no disbursements had been made from the Fund—although a small proportion of interest earnings had been allocated toward the Fund’s operational costs. Despite numerous efforts to obtain information about possible future disbursements, SIGAR was unable to determine what activities, if any, the Fund’s board of trustees plans to support as it waits to recapitalize DAB. In a July 2023 interview with SIGAR, Dr. Ahady reflected that the board had not been “as active as we anticipated we would be. But we still achieved a great part of our objective, which is to preserve the assets and protect [them] for the interest of the central bank and for the Afghan people.”<sup>5</sup>

Treasury and State have said they will not support returning monies to DAB until DAB implements adequate anti-money laundering and countering-terrorist-financing controls (AML/CTF). DAB must also demonstrate its independence from political influence and interference, submit to monitoring by a “reputable” third party, and undergo a third-party

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<sup>2</sup> The Fund’s articles of association are formally known as its “statutes.” Fund for the Afghan People, Statutes of February 10, 2023, article 4.2, p. 5.

<sup>3</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>4</sup> While the requirement for unanimity around disbursement decisions is codified in the Fund’s articles of association, the articles may be amended upon a unanimous vote of the board of trustees. According to the Fund’s articles of association, “a unanimous vote can be reached even if one or more board members abstain.” Fund for the Afghan People, Statutes of February 10, 2023, articles 11.1, 16.1, 22.3, pp. 10, 16, 20.

<sup>5</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

needs assessment.<sup>6</sup> Treasury and State told SIGAR that DAB has not satisfied these conditions. At present, DAB is not independent of the Taliban—its top three officials are senior Taliban leaders under U.S. and UN sanctions—and a USAID-funded assessment completed in March 2023 identified weaknesses in DAB’s enforcement of AML/CFT measures. Treasury characterized that assessment as “preliminary,” and indicated that DAB had still not fulfilled the needs-assessment condition described above. Treasury said that another assessment is required to obtain a better understanding of DAB’s operational deficiencies.

- **Although the Fund’s unanimous vote requirement could help prevent the Fund from engaging in risky activity, there are currently no controls in place that specifically address the issue of Taliban diversion. However, further safeguards that do address diversion may be developed in the future.**

When the Afghan Fund was created, Treasury and State said, “The Taliban are not part of the Afghan Fund, and robust safeguards have been put in place to prevent [Fund monies] from being used for illicit activity.”<sup>7</sup> However, the Fund’s articles of association do not explicitly refer to the Taliban, and there are currently no specific controls in place to ensure funds are not diverted to or misused by the Taliban. Additionally, notwithstanding its previous claim that the Fund already had “robust safeguards” in place, Treasury reported that a compliance program to prevent funds from being provided to sanctioned or criminal individuals, including members of the Taliban, was “under development.”<sup>8</sup>

A statement from an October 2023 board meeting indicated that the Fund’s trustees had approved a contract with a law firm to help produce “a framework” to ensure the Fund had “due diligence and controls procedures” related to disbursements. According to Treasury, the U.S. law firm chosen by the Fund’s trustees will help develop “the screening and verification measures that will be undertaken prior to each disbursement, including but not limited to the sanctions lists maintained by [Treasury’s Office of Foreign Assets Control] and the United Nations, among others.”<sup>9</sup> Treasury stated that the Fund will make no disbursements until this compliance program is in place.<sup>10</sup>

The Fund does have some controls not specific to the Taliban that could prevent monies from being diverted. For example, Treasury and State have noted that the Fund will be audited by an external party, in accordance with Swiss law. They have also stated that the Fund’s assets would be held at the Bank for International Settlements, which would

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<sup>6</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022; Treasury, response to SIGAR quarterly report data call, September 15, 2023; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>7</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>8</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>9</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>10</sup> While the Treasury representative does have the power to veto any potential disbursement prior to the implementation of a compliance program, Treasury has previously told SIGAR that it cannot speak on behalf of the Afghan Fund. Treasury, response to SIGAR vetting draft, December 4, 2023; Treasury, response to SIGAR quarterly report data call, June 15, 2023.

employ its own review process prior to any disbursements. Additionally, the Fund’s articles of association state that disbursement decisions can be made only by unanimous vote of the board of trustees. The implication is that each trustee, including the Treasury official, has the power to veto any disbursement decision they consider ill-advised, including decisions that may result in Taliban diversion.

- **One of the Fund’s trustees is also a member of DAB’s governing body, the Supreme Council. It is not clear whether this constitutes a conflict of interest in the form of competing fiduciary responsibilities. It is also unclear who determines whether a conflict of interest exists or how it is defined.**

If a board member has a conflict of interest regarding an agenda item during a meeting, the articles of association require the member to abstain from voting on that item. However, the articles neither define what constitutes a conflict of interest, nor specify who determines whether a conflict exists. The result is uncertainty as to whether potential conflicts of interest could impede sound governance of the Fund. In response to a draft of this report, Treasury disagreed with this statement. Treasury noted “that Swiss law provides an important foundation for interpreting the articles and that article 12.4 provides that ‘[e]ach Board member shall serve in the best interests of the Fund.’”<sup>11</sup> However, Treasury did not explain how Swiss law and each trustee’s responsibility to the Fund illuminated either the definition of a conflict of interest in the specific context of the Afghan Fund, or the procedures for determining whether a conflict exists.

As an example of the ambiguity created by the lack of a clear policy, one of the Fund’s trustees—Dr. Mehrabi—also serves on the Supreme Council, a governing body of DAB. In the absence of a more well-developed conflict-of-interest policy, it is unclear whether that trustee would be required to abstain from votes that could have consequences for DAB—for instance, a vote on the issue of recapitalization. When asked about this example, Treasury said it “expects that, as with any member of the board and a potential conflict of interest, in the event of a vote where Dr. Mehrabi’s role on the DAB Supreme Council presented a potential conflict of interest, a process would be undertaken to assess such risk.”<sup>12</sup> Treasury did not clarify what that process might entail.

- **State was unaware that one of the individuals it selected to be a fiduciary of DAB’s assets was fired from a previous position for misrepresenting his credentials, raising questions about the adequacy of State’s vetting process.**

Commenting publicly on how the two 25B-certified individuals were selected, State’s Special Representative and Deputy Assistant Secretary for Afghanistan Tom West stated, “This was not an open and democratic process.” He said the executive branch first generated a list of former Afghan officials with knowledge of Afghanistan’s Ministry of Finance and central bank. Then the executive branch “ran a process of looking into [the] pasts” of people on that list and ultimately chose two individuals “in whom we had the most confidence.”<sup>13</sup> In the course of its research, SIGAR found that one of the

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<sup>11</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>12</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>13</sup> “A Townhall with Tom West,” Afghans for a Better Future, Facebook livestream, October 21, 2022, <https://www.facebook.com/watch/?v=436691035274608>.

individuals was fired from a previous position for allegedly misrepresenting his credentials. We are providing the information we discovered about this individual in a separate correspondence.<sup>14</sup> State told SIGAR it was unaware of this information. State's lack of awareness raises questions about the rigor of the vetting process through which this individual became a co-fiduciary of \$3.5 billion of DAB assets. Despite multiple SIGAR attempts to obtain additional information about this process, State did not provide a detailed explanation of how it selected the individuals certified pursuant to section 25B of the Federal Reserve Act.

In reply to a draft of this report, State said it did not agree with this characterization, noting its response to SIGAR's inquiry letter reproduced in Enclosure III. In that response, State presented high-level criteria it says it used to identify Drs. Mehrabi and Ahady as individuals who could be certified pursuant to section 25B. However, the response did not provide a number of details that would be required to fully assess the rigor of the process through which State said "Dr. Ahady and Dr. Mehrabi emerged as the leading candidates." For example, it provided no information about either the number of individuals State considered, who those individuals were (other than Drs. Mehrabi and Ahady), why certain candidates may have been removed from consideration, the nature of the sources State used to gather information about each factor it considered, or what U.S. government entities other than State were involved in the process. A meeting with State in June 2023 provided little further illumination.<sup>15</sup>

In your letter, you requested that we identify matters for Congress to consider for improving the Fund's operations and effectiveness. Given the importance of any decision to recapitalize the central bank, Congress may wish to consider requiring Treasury and State to articulate in more detailed terms the criteria DAB must meet in order to be recapitalized.

For example, one criterion for recapitalization is that DAB is free from political influence and interference. However, the top three positions at DAB are currently held by Taliban loyalists, and DAB governors are reportedly constrained by government-wide decrees issued by Taliban supreme leader Haibatullah Akhundzada. Within this structure, what exactly would it mean for DAB to be free from political influence and interference? Another of Treasury and State's criteria for recapitalization is adequate controls to prevent money laundering and terrorist financing. Given that the de facto Taliban government is run by sanctioned individuals and connected to terrorist groups, how would DAB implement such controls?<sup>16</sup>

Without specifics regarding the U.S. government's conditions for recapitalizing DAB, it may be difficult for Congress to assess, when the time comes, whether those conditions have been met.

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<sup>14</sup> SIGAR asked the Afghan trustee in question to comment on this adverse information, but he did not respond.

<sup>15</sup> State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; State, meeting with SIGAR, June 1, 2023; State, response to SIGAR vetting draft, December 4, 2023.

<sup>16</sup> According to the UN's Analytical Support and Sanctions Monitoring Team, 41 members of the de facto Taliban government are sanctioned pursuant to UN Security Council resolution 1988 (2011) and the Taliban maintain a "strong and symbiotic" relationship with al-Qaeda. Individuals sanctioned pursuant to UN Resolution 1988 (2011) are subject to asset freezes, travel bans, and arms embargos from all UN member states. UN Security Council, "Security Council Committee established pursuant to resolution 1988 (2011)," <https://www.un.org/securitycouncil/sanctions/1988>, accessed September 14, 2023.

We present other matters for congressional consideration, including requests Congress could make of Treasury and State, in Enclosure I.

SIGAR will continue to closely follow and report on developments surrounding the Fund, including through its quarterly reports to the U.S. Congress. Should you have any questions or concerns, please feel free to contact me directly. Alternatively, your staff may contact my director of the Lessons Learned Program, Joseph Windrem, at joseph.g.windrem.civ@mail.mil, or my director of congressional relations and government affairs, Robert Lawrence, at robert.b.lawrence14.civ@mail.mil.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long horizontal flourish extending to the right.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

Enclosures:

- I. SIGAR's Response to HFAC Request Regarding the Afghan Fund
- II. Questions Asked in SIGAR's Afghan Fund Inquiry Letter
- III. Agency Responses to SIGAR Inquiry Letter
- IV. Inquiry Letter Follow-Up Questions and Responses
- V. Agency Comments

# ENCLOSURE I: THE \$3.5 BILLION AFGHAN FUND IS STILL ESTABLISHING ITS OPERATIONAL PROCEDURES AND HAS NOT YET MADE ANY DISBURSEMENTS

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## Background on the Afghan Fund's Origin and Status

When the Afghan government collapsed on August 15, 2021, U.S. financial institutions held approximately \$7 billion in reserves from Afghanistan's central bank (Da Afghanistan Bank, or DAB), most of which were deposited with the Federal Reserve Bank of New York.<sup>17</sup> In the months that followed, Afghanistan's economy contracted significantly, with half of the country's population facing a "tsunami of hunger," according to the UN World Food Programme.<sup>18</sup> Some groups called for the release of DAB's assets to mitigate Afghanistan's economic collapse and ongoing humanitarian crisis.<sup>19</sup> Several groups of plaintiffs, including U.S. victims of the September 11, 2001, attacks, pursued legal claims to the assets to satisfy court judgments against the Taliban.<sup>20</sup>

On February 11, 2022, President Joseph R. Biden issued an executive order declaring that Afghanistan's widespread humanitarian crisis and potential for a deepening economic collapse constituted an "unusual and extraordinary" threat to U.S. national security that rose to the level of a national emergency. The order further declared that the preservation of DAB assets held in the United States was critical to addressing this emergency, acknowledged the legal claims against those assets, and directed that they be frozen.<sup>21</sup> According to a fact sheet accompanying the executive order, the order was "designed to provide a path for [DAB] funds to reach the people of Afghanistan, while keeping them out of the hands of the Taliban and malicious actors."<sup>22</sup>

At the same time, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued a license authorizing the transfer of up to half of DAB's U.S.-based assets—\$3.5 billion—to a separate financing mechanism or other entity for "the benefit of the people of

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<sup>17</sup> SIGAR, *Quarterly Report to the United States Congress*, SIGAR-2022-QR-4, October 30, 2022, p. 112.

<sup>18</sup> WFP, "Half of Afghanistan's population face acute hunger as humanitarian needs grow to record levels," October 25, 2021; WFP, "Afghanistan set to be world's worst humanitarian crisis, report warns," October 25, 2021; WFP, "Afghanistan: World Food Programme calls for funds as children face 'hunger and starvation,'" December 3, 2021.

<sup>19</sup> See: Letter from Alan Aja et al. to President Joseph R. Biden and Secretary of the Treasury Janet Yellen, Economists for Peace & Security, August 10, 2022; Letter from 9/11 Families for Peaceful Tomorrows et al. to President Joseph R. Biden, April 18, 2022.

<sup>20</sup> SIGAR, *Quarterly Report to the United States Congress*, SIGAR-2022-QR-2, April 30, 2022, p. 103; Fiona Havlish, et al v. The Taliban a/k/a the Islamic Emirate of Afghanistan, et al., Case 1:03-cv-09848-GBD-SN, Document 526-1 (September 13, 2021).

<sup>21</sup> The Executive Order stated, "All property and interests in property of DAB that are held, as of the date of this order, in the United States by any United States financial institution, including the Federal Reserve Bank of New York, are blocked," except as otherwise provided. White House, "Executive Order 14064—Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan," February 11, 2022.

<sup>22</sup> White House, "Fact Sheet: Executive Order to Preserve Certain Afghanistan Central Bank Assets for the People of Afghanistan," February 11, 2022.

Afghanistan” upon instructions from the individuals certified by the Secretary of State per section 25B of the Federal Reserve Act.<sup>23</sup> Section 25B establishes a mechanism for addressing uncertainty surrounding who is authorized to conduct transactions on accounts holding the property of foreign governments.<sup>24</sup> The individuals chosen by State through the 25B process to transact on the DAB accounts were Dr. Anwar ul-Haq Ahady, former governor of DAB and former Afghan Minister of Finance, and Dr. Shah Mehrabi, professor of economics at Montgomery College and a member of the Supreme Council of DAB, a governing body of the bank.<sup>25</sup>

The other half of the DAB reserves held in the United States—another \$3.5 billion—remain blocked pursuant to the executive order and subject to the aforementioned litigation by U.S. plaintiffs.<sup>26</sup> Because some of these plaintiffs had secured writs of execution against DAB’s assets, through which judgments against the Taliban could be enforced and satisfied through payment of money, the court responsible for the cases was asked to issue a decision regarding the scope of the existing writs.<sup>27</sup> On February 25, 2022, the U.S. District Court for the Southern District of New York found that the \$3.5 billion in DAB assets regulated by the OFAC license were not subject to any writs of execution secured by the plaintiffs, freeing them to be transferred to the Fund.<sup>28</sup>

In a joint statement issued on September 14, 2022, the U.S. Departments of the Treasury and State announced the establishment of the Afghan Fund, a charitable foundation based in Geneva, Switzerland. The purpose of the Fund is to “receive, protect, preserve, and disburse” the assets it

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<sup>23</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, Executive Order of February 11, 2022, “Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan,” License No. DABRESERVES-EO-2022-886895-1, February 11, 2022.

