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ECONOMIC AND SOCIAL DEVELOPMENT



KEY ISSUES & EVENTS

On February 11, President Joseph R. Biden signed Executive Order 14064, which blocks over \$7 billion in Afghan central bank reserves held in the United States from transfer, payment, export, or withdrawal, and requires that property to be transferred into a consolidated account held at the Federal Reserve Bank of New York.

On February 25, the Treasury Department issued a seventh general license to expand authorizations for U.S. commercial and financial transactions in Afghanistan, including with its governing institutions.

On March 23, the Taliban ordered girls' secondary schools to remain closed indefinitely, despite previously assuring they would reopen at the start of the new school year.

On March 31, international donors pledged over \$2.4 billion to support United Nations humanitarian efforts in Afghanistan, including \$204 million from the United States.

U.S. Support for Economic and Social Development

As of March 31, 2022, the United States had provided nearly \$36.1 billion to support governance and economic development in Afghanistan. Most of this funding, nearly \$21.2 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).¹

During August and September 2021, the U.S. government reviewed all non-humanitarian assistance programs in Afghanistan. In accordance with the interagency review, State and USAID paused the majority of development assistance programs to assess the situation in Afghanistan, including the safety and ability of implementing partners to operate there. Since then, more than a dozen State and USAID programs in Afghanistan have restarted to address critical needs of the Afghan people in several key sectors—health, education, agriculture, food security, and livelihoods—and to support civil society, particularly women, girls, and broad human rights protections. Efforts in these areas are being implemented through NGOs,

international organizations, and other third parties, minimizing benefit to the Taliban to the extent possible.²

HUMANITARIAN CRISIS UPDATE

The humanitarian crisis in Afghanistan remained dire this quarter. According to the State Department’s Humanitarian Information Unit, “since the Taliban takeover in August 2021, humanitarian conditions have deteriorated with over 24.4 million people in need of humanitarian assistance in Afghanistan—an increase from 18.4 million in 2021. An estimated 22.8 million people need emergency food assistance—more than doubling the March–May 2021 projections. The number of internally displaced persons (IDPs) increased from 670,000 in early August 2021 to 710,000 by the end of the year.”³

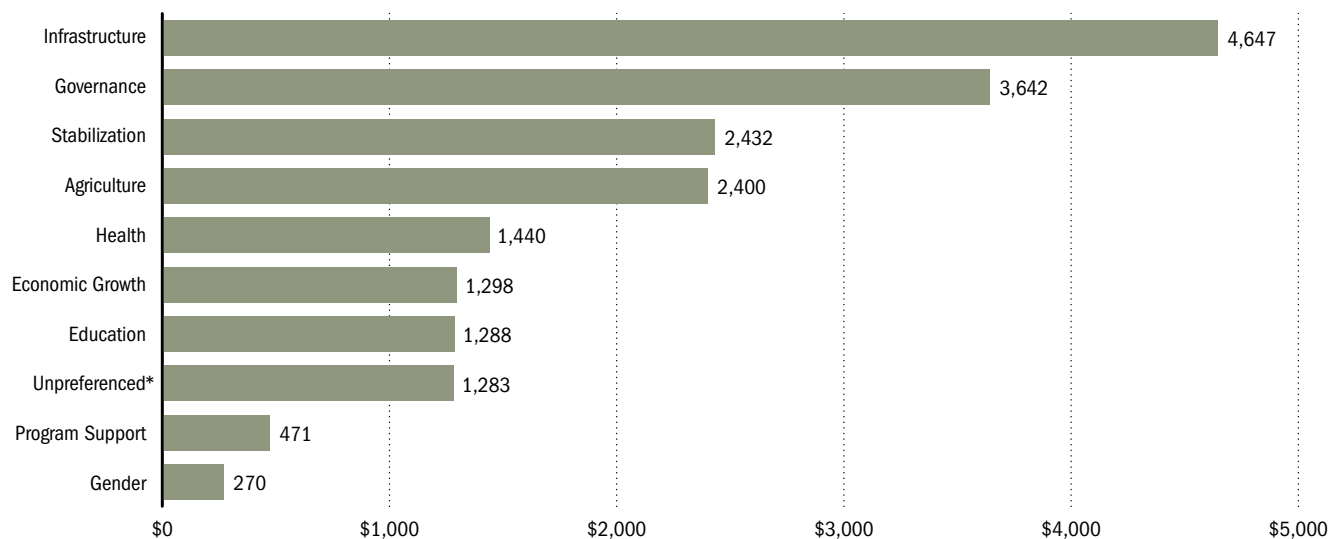
Over the coming six months, humanitarian organizations project increases in severe **food insecurity**, drought, waterborne disease outbreaks, and a marked deterioration of conditions in urban areas. The onset of spring traditionally brings relief from food shortages; however, with Afghanistan in the grips of the worst drought in three decades, below-average winter precipitation means the spring harvest is unlikely to improve food security for vulnerable families.⁴

Food Security: All people within a society have at all times “physical, social, and economic access to sufficient, safe, and nutritious food to meet daily basic needs for a productive and healthy life,” without being forced to deplete household assets in order to meet minimum needs.

Source: United Nations, “World Food Summit Concludes in Rome,” press release, 11/19/1996.

FIGURE E.1

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF APRIL 12, 2022 (\$ MILLIONS)



*Unpreferred funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Note: USAID Mission-managed funds. Numbers are rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and programs that build health and education facilities. OFM activities (e.g. audits and pre-award assessments) included under Program Support funds.

Source: SIGAR analysis of USAID, response to SIGAR data call, 4/14/2022; SIGAR analysis of World Bank, ARTF, Administrator’s Report on Financial Status as of January 20, 2022, 4/18/2022.

On March 17, the UN's World Food Programme (WFP) reported that of the 22.8 million people facing food insecurity in 2022, 8.7 million—more than one-third—remain at risk of **famine**-like conditions.⁵ UNICEF estimates that 3.2 million children in Afghanistan will suffer from **acute malnutrition** in 2022, with one million severely malnourished children at risk of death if immediate action is not taken.⁶ WFP plans to reach 23 million people with food, nutrition, and resilience support in 2022, and reports that it has already reached 14.1 million since January 1.⁷ UNICEF and its implementing partners reported providing lifesaving nutrition treatment to over 31,000 children just in February 2022.⁸

WFP also reports that the spillover effects of the war in Ukraine threaten to worsen the crisis in Afghanistan, as food and fuel prices surge and supply chains falter. These disruptions drove a 9% increase in the price of fuel in the second week of March alone.⁹ While food prices began to edge lower in February 2022, renewed price hikes will push food even further out of reach for most citizens.¹⁰ Wheat-flour prices in Kabul that month were already 81% above the five-year average, according to UNICEF.¹¹

The World Bank reported in its March 2022 *Afghanistan Welfare Monitoring Survey* that welfare outcomes in the country are deteriorating, largely due to the sharp decline in overall economic conditions. Some 70% of households reported being unable to cover basic food and non-food needs, reflecting the impact of decline in household incomes.¹² According to WFP, 85% of income-earning households in Afghanistan reported a significant decrease in income in February, while another 21% reported no income earned at all during the month.¹³

WFP and NGOs have reported some families resorting to selling kidneys or other organs and even selling their children to survive.¹⁴ Media reports indicate that organ sales have become particularly widespread in Afghanistan, with the price of a human kidney dropping by over half due to high supply since the Taliban seized power.¹⁵

“There is no denying that 2022 is looking bleak,” said Ben Reynolds, director for Afghanistan at Medair, a Swiss humanitarian-aid organization. He added, “97% of the population could be living below the poverty line by mid-year. We cannot leave people alone in such desperate circumstances.”¹⁶

Famine: An extreme deprivation of food. Starvation, death, destitution and extremely critical levels of acute malnutrition are or will likely be evident.

Acute malnutrition: The insufficient intake of essential nutrients resulting from sudden reductions in food intake or diet quality; also known as “wasting.” Acute malnutrition has serious physiological consequences and increases the risk of death.

Source: Lenters L., Wazny K., Bhutta Z.A. “Management of Severe and Moderate Acute Malnutrition in Children,” in Black RE, Laxminarayan R, Temmerman M, et al., editors. Reproductive, Maternal, Newborn, and Child Health: Disease Control Priorities, Third Edition, vol.2, Washington DC, 2016: The International Bank for Reconstruction and Development / The World Bank; 4/5/2016, chapter 11: Integrated Food Security Phase Classification, “Famine Facts,” accessed 3/31/2022.

