

# ECONOMIC AND SOCIAL DEVELOPMENT CONTENTS

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ECONOMIC AND SOCIAL DEVELOPMENT



KEY ISSUES & EVENTS

The Taliban announced a provisional deal with Russia to import one million tons of gasoline, one million tons of diesel, 500,000 tons of liquefied petroleum gas, and two million tons of wheat to Afghanistan annually.

The U.S. Treasury and State Departments announced the establishment of an “Afghan Fund” to provide \$3.5 billion in Afghan central bank assets to benefit the people of Afghanistan, with support from the Swiss government and independent Afghan economic experts.

USAID announced \$150 million in additional assistance for United Nations programs in Afghanistan, including \$80 million to improve food security and nutrition, \$40 million for education, and \$30 million to support gender equality and women’s empowerment.

Severe flooding in August killed at least 256 people and destroyed 5,600 homes throughout Afghanistan, according to the Taliban.

The Taliban blocked women from taking college entrance exams for a wide range of subjects, including engineering, economics, veterinary medicine, agriculture, geology, and journalism.

U.S. Support for Economic and Social Development

The United States has provided more than \$36.26 billion to support governance and economic development in Afghanistan. All agency funds reporting is as of September 30, 2022, except for U.S. Agency for International Development (USAID) reporting, which is as of June 30, 2022. See page 22 for more details about USAID’s non-response to SIGAR requests for funding data. More than \$21.43 billion of the total amount of U.S. support provided to Afghanistan was appropriated to the Economic Support Fund (ESF), which is managed and reported by USAID.<sup>1</sup>

In August and September 2021, following the Taliban takeover, the U.S. government reviewed all non-humanitarian assistance programs in Afghanistan. During this time, in accordance with the interagency review, the State Department (State) and USAID paused most development-assistance programs to assess the situation in Afghanistan, including their implementing partners’ safety and ability to operate there. Since then, more than a dozen

State and USAID programs in Afghanistan have restarted to help address critical needs of the Afghan people in several key sectors—health, education, agriculture, food security, and livelihoods—as well as support civil society, particularly women, girls, and human rights. State said these efforts are being implemented through nongovernmental organizations (NGOs), international

## USAID and State refuse to answer SIGAR's data requests regarding ongoing programs to support governance and economic development in Afghanistan

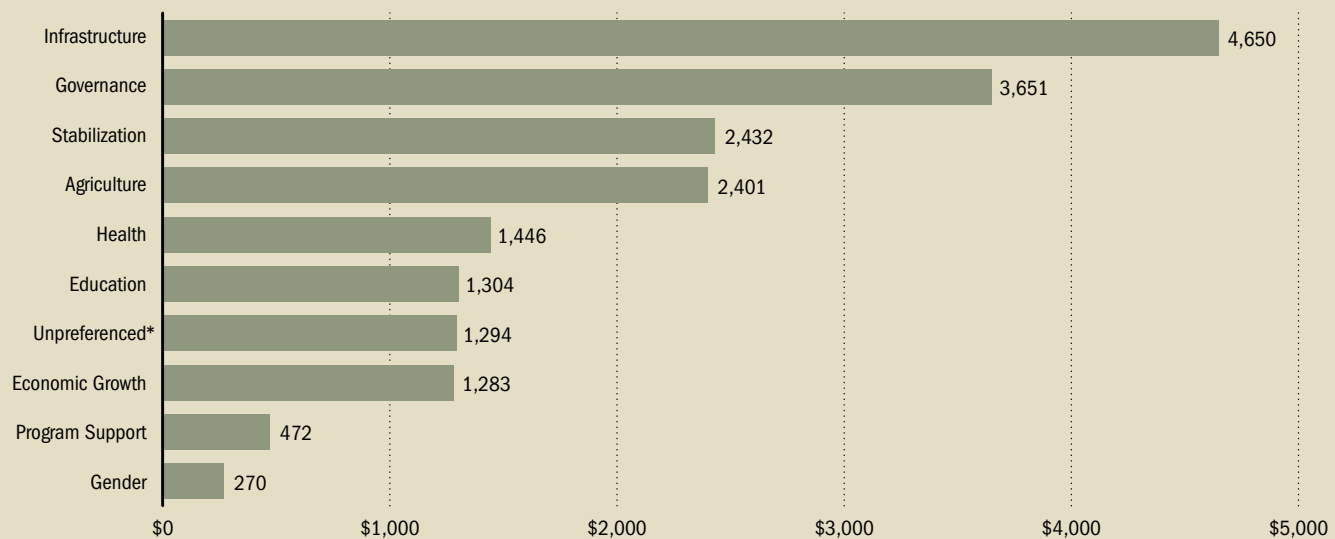
The United States remains Afghanistan's single largest donor, providing more than \$1.1 billion in assistance since August 2021. However, SIGAR, for the first time in its history, is unable this quarter to provide to Congress and the American people with a full accounting of U.S. government programming due to the non-cooperation of U.S. agencies. The United States Agency for International Development (USAID), which administers the vast majority of current U.S. support to Afghanistan, refused to cooperate with SIGAR in any capacity, while the State Department was selective in the information it provided pursuant to SIGAR's audit and quarterly data requests, sharing funding data but not details of agency-supported