<sup>24</sup> Such uncertainty existed for DAB’s U.S.-based accounts due to the Taliban takeover in August 2021, and the U.S. government’s decision not to recognize the Taliban as the government of Afghanistan. The dispute over the result of the 2019 Venezuelan presidential election offers some recent historical context for U.S. actions taken pursuant to section 25B of the Federal Reserve Act. In response to what it described as a “rigged election” orchestrated by Nicolás Maduro, State used Section 25B to certify the authority of Venezuela’s interim President Juan Guaidó to receive and control certain property in accounts of the Government of Venezuela or Central Bank of Venezuela held by the Federal Reserve Bank of New York. State, “Protecting Venezuela’s Assets for Benefit of Venezuelan People,” press statement, January 29, 2019; State, “Venezuela: A Democratic Crisis,” no date, accessed October 20, 2023, <https://2017-2021.state.gov/a-democratic-crisis-in-venezuela/>; State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; Federal Reserve Act, Pub. L. No. 117-263, 12 U.S.C. § 632 (2023), pp. 108–110.

<sup>25</sup> “Brief Biography of Dr. Anwar-ul Haq Ahady Minister of Agriculture, Irrigation and Livestock,” Government of Afghanistan, Ministry of Agriculture, Irrigation, and Livestock, accessed September 28, 2022, <https://mail.gov.af/en/ministers-biography-0>; State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; Da Afghanistan Bank, “Supreme Council,” accessed October 6, 2022, <https://www.dab.gov.af/supreme-council2>.

<sup>26</sup> White House, “Fact Sheet: Executive Order to Preserve Certain Afghanistan Central Bank Assets for the People of Afghanistan,” February 11, 2022.

<sup>27</sup> “White House, “Fact Sheet: Executive Order to Preserve Certain Afghanistan Central Bank Assets for the People of Afghanistan,” February 11, 2022; U.S. Marshals Service, “Writ of Execution,” accessed January 9, 2023, <https://www.usmarshals.gov/what-we-do/service-of-process/civil-process/writ-of-execution>.

<sup>28</sup> In re: Terrorist Attacks on September 11, 2001, 03-MD-01570 (GBD)(SN) (S.D.N.Y. Feb. 25, 2022).

holds “for the benefit of the Afghan people.”<sup>29</sup> Treasury and State said the United States’ short-term goal in setting up the Fund is to “promote monetary and macroeconomic stability;” the long-term goal is for unused monies to be returned to DAB, to recapitalize the bank.<sup>30</sup>

The individuals certified through the section 25B process, Drs. Ahady and Mehrabi, issued instructions to transfer the \$3.5 billion in DAB assets that had been licensed by OFAC. Consistent with those instructions and the applicable OFAC license, those assets were transferred to the Fund’s account at the Bank for International Settlements in Switzerland, once the Fund was established as a legal entity.<sup>31</sup> The Fund’s assets have been accumulating interest, and totaled \$3.69 billion by the end of September, according to a statement released by the Fund in October 2023.<sup>32</sup> Treasury told SIGAR that no additional funds have been transferred to the Afghan Fund from outside the United States, and no disbursements have been made from the Fund.<sup>33</sup> Minutes from the Fund’s June 2023 board of trustees meeting indicate that the trustees agreed to pay a variety of operational expenses using interest earnings.<sup>34</sup>

The board of trustees has met four times.<sup>35</sup> The board is still in the process of making decisions surrounding the Fund’s activities and control measures. The board has hired an executive secretary and an external auditor. It has also hired a compliance advisor to ensure that the Fund’s disbursements comply with existing laws surrounding sanctions, money laundering, terror financing, bribery, and corruption. The Fund’s board has also agreed to form an advisory committee comprised of international and Afghan experts.<sup>36</sup>

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<sup>29</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 4.2, p. 5.

<sup>30</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>31</sup> Responding to our inquiry letter, State initially told us that Drs. Ahady and Mehrabi issued instructions to transfer the approximately \$3.5 billion in DAB funds *after* the Fund was established as a legal entity in Switzerland (*see* Enclosure III). State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>32</sup> Fund for the Afghan People, statement, November 15, 2023, [https://afghanfund.ch/files/20231116\\_press-statement-october-2.pdf](https://afghanfund.ch/files/20231116_press-statement-october-2.pdf).

<sup>33</sup> Treasury, responses to SIGAR quarterly report data call, September 15, 2023.

<sup>34</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, June 26, 2023.

<sup>35</sup> The Fund’s board of trustees met in person in Geneva on November 21, 2022, virtually on February 16, 2023, and June 26, 2023, and in Geneva again on October 2, 2023. Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022, <http://afghanfund.ch/files/MeetingMinutes-BoardofFoundationMeetingNovember212022.pdf>; Fund for the Afghan People, minutes of the meeting of the board of trustees, February 16, 2023, <https://afghanfund.ch/files/afghan-fund-board-of-trustees-feb-16-meeting-minutes-for-board-approval.pdf>; Fund for the Afghan People, minutes of the meeting of the board of trustees, June 26, 2023, [https://www.afghanfund.ch/files/2023-06-26\\_meeting-minutes.pdf](https://www.afghanfund.ch/files/2023-06-26_meeting-minutes.pdf); Fund for the Afghan People, statement, November 15, 2023.

<sup>36</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022; Fund for the Afghan People, “Tender for a Compliance Advisor for the Afghan Fund,” accessed March 17, 2023, [http://afghanfund.ch/files/afghanfund\\_tender.pdf](http://afghanfund.ch/files/afghanfund_tender.pdf); Fund for the Afghan People, statement, June 26, 2023, <https://afghanfund.ch/files/af-press-release-june-23.pdf>; Fund for the Afghan People, statement, November 15, 2023.

## **The Value of the Afghan Fund Could Eventually Grow to Significantly More than \$3.5 Billion**

Afghan central bank assets held by banks in Europe and the United Arab Emirates could end up in the Fund.<sup>37</sup> It remains to be seen whether the \$3.5 billion still held in the United States will eventually be transferred to the Afghan Fund. On February 21, 2023, U.S. District Court Judge George Daniels ruled against the plaintiffs who were hoping to satisfy default judgments against the Taliban by using the remaining U.S.-based DAB reserves.<sup>38</sup> The Court found that it was “constitutionally restrained from determining the Taliban is the legitimate government of Afghanistan as required to attach DAB’s assets,” as “the President has the exclusive power to grant formal recognition to a foreign sovereign.”<sup>39</sup> Several plaintiffs groups have appealed the district court’s ruling.<sup>40</sup> If the U.S. government were to recognize the Taliban as the government of Afghanistan, the plaintiffs might have an easier time securing their writs of execution against the remaining DAB assets held in the United States.<sup>41</sup>

## **The Operations, Disbursements, and Safeguards of the Afghan Fund**

In your letter dated March 13, 2023, you asked us to report to your committee on the operations, policies, and expenditures of the Afghan Fund. You further requested that we determine whether the Fund has adequate safeguards in place to protect disbursements from waste, fraud, and abuse—to include diversion (or other direct or indirect support) to the Taliban regime. In this section, we provide information about the Fund’s current organizational structure and how that structure may evolve. Additionally, we summarize our understanding of the operations and policies guiding the Fund, as well as potential disbursements. We also highlight risks, including a vague conflict-of-interest provision in the Fund’s governing document and limited information about the criteria DAB must meet before Treasury and State consider a return of funds to the central bank.

### **The Fund’s Governing Body Is a Board Consisting of Four Trustees; Decisions Made by the Board Must Be Unanimous**

The Fund’s articles of association—that is, its governing provisions—state that “the supreme governing and decision-making body of the Fund” is its board of trustees. The board must

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<sup>37</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022; “US To Move \$3.5bn in Afghan Assets to Swiss-Based Trust,” Al Jazeera, September 14, 2022.

<sup>38</sup> In re: Terrorist Attacks on September 11, 2001, 03-MD-01570 (GBD) (SN), Document 8866, U.S. District Court PACER (S.D.N.Y. February 21, 2023).

<sup>39</sup> In re: Terrorist Attacks on September 11, 2001, 03-MD-01570 (GBD) (SN), Document 8866, U.S. District Court PACER (S.D.N.Y. February 21, 2023).

<sup>40</sup> In re: Terrorist Attacks on September 11, 2001, 03-md-01570 (GBD) (SN), Document 8879, U.S. District Court PACER (S.D.N.Y. February 24, 2023); In re: Terrorist Attacks on September 11, 2001, 03-md-01570 (GBD) (SN), Document 8883, U.S. District Court PACER (S.D.N.Y. February 28, 2023); In re: Terrorist Attacks on September 11, 2001, 03-md-01570 (GBD) (SN), Document 8915, U.S. District Court PACER (S.D.N.Y. March 10, 2023); In re: Terrorist Attacks on September 11, 2001, 03-md-01570 (GBD) (SN), Document 8950, U.S. District Court PACER (S.D.N.Y. March 23, 2023).

<sup>41</sup> See Scott Anderson, “What’s Happening with Afghanistan’s Assets?” Lawfare, February 20, 2022.

consist of at least three members, all uncompensated and appointed for up to two years, with the possibility of reappointment.<sup>42</sup> All decisions of the board, including those related to disbursements, must be unanimous.<sup>43</sup> At present, the Fund’s trustees consist of a U.S. Treasury official, a Swiss government official, and two Afghans with backgrounds in economics:<sup>44</sup>

- Dr. Jay Shambaugh, Under Secretary for International Affairs, U.S. Department of the Treasury;
- Ambassador Alexandra Baumann, head of the Prosperity and Sustainability Division, Swiss Federal Department of Foreign Affairs;
- Dr. Anwar ul-Haq Ahady, former governor of DAB and former Afghan Minister of Finance; and
- Dr. Shah Mehrabi, professor of economics at Montgomery College, and long-serving member of the Supreme Council of DAB.

State told SIGAR that, consistent with the Fund’s articles of association, Drs. Ahady and Mehrabi, as the Fund’s founders, constituted the initial board.<sup>45</sup> State said that their status as trustees on the Fund’s board is not contingent on their status as 25B-certified individuals, meaning that if they were to lose their certification from State they would not necessarily lose their seats on the board.<sup>46</sup>

Board members serve two-year terms, with the possibility of reappointment to one or more additional terms, upon decision by the board. Board members may resign at any time, and a member may be removed from the board “for cause at any time through a decision of the Board.” That member would not be allowed to participate in a vote regarding their removal. Causes for removal include a board member’s violation of their duties toward the Fund, or “any situation in which a Board member would no longer be able to discharge his or her duties as a Board member.”<sup>47</sup>

According to the articles of association, subsequent board members will be appointed by the board in office, including in the case of resignation, incapacitation, or death. An exception is any

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<sup>42</sup> Fund for the Afghan People, Statutes of February 10, 2023, articles 6.2, 11.1, 12.1, 12.2, 13.1, 13.2, pp. 7, 10–12.

<sup>43</sup> According to the Fund’s articles of association, “A unanimous vote can be reached even if one or more Board members abstain.” While the requirement for unanimity is codified in article 16.1, the articles themselves can be amended by a unanimous vote of the board of trustees, per article 22.3. Fund for the Afghan People, Statutes of February 10, 2023, articles 16.1 and 22.3, pp. 16, 20.

<sup>44</sup> Fund for the Afghan People, excerpt, February 20, 2023, accessed February 23, 2023, <https://www.ge.ch/recherche-entreprises-dans-registre-du-commerce-geneve>; Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022; “Brief Biography of Dr. Anwar-ul Haq Ahady, Minister of Agriculture, Irrigation and Livestock,” Government of Afghanistan, Ministry of Agriculture, Irrigation, and Livestock, accessed September 28, 2022; State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; The Federal Council of the Swiss Government, “New Swiss Ambassadors,” September 24, 2021; Da Afghanistan Bank, “Supreme Council,” accessed October 6, 2022.

<sup>45</sup> State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>46</sup> State, meeting with SIGAR, June 1, 2023; State, correspondence with SIGAR, March 15, 2023.

<sup>47</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 13, pp. 12–14.

future replacement for the U.S. government representative, who will be designated in accordance with an “internal decision process” of the U.S. government’s choosing. The board is permitted to make similar exceptions for trustees representing other governments or intergovernmental entities.<sup>48</sup> The board is required to have at least one member who is domiciled in Switzerland.<sup>49</sup>

At the first board meeting, the trustees agreed to extend two additional invitation letters to candidates to join the board.<sup>50</sup> Dr. Ahady told SIGAR in July 2023 that the board may be moving away from this decision. Instead of expanding the board at this time, those individuals may be invited to join the advisory committee (*see* section “The Fund’s Board Has Not Yet Formed an Advisory Committee,” below).<sup>51</sup> Treasury said that the letters of invitation to the prospective additional board members remain open, adding that the unspecified candidates were deliberating whether to accept.<sup>52</sup> The Fund must have at least three board members, but there is no cap on the number of trustees that could serve. In an interview with SIGAR, Dr. Mehrabi said that he would prefer to keep the board to a maximum of five people to prevent gridlock in decision-making. He said he had advocated, unsuccessfully, for a member of DAB to serve as a technical member on the board.<sup>53</sup> A decision to increase the size of the board would require a unanimous vote among the trustees in office.<sup>54</sup>

As the articles were written originally, board meetings were to be presided over by a chair appointed by the founders.<sup>55</sup> For the first three meetings, the U.S. representative served as the board’s chair.<sup>56</sup> In the first board meeting, the trustees unanimously agreed to shift to a co-chairmanship model, which required amendments to the articles.<sup>57</sup> The Fund’s website states that the board approved those amendments on June 23, 2023.<sup>58</sup> On June 26, 2023, the board unanimously approved Drs. Ahady and Mehrabi as co-chairs.<sup>59</sup>

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<sup>48</sup> We assume the Swiss government would have sole discretion over who to appoint to succeed Ambassador Baumann as their representative on the board. However, SIGAR was unable to confirm that the board has granted Switzerland this exception, as Ambassador Baumann did not respond to our multiple requests for an interview. Fund for the Afghan People, Statutes of February 10, 2023, articles 12 and 13, pp. 11–13.

<sup>49</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 12.5, p. 12.

<sup>50</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022.

<sup>51</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

<sup>52</sup> Treasury also stated that these candidates were welcome to apply to the Fund’s international advisory committee. Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>53</sup> In response to a draft of this report, Treasury stated, “at no time has the board agreed to invite DAB to participate as a member of the board or any committee.” Dr. Shah Mehrabi, SIGAR interview, October 4, 2022; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>54</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 16.1, pp. 16–17.

<sup>55</sup> Fund for the Afghan People, Statutes of September 2, 2022, articles 14.1 and 14.2, pp. 14–15.

<sup>56</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022; Fund for the Afghan People, minutes of the meeting of the board of trustees, February 16, 2023; Fund for the Afghan People, minutes of the meeting of the board of trustees, June 26, 2023.

<sup>57</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022.

<sup>58</sup> Fund for the Afghan People, website, accessed July 18, 2023, <https://afghanfund.ch/>.

<sup>59</sup> Fund for the Afghan People, statement, June 26, 2023.

## **One Afghan Fund Trustee, Dr. Shah Mehrabi, Is Also a Member of a DAB Governing Body, which Poses a Potential Conflict of Interest; But the Fund’s Board Has Neither Defined Potential Conflicts of Interest, nor Specified Who Is Responsible for Determining Whether a Conflict Exists**

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If a board member has a conflict of interest regarding an agenda item during a meeting, the articles of association require the member to abstain from voting on that item. However, the articles neither define what constitutes a conflict of interest, nor specify who determines whether a conflict exists.<sup>60</sup> In our inquiry letter, we asked whether the Fund’s trustees planned to develop a policy that defined this term. In response to numerous SIGAR questions, including our question about conflicts of interest, Treasury responded that it was limited in the information it could provide because the Fund’s trustees had not yet made decisions about disbursements.<sup>61</sup> In a July 2023 interview with SIGAR, Dr. Ahady stated that he did not think the Fund’s board of trustees had developed a conflict-of-interest policy and added that he would make a note of this point.<sup>62</sup>

In the absence of a clear definition of a conflict and further information on who would adjudicate whether a conflict existed, it is impossible to determine how the Fund’s trustees might enforce the conflict-of-interest provision contained in the Fund’s articles. This is not an abstract question: for example, Dr. Mehrabi is both a trustee of the Afghan Fund and an active member of DAB’s Supreme Council who periodically travels to Afghanistan to meet with current central bank officials.<sup>63</sup> According to DAB’s website, DAB’s Supreme Council is the “highest decision-making and policy-making body of Da Afghanistan Bank.” Its members “develop [the] overall policies of DAB and supervise administration and operations.”<sup>64</sup> Although it is unclear whether this wording fully and accurately describes the Supreme Council’s role in a Taliban-controlled central bank, the question arises: Does Dr. Mehrabi’s position on the Supreme Council constitute a conflict of interest for votes concerning DAB, including a vote on whether to transfer funds from the Afghan Fund to DAB? According to an October 2023 media report, Dr. Mehrabi insists that DAB is independent and that it has experienced “absolutely no interference.”<sup>65</sup> Treasury, meanwhile, indicated in September 2023 that it did not view DAB as politically independent.<sup>66</sup>

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<sup>60</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 16.1, pp. 16–17.