INTERNATIONAL ASSISTANCE TO AFGHANISTAN

Humanitarian and Development Aid Flows Expand

The United States remains the single largest donor of humanitarian aid in Afghanistan. On March 31, 2022, the United States pledged more than \$204 million in humanitarian assistance for the people of Afghanistan. This is in addition to \$308 million announced on January 11. Total U.S. humanitarian



Afghans line up to receive food assistance in Musakhel District of Khost Province. (WFP photo)

aid in Afghanistan and for Afghan refugees in the region since October 2020 now totals nearly \$986 million.¹⁷

Humanitarian assistance from USAID will flow directly through independent humanitarian organizations and help provide lifesaving protection and shelter, essential health care, winterization assistance, emergency food aid, water, sanitation, and hygiene services in response to the growing humanitarian needs exacerbated by COVID-19, health-care shortages, drought, malnutrition, and winter.¹⁸ According to State,

the U.S. government is not providing support to or through Afghan ministries. All U.S. assistance is directed through UN agencies and implementing partners on the ground in Afghanistan. Our implementing partners are required to protect against diversion, fraud, waste, and abuse, including diversion to the Taliban and Haqqani Network. Through a network of private, licensed financial sector providers including banks, money service providers, and mobile money operators, our partners have taken steps to ensure funds reach beneficiaries and are not directed to the Taliban.¹⁹

TABLE E.1

USAID ON-BUDGET PROGRAMS					
Project/Trust Fund Title	Afghan Government On-Budget Partner	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
Multilateral Trust Funds					
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*/**	Multiple	9/29/2020	12/31/2025	\$700,000,000	\$55,686,333

* USAID told SIGAR that it had suspended all USAID-funded assistance activities, including any contact with the Afghan government. USAID requested their implementing partners not to carry out any agreement-specified activities, but to maintain staff and operational capacity, and to incur only reasonable, allocable, and allowable recurrent costs. USAID continued to disburse funds to those partners who needed to maintain staff and sustain operational capacity.

** USAID had previous awards to the ARTF: one concluded in March 2012 totaling \$1,371,991,195 in disbursements, and another in September 2020 totaling \$2,555,686,333 in disbursements. Cumulative disbursements from all ARTF awards is currently \$4,127,677,528.

Source: USAID, response to SIGAR data call, 4/14/2022.

UN Humanitarian Response Plan

The latest round of U.S. assistance was announced to coincide with and contribute to the UN's 2022 Afghanistan Humanitarian Response Plan, issued on January 11.²⁰ The Plan seeks more than \$4.4 billion from international donors to address Afghanistan's crisis, and an additional \$623 million to support Afghan refugees in neighboring countries. This is the largest single-country aid appeal in UN history.²¹

The Humanitarian Response Plan allocates over \$2.6 billion for food security and agriculture programming, including more than \$2.2 billion for timely food assistance to directly address ongoing hunger. It also provides \$413 million for emergency "livelihoods intervention" development activities that include providing unconditional cash payments to vulnerable

households, assorted crop seeds, feed for livestock, deworming kits, and tools for households with access to land, as well as support for improvements in small-scale infrastructure, such as water catchments, irrigation, livestock watering points, and *kareez* (underground canal systems).²²

The UN plan also allocates \$378 million for life-saving health services; \$374 million for emergency shelter and non-food household necessities; \$332 million to promote access to safe drinking water, sanitation facilities, and hygiene materials; \$287 million for additional nutrition programming, \$162 million to support children’s education; and \$137 million to support general protection services for vulnerable populations and land mine clearance.²³

At a March 31 pledging conference hosted by the UN, United Kingdom, Germany, and Qatar, international donors representing 41 countries and organizations committed \$2.44 billion to support humanitarian efforts in Afghanistan, including a \$204 million pledge from the United States.²⁴ The UN had requested \$4.4 billion.²⁵

While it is not unusual for donor pledges to fall short of humanitarian appeals, Western officials noted that donor interest at this conference may have been diverted by the war in Ukraine and dampened by distaste for the Taliban’s increasing repression.²⁶

UN Transitional Engagement Framework

On January 26, the UN announced its larger Transitional Engagement Framework for Afghanistan (TEF), which encompasses \$8 billion-plus of assistance for humanitarian, social, and development objectives in Afghanistan. This includes the \$4.4 billion outlined in the Humanitarian Response Plan, with the additional \$3.6 billion directed to sustain social services such as health and education; support community systems through maintenance of basic infrastructure; and maintain critical capacities for service delivery, promotion of livelihoods, and social cohesion, with specific emphasis on the socioeconomic needs of women and girls.²⁷

The TEF explanatory document begins by warning that Afghanistan “is facing an unprecedented humanitarian crisis with very real risk of systemic collapse and human catastrophe” that also “threatens to cancel many of the development gains of the last twenty years.”²⁸ The new framework followed talks in Oslo, Norway, between high-level Taliban representatives and Western diplomats on the humanitarian crisis and human rights.²⁹

The TEF lays out “principles of engagement with the de facto authorities” (the Taliban) including Taliban adherence to human-rights standards, neutrality, independence, gender equality, and avoiding or minimizing potential harm.³⁰

The TEF also emphasizes that “In the volatile circumstances of crisis, the political, security and operational risks of delivering assistance in Afghanistan will remain substantial,” and will require “continuous risk



UN delivers winterization assistance for 1,800 families, including blankets, fuel cylinders, kitchen sets, hygiene supplies, and tarpaulins. (UNHCR photo)



UN Special Representative Deborah Lyons meets with Khairullah Khairkwa, Taliban minister for information and culture, on April 9. (UNAMA photo)

assessment, monitoring and continuous risk-mitigation efforts.” In addition, a monitoring framework will be developed so that officials can review results each quarter. The UN’s assessment and monitoring will, among other things, “help pave the way for when the political conditions exist for its work to be scaled up.” The TEF notes that “Given the volatile environment, the TEF itself may need to be adapted or adjusted as conditions in the country evolve.”³¹

As the March 31 pledging conference fell nearly \$2 billion short of the \$4.4 billion the UN requested for the Humanitarian Response Plan, it remains unclear how an additional \$3.6 billion for the Transitional Engagement Framework will be funded.

UNAMA’s Mandate Extended

On March 17, the UN Security Council adopted a resolution extending the UN Assistance Mission in Afghanistan’s (UNAMA) mandate for one year. This mandate includes coordinating the provision of humanitarian assistance and the delivery of basic human needs, providing outreach and offices for dialogue between Afghan stakeholders and the international community, promoting good governance and the rule of law, promoting human rights, supporting and promoting gender equality, and monitoring, reporting and advocating with regard to the situation for civilians. The resolution also provides UNAMA with a “strong mandate” to engage with all actors in Afghanistan, including the Taliban, on relevant matters.³²

UNAMA head Deborah Lyons had called for this expanded mandate when briefing the UN Security Council on March 2. She told the Council that the international community needed to engage more substantively with the Taliban de facto authorities to fully assist Afghanistan’s people.³³

“Six months of indecision, marked by continued sanctions—albeit with some relief—and unstructured political engagement, are eroding vital social and economic coping systems and pushing the population into greater uncertainty,” she said. Thanks to robust donor support, humanitarian partners were able to help Afghanistan avert “our worst fear of famine and widespread starvation” over the recent winter months. However, Lyons said providing short-term relief is not the same as giving hope to Afghan people of building a strong foundation for self-reliance.³⁴

Lyons also welcomed the U.S. Treasury’s recently issued general licenses aimed at facilitating commercial and financial activity and allowing work with governing institutions. However, she said Afghanistan still faces a collapse of demand due to the cessation of development assistance, restrictions on international payments, lack of access to hard currency reserves, lack of liquidity, and constraints on the Afghan central bank. She added that UNAMA has taken all conceivable measures to inject liquidity into the economy, including the physical import of cash, and was now seeking to establish a temporary humanitarian exchange facility to allow a

scale-up in humanitarian programming and provide access to U.S. dollars to legitimate businesses.³⁵

This humanitarian exchange facility, which UN officials said is “urgently needed,” will allow the UN and aid groups to swap millions of U.S. dollar-denominated aid for afghanis held in the country by private businesses, to act as a stopgap measure until the Afghan central bank is able to operate independently. In the exchange, the UN will use aid dollars to pay off the foreign creditors of Afghan businesses as a means of bolstering private-sector activity. The exchange is structured so that the funds entirely bypass Taliban authorities, although it will require the approval of the Taliban-run central bank before it can operate.³⁶ Additional information on UN processes for supporting humanitarian assistance in Afghanistan appears in the Classified Supplement to this report.