programs in Afghanistan. Additionally, the Treasury Department did not provide responses to a request for information regarding the transfer of Afghan central bank reserves to a fund for the benefit of the Afghan people. This in direct violation of Section 1229(h)(5)(A) of the NDAA for FY 2008 (requiring the agencies to provide information and assistance upon request) and Section 6(c)(1) of the Inspector General Act of 1978, as amended. See page 22 for more details on USAID, State, and Treasury's refusal to cooperate with SIGAR requests for information.

This section reports on USAID programs and funding levels according to the most recent USAID data provided to SIGAR in July 2022 and publicly available information. Most USAID programs referenced in this section are also continuations of activities performed prior to August 2021. USAID cumulative assistance by sector is shown in Figure E.1.

FIGURE E.1

### USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JULY 6, 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. USAID gender programs managed by the agency's Office of Gender are presented as a separate category. 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, 7/9/2022; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status as of January 20, 2022, 4/18/2022.



**An Afghan boy** sits by his home in Jalalabad that was destroyed by a flash flood. (UNICEF Afghanistan photo)

organizations, and other third parties, minimizing benefits to the Taliban to the extent possible.<sup>2</sup>

## HUMANITARIAN CRISIS UPDATE

The humanitarian situation in Afghanistan remained dire this quarter, with over half of the population (an estimated 24.4 million Afghans) in need of assistance. Since August 2021, the combined effects of a prolonged drought, soaring food prices, a paralyzed banking system, lack of liquidity, lack of job opportunities and household incomes, and the consequences of decades of war, continue to impact the ability of Afghan families to provide for and meet their basic needs. International donors have not fully met UN-requested aid funding appeals, and spillover effects from the war in Ukraine—including a surge in food and fuel prices—have created further challenges to delivering aid into the country.<sup>3</sup>

For 10 consecutive months, more than 90% of the population has experienced insufficient food consumption, according to a June World Food Programme (WFP) report. Household incomes continued to shrink while household food expenditure shares increased amid rising inflation and a global surge in food prices. Per WFP’s most recent reporting, household food expenditure shares reached 91% in July, compared to 80% in January.<sup>4</sup>

Nearly half the Afghan population continues to employ crisis coping strategies, such as rationing out food or skipping meals, to meet their basic needs. Households headed by women remain especially vulnerable, with an estimated 96% facing insufficient food consumption amid Taliban restrictions on the movements of women and girls. Women are twice as likely as men to sacrifice their own meals so their families can eat, WFP reported.<sup>5</sup>

TABLE E.1

INTEGRATED FOOD SECURITY PHASE CLASSIFICATION (IPC) PHASE DESCRIPTION AND RESPONSE OBJECTIVES		
Food Insecurity Phase	Technical Description	Priority Response Objective
1 – None/Minimal	Households are able to meet essential food and non-food needs without engaging in atypical and unsustainable strategies to access food and income.	Resilience building and disaster risk reduction
2 – Stressed	Households have minimally adequate food consumption but are unable to afford some essential non-food expenditures without engaging in stress-coping strategies.	Disaster risk reduction and protection of livelihoods
3 – Crisis	Households either: · Have food consumption gaps that are reflected by high or above-usual acute malnutrition; OR · Are marginally able to meet minimum food needs, but only by depleting essential livelihood assets or through crisis-coping strategies.	<b>URGENT ACTION REQUIRED</b> to protect livelihoods and reduce food consumption gaps
4 – Emergency	Some households either: · Have large food consumption gaps which are reflected in very high acute malnutrition and excess mortality; OR · Are able to mitigate large food consumption gaps, but only by employing emergency livelihood strategies and asset liquidation.	<b>URGENT ACTION REQUIRED</b> to save lives and livelihoods
5 – Catastrophe/ Famine*	Households have an extreme lack of food and/or other basic needs even after full employment of coping strategies. Starvation, death, destitution, and extremely critical acute malnutrition levels are evident. (For Famine classification, area needs to have extreme critical levels of acute malnutrition and mortality.)	<b>URGENT ACTION REQUIRED</b> to revert/prevent widespread death and total collapse of livelihoods

\* Some households can be in Catastrophe (IPC Phase 5) even if areas are not classified as Famine (IPC Phase 5). In order for an area to be classified Famine, at least 20% of households should be in IPC Phase 5.