<sup>61</sup> Treasury stated, “We appreciate SIGAR’s many specific questions about how the Afghan Fund may choose to disburse funds in the future. We are limited in what information we can provide at this time given that such decisions have not yet been made.” Treasury, response to SIGAR inquiry letter, March 15, 2023.

<sup>62</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

<sup>63</sup> Da Afghanistan Bank, “Supreme Council,” accessed October 6, 2022; USAID, Assessment and Third-party Monitoring of Afghanistan’s Central Bank: Final Report - Detailed Assessment, March 2023, p. 10; Da Afghanistan Bank, “DAB Supreme Council Holds its Meeting,” May 14, 2023, accessed June 23, 2023, <https://www.dab.gov.af/index.php/dab-supreme-council-holds-its-meeting-0>; Dr. Shah Mehrabi, SIGAR interview, December 1, 2022; Treasury, response to SIGAR quarterly report data call, December 13, 2022.

<sup>64</sup> Da Afghanistan Bank, “Supreme Council,” Wayback Machine capture dated May 29, 2023, accessed June 30, 2023.

<sup>65</sup> Catherine Cartier, “A Year on, Billions in Afghan Assets Linger in Switzerland,” *Diplomat*, October 21, 2023.

<sup>66</sup> Specifically, Treasury stated that none of the conditions for DAB’s recapitalization had been met. Those conditions include a requirement that DAB “demonstrate that it is free from political interference.” Treasury,

When asked whether there was a conflict of interest between Dr. Mehrabi’s responsibilities as a trustee of the Afghan Fund and as a member of the Supreme Council, Treasury said it “expects that, as with any member of the board and a potential conflict of interest, in the event of a vote where Dr. Mehrabi’s role on the DAB Supreme Council presented a potential conflict of interest, a process would be undertaken to assess such risk.” Treasury did not elaborate on what that process might entail.<sup>67</sup> Treasury also noted that the Fund’s articles obligate members of the board to serve in the best interests of the Fund and that the Fund must act in accordance with Swiss law. However, as we previously stated, Treasury did not explain how Swiss law and each trustee’s responsibility to the Fund illuminated either the definition of a conflict of interest in the specific context of the Afghan Fund, or the procedures for determining whether a conflict exists.<sup>68</sup>

Whether the conflict-of-interest provision applies to decisions that do not involve disbursements, such as hiring decisions, is also unclear. For example, in our first interview with Dr. Mehrabi, he said that the board had secured the services of an auditing firm. Dr. Mehrabi stated he had recommended the firm, and that he was “an alumnus” of it but his recommendation was based on “cost and their extensive background.”<sup>69</sup> It was not clear from his comments whether he had recused himself from a vote to hire this firm, or if that would be required by the Fund’s conflict-of-interest provision.

In response to a draft of this report, Treasury provided the following statement:

“Given the critical importance of auditing services, as the Fund remained in its nascence and before the board met, U.S. Treasury and State staffs solicited bids from more than one potential international auditing firm, each of which had extensive experience conducting audits on behalf of Swiss foundations and the capacity to handle an entity like the Fund. Each firm completed background and conflicts check and provided preliminary cost estimates. The information was provided to the board, which decided on [the auditing firm] based on its responsiveness and cost efficiencies.”<sup>70</sup>

### **No Disbursements Have Been Made**

Published summaries of the first four board meetings indicate that the trustees have not yet defined the nature of potential disbursements, even though the Fund was established more than one year ago.<sup>71</sup> On September 15, 2023, Treasury told SIGAR that the Fund’s trustees had not yet approved any disbursements but noted that the trustees had allocated a small proportion of

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response to SIGAR quarterly report data call, September 15, 2023; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>67</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>68</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>69</sup> Dr. Shah Mehrabi, SIGAR interview, October 4, 2022.

<sup>70</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>71</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022; Fund for the Afghan People, statement, February 17, 2023, [https://afghanfund.ch/files/AFPressRelease\\_Feb2023boardmeeting.pdf](https://afghanfund.ch/files/AFPressRelease_Feb2023boardmeeting.pdf); Fund for the Afghan People, statement, June 26, 2023; Fund for the Afghan People, statement, November 15, 2023.

the Fund's interest earnings to cover operating costs. Treasury added that it had no information to report on what specific activities the Fund's assets might support.<sup>72</sup>

According to Treasury and State's joint statement at the time of the Fund's creation, potential uses for the Fund's assets included facilitating international banking transactions, paying Afghanistan's arrears at international financial institutions, and covering the costs of critical imports, such as electricity.<sup>73</sup> The Afghan Fund's articles of association provide a general description of potential disbursements, but set no parameters on the kinds of activities that the Fund's disbursements could support, provided that they benefit the Afghan people. Specifically, the articles state that to achieve its purpose,

the Fund may in particular, but not exclusively, use assets to provide Afghan banking sector liquidity, keep Afghanistan current on its debt service obligations, support exchange rate stability, transfer funds, as appropriate, to public Afghan financial institutions, including Afghanistan's central bank (Da Afghanistan Bank), or any other use for the benefit of the Afghan people.<sup>74</sup>

Even though the Fund's articles of association permit the trustees to disburse monies for any activity that benefits Afghans, U.S. officials and members of the board have indicated that the Fund is not intended to finance humanitarian or development assistance.<sup>75</sup> For example, State has said that the Fund is "explicitly not intended to make humanitarian disbursements."<sup>76</sup> In an interview with SIGAR, Dr. Ahady explained that the humanitarian need in Afghanistan is extremely large, and the Fund's assets would not be sufficient to meet that need. He added, "This money will not be spent on humanitarian assistance, unless there's some situation where everyone would agree this is absolutely necessary."<sup>77</sup>

SIGAR interviews with the Fund's two Afghan trustees in the months following its establishment indicated that the Fund's activities could include auctioning currency to help mitigate inflation and promote price stability, covering the costs of printing afghanis (Afghanistan's national currency), and reviving Afghanistan's struggling commercial banking

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<sup>72</sup> Treasury, response to SIGAR quarterly report data call, September 15, 2023.

<sup>73</sup> Treasury, "Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan," press release, September 14, 2022.

<sup>74</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 5.2, p. 6.

<sup>75</sup> Center for Strategic and International Studies, "A Conversation with Thomas West in the Context of Afghanistan One Year Later," transcript, September 29, 2022; Ned Price, State Department spokesperson, department press briefing, September 14, 2022; Dr. Shah Mehrabi, SIGAR interview, October 4, 2022; Dr. Anwar Ahady, SIGAR interview, July 17, 2023; Fund for the Afghan People, Statutes of February 10, 2023, article 5.2, p. 6.

<sup>76</sup> Ned Price, State Department spokesperson, department press briefing, September 14, 2022.

<sup>77</sup> According to State's Foreign Affairs Manual, examples of humanitarian assistance include the provision and transportation of food, emergency relief items such as hygiene kits and blankets, medical supplies, water and sanitation, and emergency repairs to essential services. State, 2 FAM 061.2 Humanitarian Assistance, October 31, 2022; Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

sector.<sup>78</sup> In other words, the Fund may be used to engage in some activities typically undertaken by a central bank.

In line with the joint Treasury and State statement announcing the establishment of the Fund, the Swiss trustee reportedly supports using assets to pay Afghanistan's arrears at the World Bank, which she estimated to be around \$5 million in February 2023, in order to qualify for more aid.<sup>79</sup> Dr. Mehrabi, however, told SIGAR he was "not excited" about this money being used for payment of arrears, as he thinks that should be the responsibility of the Ministry of Finance.<sup>80</sup> According to a statement released by the Fund after the board's third meeting, the trustees agreed that the Fund's assets "could be valuable in supporting multilateral development banks as they enhance their efforts to stabilize the financial situation and sustain macroeconomic stability in Afghanistan."<sup>81</sup> The minutes for the third meeting clarified this intent, stating that the trustees agreed in principle that the Fund's assets could be used to pay down Afghanistan's arrears with multilateral development banks.<sup>82</sup> In an interview with SIGAR in July 2023, Dr. Ahady reiterated that the Fund's assets could be used to pay Afghanistan's arrears at international financial institutions to keep humanitarian assistance flowing to the country.<sup>83</sup>

In response to a draft of this report, Treasury offered the following edit:

“[Treasury] has noted that indeed the board has discussed disbursements but has not yet made formal, public agreements as it remains in the process of implementing a compliance program that will apply to each disbursement. Treasury additionally noted that, since this is a matter for the board, it did not want to prejudice the board's decision-making. ... Treasury and State have publicly described potential targeted disbursements the Afghan Fund could make

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<sup>78</sup> Some currency in circulation needs to be replaced due to wear and tear. Dr. Shah Mehrabi, SIGAR interview, October 4, 2022; Dr. Anwar Ahady, SIGAR interview, October 19, 2022; SIGAR, *Quarterly Report to the United States Congress*, SIGAR-2022-QR-4, October 30, 2022, p. 109.

<sup>79</sup> “Why Billions in Afghan Funds Are Still Locked Away in Switzerland,” *Wall Street Journal*, podcast transcription, February 9, 2023; Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>80</sup> In response to a draft of this report, Treasury stated, “there are historical examples and precedents when ministries of finance have worked with their central banks to secure the hard currency necessary to make payments to international financial institutions like [multilateral development banks].” Dr. Shah Mehrabi, SIGAR interview, December 1, 2022; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>81</sup> Fund for the Afghan People, statement, June 26, 2023.

<sup>82</sup> In the board's subsequent meeting, the members apparently “reached a consensus on the pivotal role that the Fund could play in facilitating the repayment of outstanding debts to [multilateral development banks].” Fund for the Afghan People, minutes of the meeting of the board of trustees, June 26, 2023; Fund for the Afghan People, statement, November 15, 2023.

<sup>83</sup> According to State, as of December 2023, Afghanistan is in arrears to the Asian Development Bank, having paid its arrears to the World Bank in November 2023. With respect to previous payments, State has told SIGAR, “Afghanistan paid its arrears current in May 2022, and a European donor nation provided a one-time payment to the World Bank on Afghanistan's behalf in December 2022.” Dr. Anwar Ahady, SIGAR interview, July 17, 2023; State, response to SIGAR quarterly report data call, September 18, 2023; State, response to SIGAR quarterly report data call, December 18, 2023.

to promote monetary and macroeconomic stability and benefit the Afghan people.”<sup>84</sup>

This additional comment from Treasury provided neither new information about what activities the Afghan Fund could support, nor any indication that the Fund’s trustees have made material decisions regarding the nature of future disbursements. Additionally, it is unclear why a robust compliance regime would be a prerequisite for certain, low-risk disbursements such as making direct payments to multilateral development banks in order to pay down Afghanistan’s arrears.

**Although the Fund’s Unanimous Vote Requirement Could Help Prevent It from Engaging in Risky Activity, There Are Currently No Controls in Place that Specifically Address the Issue of Taliban Diversion. However, Further Safeguards that Do Address Diversion May be Developed in the Future.**

When the Afghan Fund was created, Treasury and State said, “The Taliban are not part of the Afghan Fund, and robust safeguards have been put in place to prevent [Fund monies] from being used for illicit activity.”<sup>85</sup> However, the Fund’s articles of association make no reference to the Taliban, and there are currently no specific controls in place to ensure funds are not diverted to or misused by the Taliban. Additionally, notwithstanding its previous claim that the Fund already had “robust safeguards” in place, Treasury reported that a compliance program to prevent funds from being provided to sanctioned or criminal individuals, including members of the Taliban, was “under development.”<sup>86</sup>

A statement from an October 2023 board meeting indicated that the Fund’s trustees had approved a contract with a law firm to help produce “a framework” to ensure the Fund had “due diligence and controls procedures” related to disbursements. According to Treasury, the U.S. law firm chosen by the Fund’s trustees will help develop “the screening and verification measures that will be undertaken prior to each disbursement, including but not limited to the sanctions lists maintained by [Treasury’s Office of Foreign Assets Control] and the United Nations, among others.”<sup>87</sup> Treasury stated that the Fund will make no disbursements until this compliance program is in place.<sup>88</sup>

The Fund does have some controls not specific to the Taliban that could prevent monies from being diverted. For example, Treasury and State have noted that the Fund will be audited by an external party, in accordance with Swiss law.<sup>89</sup> They have also stated that the Fund’s assets would be held at the Bank for International Settlements, which would employ its own review

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<sup>84</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>85</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>86</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>87</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>88</sup> While the Treasury representative does have the power to veto any potential disbursement prior to the implementation of a compliance program, Treasury has previously told SIGAR that it cannot speak on behalf of the Afghan Fund. Treasury, response to SIGAR vetting draft, December 4, 2023; Treasury, response to SIGAR quarterly report data call, June 15, 2023.

<sup>89</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

process prior to any disbursements.<sup>90</sup> Additionally, the Fund’s articles state that disbursement decisions can be made only by unanimous vote of the board of trustees.<sup>91</sup> The implication is that each trustee, including the Treasury official, has the power to veto any disbursement decision they consider ill-advised, including decisions that may result in Taliban diversion.

### **Treasury and State Are Not Yet Willing to Support a Return of Funds to DAB and Did Not Explain How DAB Could Ever Demonstrate Independence or Prevent Terrorist Funding While under Taliban Control**

According to the joint Treasury and State announcement of the establishment of the Afghan Fund, the short-term goal of the United States in setting up the Fund is to “promote monetary and macroeconomic stability;” the long-term goal is for unused monies to be returned to DAB.<sup>92</sup> However, in that statement, the agencies indicated that they will not support the return of funds to DAB until certain criteria are met. DAB must demonstrate that it is independent from political influence and interference, and that it has adequate controls in place to prevent money laundering and funding terrorist groups. It must also retain a “reputable” third-party monitor.<sup>93</sup>

Because these conditions are broad, they leave open questions about the specific circumstances under which Treasury and State would support a return of funds to DAB. For example, the Taliban prioritize the authority of their leader, Haibatullah Akhundzada, who issues government-wide decrees that apply to DAB, and the top three positions at DAB are occupied by Taliban loyalists.<sup>94</sup> Within this structure, what exactly would it mean for DAB to be free from political influence? As another example, given that the de facto Taliban government is itself run by sanctioned individuals and connected to terrorist groups, how would DAB implement adequate controls to prevent money laundering and terrorist funding?<sup>95</sup>

SIGAR was unable to obtain more detailed information about these criteria. In our inquiry letter, we asked about the circumstances under which the Afghan Fund might consider working with DAB, as well as about how members of the Fund’s board would ensure that DAB has the technical competence to handle any money received by the Fund. In response to numerous SIGAR questions, including our questions about recapitalizing DAB, Treasury said it was

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<sup>90</sup> Treasury, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>91</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 16.1, p. 16.

<sup>92</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>93</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>94</sup> United Nations Security Council, “Fourteenth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2665 (2022) concerning the Taliban and other associated individuals and entities constituting a threat to the peace stability and security of Afghanistan,” S/2023/370, June 1, 2023, pp. 3, 11; USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 4.