International Institutions React to Ongoing Crises

On March 29, the World Bank halted a movement of \$600 million for aid in Afghanistan in response to the Taliban’s March 23 announcement that girls would not be allowed to attend school past the 6th grade. The Taliban had said girls would be allowed to attend secondary school, but reversed themselves on the day schools were set to open.³⁷

The Bank had announced on March 1 that it would provide over \$1 billion in **Afghanistan Reconstruction Trust Fund (ARTF)** funds to selected UN agencies and international NGOs as requested by ARTF donors and the international community. The move was to follow the December 15, 2021, transfer of \$180 million in ARTF funds to WFP and \$100 million to UNICEF.³⁸

In its press release, the Bank signaled that “as a first step, the ARTF donors will decide on four projects of approximately \$600 million to support urgent needs in the education, health, and agriculture sectors, as well as community livelihoods, with a strong focus on ensuring that girls and women participate and benefit from the support.” This \$600 million was to be supplemented with further allocations from the ARTF during 2022, as decided by donors.³⁹

According to a February 18 report by Reuters, the preliminary plan would have allocated \$150–200 million for food security, \$150 million for health programs, and \$100 million for projects that would improve community resilience. Another \$150 million would have been distributed through UNICEF to help pay salaries for over 200,000 teachers.⁴⁰

On January 25, the Asian Development Bank (ADB) approved \$405 million in grants to support food security and help sustain the delivery of essential health and education services in Afghanistan, outlined as priority areas under the TEF.⁴¹

Of the total \$405 million in grants, \$200 million will be delivered to UNICEF, \$135 million to the WFP, and \$65 million to the UN Food and

Afghanistan Reconstruction Trust Fund

(ARTF): A World Bank-administered multidonor trust fund that coordinated international assistance to support the former Afghan government’s operating and development costs, which financed up to 30% of its civilian budget. Out of 34 total donors since 2002, the United States, the United Kingdom, and the European Union were the three leading contributors, with U.S. contributions comprising 50% of the \$718.6 million paid into the ARTF during 2020.

Source: ARTF, “Who We Are,” 2021; SIGAR, Quarterly Report to the United States Congress, 4/30/2021, p. 42.



Health workers transport supplies by donkey to communities in remote areas of Afghanistan. (WHO photo)

Agriculture Organization (FAO). The United Nations Development Programme (UNDP) will receive \$5 million to monitor project implementation, undertake macroeconomic and social assessments in the country, and assess the impact of ADB's assistance.⁴²

ADB funds provided to WFP and FAO will help provide emergency food to over 800,000 people and provide farm inputs, fertilizers, and small farm equipment to around 390,000 households. Around 168,000 people will be covered under food-for-work and cash-for-work programs.⁴³

ADB funding will help UNICEF maintain basic health care and essential hospital services, covering a target population of about 5.3 million people, and procure and deploy 2.3 million single-dose COVID-19 vaccines for priority groups. UNICEF also aims to strengthen 10,000 community-based education classes—which use the same curriculum as Afghan public schools, but are funded by development partners and supervised by village leaders—reaching around 264,000 children, 60% of whom are girls. UNICEF will further provide professional development programs to 10,000 community-based education teachers, and will seek to promote the development of female secondary education teachers and the placement of up to 20,000 adolescent girls from vulnerable families in private schools. Stationery, textbooks, and other learning materials will be provided to 785,000 public school first graders through community-based councils.⁴⁴ Neither the ADB nor UNICEF has issued any statement to date about how the Taliban's March 23 decision to keep secondary schools closed to girls will affect their programs.

On March 21, the Islamic Development Bank (IsDB) and the 57-nation Organization of Islamic Cooperation (OIC) signed the establishing charter of the new Afghanistan Humanitarian Trust Fund (AHTF). IsDB President Muhammad Al Jasser said AHTF will be tailored to “enhance food security, supporting small and medium enterprises to create local employment opportunities, ensuring access to quality education (especially for females), women and youth empowerment, and rural electrification.”⁴⁵

Al Jasser added that the IsDB has taken all necessary measures to finalize the process of establishing and operationalizing the AHTF, and appealed for pledges from countries, organizations, and the private sector. The AHTF charter allows donations from both within and outside the OIC system.⁴⁶

President Biden Signs Executive Order Freezing Afghan Central Bank Assets

On February 11, President Joseph R. Biden signed Executive Order (E.O.) 14064, which blocks from transfer, payment, export, or withdrawal all assets belonging to the Afghan central bank, Da Afghanistan Bank (DAB) currently held in U.S. financial institutions, and requires that property be transferred into a consolidated account held at the Federal Reserve Bank of New York (FRBNY).⁴⁷

The President acted to freeze the DAB assets in response to a writ of execution issued on September 13, 2021, by victims of the 9/11 attacks who had earlier won a judgment against the Taliban for more than \$7 billion. The writ of execution was issued in an attempt to seize the assets, most of which were on deposit with the FRBNY. The effect of E.O. 14064 is to preserve the DAB assets until a number of complex legal issues can be resolved in court.

In a Statement of Interest filed in court on the same day the President signed E.O. 14064, the United States stated that it intended to use \$3.5 billion of the \$7 billion to address the economic and humanitarian crisis in Afghanistan, and would leave it to the court to decide whether the other \$3.5 billion could be used to compensate 9/11 victims.⁴⁸ However, the ultimate disposition of these assets remains contingent on court decisions.

White House officials initially indicated that they planned to deliver the \$3.5 billion made available to the Afghan people via a new third-party trust fund that would be separate from existing trusts providing humanitarian assistance to Afghanistan. The White House noted it could take several months to work out the details of the fund, including its governance structure and specific uses.⁴⁹ Other Administration officials have speculated that the funds could be used to recapitalize the Afghan central bank. Responding to this speculation, White House officials most recently emphasized that “no decisions have been made regarding specific uses of this \$3.5 billion.”⁵⁰

See page 109 for a discussion on how this executive order may impact the economic situation in Afghanistan.

New Treasury License Further Eases Sanctions Restrictions

On February 25, the Treasury Department’s Office of Foreign Assets Control (OFAC) issued a seventh general license (GL20) to expand authorizations for U.S. commercial and financial transactions in Afghanistan, including with its governing institutions such as the ministries, central bank, and power utilities.⁵¹ The new license aims to ensure that U.S. sanctions do not prevent or inhibit transactions and activities needed to provide aid and support the basic human needs of the people of Afghanistan, including payments to certain sanctioned individuals for the purpose of paying customs, duties, fees, and taxes, provided that such payments do not relate to luxury items or services.⁵²

Building upon the six previous Afghanistan-related general licenses issued by OFAC since September 2021, Treasury states that GL20 will help implement UNSC Resolution 2615 (December 2021). UNSC Resolution 2615 authorizes a one-year humanitarian exception to the UN sanctions regime and covers activities contemplated in the UN’s Transitional Engagement Framework (TEF) for Afghanistan, such as providing life-saving assistance; sustaining essential services; and preserving social investments and community-level systems essential to meeting basic human needs.⁵³ These

licenses do not change the designation of the Taliban and Haqqani Network as Specially Designated Global Terrorists (SDGT), the Haqqani Network as a designated Foreign Terrorist Organization, or any SDGT designations for members of either organization.⁵⁴

State said implementing partners, NGOs, and international donors have responded positively to the general licenses, but that it would take time before broader economic indicators show the effects of these licenses and last quarter's UNSC Resolution 2615.⁵⁵ Table E.2 on the following page provides more details on authorizations from each OFAC general license.



Daily wage laborers wait for jobs at an assembly point in Kunduz City. (UNAMA photo)

AFGHANISTAN'S ECONOMIC OUTLOOK

Some Economic Conditions Begin Stabilizing, But Forecast Remains Bleak

The accelerating international humanitarian response helped stabilize some economic conditions in Afghanistan this quarter, supporting the appreciation of the national currency and modest reductions in the prices of household goods. However, the country continues to face serious economic challenges with an ongoing liquidity crisis, high unemployment, declines in wages, and the potential impact of the Russian invasion of Ukraine on fuel and food imports.⁵⁶ Afghanistan's economy was projected to contract by as much as 30% by the end of 2022, according to the most recent estimates published by the International Monetary Fund (IMF) and UNDP last quarter.⁵⁷

The value of the afghani (AFN) appreciated in recent weeks against main trading currencies, with the AFN trading as of March 14, 2022, at 88 afghanis to the U.S. dollar (approximately 11% below its end-of-July 2021 value). By comparison, estimates in mid-January had the AFN down by 18.4% relative to pre-August 2021 levels. According to the World Bank, this appreciation has been driven by the increased supply of U.S. dollars from humanitarian channels, which average around \$150 million per month.⁵⁸

The appreciation of the AFN, and increased supply of food and goods from humanitarian aid, has helped ease the cost of household goods. Between January and February, prices for cooking oil fell by 6.7%, wheat by 6.5%, and wheat flour by 8.1%, according to data collected by the World Bank. The price of a basket of basic household goods, however, remains 32% higher than a year ago and over 20% higher than August 2021 levels.⁵⁹

Falling prices have helped mitigate continued declines in nominal wages for skilled and unskilled workers and overall labor demand this quarter.⁶⁰ Still, unemployment remains high, particularly in urban areas where job opportunities are limited. According to the most recent assessment by the UN's International Labor Organization, over 500,000 workers lost employment in the third quarter of 2021. By mid-2022, total job losses since the