Source: FAO and WFP, Hunger Hotspots FAO-WFP early warnings on acute food insecurity – June to September 2022 Outlook, 6/6/2022, p. 7.

**Food insecurity:** The disruption of food intake or eating patterns due to unavailability of food and/or lack of resources to obtain food.

**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.

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

Source: Integrated Food Security Phase Classification, “Famine Facts,” accessed 3/31/2022; FAO, “Hunger and food insecurity,” accessed 6/28/2022, <https://www.fao.org/hunger/en/>; Office of Disease Prevention and Health Promotion, “Food Insecurity,” accessed 6/28/2022, <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/food-insecurity>; 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; 2016 Apr 5, chapter 11.

In total, an estimated 18.9 million Afghans face potentially life-threatening levels of hunger—including nearly six million facing near-famine conditions—from June to November 2022. Citing the most recent Integrated Food Security Phase Classification (IPC) study, WFP reported in September that 4.7 million children and pregnant and lactating women are at risk of acute malnutrition in 2022, and 3.9 million children are acutely malnourished. According to these reports, nearly half of the population suffers from high levels of acute food insecurity—food insecurity at the Crisis, Emergency, or Catastrophe (famine) levels—requiring urgent action to save their lives, reduce food gaps, and protect livelihoods. All 34 provinces in Afghanistan are facing crisis or emergency levels of acute food insecurity. Table E.1 provides more details on how the IPC classifies levels of food insecurity.<sup>6</sup>

The United Nations has led the effort to deliver humanitarian assistance including food, shelter, cash, and household supplies to nearly 23 million people over the past year, saying these efforts helped to avoid a famine last winter.<sup>7</sup> With aid from the United States and other donors,<sup>8</sup> UN agencies remained at the forefront of providing humanitarian food assistance to Afghanistan this quarter. WFP reported plans to distribute food, nutrition, and resilience support to 12.4 million Afghans in September. UNICEF and its implementing partners reported providing lifesaving nutrition treatment to 68,609 children in August alone. With winter’s freezing temperatures only a few months away, the UN also warned that humanitarian needs will continue to grow.<sup>9</sup>





**UNICEF-provided aid**, including hygiene kits, blankets, and tents, being unloaded in Ghazni Province. (UNICEF Afghanistan photo)

“Today, the tragic reality is that the scale of needs in Afghanistan far outstrips the response capacity of humanitarian actors to meet them,” said Dr. Ramiz Alakbarov, UN Deputy Special Representative in Afghanistan and Humanitarian Coordinator for Afghanistan. To achieve sustainable outcomes, he described the need for programming beyond humanitarian relief:

It will simply not be possible to move the population from a mode of surviving to thriving unless a functioning economy and banking system is restored; longer-term, more sustainable interventions are resumed; line ministries are technically capacitated; girls are officially able to return to school; and women and girls can participate meaningfully and safely in all aspects of social, political, and economic life, including humanitarian work.<sup>10</sup>

Martin Griffiths, the UN’s Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, stressed that preserving basic service delivery alongside humanitarian assistance “remains the only way to prevent a catastrophe even greater than what we have seen these many months.” He argued that “some development support needs to be restarted” since the de facto authorities lack the capacity to address deepening poverty. At the same time, Griffiths acknowledged that aid workers are confronting an “exceptionally challenging” operating environment, describing engagement with the Taliban as “labor intensive.”<sup>11</sup>

In August, the UN Office for the Coordination of Humanitarian Affairs (UNOCHA) reported worsening access challenges for aid workers, including interference in humanitarian activities and violence against humanitarian personnel, assets, and facilities. The majority of these incidents (87%) involved “interference in the implementation of humanitarian

activities” (58 reports), followed by “violence against humanitarian personnel, assets and facilities” (31 reports) and the challenges of the “physical environment” (23 reports) across the country. UNOCHA attributed 70% of incidents of interference and violence to the Taliban and its armed forces. UNICEF also reported that worsening bureaucratic impediments in August were affecting the delivery of humanitarian assistance.<sup>12</sup>