<sup>95</sup> According to the UN’s Analytical Support and Sanctions Monitoring Team, 41 members of the de facto Taliban government are sanctioned pursuant to UN Security Council resolution 1988 (2011) and the Taliban maintain a “strong and symbiotic” relationship with al-Qaeda. United Nations Security Council, “Fourteenth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2665 (2022) concerning the Taliban and other associated individuals and entities constituting a threat to the peace stability and security of Afghanistan,” S/2023/370, June 1, 2023, pp. 3, 23.

limited in what information it could provide in reply to specific questions about future disbursements.<sup>96</sup> When asked to explain its position on whether the Afghan Fund could communicate or interact with DAB in any way even if DAB had not met the criteria established for recapitalization (*see* Enclosure IV), Treasury responded that the Afghan Fund’s articles of association did not appear to prohibit trustees of the Fund from communicating or interacting with DAB.

Additionally, Treasury noted that the U.S. government had corresponded with what it described as “DAB technocrats” on a range of issues, including the Afghan Fund, since the Afghan government’s collapse. Treasury revealed that it had sent a letter to DAB’s Supreme Council in September 2022 “outlining steps Treasury considered as necessary before it would be appropriate to consider sending any funds from the Afghan Fund to DAB.”<sup>97</sup> In that letter, Treasury articulated broad conditions for DAB’s recapitalization that closely resembled those that were publicly disclosed when Treasury and State announced the creation of the Afghan Fund. The letter stated that DAB would have to (1) demonstrate its “independence from Taliban political influence and interference,” (2) demonstrate it had implemented “the same AML/CFT [adequate anti-money laundering and countering-the-financing-of-terrorism] controls that were in place prior to August of 2021,” and (3) complete “a third-party needs assessment and onboard a reputable third-party monitor.”<sup>98</sup>

SIGAR has made other efforts to clarify what specific actions the Taliban could take to build U.S. confidence in DAB, including whether such actions could include replacing DAB’s governor and deputy governor, both of whom are senior Taliban officials. Treasury has repeatedly referenced the criteria articulated in State and Treasury’s joint statement announcing the establishment of the Fund, without further elaboration.<sup>99</sup> If Treasury and State have more specific criteria for deciding when to return funds to DAB, they have not shared those criteria with SIGAR.

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<sup>96</sup> State deferred to Treasury on questions relating to the U.S. government’s willingness to work with and recapitalize DAB. Treasury, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>97</sup> In July 2023, SIGAR asked for a copy of this letter as part of a broader request to discuss Fund developments with Under Secretary for International Affairs Jay Shambaugh, the U.S. representative on the Afghan Fund’s board of trustees. Treasury did not make Under Secretary Shambaugh available for an interview. However, it did provide the letter it sent to DAB’s Supreme Council on September 13, 2022. Treasury, correspondence with SIGAR, March 15, 2023.

<sup>98</sup> For comparison, Treasury and State’s joint statement announcing the establishment of the Afghan Fund said that the United States would not support a return of funds “until DAB (1) demonstrates its independence from political influence and interference; (2) demonstrates it has instituted adequate anti-money laundering and countering-the-financing-of-terrorism (AML/CFT) controls; and (3) completes a third-party needs assessment and onboards a reputable third-party monitor.” Adewale O. Adeyemo, Deputy Secretary of the Treasury, Letter to Da Afghanistan Bank Supreme Council, September 13, 2022; Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>99</sup> Treasury, response to SIGAR quarterly report data call, March 15, 2023; Treasury, response to SIGAR quarterly report data call, June 15, 2023; Treasury, response to SIGAR quarterly report data call, September 15, 2023; Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

At the time of the Fund’s establishment, a State spokesman indicated that the Taliban had “not provided any solace or reassurance that funds would not be diverted for nefarious or otherwise malign purposes.”<sup>100</sup> In March 2023, Treasury stated that it “would not be prepared to support the return of any funds to the DAB at this time.”<sup>101</sup> According to a July 21, 2023, Reuters article, two U.S. officials and a former U.S. official said that a USAID-funded third-party assessment of DAB, completed in March 2023, had not convinced the U.S. government to return DAB’s assets.<sup>102</sup> On September 15, 2023, Treasury told SIGAR that “none of the conditions [related to DAB’s potential recapitalization] have been satisfied to date.”<sup>103</sup>

### **Information from the USAID-Funded DAB Assessment Suggests That the Central Bank Is Not Ready for Recapitalization**

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The USAID-funded third-party assessment of DAB attempted to analyze the effectiveness of the AML/CFT measures in place as of February 2023, as well as DAB’s overall independence, organizational structure, resource allocation, and progress on regulating money service providers (MSPs).<sup>104</sup> Over several rounds of interviews, the assessment team spoke with various DAB departments, banks, and MSPs. The assessment found DAB to be functional as a central bank: DAB has retained the majority of employees from the previous administration, and DAB departments appear to be following the DAB regulations, policies, and procedures of the previous government. The assessment also described improvements to DAB’s supervision of MSPs. However, it also noted problems with DAB’s ability to operate independently, and weaknesses in DAB’s enforcement of AML/CFT measures, among other observations.<sup>105</sup>

Information presented in the assessment indicated significant deficiencies at DAB. For example, the assessment stated that DAB’s executive board consists of three longstanding senior Taliban leaders: Acting Governor Hidayatullah Badri and two deputy governors, Noor Ahmad Agha and Haji Abdul Qadeer Ahmad.<sup>106</sup> Badri is the former head of the Taliban’s financial commission and a childhood friend of Taliban founder Mullah Omar. Both Badri and his two deputy governors are Specially Designated Global Terrorists under U.S. counterterrorism sanctions and are sanctioned pursuant to UN Security Council resolution 1988 for their roles supporting the

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<sup>100</sup> Ned Price, State Department spokesperson, department press briefing, September 14, 2022.

<sup>101</sup> Treasury, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>102</sup> USAID used an existing awardee, which hired a subcontractor to conduct the assessment. As we previously stated, Treasury has characterized this assessment as “preliminary.” USAID, response to SIGAR quarterly report data call, December 14, 2022; USAID, response to SIGAR inquiry letter regarding the Afghan Fund, March 14, 2023; Jonathan Landay and Charlotte Greenfield, “Exclusive: Audit fails to win U.S. backing for release of Afghan central-bank funds,” Reuters, July 21, 2023; Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>103</sup> Treasury, response to SIGAR quarterly report data call, September 15, 2023.

<sup>104</sup> Money Service Providers are individuals or entities that engage in funds transfers, and they may also provide check cashing services. Treasury, “Money Services Business Definition,” Financial Crimes Enforcement Network, <https://www.fincen.gov/money-services-business-definition>.

<sup>105</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, pp. 4–5, 7, 15.

<sup>106</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, pp. 4, 10–11.

Taliban, including, in Badri’s case, for collecting money for suicide attacks in Kandahar, Afghanistan.<sup>107</sup>

One change highlighted in the assessment is that DAB’s executive board now appoints the head of FinTRACA, the bank’s financial intelligence unit. This practice is a departure from that of the prior government, under which the head of FinTRACA was elected by DAB’s Supreme Council.<sup>108</sup> The seemingly self-defeating result of this change is that sanctioned senior Taliban leaders—Badri and his deputies—now appoint the head of a financial intelligence unit charged with preventing funds from flowing to sanctioned individuals, among them DAB’s own leadership.<sup>109</sup>

The assessment also noted that DAB governors are constrained by government-wide decrees issued by the Taliban supreme leader Haibatullah Akhundzada, including a decree that banned the issuance of fines on institutions that fail to comply with current banking laws and regulations. This deprived DAB of what the assessment characterized as “an important and effective oversight and deterrent tool.”<sup>110</sup>

The assessment identified some improvements in DAB’s oversight of MSPs.<sup>111</sup> For example, the assessment described a new licensing regime requiring MSPs to have “several layers of corporate governance,” including a compliance officer.<sup>112</sup> The assessment stated that in 2022, every previously issued MSP license was canceled, and that new licenses were granted subject to compliance with the updated requirements. As a result, it said, the number of issued MSP licenses declined from 2,700 in 2021 to 753 as of February 2023.<sup>113</sup>

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<sup>107</sup> United Nations Security Council, “Fourteenth report of the Analytical Support and Sanctions Monitoring Team submitted pursuant to resolution 2665 (2022) concerning the Taliban and other associated individuals and entities constituting a threat to the peace stability and security of Afghanistan,” S/2023/370, June 1, 2023, p. 11; UN Security Council, “Security Council Committee established pursuant to resolution 1988 (2011),” accessed September 14, 2023, <https://www.un.org/securitycouncil/sanctions/1988>; Treasury, Office of Foreign Assets Control, Specially Designated Nationals and Blocked Persons List, updated June 29, 2023; UN Security Council, “Gul Agha Ishakzai,” listed July 20, 2010, (TAi.147); Central Intelligence Agency, Office of Russian and Eurasian Analysis, “Central Asian Reaction to Taliban’s Takeover of Kabul,” intelligence report, October 9, 1996.

<sup>108</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 4.

<sup>109</sup> The assessment noted that in 2021 and 2022, FinTRACA had received 17 reports from banks about instances in which the banks had either refused service to or closed the account of a person on the 1988 UN sanctions list. The members of DAB’s Executive Board are also on the UN sanctions list, as are 38 other Taliban officials. As a result, it is unclear how DAB could adequately enforce AML/CFT measures. USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 5; UN Security Council, “Fourteenth report of the Analytical Support and Sanctions Monitoring Team,” S/2023/370, June 1, 2023, pp. 11, 23.

<sup>110</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 4.

<sup>111</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, pp. 5, 15.

<sup>112</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 15.

<sup>113</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 5.

Despite the new compliance regime, DAB’s supervision of MSPs remains limited. The assessment noted “weak reporting by MSPs,” citing a relatively low number of large currency transaction reports as well as “nonexistent” reporting of suspicious transactions.<sup>114</sup> It also stated that although DAB took enforcement actions against banks and MSPs for violation of AML/CFT-related issues during 2021 and 2022, these measures did not appear to be “effective, proportionate, or dissuasive.”<sup>115</sup> The assessment concluded that DAB would need long-term technical assistance to improve its capacity to effectively enforce AML/CFT measures.<sup>116</sup>

Treasury views the assessment as limited in its scope and methodology and told SIGAR that a more comprehensive third-party review may be required.<sup>117</sup> According to USAID, the DAB assessment’s conclusions do not necessarily reflect the views of USAID or the U.S. government.<sup>118</sup> Without elaborating, State said there are “other, much worse, deficiencies that deserve to be highlighted above and beyond” those mentioned in the report.<sup>119</sup>

Treasury and State have said that DAB’s eligibility for a return of funds will be based on the extent to which DAB is politically independent and can effectively prevent money laundering and counter terrorist financing.<sup>120</sup> Even if imperfect, the USAID-funded assessment of DAB speaks to these matters. However, according to media reporting and SIGAR correspondence with Dr. Ahady, the non-U.S. government members of the Afghan Fund’s board had not seen the assessment, as of October 2023.<sup>121</sup> In response to a draft of this report, Treasury told SIGAR that it has now provided a copy of the assessment to the Afghan Fund’s board of trustees and executive secretary.<sup>122</sup>

### **The Fund Has No Expiration Date but the Trustees May Dissolve it at their Discretion**

The Afghan Fund’s articles of association state that the Fund was “created for an unlimited period of time,” but permit the trustees to dissolve the Fund “at any time” via a unanimous vote.<sup>123</sup> In the event of dissolution, the monies remaining in the Fund would be disposed of “in a manner consistent with the Fund’s purpose,” such that the assets would be “assignable to one or

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<sup>114</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 4.

<sup>115</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, pp. 4–5, 14.

<sup>116</sup> USAID, “Assessment and Third-Party Monitoring of Afghanistan’s Central Bank: Final Report – Detailed Assessment,” March 2023, p. 5.

<sup>117</sup> Treasury, response to SIGAR quarterly report vetting draft, July 12, 2023.

<sup>118</sup> USAID, response to SIGAR quarterly report data call, June 15, 2023.

<sup>119</sup> State, response to SIGAR quarterly report vetting draft, July 14, 2023.

<sup>120</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>121</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023; Jonathan Landay and Charlotte Greenfield, “Exclusive: Audit fails to win U.S. backing for release of Afghan central-bank funds,” Reuters, July 21, 2023; Catherine Cartier, “A Year on, Billions in Afghan Assets Linger in Switzerland,” *Diplomat*, October 21, 2023.

<sup>122</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>123</sup> Fund for the Afghan People, Statutes of February 10, 2023, articles 1.2 and 24.2, pp. 4, 21.

more Afghan public interest and tax-exempt entities pursuing similar objectives and through similar means to those of the Fund.”<sup>124</sup>

However, given the political context in Afghanistan and the challenges that DAB faces to becoming more independent of the Taliban, it could be years before the Fund’s trustees decide to recapitalize the central bank—if they choose to do so.<sup>125</sup> “In case there is absolute lack of cooperation from the central bank” in meeting the conditions for recapitalization, Dr. Ahady told SIGAR, the board could just manage long-term investments, thereby preserving and growing the Fund’s assets, until the situation normalizes.<sup>126</sup>

Consistent with this comment, even if the Fund’s board does not vote to return DAB’s assets—or make any disbursements at all—it could still be seen to fulfill much of its stated purpose, which is to “receive, protect, preserve, and disburse assets for the benefit of the Afghan people” (emphasis added).<sup>127</sup> In a July 2023 interview with SIGAR, Dr. Ahady reflected that the board had not been “as active as we anticipated we would be. But we still achieved a great part of our objective, which is to preserve the assets and protect [them] for the interest of the central bank and for the Afghan people.”<sup>128</sup>

## Vetting of Appointments and Due Diligence in Contracting

As previously noted, the Fund’s board of trustees consists of a U.S. Treasury official, a Swiss government official, and two Afghans. These latter individuals—Dr. Mehrabi and Dr. Ahady—founded the Afghan Fund after State certified that they could authorize transactions on DAB’s U.S.-based accounts. Aside from the trustees, the Fund’s only staff member, to our knowledge, is its executive secretary.

State provided only cursory insight into what criteria were used to select or vet the two individuals certified through the 25B process. Additionally, State told us it was unaware of unfavorable past employment information we discovered about one of these individuals, which raises questions about the rigor of the process through which they were vetted and selected.<sup>129</sup> State did not provide any information on how the other board members were chosen. According to Treasury, the Swiss government followed its own internal decision process for appointing Ambassador Baumann as their representative.<sup>130</sup> Because Ambassador Baumann did not respond

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<sup>124</sup> Fund for the Afghan People, Statutes of February 10, 2023, articles 24.1, 24.2, 24.4, pp. 21–22.

<sup>125</sup> The Swiss trustee has stated that it might take years to recapitalize the central bank, given that the Taliban have not indicated they will allow it to run independently. See, “Why Billions in Afghan Funds Are Still Locked Away in Switzerland,” *Wall Street Journal*, podcast transcription, February 9, 2023.

<sup>126</sup> Dr. Anwar Ahady, SIGAR interview, October 19, 2022.

<sup>127</sup> Fund for the Afghan People, Statutes of February 10, 2023, article 4.2, p. 5.

<sup>128</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

<sup>129</sup> State, meeting with SIGAR, June 1, 2023.

<sup>130</sup> Specifically, Treasury stated, “The Swiss government was responsible for selecting Ambassador Baumann for this role; Treasury did not have a role in that process.” Treasury, response to SIGAR vetting draft, December 4, 2023.

to any of SIGAR’s requests for comment or interview, we are unable to discuss the selection or vetting process that she underwent.

We have limited information on how any contracting undertaken with the Fund’s assets will be vetted because, to SIGAR’s knowledge, the Fund’s trustees have not yet decided what activities the Fund will support. However, as described in the previous section, we have not received any indication that the Fund will be used as a mechanism for providing humanitarian assistance. At this stage, therefore, it appears that contracting with third parties to implement assistance programs and projects will not be a central feature of the Afghan Fund.