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TABLE E.2

TREASURY OFAC GENERAL LICENSES FOR TRANSACTIONS WITH THE TALIBAN OR HAQQANI NETWORK		
General License 20 (issued on 2/25/22)	Afghanistan's governing institutions	<p>Authorizes all transactions involving Afghanistan or governing institutions in Afghanistan prohibited by the GTSR, FTOSR, or E.O. 13224, as amended; with the following exceptions:</p> <p>(1) Financial transfers to the Taliban, the Haqqani Network, any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50% or greater interest, or any blocked individual who is in a leadership role of a governing institution in Afghanistan, other than for the purpose of effecting the payment of taxes, fees, or import duties, or the purchase or receipt of permits, licenses, or public utility services, provided that such payments do not relate to luxury items or services;</p> <p>(2) Transfers of luxury items or services to any blocked person described in paragraph (1);</p> <p>(3) Any debit to an account on the books of a U.S. financial institution of any blocked person; or</p> <p>(4) Any transactions involving any person blocked pursuant to the GTSR, the FTOSR, or E.O. 13224, as amended, other than the blocked persons described in paragraph (1), unless separately authorized.</p>
General License 19 (issued on 12/22/21)	NGOs	Authorizes all transactions and activities involving the Taliban or the Haqqani Network, that are ordinarily incident and necessary to the following activities by nongovernmental organizations (NGOs), subject to certain conditions: humanitarian projects to meet basic human needs; activities to support rule of law, citizen participation, government accountability and transparency, human rights and fundamental freedoms, access to information, and civil society development projects; education; non-commercial development projects directly benefitting the Afghan people; and environmental and natural resource protection.
General License 18 (issued on 12/22/21)	International organizations	Authorizes all transactions and activities involving the Taliban or the Haqqani Network that are for the conduct of the official business of certain international organizations and other international entities by employees, grantees, or contractors thereof, subject to certain conditions.
General License 17 (issued on 12/22/21)	U.S. government business	Authorizes all transactions and activities involving the Taliban or the Haqqani Network that are for the conduct of the official business of the United States government by employees, grantees, or contractors thereof, subject to certain conditions.
General License 16 (issued on 9/23/21)	Personal remittances	Authorizes all transactions involving the Taliban or the Haqqani Network, or any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50% or greater interest, prohibited by the GTSR, the FTOSR, or E.O. 13224, as amended, that are ordinarily incident and necessary to the transfer of noncommercial, personal remittances to Afghanistan, including through Afghan depository institutions, subject to certain conditions. As noted in OFAC FAQ 949, transactions that are ordinarily incident and necessary to give effect to the activities authorized in GL 16, including clearing, settlement, and transfers through, to, or otherwise involving privately owned and state-owned Afghan depository institutions, are also authorized pursuant to GL 16.
General License 15 (issued on 9/23/21)	Agricultural commodities, medicine, and medical devices	Authorizes all transactions involving the Taliban or the Haqqani Network, or any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50% or greater interest, prohibited by the GTSR, the FTOSR, or E.O. 13224, as amended, that are ordinarily incident and necessary to the exportation or re-exportation of agricultural commodities, medicine, medical devices, replacement parts and components for medical devices, or software updates for medical devices to Afghanistan, or to persons in third countries purchasing specifically for resale to Afghanistan, subject to certain conditions.
General License 14 (issued on 9/23/21)	Humanitarian activities in Afghanistan	<p>Authorizes all transactions involving the Taliban or the Haqqani Network, or any entity in which the Taliban or the Haqqani Network owns, directly or indirectly, individually or in the aggregate, a 50% or greater interest, prohibited by the Global Terrorism Sanctions Regulations (GTSR), the Foreign Terrorist Organizations Sanctions Regulations (FTOSR), or E.O. 13224, as amended, that are ordinarily incident and necessary to the provision of humanitarian assistance to Afghanistan or other activities that support basic human needs in Afghanistan by the following entities and their employees, grantees, contractors, or other persons acting on their behalf, subject to certain conditions:</p> <ul style="list-style-type: none"> · The United States government · Nongovernmental organizations · The United Nations, including its Programmes, Funds, and Other Entities and Bodies, as well as its Specialized Agencies and Related Organizations · The International Centre for Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA) · The African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank Group (IDB Group), including any fund entity administered or established by any of the foregoing · The International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies · The Islamic Development Bank

Source: OFAC, "Fact Sheet: Provision of Humanitarian Assistance to Afghanistan and Support for the Afghan People," 12/22/2021; Treasury, "Treasury Issues Additional General Licenses and Guidance in Support of Humanitarian Assistance and Other Support to Afghanistan," 12/22/2021; OFAC, "General License No. 20: Authorizing Transactions Involving Afghanistan or Governing Institutions in Afghanistan," 2/25/2022.

Taliban takeover are projected to reach between 700,000 and 900,000. Women are particularly impacted, with female employment levels projected to decrease by 21% by mid-2022, compared to levels before the Taliban takeover. Women accounted for 17% of Afghanistan's labor force in 2020.⁶¹

According to Gallup survey results released on April 4 (conducted August–September 2021), a record-high 89% of Afghans surveyed said their local economies were getting worse, 75% reported not having enough money for food in the previous 12 months, and 58% reported they did not have enough money for adequate shelter. These were the highest percentages recorded since 2008.⁶²

Liquidity and the capacity of the Afghan central bank to maintain price stability also remain among the chief concerns for Afghanistan's medium- to long-term economic outlook.

FINANCIAL SECTOR PARALYSIS

Liquidity Crisis at Core of Afghanistan’s Economic Challenges

Afghanistan continues to face a severe **liquidity crisis** this quarter. Access to physical bank notes remains constrained and banks are facing liquidity challenges due to declining economic activity, lack of trust in the banking center among Afghans, and an inability to transact internationally. Da Afghanistan Bank (DAB), Afghanistan’s central bank, will require significant technical support from the international community to tackle these challenges, according to State.⁶³

Prior to the Taliban takeover in August 2021, Afghanistan’s financial system had been underdeveloped relative to the context of its growth in recent decades, with a low assets-to-GDP ratio and a heavily dollarized banking system. Approximately 60% of deposits in the country were made in foreign currency. In this monetary environment, maintaining financial stability requires both domestic currency (AFN) liquidity and, more importantly, foreign exchange (FX) liquidity.⁶⁴

DAB is limited in its ability to control the AFN monetary supply and value due to several factors including the lack of domestic technical capabilities to print currency, which Afghanistan outsources to foreign companies.⁶⁵ For years, DAB would prop up the value of the afghani (AFN) by regularly auctioning U.S. dollars pulled from its foreign reserves.⁶⁶ Prior to August 2021, Afghanistan’s central bank reportedly received quarterly shipments of \$249 million in U.S. banknotes from its foreign reserves. This stopped after the Taliban takeover prompted the United States to place a hold on U.S.-based Afghan central bank reserves.⁶⁷

The loss of these U.S. dollar transfers and other sources of foreign currency plunged Afghanistan’s financial system into free fall, as described by UNDP in its November 2021 *Afghan Banking and Financial System Situation Report*:

Following the Taliban takeover and subsequent international sanctions, Afghanistan’s international reserves, including banking sector FX [foreign exchange] deposits at the DAB, were frozen; the SWIFT system and international settlements were suspended; grant transfers were suspended; and AFN liquidity printing was interrupted, causing a dramatic adverse shock in the financial and payment systems. As a result, a perfect bank-run scenario has emerged. Due to liquidity constraints (FX and AFN), the central bank was unable to provide the necessary FX and AFN liquidity to banks to meet deposit withdrawal demands. This has heightened tensions, and DAB has limited daily bank deposit withdrawals.⁶⁸

Liquidity: Liquidity refers to the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price. The most liquid asset of all is cash.

Liquidity crisis: A liquidity crisis is a financial situation characterized by a lack of cash or easily convertible-to-cash assets on hand across many businesses or financial institutions simultaneously. In a liquidity crisis, liquidity problems at individual institutions lead to an acute increase in demand and decrease in supply of liquidity, and the resulting lack of available liquidity can lead to widespread defaults and even bankruptcies. Entire countries—and their economies—can become engulfed in this situation. For the economy as a whole, a liquidity crisis means that the two main sources of liquidity in the economy—bank loans and the commercial paper market—become suddenly scarce. Banks reduce the number of loans they make or stop making loans altogether.

Source: Investopedia, “Liquidity,” 8/29/2021; Investopedia, “Liquidity Crisis,” 12/6/2020.

Hawala: informal money transmission networks that arrange for the transfer and receipt of funds or equivalent value, and settle their accounts through trade and cash.

Source: Treasury, "Hawala: The Hawala Alternative Remittance System and its Role in Money Laundering," 2003, p. 5.

The resulting liquidity crisis has caused salary disruptions for hundreds of thousands of government employees, teachers, and health-care workers, and has imposed limitations on the operations of international aid groups in the country. "The banking system is totally paralyzed. The central bank is not operating," according to Robert Mardini, director general for the International Committee of the Red Cross. Mardini said that his organization is instead paying 10,000 doctors and nurses via the informal **hawala** money-transfer system.⁶⁹

This has also contributed to a worsening domestic credit market. In the absence of international support, banks have ceased extending new credit to small- and medium-sized enterprises. At the same time credit was becoming less available, nonperforming loans increased from around 30% of banks' portfolios at the end of 2020 to 57% in September 2021.⁷⁰ Lack of access to cash and credit are crippling economic activity in Afghanistan.

In recent months, the increased supply of U.S. dollars from humanitarian channels, averaging around \$150 million per month, has helped stabilize the value of the afghani.⁷¹ DAB has been able to resume U.S. dollar auctions, with around \$26 million auctioned between February 15 and March 14.⁷²

However, these humanitarian channels are viewed as stopgap measures that are an insufficient substitute for the normal functioning of a central bank.⁷³ DAB's website says its main mission is maintaining price stability, while its other functions include setting and carrying out monetary policy, issuing bank notes and coins, licensing and supervising banks and other financial-service providers, and providing a "safe and sound payment system."⁷⁴

In her March 2 statement to the UN Security Council, Special Representative Deborah Lyons cited the "lack of access to hard currency reserves, lack of liquidity, and constraints on the central bank to carry out some of its core functions" as key challenges to reviving the Afghan economy.⁷⁵

Total international DAB reserves were \$9.76 billion at the end of 2020, according to the most recent data available to the IMF. Of this amount, \$2 billion was deposited in financial institutions in the United Kingdom, Germany, Switzerland, and the United Arab Emirates. Some \$7 billion in DAB reserve funds deposited at the Federal Reserve Bank of New York are now frozen by the U.S. government, subject to U.S. court proceedings.⁷⁶

Even if financial interventions helped DAB boost commercial bank reserves, it would not automatically translate into increased loans: banks could choose to increase reserves as a means of reducing risk exposure or signaling their safety and soundness. Commenting on this possibility in a recent essay, economists at New York University and the University of Chicago suggested that if central-bank reserves were placed directly with households or with other financial intermediaries, it could enhance the desired increase in liquidity.⁷⁷



\$4.5 million in U.S. currency delivered to the Afghanistan International Bank as humanitarian aid. (MoC Twitter account)

Liquidity is a concern for households as well as for the banking system and businesses. Raising household liquidity in Afghanistan is challenged by rising unemployment, the fact that only 10–20% of Afghans have bank accounts, the uncertain status of DAB’s electronic payment system (which could mitigate the shortage of paper currency as most Afghans can access mobile phones), and the declining volume of market transactions as reflected in the country’s declining GDP.⁷⁸

More information on the limited capacity of Afghanistan’s banking sector and its impact on the provision of humanitarian assistance appears in the Classified Supplement to this report.

Impact of E.O. 14064 on Da Afghanistan Bank

On February 11, President Biden signed E.O. 14064 to block some \$7 billion in DAB reserves held in the United States, and stated his intention to disburse \$3.5 billion, half of the total held, “for the benefit of the Afghan people.”⁷⁹ Those funds had been inaccessible to DAB since the collapse of the Afghan government in August 2021.⁸⁰

The Biden Administration is currently exploring possible avenues for disbursing the \$3.5 billion for humanitarian relief efforts, possibly through a separate trust fund or by providing support through the United Nations or some other enabling organization. U.S. Special Representative for Afghanistan Thomas West has stated that the \$3.5 billion could alternatively contribute toward “the potential recapitalization of a future central bank [in Afghanistan] and the recapitalization of a financial system.”⁸¹

A Taliban official denounced the decision to block DAB’s assets upon its announcement, referring to the reserves as “the property of Da Afghanistan Bank and by extension, the property of the people of Afghanistan.”⁸²

The move has also sparked outrage throughout Afghan society, including among leaders unaffiliated with the Taliban.⁸³ Shah Mehrabi, a long-time member of the Afghan central bank’s board of governors, called the decision “unconscionable” and “short-sighted.” Mehrabi argued that the central bank should be treated as independent of the Taliban regime, and that depriving the bank of its reserves could lead to “total collapse of the banking system,” prevent the bank from maintaining price stability, and further hurt millions of Afghans suffering in the economic and humanitarian crises.⁸⁴

The executive order has also drawn criticism from U.S. and international policy analysts, human rights groups, lawyers, and financial experts, as well as some relatives of the victims of the 9/11 terrorist attacks.⁸⁵

Notably, analysts have expressed concern over both the seizure of the reserves and the reported proposals to provide those funds in the form of humanitarian assistance. Paul Fishstein of NYU’s Center on International Cooperation argues that the executive order gave inadequate attention to the macroeconomic collapse of the country. Fishstein emphasizes that

the release of the central bank's reserves could instead be used to restore unnecessary exchange rate stability and ease the liquidity crisis.⁸⁶

Human Rights Watch's John Sifton adds that the decision "would create a problematic precedent for commandeering sovereign wealth and do little to address underlying factors driving Afghanistan's massive humanitarian crisis." Sifton says Afghanistan's central bank needs to have foreign currency assets available to serve as collateral in electronic dollar transactions in the international banking system.⁸⁷ By contrast, William Byrd of the U.S. Institute of Peace (USIP) said that even if only half of DAB's total reserves are devoted to support its basic activities as a central bank, it would "provide an opportunity to make a start toward stabilizing the economy and private sector."⁸⁸

Taliban-Appointed Leadership at Da Afghanistan Bank

On August 23, 2021, the Taliban appointed Haji Mohammad Idris (also known as Abdul Qahir) as the acting head of Da Afghanistan Bank. Idris, an ethnic Uzbek from Jowzjan Province, has a long history of working on Taliban financial matters and served in a senior role in the Taliban's finance commission during the insurgency, according to State.⁸⁹ A senior Taliban official told Reuters in August that Idris had no formal financial training or higher education, but was "respected for his expertise" on financial matters.⁹⁰

On March 11, the Taliban appointed Ahmad Zia Agha (also known as Noor Ahmad Agha) as the first deputy governor of DAB. In that role, Agha is responsible for oversight of the Afghan financial sector, including regulations that combat terrorist financing and money laundering. The move has raised concerns among Western policymakers, since Agha is sanctioned for his role as a Taliban military and financial leader.⁹¹ Among other allegations from his time as a Taliban finance officer, in 2009, Agha allegedly distributed tens of thousands of dollars to Taliban shadow provincial governors and hundreds of thousands of dollars to fund improvised explosive device (IED) operations.⁹²

State told SIGAR that beyond the top leadership, the Taliban have encouraged most civil servants to remain in their positions, while some technocrats continue to work at DAB. The IMF's engagement with Afghanistan has been suspended until there is "clarity within the international community" regarding recognition of a government in Afghanistan. DAB continues to function with technocrats in key positions, though at a reduced capacity.⁹³

Taliban Release Their First Short-Term National Budget

On January 14, the Taliban-run Ministry of Finance released a 53.9 billion (AFN), equivalent to \$524 million, quarterly budget covering December 2021–March 2022. This includes a \$478 million operating budget that preserves spending on social services and reduces defense and security spending, alongside a modest \$46 million development budget for projects like transportation infrastructure. Overall development programs saw significant cuts, as those activities had been heavily subsidized by international donations. State told SIGAR that “according to researchers, the quarterly budget appears balanced and reflects the realities of no foreign aid flows into the budget. However, revenue forecast of \$1.9 billion for the calendar year 2022 may be overly optimistic.”⁹⁴

A January 2022 World Bank report said, “the Taliban have demonstrated an ability to raise and centralize revenue and reduce leakage through corruption.” UN experts also stated that over the period of September to December 2021, the Taliban raised 40 billion AFN (\$400 million) in revenue. The UN noted these revenues were less than half of the revenues collected by the Ghani administration in a similar time period.⁹⁵

According to State, Afghan economy experts noted that the \$400 million figure does not reflect revenue collected by other informal and traditional means, such as illegal mining, and levies on agriculture. Total income from these less formal methods of revenue collection is unknown for lack of current data.⁹⁶

According to State, sources within the Taliban have reported that customs and tariffs are their primary sources of revenue. Despite borders with Tajikistan, Turkmenistan, and Uzbekistan being officially closed, there are press reports of some cross-border activity for goods. International organizations, including the UN and World Bank, reported that by November 2021 the Taliban’s daily customs revenue collection returned to May 2021 levels even though border traffic was down 40–50% year-on-year. Development experts suggested that these figures indicated improved efficiency and/or reduced corruption at Afghanistan’s border crossing points.⁹⁷

State also told SIGAR that the same sources within the Taliban indicate that the regime is seeking to reactivate tax collection, overflight fees, and other sources of revenue that have been zeroed out or anemic since August 15.⁹⁸

U.S. Institute of Peace and World Bank experts estimate that while the Taliban have called on taxpayers to continue paying taxes, collections remained weak. The experts believe this likely reflects worsened economic conditions, curtailed private sector activity, and hesitancy by international taxpayers to do business in Afghanistan.⁹⁹

The former U.S.-backed government relied heavily on international development assistance. Foreign donors financed more than half of the government’s annual budget and as much as 80% of total public expenditures.