### **State Did Not Provide Details on the Vetting of Individuals Chosen to Transfer DAB Assets to the Afghan Fund**

When the Afghan government collapsed in August 2021, DAB lost access to its accounts at financial institutions in the United States and around the world due to uncertainty surrounding who could authorize transactions on DAB’s accounts.<sup>131</sup> As described earlier, State certified to the Federal Reserve Bank of New York and any insured bank that Drs. Ahady and Mehrabi had joint authority to lawfully order the payment, transfer, delivery, or other disposal of DAB assets held in U.S.-based accounts.<sup>132</sup>

State provided little insight into the process through which Drs. Ahady and Mehrabi were chosen to exercise this authority.<sup>133</sup> Commenting publicly on how the two were selected, State’s Special Representative and Deputy Assistant Secretary for Afghanistan Tom West responded, “This was not an open and democratic process.” He added that the executive branch pulled together a list of former Afghan officials and decision-makers who were deemed to be knowledgeable about DAB and the Ministry of Finance, and “ran a process” to determine who was pragmatic and “absolutely not corrupt.” West said that “these two individuals were the folks in whom we had the most confidence.”<sup>134</sup>

Dr. Mehrabi told us that he was approached by State and Treasury in October 2021 after calling for DAB to be given limited access to its reserves to perform DAB’s core functions of supporting price stability, specifically through currency auctions.<sup>135</sup> Dr. Ahady told us that his work with the Fund was at the request of the U.S. government. “I’m working with the Fund after a designation from the U.S. government; they asked me to work with them,” he stated. Before that, he said, he was participating as a volunteer in discussions about DAB’s assets.<sup>136</sup>

We asked State to explain its selection process for Dr. Mehrabi and Dr. Ahady. State responded that its considerations, among other factors, included “candidates’ knowledge and experience

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<sup>131</sup> Treasury, “The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” joint statement by State and Treasury, September 14, 2022.

<sup>132</sup> State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023; Federal Reserve Act, Pub. L. No. 117-263, 12 U.S.C. § 632 (2023).

<sup>133</sup> In reply to a draft of this report, State said it did not agree with this characterization, noting its response to SIGAR’s inquiry letter reproduced in Enclosure III. We explain in this section why we believe that response to be inadequate. State, response to SIGAR vetting draft, December 4, 2023.

<sup>134</sup> “A Townhall with Tom West,” Afghans for a Better Future, Facebook livestream, October 21, 2022.

<sup>135</sup> Dr. Shah Mehrabi, SIGAR interview, October 4, 2022.

<sup>136</sup> Dr. Anwar Ahady, SIGAR interview, October 19, 2022.

with DAB and other Afghan economic institutions, degree of independence from Taliban and other political influence, record of noncorrupt conduct, and technical background” (see Enclosure III).<sup>137</sup> State’s reply did not provide a number of details that would be required to fully assess the rigor of the process through which State said “Dr. Ahady and Dr. Mehrabi emerged as the leading candidates.” For example, it provided no information about either the number of individuals State considered, who those individuals were (other than Drs. Mehrabi and Ahady), why certain candidates may have been removed from consideration, the nature of the sources State used to gather information about each factor it considered, or what U.S. government entities other than State were involved in the process. When pressed to provide more granular information about its vetting and selection of these individuals, including an approximate figure for the number of candidates it had considered, State provided few additional details.<sup>138</sup>

For its July 2023 quarterly report to Congress, SIGAR again asked State to provide more information on the vetting and selection of Drs. Mehrabi and Ahady. This included a request for any reports or memoranda addressing the backgrounds and credentials of either individual that were produced or considered by State as it weighed candidates for 25B certification. State’s one-sentence response was: “An interagency vetting process was conducted prior to certifying that Dr. Mehrabi and Dr. Ahady had joint authority under 25B of the Federal Reserve Act to transact in Da Afghanistan Bank’s assets.”<sup>139</sup> In sum, despite multiple attempts to obtain information related to State’s 25B certification process, State did not provide details about how the Fund’s Afghan trustees were selected to authorize transactions on DAB’s U.S.-based accounts.

Responding to this statement, which appeared in a draft of our report, State said, “The Fund’s Board was not ‘selected to authorize transactions on DAB’s U.S.-based accounts.’ The 25B certification and [Office of Foreign Assets Control] license authorizing transactions on DAB assets were in place before the Afghan Fund and its Board were established.” As our report makes clear, we understand the distinction between State’s 25B certification of Drs. Mehrabi and Ahady and the powers of the Afghan Fund’s board. Indeed, at no point do we make the inaccurate claim that the entirety of the board was certified pursuant to section 25B. In the absence of information demonstrating otherwise, the language here and elsewhere in the report reflects our view that, *but for* State’s certification, Drs. Mehrabi and Ahady would not have become trustees of the Fund. The effect is that State selected them.<sup>140</sup>

### **State Was Unaware that One of the Individuals It Selected to be a Fiduciary of DAB’s Assets Was Once Fired for Misrepresenting his Credentials**

In our research, we discovered unfavorable past employment information about one of the Afghan Fund’s trustees. State told us it was not aware of this information—which is publicly accessible on the internet—when it conducted its selection process for 25B certification.<sup>141</sup> The result is that this individual became a co-fiduciary of a fund worth over \$3.5 billion apparently without sufficient vetting of his background. SIGAR asked the trustee in question to comment on

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<sup>137</sup> State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>138</sup> State, meeting with SIGAR, June 1, 2023; State, response to SIGAR vetting draft, December 4, 2023.

<sup>139</sup> State, response to SIGAR quarterly report data call, June 15, 2023.

<sup>140</sup> State, response to SIGAR vetting draft, December 4, 2023.

<sup>141</sup> State, meeting with SIGAR, June 1, 2023.

this adverse information, but he did not respond. SIGAR is providing the information it discovered via separate correspondence.

### **The United States Can Unilaterally Appoint its Afghan Fund Trustee, Who is Now a U.S. Treasury Official**

The Fund’s articles of association give the U.S. government the right to appoint and replace its board member according to “an internal decision process” of its choosing.<sup>142</sup> Since the Afghan Fund’s inception in September 2022, the U.S. government has twice replaced its representative on the board of trustees. The original U.S. representative to the board of trustees was the ambassador to the Swiss Confederation and to the Principality of Liechtenstein, Scott C. Miller. Ambassador Miller was replaced in November 2022 by a representative from Treasury, Andy Baukol, who at the time was serving as Treasury’s acting Under Secretary for International Affairs. Baukol was then replaced by Dr. Jay Shambaugh, following Shambaugh’s Senate confirmation as Under Secretary for International Affairs.<sup>143</sup> According to State, the decision to appoint Baukol and then Shambaugh as the U.S. member of the board “reflects an interagency decision that the Department of the Treasury will serve as the lead agency within the Executive Branch on matters related to the Fund going forward.”<sup>144</sup>

### **An Executive Secretary, A Compliance Service Provider, and an Auditor Have Been Hired for the Fund**

Following its third meeting, the Fund’s board of trustees announced that it had appointed an executive secretary, Dr. Andrea Dall’Olio.<sup>145</sup> According to his LinkedIn profile, Dr. Dall’Olio has worked for the World Bank for more than 15 years, and has served as the Bank’s lead country economist for Afghanistan since January 2021.<sup>146</sup> Dr. Ahady told SIGAR that although the Bank had “seconded,” or temporarily assigned, Dr. Dall’Olio to work for the Afghan Fund, this did not mean the Bank would be “institutionally involved in the affairs” of the Fund. Dr. Ahady stated that the Bank would continue to pay Dr. Dall’Olio’s salary for another year, thereby preserving the Fund’s assets for other uses.<sup>147</sup> In September 2023, Treasury confirmed that Dr. Dall’Olio is on secondment from the World Bank for a period of 12 months and that, during this time period, he is precluded from working on issues related to the Bank.<sup>148</sup>

According to the solicitation that was posted on the Afghan Fund’s website, the executive secretary will be responsible for administrative operations of the Fund, which includes managing communications, coordinating meetings, maintaining the website, preparing the annual budget, and recruiting staff. The executive secretary may also be given responsibility for developing the Fund’s investment strategy and disbursement policy for board approval. The solicitation notes

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<sup>142</sup> Fund for the Afghan People, Statutes of February 10, 2023, articles 12.3 and 13.5, pp. 11, 13.

<sup>143</sup> Fund for the Afghan People, excerpt, February 20, 2023; State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>144</sup> State, response to SIGAR inquiry letter regarding the Afghan Fund, March 15, 2023.

<sup>145</sup> Fund for the Afghan People, statement, June 26, 2023.

<sup>146</sup> “Andrea Dall’Olio,” LinkedIn, accessed July 14, 2023, <https://www.linkedin.com/in/andrea-dall-olio-94422b47>.

<sup>147</sup> Dr. Anwar Ahady, SIGAR interview, July 17, 2023.

<sup>148</sup> Treasury, response to SIGAR quarterly report data call, September 15, 2023.

that the secretary will also interface with the Fund’s external service providers—a list that includes the Swiss legal counsel, insurance broker, auditor, Bank of International Settlements, international donors, and external compliance firms—and will also handle inquiries from stakeholders or interested parties “about the Fund’s goals, objectives, activities, and investment performance.”<sup>149</sup>

The board has procured the services of a law firm to “assure that the Fund has in place appropriate due diligence and controls procedures related to any potential disbursements.”<sup>150</sup> According to a solicitation posted on the Fund’s website, the board was looking for “qualified legal counsel, compliance firms, and other individuals or entities” who had previously worked with government agencies or financial institutions on AML/CFT, sanctions compliance, and risk management, and who had relevant geopolitical and regional knowledge and the ability to execute AML/CFT procedures effectively and efficiently.<sup>151</sup> According to Treasury, the U.S. law firm chosen by the Fund’s trustees will help develop “the screening and verification measures that will be undertaken prior to each disbursement, including but not limited to the sanctions lists maintained by [Treasury’s Office of Foreign Assets Control] and the United Nations, among others.”<sup>152</sup>

Publicly available material from the Fund’s trustee meetings indicate that the board has hired an auditor and an insurance broker. The latter helped the board secure director’s and officer’s insurance to protect trustees’ personal assets in the event of legal action taken against them in their capacity as board members.<sup>153</sup> Treasury told SIGAR that in order to hire the auditor, “Treasury and State staffs solicited bids from more than one potential international auditing firm, each of which had extensive experience conducting audits on behalf of Swiss foundations and the capacity to handle an entity like the Fund.” Treasury stated that each firm that was considered “completed [a] background and conflicts check and provided preliminary cost estimates.” The information gathered by Treasury and State was provided to the Afghan Fund’s board, which selected the auditor as a result of what Treasury described as that auditor’s “responsiveness and cost efficiencies.”<sup>154</sup> We are not aware of any information about the criteria or process used to select the insurance broker.

### **The Fund’s Board Has Not Yet Formed an Advisory Committee**

The board of trustees has made public some information about how it is recruiting and vetting additional appointments. Originally, the trustees intended to form a specifically Afghan advisory

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<sup>149</sup> The Afghan Fund, “Executive Secretary Job Description,” Wayback Machine capture dated February 2, 2023, accessed July 10, 2023.

<sup>150</sup> Fund for the Afghan People, statement, November 15, 2023.

<sup>151</sup> Fund for the Afghan People, “Tender for a Compliance Advisor for the Afghan Fund,” accessed March 17, 2023; Fund for the Afghan People, statement, June 26, 2023.

<sup>152</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>153</sup> Fund for the Afghan People, minutes of the meeting of the board of trustees, November 21, 2022; Fund for the Afghan People, minutes of the meeting of the board of trustees, February 16, 2023; Fund for the Afghan People, statement, November 15, 2023; Treasury, response to SIGAR quarterly report data call, September 15, 2023; Federal Deposit Insurance Corporation (FDIC), “Risk Management Manual of Examination Policies,” section 4.4, updated December 2004, p. 5.

<sup>154</sup> Treasury, response to SIGAR vetting draft, December 4, 2023.

committee, the purpose of which, according to U.S. Special Representative and Deputy Assistant Secretary for Afghanistan Tom West, was to ensure that “other Afghan voices [are] included in the governance structure” of the Fund.<sup>155</sup> A solicitation posted on the Fund’s website described the role of an Afghan advisory committee member as working with the board to offer input on risks and opportunities for proposed disbursements, and to provide feedback on operational and administrative aspects of the Fund. Candidates were asked to submit resumes and cover letters detailing their educational backgrounds, work experience, and knowledge related to economics and the Afghan context.<sup>156</sup> Dr. Mehrabi told us that he initially envisioned an Afghan advisory committee consisting of three qualified people who were ethnically diverse with a record of achievement and a high degree of integrity. He also expressed interest in having a member of DAB serve as a technical advisor to the Fund.<sup>157</sup>

The board also discussed establishing an international advisory committee in addition to an Afghan one.<sup>158</sup> However, the press statement from the third board meeting indicates that instead of two committees, there will be only one—a single international advisory committee made up of Afghan citizens, other government representatives, and international experts.<sup>159</sup> The statement did not explain the rationale for this decision.

### **The Extent to Which the Fund Will Engage in Contracting Is Unclear, but U.S. Officials and Members of the Board Have Stated That Monies Will Not Be Used for Humanitarian Aid or Development Assistance**

As previously stated, the Fund’s board has not yet determined the nature of future disbursements. As a result, the extent to which the Fund will engage in contracting is unclear. Some of the activities that have been proposed by Dr. Mehrabi and others could involve payment to contractors. For example, Dr. Mehrabi suggested that the Fund could cover the costs of printing currency by directly paying a Polish firm contracted by the previous Afghan government.<sup>160</sup> Although the Fund’s articles of association set no parameters on the kinds of activities that the Fund could support as long as they benefit the Afghan people, it does not appear that the board intends to undertake contracting for development or humanitarian projects. When we asked Dr. Mehrabi whether he could imagine contracting with anyone to do development work using the Fund’s resources, he responded, “No, not at all. The funds are not going to NGOs. Not a penny will be used for humanitarian purposes.”<sup>161</sup>

U.S. Special Representative and Deputy Assistant Secretary for Afghanistan Tom West similarly cautioned against using the funds for such purposes. “If you talk to economists about these reserves, what they would say is that they should not be spent on humanitarian assistance,” he

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<sup>155</sup> Center for Strategic and International Studies, “A Conversation with Thomas West in the Context of Afghanistan One Year Later,” transcript, September 29, 2022.

<sup>156</sup> Fund for the Afghan People, “Call for Application - Afghan Advisory Committee for the Fund for the Afghan People,” accessed February 28, 2023, <http://afghanfund.ch/files/CallforApplicationAfghanAdvisoryCommittee.pdf>.

<sup>157</sup> Dr. Shah Mehrabi, SIGAR interview, October 4, 2022; Dr. Shah Mehrabi, SIGAR interview, December 1, 2022.

<sup>158</sup> Fund for the Afghan People, press statement, February 17, 2023.

<sup>159</sup> Fund for the Afghan People, statement, June 26, 2023.

<sup>160</sup> Dr. Shah Mehrabi, SIGAR interview, October 4, 2022.

<sup>161</sup> Dr. Shah Mehrabi, SIGAR interview, October 4, 2022.

said. “This is the country and the Afghan people’s only shot at a future recapitalization of the central bank and of the financial system.”<sup>162</sup> More bluntly, a State spokesperson has said that the Fund is “explicitly not intended to make humanitarian disbursements.”<sup>163</sup>

## Matters for Consideration for Congress

The policies and operating procedures of the Fund are still being decided. According to Treasury, no disbursements have been made yet.<sup>164</sup> Nonetheless, some of the information we gathered suggests that certain aspects of the Fund warrant further scrutiny. Specifically, Congress could consider requesting that State and Treasury take the following actions:<sup>165</sup>

- Provide more detailed information on how State selected the individuals certified through the 25B process, including the names, titles, and total number of candidates that State considered;
- Provide an explanation for the specific selection and ultimate suitability of the individual chosen by State to be a Fund fiduciary who had previously been fired from his position for misrepresenting his credentials;<sup>166</sup>
- Encourage the Fund to develop a conflict-of-interest policy that provides more details than the broad language contained in the Fund’s articles of association—including how the Fund defines a conflict and who is responsible for determining whether a conflict exists;
- Encourage the Fund to incorporate, either in its articles of association or in a disbursement policy approved by its board of trustees, a provision that prohibits monies from being spent on activities that could result in funds being diverted to the Taliban;
- Clearly articulate whether there are plans for transferring the remaining \$3.5 billion of DAB assets held in the United States to the Fund, should they become available after the civil litigation surrounding those assets concludes;

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<sup>162</sup> Center for Strategic and International Studies, “A Conversation with Thomas West in the Context of Afghanistan One Year Later,” transcript, September 29, 2022.

<sup>163</sup> Ned Price, State Department spokesperson, department press briefing, September 14, 2022.

<sup>164</sup> We interpret Treasury’s response as referring only to disbursements on activities benefitting the Afghan people, as opposed to on the Fund’s operating expenses. Treasury, response to SIGAR quarterly report data call, September 15, 2023.

<sup>165</sup> In addition to what follows, and in a draft version of this report sent to agencies, we suggested that Congress consider requesting that State and Treasury share the USAID-funded assessment of DAB with the Afghan Fund’s non-U.S. government trustees and executive secretary. In response to that draft, Treasury stated that it has now provided the Fund’s board and executive secretary with a copy of the assessment. Treasury, response to SIGAR vetting draft, December 4, 2023.

<sup>166</sup> Regarding this suggestion, State commented, “The founders of the Afghan Fund established the Fund’s Board of Trustees.” As previously stated, we understand the distinction between State’s 25B certification of Drs. Mehrabi and Ahady and the establishment of the Afghan Fund. In the absence of new information, our view is that, *but for* that certification, Drs. Mehrabi and Ahady would not be trustees of the Fund. State, response to SIGAR vetting draft, December 4, 2023.

- Explain whether the Fund’s board plans to expand to include additional members and whether, for the foreseeable future, all decisions will still require a unanimous vote;
- Detail for Congress the specific circumstances under which Treasury and State would support a return of funds to DAB.
- Conduct a second assessment of DAB to determine the extent to which the central bank has met Treasury and State’s criteria for returning monies, with the timing of such an assessment left to the discretion of Treasury and State.

## Agency Comments

We provided a draft of this report to State, Treasury, and USAID for review and comment. We received written comments on our draft report from State’s Director of Afghanistan Affairs in the Bureau of South and Central Asia Affairs on December 4, 2023. State’s written comments are reproduced in Enclosure V. USAID’s Mission Director for Afghanistan declined to offer written comments on the draft report (*see* Enclosure V). Both Treasury and State provided technical comments that generally reflected Treasury and State’s preferred presentation of information, as opposed to issues of fact. We incorporated those comments, or responded in footnotes, as appropriate.

In State’s written comments, its Director of Afghanistan Affairs took issue with our observation that the Fund lacks “specific controls . . . to ensure funds are not provided to the Taliban.” However, the evidence State presented to support its disagreement was not strong. Reiterating a sentence from Treasury and State’s announcement of the establishment of the Fund, State said, “the Taliban are not a part of the Fund and robust safeguards have been put in place to prevent the funds from being used for illicit activity.” But the lack of Taliban participation does not differentiate the Fund from other U.S. or multilateral financing mechanisms, and therefore provides no unique protection against diversion. Moreover, merely declaring that the Fund has “robust safeguards” does not mean that such safeguards are actually in place. As Treasury told us, “a compliance program is *under development*” [emphasis added].

Also in support of its disagreement, State noted the Fund’s unanimous voting requirement and the presence of a Treasury official on the Fund’s board. We had already described these aspects of the Fund in our draft report. Additionally, State noted a provision in the Fund’s articles of association that requires monies to be spent toward the Fund’s charitable purpose, which includes foreign exchange rate and price stabilization objectives in Afghanistan. However, the mere existence of a purpose, and the requirement to fulfill it, provide little inherent protection against diversion—a term used to describe a scenario in which funds are *redirected away from* an intended purpose. Moreover, in certain cases, fulfilling the Fund’s specific purpose could involve risky activity. For example, influencing exchange rates and prices could lead the Fund to auction currency.<sup>167</sup> Any injection of physical cash into the Afghan economy carries with it self-evident diversion risks.

State also pointed to a requirement in the Fund’s articles of association that all disbursements be made pursuant to any disbursement policy approved by the Fund’s board. Similar to the provision concerning the Fund’s purpose, this requirement does not, by itself, rise to the level of a substantive control. In fact, the extent to which the provision will protect the Fund’s assets depends entirely on the strength of the disbursement policy—which the Fund has not yet formulated.

Following our transmittal of the draft report to agencies, the Afghan Fund released a statement summarizing its fourth board meeting. The statement noted that the board had finalized a contract with a law firm that will “assist with developing a framework to assure that the Fund has in place appropriate due diligence and controls procedures related to any potential

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<sup>167</sup> We offer this merely as an example of how the Fund’s purpose does not shield the Fund from risk. The Fund’s board has not indicated an intent to participate in currency auctions in Afghanistan in any of its public statements or meeting minutes.

disbursements.”<sup>168</sup> Treasury told us that the procedures to be developed by the law firm will “set out the screening and verification measures that will be undertaken prior to each disbursement, including but not limited to the sanctions lists maintained by [Treasury’s Office of Foreign Assets Control] and the United Nations, among others.”<sup>169</sup> We incorporated information about these developments into the report and modified our suggestion to Congress concerning the adoption of controls to prevent Taliban diversion.

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<sup>168</sup> Fund for the Afghan People, statement, November 15, 2023.

<sup>169</sup> Treasury response to SIGAR vetting draft, December 4, 2023.

## Methodology

On January 23, 2023, we sent an inquiry letter to the U.S. Departments of the Treasury and State, as well as to the U.S. Agency for International Development. The objective of our inquiry was to gain a better understanding of the Afghan Fund’s governance, management, and operational characteristics, planned safeguarding measures, and potential risks. We used this letter to outline our understanding of the scope and nature of the Fund, and to ask a total of 32 questions, organized by topic (*see* Enclosure II). We initially planned to publish our inquiry letter, along with Treasury, State, and USAID’s responses. However, shortly before we received publicly releasable replies from agencies, the chairman of the U.S. House Committee on Foreign Affairs requested that SIGAR examine several matters relating to the Afghan Fund’s operations and management.

Specifically, the chairman requested that SIGAR report to the committee on:

- The operations, policies, and expenditures of the Afghan Fund, and whether adequate safeguards had been put into place for protecting Fund disbursements from waste, fraud, and abuse—to include diversion (or other direct or indirect support) to the Taliban regime;
- The vetting of all appointments to the management and operation of the Afghan Fund and its boards as well as the vetting of all contracts for the Fund; and
- Matters for Congress to consider for improving the operations and effectiveness of the Afghan Fund.

The questions we asked in our inquiry letter, as well as the information we obtained from Treasury, State, and USAID in response to our inquiry, were aligned with the chairman’s request. For example, we asked what controls existed to ensure monies were not misused by the Taliban. We also asked how the Fund’s trustees were vetted and selected and what U.S. agencies were involved in that process.

To construct our response to the committee, we undertook additional research that supplemented our inquiry letter. That research involved further examination of the Afghan Fund’s objectives, governance structure, and potential activities. We did not assess the Fund’s performance because, to SIGAR’s knowledge, the Fund has not disbursed any monies. Additionally, although we describe the USAID-funded, third-party assessment of DAB and present information about the central bank’s leadership, we examined only those aspects of the bank we determined were relevant to its relationship to the Afghan Fund. In particular, we collected and analyzed information relating to the potential that DAB could eventually be recapitalized with monies from the Fund.

The findings presented in this final product rely not only on agency responses to our inquiry letter (including to several follow-up inquiries)<sup>170</sup> but also on a variety of other documentary and testimonial sources, including:

- U.S. government statements and press releases regarding the Afghan Fund;

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<sup>170</sup> After receiving responses to our inquiry letter, we posed several follow-up questions to Treasury and State. We have reproduced the replies to our follow-up questions in Enclosure IV.

- the Fund’s governing documents registered with the canton of Geneva, Switzerland, including updates to those documents published as we were producing our reply to the committee;
- agency responses to requests for information relevant to the Afghan Fund for SIGAR’s quarterly report to the U.S. Congress—up to and including SIGAR’s January 2024 quarterly report;
- publicly accessible archival records pertaining to the employment history of one of the Fund’s trustees; and
- U.S. federal court records documenting developments in U.S.-based civil litigation involving DAB’s assets.

Additionally, we conducted 17 interviews with individuals knowledgeable about either the Afghan Fund and its trustees, DAB, and/or the status of DAB reserves held in the United States.<sup>171</sup> Our interviews included one discussion with officials from State and four discussions with two members of the Fund’s board of trustees.

The Afghan Fund’s two other board members did not agree to be interviewed by SIGAR, which is a limitation of this report. We sent two emails requesting an interview to the Fund’s Swiss trustee, Ambassador Alexandra Baumann. We transmitted a third request to the ambassador through a phone call to the publicly available number for Switzerland’s Prosperity and Sustainability Division, the government unit the ambassador heads. In a fourth communication with the ambassador, we attempted to confirm that she had been appointed as a trustee of the Afghan Fund by the Swiss government. We received no replies from her. For the U.S. government’s perspective on the Afghan Fund, we relied on agency responses to our requests for information, including to our January 23, 2023, inquiry letter regarding the Fund and to SIGAR’s quarterly report data calls. On July 11, 2023, SIGAR asked to interview the Fund’s U.S. representative, Treasury Under Secretary for International Affairs Jay Shambaugh. Treasury did not make Dr. Shambaugh available for an interview.

We conducted our work for this report in Arlington, Virginia, and via virtual telecommunication methods from October 2022 through December 2023, in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the report to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for those findings and conclusions. SIGAR produced this report under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

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<sup>171</sup> We include an email exchange with an interviewee in the total interview count.

## ENCLOSURE II: QUESTIONS ASKED IN SIGAR'S AFGHAN FUND INQUIRY LETTER

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In a letter sent to State, Treasury, and USAID, on January 23, 2023, SIGAR requested the following information regarding the Afghan Fund:

### General Questions Related to the Afghan Fund's Management and Administration

1. In their joint statement on September 14, 2022, State and Treasury said, “The Taliban are not a part of the Afghan Fund, and robust safeguards have been put in place to prevent the funds from being used for illicit activity.”<sup>172</sup> However, the Fund’s statutes do not specify those safeguards—nor do they make reference to the Taliban. What controls are in place to ensure funds are not diverted to or misused by the Taliban or other malign actors?
2. How were the Fund’s trustees vetted and selected? What U.S. agencies were involved in this process and what role did they play?
3. The Fund’s statutes do not define what might constitute a conflict of interest for members of the board of trustees. Does the Fund plan to develop such a policy? What consequence might a trustee face for failing to disclose a conflict of interest?
4. Special Representative and Deputy Assistant Secretary for Afghanistan Thomas West has said that, as one of their first acts, the Fund’s trustees are likely “to develop an advisory board of additional Afghans that reflect the richness and diversity of the country as well as expertise that is in abundance.”<sup>173</sup> How will members of the Fund’s planned Afghan Advisory Committee be vetted and appointed? How will the Fund ensure that this committee is sufficiently representative of the Afghan people?
5. The U.S. government has indicated that it will not support the return of funds to DAB until certain criteria are met. However, the act of returning funds to DAB is distinct from coordination or other interaction with DAB for the purpose of implementing the Fund’s activities. To what extent does the Fund anticipate conducting activities, such as currency auctions, in partnership with DAB? Will the Fund consider working with DAB even if it has not yet met the conditions specified by the U.S. government? Is there a red line that, once crossed, will result in the termination of any activities implemented through DAB? If the Fund decides to work with DAB, what is the Fund’s contingency plan in the event the Taliban attempts to interfere with or co-opt the process?
6. How will members of the board ensure that DAB has the technical competence to handle any money received by the Fund?
7. What is the name of the third party tasked with the USAID-funded assessment of DAB? What funds are being used to pay for this assessment? Will the third-party assessor also

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<sup>172</sup> Treasury, “Joint Statement by U.S. Treasury and State Department: The United States and Partners Announce Establishment of Fund for the People of Afghanistan,” press release, September 14, 2022.

<sup>173</sup> Center for Strategic and International Studies, “A Conversation with Thomas West in the Context of Afghanistan One Year Later,” transcript, September 29, 2022.

be responsible for third-party monitoring once the assessment is complete? Or will USAID fund a separate entity to perform third-party monitoring?

8. What criteria did USAID use to select the third-party assessor for DAB? What kind of relationship will the third-party assessor and/or monitor have with the Afghan Fund, if any? Is USAID confident that the third-party assessor and/or monitor will be given full access to DAB's records? How will USAID confirm the reliability of data collected and presented by the third-party assessor and monitor? Will the third-party assessor or monitor subcontract to other entities in order to perform its work? If the third-party assessor or monitor subcontracts, to what extent will USAID vet subcontractors, have visibility into the quality of their work, or identify any possible conflicts of interest?
9. According to the Fund's statutes, an external auditor will audit the Fund as required by Swiss law, and produce an annual report.<sup>174</sup> How granularly will the auditor track funds to ensure they are transmitted to intended recipients and that they achieve their intended purpose? What documentation will the Fund use to verify that disbursements are consistent with any compliance requirements specified either by Swiss law or by the Fund's board of trustees?
10. What specific activities does the Fund anticipate undertaking? How will the trustees decide on the type and appropriateness of these activities? What kind of information will inform the board's decisions and how does it intend to collect and verify this information? How will the trustees use input provided by the advisory committee to make decisions about disbursements?
11. If the Fund decides to implement some of its activities through a private financial institution, how will the Fund, on an ongoing basis, identify, verify, and monitor that institution's (i) competence, (ii) compliance with international standards, including anti-money laundering and countering-terror-financing requirements, and (iii) independence?
12. The Fund's statutes permit the use of the DAB reserves to fund its activities as well as certain administrative expenses, such as travel.<sup>175</sup> However, one of the trustees has argued that administrative expenses should be covered by international donors or private organizations, rather than from the DAB assets themselves. How will such expenses be paid? How have any administrative expenses been paid up until now?
13. If the Fund intends to transport cash currency into Afghanistan to finance or otherwise facilitate its activities, how will that cash be transported? What individual or entity will sign for the cash once it arrives in Afghanistan, where will the cash be deposited, and how will the Fund ensure proper custodianship of the cash?
14. Why was the original U.S. representative on the Fund's board of trustees—U.S. Ambassador to Switzerland and Liechtenstein Scott Miller—replaced by Counselor to the Secretary of the Treasury Andy Baukol in November 2022?
15. To what extent is the Afghan Fund accountable to Treasury, State, and/or USAID beyond its relationship to the U.S. government representative serving as a trustee? Are there any

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<sup>174</sup> Fund for the Afghan People, Statutes of September 2, 2022, articles 18.1 and 19.1, p. 18.

<sup>175</sup> See articles 5.4 and 6.2 of the Afghan Fund's articles of association. Fund for the Afghan People, Statutes of September 2, 2022, articles 5.4 and 6.2, pp. 6–7.

agreements between the Fund and one or more U.S. government agencies that either supersede or supplement the Fund’s governing statutes? Could non-U.S. government trustees be removed through a process or processes not described in the statutes?

## Questions Related to Specific Activities the Afghan Fund May Undertake

### Currency Auctions

1. Should the Fund’s trustees decide to auction currency to maintain price stability, how will the Fund conduct and oversee currency auctions responsibly and effectively if it has no administrative footprint in Afghanistan?
2. How will the Fund determine the amount of money to be auctioned? What data would be needed to determine the market demand for U.S. dollars? Are such data currently available or would the data have to be collected, perhaps by a third party? How will the Fund verify the accuracy of this data?
3. Could the Fund conduct currency auctions through DAB, even if DAB has not met the conditions the U.S. government has said are necessary for DAB’s assets to be returned?
4. Where will the Fund deposit afghanis it receives in exchange for U.S. dollars? Will it have an afghani-denominated account at DAB, or will the afghanis be deposited with the Bank for International Settlements in Switzerland?
5. How will the Fund ensure that the Taliban do not interfere with or otherwise influence currency auctions?
6. How will the Fund vet potential bidders? To what extent can the Fund ensure currency auction participants, many of whom are money services providers, are registered, independent, and compliant with anti-money laundering and countering-terror-financing requirements?
7. How can the Fund ensure that money service providers are not partially or wholly owned by, or otherwise working on behalf of the Taliban or other terrorist organizations?