ECONOMIC AND SOCIAL DEVELOPMENT

Between 2002 and 2021, the United States provided over \$17 billion to the Afghan government in on-budget assistance funds that went directly, or indirectly through multilateral trust funds, to Afghan government entities.¹⁰⁰

TABLE E.3

USAID REMAINING ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)	1/28/2020	1/27/2025	\$105,722,822	\$19,566,727
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	12,377,849
Afghanistan Investment Climate Reform Program (AICR)	3/27/2015	3/31/2023	13,300,000	7,825,276
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	6,977,446
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	6,335,292
Total			\$156,681,787	\$53,082,590

Source: USAID, response to SIGAR data call, 4/14/2022.

International Trade

Afghanistan's international trade activity improved during the fourth quarter of 2021, relative to the third quarter, according to estimates derived from Afghanistan's National Statistic and Information Authority (NSIA). Imports into Afghanistan rose by 60% (\$460 million) compared to the previous quarter, while exports increased by 160% (\$228 million). The World Bank says this growth likely reflects the reopening of border crossings and adaptations in supply channels previously constrained by restrictions on financial transactions.¹⁰¹ However, year-on-year international trade activity remained significantly lower compared to FY 2020. Overall imports in the second half of 2021 fell by 47% compared to the prior year, while exports declined by 5% in the same time period.¹⁰²

A World Bank report from February showed imports into Afghanistan from Pakistan falling by 66% between December 2021 and January 2022, contributing to a total drop of 40% since July 2021. In contrast, exports from Afghanistan into Pakistan fell by only 2% from December 2021 to January 2022, and actually increased by 8% from the July 2021 level.¹⁰³ Pakistan is one of Afghanistan's largest trading partners.¹⁰⁴

Following the fall of Kabul in August 2021, border crossing points not already under Taliban control closed and trade halted at major crossing points along the Afghanistan-Pakistan border. Physical infrastructure at border crossings remained functional, however, allowing trade and formal revenue collection to resume quickly.¹⁰⁵

According to State, political tensions, border security issues, criminal activity—including narcotics trade and human smuggling—and refugee

flows continue to limit Afghanistan's trade with its neighbors.¹⁰⁶ World Bank reporting attributed the steep decline in imports to contracting domestic demand.¹⁰⁷

State reports that current cross-border activity generally involves the provision of humanitarian assistance, including food and supplies, such as those in northern areas of Afghanistan, near Tajikistan and Uzbekistan. Trade at the Hairatan border crossing with Uzbekistan has fallen as Afghan nationals with Uzbek visas fear not being allowed to return to Uzbekistan after crossing into Afghanistan.¹⁰⁸

In a significant arrangement with Pakistan this quarter, India began sending close to 50,000 tons of wheat as humanitarian assistance to Afghanistan on February 22. These shipments were transported overland through Pakistan and delivered to Afghanistan at the Torkham border crossing.¹⁰⁹ This development is noteworthy since the Afghanistan-Pakistan Transit Trade Agreement, does not allow Indian goods to be delivered to Afghanistan via land routes (though it does allow Afghan overland exports to India).¹¹⁰ A World Food Programme representative told Al Jazeera that the UN would distribute this aid.¹¹¹

According to State, despite political tensions at the border, Afghan media reported on February 15 that Mullah Abdul Ghani Baradar, the Taliban's acting deputy prime minister, highlighted the Taliban's plans to facilitate travel and trade at the Torkham border crossing with Pakistan.¹¹²

Regional private sector trade activity also met a new milestone this quarter. On March 16, a shipment of 140 tons of Indian sugar and other cargo originating in Mumbai was delivered to a warehouse in Kabul before it departed for Tashkent, Uzbekistan. The Taliban's Ministry of Industry and Commerce hailed this development as a major step in turning Afghanistan into a key trade link between South and Central Asia. A Pakistani official told Voice of America that transit on this route would become regular, as Pakistan and Uzbekistan signed a bilateral trade agreement earlier in March.¹¹³

Agriculture

USAID supported three agriculture programs in Afghanistan this quarter, each having adjusted its programming to the new operating environment.

The Afghanistan Value Chains–Livestock

The Afghanistan Value Chains–Livestock program has pivoted to providing assistance to the livestock industry and is designed to mitigate the impacts of the economic and political crises on vulnerable farm households and agribusinesses. The program also continues to support existing partner anchor firms in expanding upstream value chain linkages and employment opportunities for women-run agribusinesses, vulnerable communities, and farmers. Livestock activities provide much-needed assistance to vulnerable



UN aid worker logs a delivery of wheat seeds and fertilizer to a farmer in Balkh Province. (FAO photo)

farm households and smaller producers, processors, and service providers; create opportunities for Afghan firms (input suppliers, aggregators, and processors) to strengthen linkages with Afghan producers; place an increased emphasis on women-run enterprises and business opportunities for women; and strengthen domestic supply chains. Activities include providing inputs to vulnerable livestock farming households such as feed, seeds, and basic tools to enable them to maintain productive assets. Assistance to anchor firms such as feed mills, dairies, and poultry farms helps to maintain operations by providing necessary assistance and materials to support production, employ staff, and continue to supply the market.¹¹⁴

Afghanistan Value Chains–High Value Crops

The Afghanistan Value Chains–High Value Crops program is shifting support to the production and productivity of staple crops. This activity has not yet fully restarted. The change in focus from high-value export produce to domestic cultivated staple crops, emphasizing food availability and food security, requires eliminating assistance to agriculture exports in favor of wheat, rice, mung beans, and other domestically consumed crops that are critical for food security and support livelihoods across Afghanistan. After the contract modifications and work plan revisions are approved, this activity will launch a set of interventions aimed at enabling farmers to increase production of staple crops and to employ 10,000 people in cash-for-work activities.¹¹⁵

Agriculture Marketing Program

The Agriculture Marketing Program has moved towards strengthening domestic market linkages; identifying and helping resolve value chain gaps; and increasing the resilience of the agricultural sector to satisfy domestic market demand. Horticulture assistance is focused on improving domestic market linkages and creating additional value. Activities include training, technical assistance, and extension services to improve farm and orchard management and provision of inputs such as seeds, fertilizer, saplings, trellising, and greenhouses to grow and harvest fruits and vegetables.¹¹⁶

USAID’s Office of Agriculture confirmed that it is not directly providing support for activities described in the UN’s 2022 Humanitarian Response Plan and Transitional Engagement Framework (TEF) for Afghanistan.¹¹⁷ The \$4.4 billion Humanitarian Response Plan includes over \$2.6 billion for food security and agriculture programming, including \$413 million for emergency “livelihoods intervention” development activities that include providing unconditional cash payments to vulnerable households, assorted crop seeds, feed for livestock, deworming kits, tools for households with access to land, and support for improvements in small-scale infrastructure, such as water catchments, irrigation, livestock watering points, and *karez* (underground canal systems).¹¹⁸

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE E.4

USAID REMAINING AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
Afghanistan Value Chains - Livestock	6/9/2018	6/8/2023	\$55,672,170	\$30,475,432
Afghanistan Value Chains - High Value Crops	8/2/2018	8/1/2023	54,958,860	29,912,494
Grain Research and Innovation (GRAIN)	11/8/2012	9/30/2022	19,500,000	14,373,930
Agricultural Marketing Program (AMP)	1/28/2020	1/27/2023	30,000,000	12,318,224
USDA PAPA	9/30/2016	9/29/2022	12,567,804	1,149,636
Total			\$172,698,834	\$88,229,717

Source: USAID, response to SIGAR data call, 4/14/2022.

Afghanistan remains in the grips of the worst drought in three decades. The total area planted with winter wheat is well below average, according to the International Federation of Red Cross and Red Crescent Societies. Field reports indicated that half the ground normally sown with wheat was fallow at the end of the planting window in December. The few crops which were planted are likely to face harsh conditions, with La Niña expected to bring drier than normal conditions in the coming months, extending the severe drought another year.¹¹⁹

Infrastructure

USAID suspended all Afghanistan infrastructure and construction activities in August 2021. One project, Rural Water Supply, Sanitation and Hygiene (Ru-WASH), resumed operations this quarter. Ru-WASH projects address acute water and sanitation needs in underserved rural areas in Afghanistan, and promotes efforts to improve basic drinking water supply sources and expand access to sanitation facilities for children at schools. UNICEF, the implementing partner, has allowed the communities that received funding prior to August 2021 to continue implementation as long as they are able to access those funds in their bank accounts. These activities are being conducted in Khost, Maydan Wardak, Paktika, Panjshir, Paktiya, Kabul, Laghman, Nangarhar, Nuristan, Sar-e Pul, Samangan, and Jowzjan Provinces.¹²⁰

Two USAID infrastructure programs have also received disbursements this quarter, but conducted no work in Afghanistan. The Engineering Support Program (ESP) implemented by Tetra Tech, provides engineering support for the wind down of OI’s construction activities and therefore receives monthly disbursements. ESP provides remote support to USAID from Dubai and the United States. Energy Loss Management Visualization Platform implemented by Bayat Energy Group, received a final invoice payment in December 2021 after submitting its final project report.¹²¹

Cumulatively, USAID disbursed approximately \$2.09 billion since 2002 to build power plants, substations, and transmission lines, and to provide



Afghan child drinks water from a well. (UNICEF photo)

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE E.5

USAID REMAINING INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2023	\$332,767,161	\$272,477,914
Contribution to AITF (Afghanistan Infrastructure Trust Fund)	3/7/2013	3/6/2023	153,670,184	153,670,184
Design and Construction of SEPS Completion and NEPS-SEPS Connector Substations	7/3/2019	7/30/2023	175,527,284	123,609,994
Engineering Support Program	7/23/2016	1/22/2023	125,000,000	108,672,346
Rural Water Supply, Sanitation and Hygiene (Ru-WASH)	6/24/2020	6/23/2025	30,000,000	15,841,332
Afghan Urban Water and Sanitation Activity (AUWS)	3/10/2019	3/9/2024	43,345,815	13,697,127
Design and Acquisition of SEPS Completion and NEPS-SEPS Connector	3/7/2018	6/27/2022	20,151,240	11,126,607
Limited Scope Grant Agreement (LSGA) to German Development Bank (KfW)	4/26/2013	12/31/2023	20,000,000	9,176,013
USAID-CTP Promoting Excellence in Private Sector Engagement-PEPSE	8/28/2017	8/27/2023	114,252	114,252
IT Support for DABS Existing Data, Disaster Recovery and Load Centers	8/31/2021	6/30/2022	437,752	0
25 MW Wind Farm in Herat Province	10/22/2019	11/27/2022	22,994,029	0
Total			\$924,007,717	\$708,385,770

Source: USAID, response to SIGAR data call, 4/14/2022.

technical assistance in the power sector. USAID disbursed an additional \$248 million since 2002 to support water and sanitation projects.¹²²

According to Al Jazeera, Iran held talks with the Taliban this quarter to resume construction on a rail line that would link the Iranian city of Khaf to Herat, Afghanistan. The first portion of the line beginning in Khaf was built in December 2020, extending approximately 93 miles. According to an Iranian transit official, this rail line would have the capacity to transport up to one million passengers and six million tons of cargo per year. The project is part of a proposed \$2 billion Five Nations Railway Corridor that would connect Iran, Afghanistan, China, Kyrgyzstan, and Tajikistan. Over half of the proposed rail lines would run through Afghanistan.¹²³

Extractives

The State Department told SIGAR this quarter that it is not aware of any current cooperation between international businesses or foreign governments and the Taliban on mining operations, but did note media reports of visits from private Chinese entities to survey lithium deposits and potential mining projects in Afghanistan.¹²⁴ On March 13, the *Wall Street Journal* reported that dozens of Chinese mining companies have descended on Kabul in recent weeks to seek new contracts and renew suspended mining operations.¹²⁵

China's interest in Afghanistan's minerals is not new. In 2008, the China Metallurgical Group Corporation secured a 30-year lease on the Mes Aynak

copper deposit after offering the Afghan government a 19% royalty on profits and promising to invest \$2.83 billion in infrastructure.¹²⁶ Operations at the Mes Aynak site, alongside work at the oil-and-gas reserves in the Amu Darya region in northern Afghanistan, had been on hold for years during the war.¹²⁷

The *Wall Street Journal* also reports that Iran is in talks with the Taliban to secure a large iron ore deposits in western part of the country.¹²⁸

Maulvi Shahabuddin Delawar, an experienced diplomat whom the Taliban appointed to lead their effort to attract foreign investment in Afghanistan's extractives sector, told the *Journal* that he "wants American and other Western companies to also come to Afghanistan now that the American military presence is gone." Delawar said he would prefer American mining companies over Chinese companies because of their expertise.¹²⁹

Afghanistan's total mineral resources are estimated to be potentially worth over \$1 trillion, including gold, precious stones, coal, oil and gas, lithium, and rare-earth minerals.¹³⁰

Due to the current lack of data on the mining sector and the vagueness of Taliban sources of revenue, State cannot estimate the Taliban's income from mining. Licit output and revenue from Afghanistan's extractives sector were already low (around 1% of Afghanistan's sustainable domestic revenues in recent years) and have further declined since the Taliban's takeover due to lack of expertise among the Taliban and the current liquidity crisis.¹³¹

Desperate to collect domestic revenue, the Taliban, in the last quarter of 2021, instituted high royalties—four times the amount imposed by the Ghani administration—to be paid in advance for the export of raw materials. The Taliban Ministry of Mines and Petroleum and the Ministry of Finance approved a plan to boost royalties on marble from 550 afghani per ton (\$5.50) to 2,000 afghani per ton (\$22.55). Experts agreed that the hike in royalties would boost government revenue in the short term, but some mining companies worried that they would have to raise prices to pay for them, making their firms less competitive with foreign companies, thus reducing demand and market share.¹³²

Civil Aviation

Conditions on the ground at Kabul International Airport (KBL) remain essentially unchanged since last quarter, according to State. The airport is operational only during daylight hours and when weather conditions allow pilots to navigate visually. Humanitarian and commercial flights continue to use KBL at considerable cost and risk, with an average of eight flights per day to domestic airports and international destinations including the UAE, Pakistan, Saudi Arabia, Iran, Turkey, Uzbekistan, and Qatar. Since December, commercial flight trackers have registered regular commercial flights to/from Kabul by flag carrier Ariana Afghan Airlines, privately owned

Kam Air, and Iran's Mahan Air and Taban Airlines. There are occasional charter flights and frequent operations by the UN Humanitarian Air Service/World Food Programme.¹³³

Since December, there have been brief flight disruptions into and out of KBL. While operations have recovered, precipitation or reduced visibility risk the airport closing again, perhaps for extended periods, because it lacks trained personnel and functioning equipment to enable poor-weather operations. The Federal Aviation Administration maintains a prohibitory, all-altitudes **Notice to Air Missions** for most of the Kabul Flight Information Region, citing the risk posed by extremist/militant activity, lack of risk-mitigation capabilities, and disruptions to air traffic services.¹³⁴

Notice to Air Missions (NOTAM): The NOTAM system for airport condition reporting and procedures is used to describe, format, and disseminate information on unanticipated or temporary changes to components of, or hazards in, the National Airspace System.

Source: FAA, "Notices to Aid Mission (NOTAMs) for Airport Operators," 7/31/2021.

Turkey and Qatar continue negotiations to run Kabul airport

The Taliban continue negotiations for a Qatar-Turkey joint venture to manage Kabul International Airport on a long-term contract. According to reports, both sides held technical discussions in Doha in late January to resolve outstanding issues with the intent of finalizing an arrangement. Media reported that Imamuddin Ahmadi, spokesperson for the Taliban-run Ministry of Transport and Civil Aviation, said that parties were "moving in a positive direction" on an airport contract. Similarly, Qatari Foreign Ministry officials announced that all sides had agreed on "several key issues" related to running the airport. Despite continued delays, State said the Taliban publicly recognize the value of foreign support to improve aviation services that could increase international flights to and from Afghanistan.¹³⁵

Further information on the status of negotiations between the Taliban and the Qatar-Turkey joint venture appears in the Classified Supplement to this report.

EDUCATION

USAID had two active education-development programs in Afghanistan this quarter, while one other education program remained paused.¹³⁶

The American University of Afghanistan (AUAF) has been conducting online instruction since the Taliban takeover last summer, with support from USAID's technical capacity-building program.¹³⁷

The Strengthening Education in Afghanistan (SEA II) program continued operations this quarter, focused on increasing the number of affordable private schools. Women continue to have access to higher education at private universities supported by SEA II.¹³⁸

USAID's Advancing Higher Education for Afghanistan Development (AHEAD) program remained paused this quarter. AHEAD received an order on September 11, 2021, to suspend all activities and contact with the Afghan government. Between August 15 and September 11, the program was

TABLE E.6

USAID REMAINING EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
Strengthening Education in Afghanistan (SEA II)	5/19/2014	12/31/2023	\$49,828,942	\$45,583,086
Let Girls Learn Initiative and Girls' Education Challenge Programme (GEC)	6/29/2016	9/30/2022	25,000,000	25,000,000
Technical Capacity Building for AUAF	2/1/2021	5/31/2022	18,947,149	10,227,206
Advancing Higher Education for Afghanistan Development (AHEAD)	8/5/2020	8/4/2025	49,999,917	6,450,175
Total			\$143,776,008	\$87,260,467

Source: USAID, response to SIGAR data call, 4/14/2022.

unable to carry out any activities due to the political situation and security concerns on the ground.¹³⁹

Schools in most cold-climate provinces were closed this quarter and scheduled to reopen on March 23. In some warmer regions, schools and universities continued to operate through the winter, although some had trouble staying open due to a lack of teachers and possible security concerns, according to USAID implementers.¹⁴⁰

USAID also reports that few public sector employees, including teachers, seem to be paid full salaries. “It is understood that professors at universities, who are still teaching, seem to be paid a salary amount which is only 30–40% of their original salaries, and benefits have been cut.”¹⁴¹ In December, UN Under Secretary General for Human Rights Martin Griffiths stated that 70% of all teachers in Afghanistan had not been paid since August.¹⁴²