### Reviving the Banking Sector

1. According to DAB’s December 2021 audited financial statements, DAB’s balance sheet includes an approximately \$900 million liability to banks and other financial institutions in Afghanistan.<sup>176</sup> Does the Fund anticipate returning any funds to Afghan commercial banks?
2. According to a World Bank report published in October 2022, there are “rapidly escalating stability risks” in Afghanistan’s banking sector, with liquidity being a key issue.<sup>177</sup> Under what circumstances could the Fund give financial support to rescue banks that are at risk of collapse?

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<sup>176</sup> Shafiq Omar Darza & Co. Chartered Accountants, “Da Afghanistan Bank: Consolidated Financial Sheets for the year ended Qaws 30, 1400 (December 21, 2021),” October 16, 2022, p. 44; SIGAR analysis.

<sup>177</sup> World Bank, “Afghanistan Development Update,” October 2022, pp. 1, 19.

3. If the Fund decides to support struggling banks, to what extent could the Fund determine, verify, and monitor the eligibility of such banks?
4. How can the Fund ensure that banks receiving financial support from the Fund are not engaged in fraudulent or criminal activities?

### **Government Payments and Debt Service**

1. How will the Fund make decisions about which payments to make on behalf of the Afghan government, such as electricity payments or debt-service obligations?
2. What is the status and magnitude of Afghanistan's arrears to international financial institutions? How many payments have the Taliban made towards these arrears? Is there any indication that the Taliban are unwilling or incapable of making these payments themselves?
3. Will the Fund consider disbursing funds to pay for capacity building activities at DAB?
4. Will the Fund consider how covering the costs of certain government expenses could be seen as subsidizing and therefore enriching the Taliban?

### **Questions Related to Access to Information about the Afghan Fund's Activities**

1. SIGAR notes that the Afghan Fund's website contains links to its statutes and to a statement following the first meeting of the Fund's trustees on November 21, 2022. However, there is currently limited information on the Fund's mandate and planned activities. Will the Fund post additional information on its public website, including information regarding its activities, disbursements, and internal controls? If so, what information will it post and in what form (e.g. quarterly reports, annual reports, audited financial statements, downloadable disbursement data, etc.)?
2. What other information, if any, including non-public information, will the Fund provide to Treasury, State, USAID, and/or to the U.S. Congress?

## ENCLOSURE III: AGENCY RESPONSES TO SIGAR INQUIRY LETTER



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

March 15, 2023

### U.S. Department of the Treasury Response to SIGAR Afghan Fund Inquiry

(U) We are writing in response to your January 23, 2023 letter.

(U) Treasury welcomes the opportunity to discuss its work with SIGAR and appreciates the years-long productive partnership that Treasury and SIGAR have maintained to advance shared objectives, including combatting illicit finance in Afghanistan.

(U) As Treasury has previously noted, while recognizing that federal agencies have raised questions related to SIGAR's statutory jurisdiction after the U.S. government ended reconstruction activities in Afghanistan, we are committed to helping SIGAR understand Treasury's work. Treasury would welcome further explanation of SIGAR's assertion that it has jurisdiction over disbursements of funds by the Fund for the Afghan People (the Fund or the Afghan Fund). See Section 1229(m)(1) of SIGAR's enabling legislation (FY 2008 National Defense Authorization Act, as amended) (setting forth SIGAR's jurisdiction, as relevant here, to funds "appropriated" or "otherwise made available" "for any fiscal year"). As you know, the Afghan Fund has certain funds that were the property of the central bank of Afghanistan, Da Afghanistan Bank (DAB), and were transferred to the Fund pursuant to instructions by two non-U.S. government persons with appropriate authority under Section 25B of the Federal Reserve Act.

(U) As you know, Treasury has been responding to SIGAR's multiple inquiries in recent months on Treasury's work related to the Afghan Fund and on other matters. SIGAR sent Treasury its final questions for the January 2023 Quarterly Report to Congress on November 15, 2022. Treasury responded on December 13 (the requested suspense date) with the attached response. See attached (U.S. Department of the Treasury Response to SIGAR Data Call, December 13, 2022). On December 15, SIGAR sent Treasury a "Funding Data Call" requesting information about monies "appropriated, apportioned (or equivalent), obligated and expended . . . by the U.S. Department of the Treasury for the Afghan Fund to support U.S. reconstruction efforts in Afghanistan, whether by grant, loan, or for technical assistance, per fiscal year for FY 2022 and FY 2023, as of December 31, 2022." Treasury responded on January 6 with the attached response. See attached (U.S. Department of the Treasury Response to SIGAR Funding Data Call, January 6, 2023).

(U) For greater background on the establishment of the Afghan Fund, we would refer you to the Department of State's response, which provides more background on the establishment of the Fund in response to SIGAR General Question 2.<sup>1</sup> We note that the Fund was established by two non-U.S. government persons, Dr. Anwar ul-Haq Ahady and Dr. Shah Mehrabi. These individuals had been certified pursuant to Section 25B of the Federal Reserve Act as having

<sup>1</sup> We would refer SIGAR to USAID's response for SIGAR General Questions 7 and 8.

authority to receive, control, or dispose of certain assets of the DAB. 12 U.S.C. § 632. The transfer of these funds was done pursuant to instructions by these individuals.

(U) As you know, the Afghan Fund is a non-profit foundation organized under Swiss law. Pursuant to the Fund's statutes, it will protect, preserve, and, on a targeted basis, make disbursements for the benefit of the Afghan people. Pursuant to the Afghan Fund's statutes, the U.S. government has a seat on the Fund's Board of Trustees.<sup>2</sup> Further, the statutes establish that the Fund makes decisions on a unanimous basis.<sup>3</sup> The United States cannot respond on behalf of the Fund, including to SIGAR's questions about what the Fund may intend to do in the future. Instead, it can speak only to the views that it has as a member of the Board. Similarly, the United States can speak to the positions held by the U.S. government through its representation on the boards of other international bodies, but it cannot speak on behalf of those international bodies themselves.

(U) Since the Afghan Fund was established on September 5, 2022, the Board has been engaged in preliminary steps to establish its institutional framework, including retaining appropriate personnel and contractors and developing appropriate procedures and policies.

(U) As noted in Treasury's December 13 letter to SIGAR, at the first meeting of its Board of Trustees on November 21, the Afghan Fund agreed to further define potential disbursements at future meetings and reiterated its intention to help provide greater stability to the Afghan economy to benefit the people of Afghanistan.<sup>4</sup>

(U) Since that time there have been a few developments with respect to the Fund's activities:

- (U) The Afghan Fund has published a notice to hire an "Executive Secretary" who would be responsible for "a broad range of responsibilities under the Board's guidance, including providing guidance and options to the Board for its decisions, carrying out Board decisions, liaising with external and third-party entities on behalf of the Board, and directing the administrative operations of the Fund." This notice was posted on the Fund's website.

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<sup>2</sup> In November 2022, then-Performing the Duties of (PDO) Under Secretary of the Treasury for International Affairs Andy Baukol replaced Ambassador Scott C. Miller on the Board. Ambassador Miller played an important role in supporting the establishment of the Afghan Fund, and the Departments of State and Treasury appreciate his outstanding leadership. The decision to appoint PDO Under Secretary Baukol as the next U.S. member of the Board reflects an interagency decision that the Department of the Treasury will serve as the lead agency within the Executive Branch on matters related to the Fund going forward. See SIGAR General Question 14. Upon the Senate's confirmation of Jay Shambaugh as Under Secretary of the Treasury for International Affairs, it was determined that Mr. Shambaugh would take the place of Mr. Baukol as the U.S. Board member, and that transfer was completed in February 2023.

<sup>3</sup> The statutes govern the operation of the Afghan Fund under Swiss law and those are not superseded or supplemented by any separate agreement between the Afghan Fund and the U.S. government. See SIGAR General Question 15. Treasury will receive information provided to it pursuant to its role as a trustee. See SIGAR Information Question 2.

<sup>4</sup> See Meeting Minutes (Nov. 22, 2022), available at <http://afghanfund.ch/files/MeetingMinutes-BoardofFoundationMeetingNovember212022.pdf>.

- (U) The Afghan Fund has published a solicitation for expressions of interest from qualified legal counsel and compliance firms to serve as the Fund’s “Compliance Service Provider.” The Compliance Service Provider “shall establish and perform due diligence and controls produced with respect to payments of the Afghan Fund to third parties, particularly with respect to compliance with laws pertaining to sanctions, anti-money laundering (“AML”), combating the financing of terrorism (“CFT”), and anti-bribery and corruption (“ABC”).” The Compliance Service Provider will be responsible for “the establishment and execution of systems and controls to ensure the Afghan Fund’s and the involved financial institutions’ compliance with the foregoing areas of law.” The notice was posted on the Fund’s website.
- (U) The Afghan Fund held its second Board meeting on February 16, 2023.<sup>5</sup> At that meeting, the Board discussed additional steps to operationalize the Fund and to ensure the Fund’s assets are maintained and administered according to best practices, including by discussing the hiring of a Compliance Service Provider. The Board took note of the candidates for the post of Executive Secretary and agreed on the next steps in the hiring process. The Board also discussed the potential establishment of an International Advisory Committee as well as the actions necessary for the Fund to make disbursements and will continue these discussions in the future. The Board also agreed to commence recruiting for the Afghan Advisory Committee and recently published an announcement on its website about that process.<sup>6</sup>

(U) Treasury does not have other developments of which we are aware regarding what specific activities and sectors the Afghan Fund would support, nor does Treasury have other developments to report regarding when the Afghan Fund will authorize and/or begin such disbursements. We appreciate SIGAR’s many specific questions about how the Afghan Fund may choose to disburse funds in the future.<sup>7</sup> We are limited in what information we can provide at this time given that such decisions have not yet been made. In this letter, we are seeking to provide information relevant to SIGAR’s requests, to the extent that Treasury is in a position to speak to those issues.

(U) Treasury supports the Fund’s development of appropriate safeguards that will prevent the funds from being misused in any future disbursements. *See* SIGAR General Question 1. This includes hiring a reputable auditor and a compliance service provider as well as the development of risk-based AML/CFT policies for the Fund. Of course, any disbursement would require unanimous approval of the Board and would need to be approved by the Bank for International Settlements, which would employ its own review processes prior to any disbursements.

(U) As stated previously, the Taliban have no role in the Afghan Fund. The United States has made clear that it will not support the return of any funds from the Afghan Fund to the DAB

<sup>5</sup> *See* Press Statement (Feb. 16, 2023), available at [http://afghanfund.ch/files/AFPressRelease\\_Feb2023boardmeeting.pdf](http://afghanfund.ch/files/AFPressRelease_Feb2023boardmeeting.pdf).

<sup>6</sup> *See* Call for Application – Afghan Advisory Committee for the Fund for the Afghan People, available at <http://afghanfund.ch/files/CallforApplicationAfghanAdvisoryCommittee.pdf>.

<sup>7</sup> *See, e.g.*, SIGAR General Questions 3, 4, 5, 6, 9, 10, 11, 12 and 13, as well as all of the Specific Questions.

until the DAB takes certain actions and key conditions are met. Treasury is not aware that any of those conditions have been met and would not be prepared to support the return of any funds to the DAB at this time.

(U) As the Fund continues its work, we expect that the Fund may continue to post additional information on its public website. Treasury supports the Fund's transparency and wishes to ensure that appropriate information is shared with the public. *See* SIGAR Information Question 1.

(U) We welcome the opportunity to continue to work with SIGAR and thank you for your interest.

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**Department of State Response to SIGAR's January 23, 2023 Letter  
Concerning the Fund for the Afghan People ("Afghan Fund")**

(U) The Department of State is in receipt of SIGAR's letter dated January 23, 2023, including an accompanying set of requests for information (RFIs), seeking information about the Fund for the Afghan People ("Afghan Fund" or "Fund"). In response to that request, the Department of State is providing information in response to RFI-2.<sup>1</sup> The Department of the Treasury and USAID are best positioned to address the remaining RFIs and intend to respond separately to SIGAR on matters within their areas of expertise.

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**RFI-2. How were the Fund's trustees vetted and selected? What U.S. agencies were involved in this process and what role did they play?**

(U) The Fund is a non-profit foundation based in Switzerland. It was founded by two non-U.S. Government persons, Dr. Anwar ul-Haq Ahady and Dr. Shah Mehrabi. The Fund's Board of Trustees ("Board") is the supreme governing and decision-making body of the Fund. The Statutes of the Fund authorize the Fund's founders to appoint the initial members of the Board for a term of two years, which may be renewed. The Statutes also provide that Board members may subsequently be appointed by "co-optation" (i.e., through the appointment by the Board in office).

(U) Consistent with the Fund's Statutes, Dr. Ahady and Dr. Mehrabi, as the Fund's founders, constituted the initial Board. The initial Board consisted of four members: Dr. Ahady, Dr. Mehrabi, U.S. Ambassador to the Swiss Confederation and to the Principality of Liechtenstein Scott C. Miller, and Ambassador Alexandra Baumann, a Swiss government representative.

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<sup>1</sup> (U) The Department of State has raised a jurisdictional question about whether SIGAR's oversight mandate extends to non-reconstruction related matters. Pending resolution of this jurisdictional question, the Department continues to cooperate with SIGAR, including on responses to questions posed by SIGAR. The Department's responses to SIGAR's questions concerning the Afghan Fund are provided in a spirit of cooperation and without prejudice to our efforts to address the jurisdictional questions we previously identified.

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(U) The Fund’s Statutes provide that the Government of the United States and, where the Board so decides, any other government or inter-governmental entity, has the right to appoint its Board member in accordance with an internal decision process of its choosing. In November 2022, Performing the Duties of (“PDO”) Under Secretary of the Treasury for International Affairs Andy Baukol replaced Ambassador Miller on the Board. Ambassador Miller played an important role in supporting the establishment of the Afghan Fund, and the Departments of State and the Treasury appreciate his outstanding leadership. The decision to appoint PDO Under Secretary Baukol as the next U.S. member of the Board reflects an interagency decision that the Department of the Treasury will serve as the lead agency within the Executive Branch on matters related to the Fund going forward. Upon the Senate’s confirmation of Jay Shambaugh as Under Secretary of the Treasury for International Affairs, it was determined that Mr. Shambaugh would take the place of Mr. Baukol as the U.S. Board member, and that transfer was completed in February 2023.

(U) The United States supported the important role that Dr. Ahady and Dr. Mehrabi played in establishing and endowing the Fund. Following the Taliban takeover, the central bank of Afghanistan’s (Da Afghanistan Bank or “DAB”) assets held at the Federal Reserve Bank of New York (“FRBNY”) and financial institutions outside of the United States had become inaccessible because of uncertainty regarding who could authorize transactions on DAB’s accounts. U.S. law establishes a mechanism for addressing such uncertainty with respect to certain U.S. financial institutions through a certification process outlined in Section 25B of the Federal Reserve Act, as amended (12 U.S.C. § 632) (“section 25B”).

(U) Within the framework of section 25B, the Department of State worked to identify individuals who could be certified pursuant to that provision. Among other factors, considerations included candidates’ knowledge and experience with DAB and other Afghan economic institutions, degree of independence from Taliban and other political influence, record of non-corrupt conduct, and technical background. Dr. Ahady and Dr. Mehrabi emerged as the leading candidates. Dr. Ahady holds an MBA in Finance and a PhD in Political Science from Northwestern University. He was formerly the Minister of Finance and the Minister of

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Commerce and Industry for the Islamic Republic of Afghanistan. In addition, Dr. Ahady served as governor of DAB between 2002 and 2004. Dr. Mehrabi holds a PhD in economics from the University of Cincinnati. He has been a member of the DAB Supreme Council since 2008.