UNICEF official Paloma Escudero visits students at Halima Khazan Primary School. (UNICEF photo)

Taliban deny girls access to secondary education

On March 23, the Taliban ordered girls’ secondary schools to remain closed, despite previously pledging they would reopen at the start of the new school year.¹⁴³ Upon seizing power in August 2021, the Taliban banned girls from attending most secondary schools, but allowed girls to continue attending primary schools, and partially permitted women to continue attending higher education institutions.¹⁴⁴

Under the new order, female students above the sixth grade will not be able to attend school until a plan is drawn up in accordance with ‘Islamic law and Afghan culture.’¹⁴⁵ A Taliban spokesperson told the Associated Press that all girls would be allowed back to school at an undisclosed future time, although the Taliban would not insist on it in areas where parents were opposed or where schools could not be segregated. Another Taliban spokesperson said that the Taliban leadership feared that allowing for girls’ secondary education would alienate their rural base.¹⁴⁶

The move has drawn condemnation from U.S. officials, the UN, and international human rights and aid organizations.¹⁴⁷ U.S. Special Representative Thomas West expressed “shock and deep disappointment” with the Taliban’s decision, adding that it “is a betrayal of public commitments to the Afghan people and the international community.”¹⁴⁸ U.S. Special Envoy Rina Amiri said that “if the Taliban seek legitimacy from the Afghan people, and by extension the international community, they must show that they can and will live up to their promises.”¹⁴⁹ The international community has made the education of girls a key demand for any future recognition of the Taliban administration.¹⁵⁰

The Taliban’s announcement is a significant reversal from earlier statements and existing policies in some provinces and districts. According to USAID implementers, girls had been allowed education in some schools that remained open during the winter. Information from Kandahar, a Taliban stronghold, suggested that not only were all schools opened, but that the authorities were also ensuring that girls kept regular attendance and teachers came to schools daily.¹⁵¹ In contrast, media reporting indicated that girls’ attendance in other areas, like Mazar-e Sharif, dropped significantly despite schools remaining open.¹⁵²

In September, the Taliban imposed gender segregation at private universities and colleges and ordered female students be taught only by female teachers or elderly men of “good character,” if no women were available. Women have been able to continue attending universities either in separate rooms or with a partition in the classroom. However, a lack of female teachers and facilities has complicated women’s access to higher education.¹⁵³

Many women have also reportedly dropped out of higher education due to financial pressures, as the ongoing economic crisis disproportionately impacts them. Prior to the Taliban takeover, female enrollment was around 24% of the total registered student body at public universities in 2020, roughly 21,000 women, according to World Bank estimates. Many more studied at private institutions.¹⁵⁴

PUBLIC HEALTH

USAID reported that its public health programs in Afghanistan have continued without change since last quarter.¹⁵⁵

USAID’s Assistance for Families and Indigent Afghans to Thrive (AFIAT) continued programming focused on providing life-saving pharmaceuticals and commodities, creating a female health-worker corps, strengthening community-based services, advocating for strengthened nutrition counseling for mothers and children, and strengthening COVID-19 prevention and response.

The Urban Health Initiative (UHI) continued expanding access to and quality of health services in NGO-supported and private facilities,

strengthening COVID-19 prevention and response, strengthening community-based service delivery, and establishing “eMentoring” for healthcare providers.

SHOPS-Plus (Sustaining Health Outcomes through the Private Sector Plus) continued sales of socially marketed health products to third-party distributors and retail outlets. Additionally, the Disease Early Warning System (DEWS) initiative, working through the World Health Organization, continued to provide support for disease surveillance for both polio and COVID-19.¹⁵⁶

NGOs and international organizations have warned that Afghanistan’s health-care system remains in crisis this quarter, struggling to respond to the high rates of malnutrition, measles outbreaks, and the latest surge in COVID-19 cases.¹⁵⁷ According to USAID, 20 hospitals in Afghanistan currently provide COVID treatment, supported by WHO. Of these, 11 are fully functional and nine are partially functional.¹⁵⁸

The pause of the World Bank-administered Sehatmandi project from August to October 2021 had a severe impact on Afghanistan’s health sector leading up to the current situation. Under Sehatmandi, over 60% of Afghanistan’s 3,758 public health facilities (across 31 of 34 provinces) contracted directly with local NGOs to offer basic health services and essential hospital services. Funded through a multilateral donor trust, Sehatmandi has been supported by USAID and over 30 international donor partners. Starting in October and November, USAID and other international donors provided bridge funding to sustain Sehatmandi in the short term, averting a complete collapse of the public health system.¹⁵⁹

Médecins Sans Frontières reports that even though international financial aid has been restored to the health system, “it is less than before, doesn’t fund all health facilities, and has only been pledged until June.” Many state institutions can no longer pay staff salaries or afford operating costs.¹⁶⁰

The ongoing liquidity crisis is also hurting health-care operations. According to the International Committee of the Red Cross, “the effect of banking and liquidity crisis is rippling across the country and huge consequences on the health system are being felt as multiple facilities are not able to pay salaries, or for fuel to run their generators. Ambulances can’t operate; food supplies are running short for the patients, and they lack adequate medicine.”¹⁶¹

Vaccination Programs

Polio

A new, country-wide polio vaccination campaign was also implemented during the months of January and February. On February 24, the final day of the campaign, polio health workers were targeted in three separate attacks



Afghan health worker providing care to newborn children. (UNFPA photo)

TABLE E.7

USAID REMAINING HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 4/13/2022
DEWS Plus	7/1/2014	6/30/2022	\$54,288,615	\$39,556,000
Assistance for Families and Indigent Afghans to Thrive (AFIAT)	7/10/2020	7/9/2025	117,000,000	17,701,420
Urban Health Initiative (UHI) Program	10/14/2020	10/13/2025	104,000,000	16,703,358
SHOPS Plus	10/1/2015	9/30/2022	13,886,000	12,721,796
Afghanistan Demographic and Health Survey (ADHS) Follow-On	10/9/2018	9/9/2023	10,500,000	5,548,814
Central Contraceptive Procurement (CCP)	4/20/2015	11/28/2023	3,599,998	3,122,674
Sustaining Technical and Analytic Resources (STAR)	5/1/2018	9/30/2023	2,186,357	1,265,722
TB Data, Impact Assessment and Communications Hub (TB DIAH)	9/24/2018	9/24/2023	600,000	600,000
Meeting Targets and Maintaining Epidemic Control	4/15/2019	4/14/2024	270,000	270,000
Global Health Supply Chain Management (GHSCM-PSM)	4/20/2015	11/28/2023	176,568	176,568
Modeling American Healthcare, Standards & Values in Afghanistan	10/1/2020	9/30/2022	1,092,601	0
Total			\$307,600,139	\$97,666,352

Source: USAID, response to SIGAR data call, 4/14/2022.

by unidentified gunmen. Eight public health workers (four female, four male) were killed in Takhar and Kunduz Provinces. According to UNICEF, this highlights the security risks facing health workers across the country and puts millions of Afghan children at risk of contracting polio, since the Taliban suspended the vaccination campaign following this incident.¹⁶²

Afghanistan and Pakistan remain the last two countries in the world where polio is still endemic. Afghanistan currently has its lowest transmission level of wild-polio virus, but millions of children remain unvaccinated or under-vaccinated, and the risk of undetected virus transmission remains.¹⁶³

COVID-19

The United States is providing 4.3 million COVID-19 doses to the people of Afghanistan through COVAX, a WHO-supported initiative to provide access to vaccines for lower-income nations.¹⁶⁴ As of February 26, only 5.5 million individuals in Afghanistan have been vaccinated for COVID-19, according to data from the Ministry of Public Health.¹⁶⁵

Status of COVID-19 Vaccination Efforts

According to USAID, Afghanistan's COVID-19 vaccination program has continued under the Taliban. AFIAT and UHI work with other donors and partners (including the WHO) to roll-out COVID vaccines through fixed, mobile, and health facility sites. The following status updates were provided on March 1:

- COVAX donations currently in stock: 4.1 million
- COVAX donations expected: additional 6.6 million
- Logistics/plans for distribution: The current vaccination strategy to date has included a mix of fixed sites, outreach, and campaigns. At the start of 2022, new interventions to increase vaccine uptake were implemented. These include closer oversight of fixed sites, strengthened referrals between health facility and vaccine sites, and new demand generation/messaging activities.

313 new fixed sites will be established in urban and peri-urban areas—bringing total number to 682 sites nationally.

- A new campaign is planned to begin on March 13 (for six weeks) with the goal of administering 4.8 million doses; teams will include two women and two men to ensure gender equity in uptake.¹⁶⁶



Afghan health workers vaccinating children against measles in Balkh Province. (WHO photo)

Measles

A new WHO-funded measles vaccination campaign also began on March 12, aimed at inoculating more than 1.2 million children under five across 49 districts in 24 provinces. Afghanistan has experienced a measles resurgence in recent months, with 142 children killed and 18,000 infected in 2022 so far.¹⁶⁷

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