(U) The Department of State followed the section 25B process and, the Deputy Secretary of State (exercising delegated authority) certified to FRBNY and any insured bank, pursuant to section 25B, Dr. Ahady and Dr. Mehrabi as having jointly the authority to receive, control, or dispose of property and interests in property from or for the account of DAB. After the Fund was established as a legal entity in Switzerland, Dr. Ahady and Dr. Mehrabi issued instructions to transfer approximately \$3.5 billion in DAB funds that had been licensed for the benefit of the Afghan people to the Fund. Consistent with those instructions and the applicable OFAC license, those funds were transferred to the Fund's account at the Bank for International Settlements ("BIS") in Switzerland.

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**USAID Response to SIGAR’s January 23, 2023 Letter  
Concerning the Fund for the Afghan People (“Afghan Fund”)**

(U) USAID is in receipt of SIGAR’s letter dated January 23, 2023, including an accompanying set of requests for information (RFIs), seeking information about the Fund for the Afghan People (“Afghan Fund” or “Fund”)<sup>1</sup>. In response to that request, USAID is providing information in response to RFI-7 and RFI-8.<sup>(1)</sup> The Department of the Treasury and The Department of State are best positioned to address the remaining RFIs and intend to respond separately to SIGAR on matters within their areas of expertise.

**RFI-7. What is the name of the third party tasked with the USAID-funded assessment of DAB?**

(U) **USAID Response:** USAID used an existing awardee to sub-contract with an assessor to conduct the assessment. Please see our SBU submission for more information.

**What funds are being used to pay for this assessment?**

(U) **USAID Response:** Economic Support Funds (ESF).

**Will the third-party assessor also be responsible for third-party monitoring once the assessment is complete?**

(U) **USAID Response:** A decision has yet to be made on whether the U.S. government will fund third-party monitoring of DAB and, if so, which entity would be responsible.

**Or will USAID fund a separate entity to perform third-party monitoring?**

(U) **USAID Response:** A decision has yet to be made.

**RFI-8. What criteria did USAID use to select the third-party assessor for DAB?**

(U) **USAID Response:** USAID did not select the third-party assessor. An existing awardee handled the contracting process.

**What kind of relationship will the third-party assessor and/or monitor have with the Afghan Fund, if any?**

(U) **USAID Response:** The assessor has no relationship to the Afghan Fund.

**Is USAID confident that the third-party assessor and/or monitor will be given full access to DAB’s records?**

(U) **USAID Response:** USAID has no indication that the assessor will not be given full access to DAB’s records, as thus far the assessor believes it has been given full access.

**How will USAID confirm the reliability of data collected and presented by the third-party assessor and monitor?**

(U) **USAID Response:** The assessor has a team of experts that will review and confirm if the data collected is reliable and accurate. USAID will also coordinate closely with the awardee and assessor team.

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<sup>1</sup> (U) The Department of State and USAID have raised a jurisdictional question about whether SIGAR’s oversight mandate extends to non-reconstruction related matters. Pending resolution of this jurisdictional question, USAID continues to cooperate with SIGAR, including on responses to questions posed by SIGAR. USAID’s responses to SIGAR’s questions concerning the Afghan Fund are provided in a spirit of cooperation and without prejudice to our efforts to address the jurisdictional questions we previously identified.

**Will the third-party assessor or monitor subcontract to other entities in order to perform its work?**

**(U) USAID Response:** As noted above, an existing awardee subcontracted with an entity to conduct the assessment.

**If the third-party assessor or monitor subcontracts, to what extent will USAID vet subcontractors, have visibility into the quality of their work, or identify any possible conflicts of interest?**

**(U) USAID Response:** USAID participated, as a non-voting member, in the review of proposals received by the existing awardee to its competitive bid process. This enabled USAID to have visibility into the work of the successful firm as well as any potential conflicts of interest.

## ENCLOSURE IV: INQUIRY LETTER FOLLOW-UP QUESTIONS AND RESPONSES

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On March 2, 2023, SIGAR posed several follow-up questions to Treasury and State, which were answered by email on March 15, 2023 (Questions 1 & 2). SIGAR posed additional follow-up questions to Treasury on July 11, 2023, which were answered on September 13, 2023 (Question 3).<sup>178</sup>

### SIGAR Question 1

“We are interested in better understanding the relationship between the 25B certification and the status of Mr. Mehrabi and Mr. Ahady as trustees of the Fund. For example, were one or both of those individuals to be decertified, would that impact their ability to serve as trustees? We believe this question is particularly relevant in light of the recent court decision to deny the judgment creditors’ motions for turnover of DAB funds remaining in the United States. That decision appears to have increased the possibility that additional, U.S.-based DAB assets may be transferred to the Afghan Fund at some point in the future.”

**Treasury Response:** “The 25B certification under U.S. law has no impact on the ability of an individual to serve as a member of the Board of Trustees of the Fund, which is a non-profit foundation in Switzerland governed by its statutes and Swiss law.”

**State Response:** “The 25B certification under U.S. law has no impact on the ability of an individual to serve as a member of the Board of Trustees of the Fund, which is a non-profit foundation in Switzerland governed by its statutes and Swiss law.”

### SIGAR Question 2

“Additionally, we are eager to further understand Treasury’s position on whether the Afghan Fund could communicate or interact with DAB in any way even if DAB has not met the criteria established for recapitalization. In other words, could the Afghan Fund coordinate with DAB without transferring any assets to them (for example, in the event the Fund’s trustees decide to auction U.S. dollars), or interact with DAB in any other more limited manner? We understand that decisions surrounding disbursements have not yet been made. However, we do not believe questions related to recapitalization criteria and the potential for other interactions necessarily implicate pre-decisional matters.”

**Treasury Response:** “We are not aware of any provisions in the Afghan Fund’s statutes that would prohibit the Fund from communicating or interacting with any outside entity, including the DAB. Separately, the United States has communicated with DAB technocrats on a range of topics since 2021, including on the Afghan Fund, to help address Afghanistan’s economic and humanitarian crises. Following Deputy Secretary Adeyemo’s letter to the DAB Supreme Council on September 13, 2022, outlining steps that Treasury considered as necessary before it would be appropriate to consider sending any funds from the Afghan Fund to DAB, the United States has

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<sup>178</sup> Excluded from Enclosure IV are questions asked of Treasury, State, and USAID through SIGAR’s quarterly report data call.

continued to emphasize the importance of these steps to DAB technocrats. We expect to continue this engagement in the future.”

### **SIGAR Question 3**

Having reviewed the public statement on the June 26, 2023, meeting of the Fund’s trustees, we are reaching out to request a meeting with Under Secretary for International Affairs Jay Shambaugh. Specifically, we would like to clarify the significance of a number of developments related to the Fund, including:

- The possibility that the Fund’s assets could support what the statement describes as “multilateral development banks”;
- The practical effects, if any, of Dr. Mehrabi and Dr. Ahady’s co-chairmanship of the Fund’s board of trustees;
- The relationship between the World Bank and the Fund, given that the Fund’s executive secretary appears to be a World Bank employee, or otherwise affiliated with the Bank (assuming he has not resigned from the position listed on a LinkedIn profile of someone by the same name);
- The consolidation of a notional Afghan advisory committee into an international advisory committee; and
- Whether any accumulated interest has been expended on operational costs (as opposed to being merely “allocated”).

Should Treasury accommodate this meeting, we would also like to use the discussion as an opportunity to learn more about the specific criteria DAB must meet in order to be recapitalized. We believe that including this additional topic would be timely following the completion of the USAID-funded assessment of DAB. In your email of March 15, 2023, you mentioned a letter from Deputy Secretary Adeyemo to DAB that outlined “steps that Treasury considered as necessary before it would be appropriate to consider sending any funds from the Afghan Fund to DAB.” We’d be grateful to receive a copy of this letter to help us prepare our response to the House Committee on Foreign Affairs.

**Treasury Response: (see next page)**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

September 13, 2023

We are writing in response to your July 11, 2023 email. We believe that the questions posed by SIGAR are best answered through this written response. Treasury appreciates the productive partnership that Treasury and SIGAR have maintained to assist SIGAR in understanding Treasury's work.

SIGAR's email specifically raised the following questions about the Afghan Fund, asking about "the possibility that the Fund's assets could support what the [Afghan Fund's June 23, 2023]<sup>1</sup> statement describes as 'multilateral development banks.'" As Treasury has previously noted, the United States cannot respond on behalf of the Fund, including to SIGAR's questions about what the Fund may intend to do in the future. With that being said, the Afghan Fund Board of Trustees has provided a read-out of its June 26, 2023 Board meeting, which notes that the Board members had a discussion on how the Fund's assets could be valuable in supporting the work of multilateral development banks as they make additional efforts to stabilize the financial situation and sustain macroeconomic stability in Afghanistan. However, the U.S. Board member on the Board of Trustees reports that no formal Board decision has been made on this matter or with respect to any potential use of the Fund's assets, other than allocating a small portion of the Fund's interest earnings toward essential operating costs (as discussed below).

SIGAR also asked about the practical effects, if any, of Dr. Mehrabi and Dr. Ahady's co-chairmanship of the Fund's Board of Trustees. Treasury is aware that, as noted in the minutes of the Fund's November 21, 2022 Board meeting, the Board agreed to request approval from the Swiss Regulatory Authority to amend the Fund's statutes to allow for co-chairmanship. At the Board's June 26 meeting, the Board unanimously approved Dr. Anwar ul-Haq Ahady and Dr. Shah Mohammed Mehrabi as new Board Co-Chairs. As stated in the Afghan Fund's amended statutes, the Board shall meet upon convocation from the Co-Chairs, who will preside over Board meetings. These responsibilities of the Co-Chairs remain the same as when the Board had a single Chair.

SIGAR asked about the relationship between the World Bank and the Fund, given that the Fund's Executive Secretary appears to be affiliated with the World Bank. Treasury is aware that the Board welcomed its new Executive Secretary, Mr. Andrea Dall'Olio at its June 26 meeting. Mr. Dall'Olio has been seconded to the Afghan Fund, as Executive Secretary, from the World Bank for twelve months, and he will not be working for the World Bank in any capacity during that period. Treasury's understanding is that Mr. Dall'Olio has agreed to avoid any potential situations of a conflict of interest between the World Bank and the Fund during that time and to not engage with World Bank staff on any matters before the Afghan Fund.

SIGAR also asked about the consolidation of a notional Afghan advisory committee into an international advisory committee. Treasury would refer SIGAR to the Board's statement on the June 26 meeting, which states that the Board took the important step to deepen and diversify Afghan and international support for the Fund by agreeing to form a single international advisory

<sup>1</sup> <https://afghanfund.ch/files/af-press-release-june-23.pdf>.

committee made up of Afghan citizens, other government representatives, and international experts. As stated in the Fund's statutes, the Board may decide to constitute any other body if so justified by the activities of the Fund, such as one or more advisory committees. Treasury cannot comment on what actions the Board may decide to take in the future.

Finally, SIGAR asked whether any accumulated interest has been expended on operations costs. Treasury can report that as of August 31, 2023, no accumulated interest of the Fund has yet been expended.

SIGAR also expressed an interest in further discussion about the specific criteria Da Afghanistan Bank (DAB) must meet in order to be recapitalized. Those specific criteria are as follows: the United States has made clear that we will not support the return of these funds until at a minimum, DAB: (1) demonstrates its independence from political influence and interference; (2) demonstrates it has instituted adequate anti-money laundering and countering-the-financing-of-terrorism (AML/CFT) controls; and (3) completes a third-party needs assessment and onboards a reputable third-party monitor.<sup>2</sup> Treasury has no further updates at this time. SIGAR also requested a copy of a letter from Deputy Secretary Adeyemo to DAB. That letter is attached.

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<sup>2</sup> [The United States and Partners Announce Establishment of Fund for the People of Afghanistan - United States Department of State.](#)

## ENCLOSURE V: AGENCY COMMENTS

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### MEMORANDUM

**TO:** The Honorable John F. Sopko, The Special Inspector General for Afghanistan Reconstruction (SIGAR)

**FROM:** Joel Sandefur, USAID/Afghanistan Mission Director *Joel Sandefur*

**DATE:** November 27, 2023

**SUBJECT:** Management Comments to Respond to the Draft Inquiry Report Produced by SIGAR titled, Report on the Management and Operations of the Afghan Fund.

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The U.S. Agency for International Development (USAID) thanks SIGAR for the opportunity to provide comments/feedback on the subject draft report, which does not contain any recommendations for the Agency. USAID has no comments on the draft report.



United States Department of State

Washington, D.C. 20520

December 4, 2023

Dan Fisher  
Supervisory Analyst  
Special Inspector General for Afghanistan Reconstruction (SIGAR)  
2530 Crystal Drive  
Arlington, VA 22202-3940

**RE: Department of State Comments on Draft SIGAR Report on the  
“Management and Operations of the Afghan Fund”**

Dear Mr. Fisher:

Thank you for the opportunity to review SIGAR’s draft report on the  
“management and operations of the Afghan Fund.”

The United States remains committed to supporting the Afghan people amidst the ongoing economic and humanitarian crises facing Afghanistan. To that end, the United States strongly supports the work of the Afghan Fund (“the Fund”), which was established to receive, protect, preserve, and disburse assets for the benefit of the Afghan people.

The Department of State is pleased to provide, at your request, the enclosed technical comments on SIGAR’s draft report. The Department’s comments are intended to address information in the draft report that is factually inaccurate or incomplete. These comments supplement information the Department has provided to SIGAR throughout the course of this engagement, including in written responses to requests for information that are reproduced at Enclosure III to the draft report and in a briefing with Department subject-matter experts.

The Department also wishes to address the statement in the draft report that the Fund lacks “specific controls . . . to ensure funds are not provided to the Taliban.” As the Department of State and the Department of the Treasury noted in connection with the establishment of the Fund, the Taliban are not a part of the Fund and robust safeguards have been put in place to prevent the funds from being used for illicit activity. Any decision to disburse assets from the Fund must be by unanimous vote of the Fund’s Board of Trustees (the supreme governing and decision-making body of the Fund), except as otherwise provided in the Fund’s Statutes. The Fund’s Board of Trustees includes a representative of the United States, Under Secretary for International Affairs at the Department of the Treasury Jay Shambaugh. The Fund’s Statutes provide that the assets of the Fund shall be used exclusively to fulfill the Fund’s charitable purpose, which is to receive, protect, preserve, and disburse assets for the benefit of the Afghan people, including for foreign exchange rate and price stabilization objectives in Afghanistan. In addition, all disbursements from the Fund must be made pursuant to any disbursement policy approved by the Board of Trustees.

According to the press release issued by the Fund in October 2023, the Fund’s Board of Trustees recently “reviewed the activities undertaken since the last Board meeting to operationalize the Fund and approved additional steps to put in place robust safeguards to prevent any Afghan Fund disbursements from being used for illicit activity.” As the press release notes, the Board of Trustees also recently “approved contractual agreements with professional firms responsible for producing and auditing the Fund’s financial statements and with a law firm to assist with developing a framework to assure that the Fund has in place appropriate due diligence and controls procedures related to any potential disbursements.”

The Department would appreciate the opportunity to review a revised draft of the report that reflects the technical edits and comments enclosed herein, as well as any comments provided by the Department of the Treasury, which serves as the lead agency within the Executive Branch on matters related to the Fund. The Department also understands that SIGAR’s policy is to protect the privacy and confidentiality of information about

individuals that SIGAR collects, uses, and maintains through compliance with applicable law, including the Privacy Act of 1974. Finally, the Department recommends that SIGAR consider providing the Fund with an opportunity to review and provide comments on the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Covert".

Kevin Covert  
Director  
Office of Afghanistan Affairs  
Bureau of South and Central Asian Affairs  
U.S. Department of State

Enclosure: as stated.