## Aid Organizations Warn of Funding Shortfalls as Winter Approaches

This quarter, UN and NGO officials sought new funding for their operations in Afghanistan, warning of major shortfalls in the coming winter months. On August 29, Martin Griffiths told the UN Security Council that the \$4.4 billion Humanitarian Response Plan for Afghanistan “has a gap of \$3.14 billion, with over \$600 million urgently required to support priority winter preparation, such as upgrades and repairs to shelter, warm clothes, blankets and so forth. But we are up against time. These particular contributions are needed within the next three months.”<sup>13</sup>

On September 15, the WFP reported needing \$1.14 billion in additional funding to sustain its operations over the next six months (October 2022–March 2023),<sup>14</sup> in addition to \$172 million to preposition food in rugged and remote areas before winter sets in.<sup>15</sup> For the first time since IPC analysis work began in 2011, 20,000 people in a remote district in Ghor Province faced famine conditions due to impassible roads preventing the delivery of lifesaving food aid in Afghanistan earlier this year.<sup>16</sup>

UNICEF’s \$2 billion Afghanistan Humanitarian Action for Children appeal for 2022, the largest single-country appeal in the history of the organization, is currently around 40% funded. UNICEF also developed and disseminated a winter strategy, seeking \$75 million for key winter activities and funding needs ahead of the onset of the harsh winter season.<sup>17</sup>

Other UN agencies reported similar shortfalls this quarter. The UN International Organization for Migration’s revised Comprehensive Action Plan (CAP) for Afghanistan and Neighbouring Countries, targeting support to 3.6 million people, was only 34% funded in August.<sup>18</sup> The UN High Commissioner for Refugees reported needing an additional \$229.7 million to carry out its work in Afghanistan and for Afghan refugees in neighboring countries.<sup>19</sup> In August, UNOCHA also requested additional funding for its continuing response efforts to the June 2022 earthquake, stating that it had only received \$44 million of the \$110 million needed.<sup>20</sup>

“Winter is coming, and we are worried that lives could be lost if we do not act early enough to alleviate conditions for people whose coping capacities are weakened by multiple shocks,” said Mawlawi Mutiul Haq Khales, acting president of the Afghan Red Crescent, the Afghan affiliate of the International Federation of Red Cross and Red Crescent Societies. The Afghan Red Crescent identified high-altitude areas where temperatures

“The situation can be best described as a pure catastrophe.... You’ve seen people selling organs, you’ve seen people selling children.”

*UN Deputy Special Representative  
Dr. Ramiz Alakbarov*

Source: UN News, “Humanitarian funding still needed for ‘pure catastrophe’ situation in Afghanistan,” 8/15/2022.

are very likely to drop below freezing as their greatest concern, and emphasized the need to procure winter clothing, winter boots, thermal blankets, heating stoves, and other essentials in preparation.<sup>21</sup>

“The situation can be best described as a pure catastrophe,” said UN Deputy Special Representative Dr. Ramiz Alakbarov, in reference to the humanitarian environment over the past year. When asked by reporters what would happen if additional funding did not materialize, he warned of dire consequences as winter approaches. “You’ve seen people selling organs, you’ve seen people selling children. This has been widely covered in the media, and this is what we will be seeing again if support is not provided.”<sup>22</sup>

## Severe Flooding Destroys Thousands of Homes Across Afghanistan

Exacerbating the humanitarian crisis, severe flash flooding struck central, southern, and eastern Afghanistan in late August, impacting a UN-estimated 15,875 people, with 256 people killed and over 5,600 houses destroyed or damaged. The UN also said floods damaged 34,000 hectares of agricultural land and killed 7,500 livestock, impacting the livelihoods of thousands of farmers in the middle of the summer harvest season.<sup>23</sup>

UNOCHA Deputy Head Katherine Carey told reporters that with 75% of Afghanistan’s rural population dependent on agriculture, the loss of farmland, crops, and livestock will have a lasting economic impact on livelihoods. Damage to critical civilian infrastructure, including roads and bridges, may also cut off communities from food aid distribution efforts and restrict access to markets. Carey also noted that Afghanistan is one of the world’s most vulnerable countries to the impacts of climate change and needs longer-term development support.<sup>24</sup>

The Taliban have requested international assistance to help with disaster relief efforts, stating that they cannot manage the floods alone. Mawlawi Sharafuddin Muslim, the Taliban’s deputy minister of disaster management, also warned that flood-affected areas face greater risk of a humanitarian catastrophe in the coming months. “Winter is arriving soon and these affected families that include women and children do not have shelter to live under. All their agricultural farms and orchards have either been completely destroyed or their harvest has been damaged,” Muslim said.<sup>25</sup> Taliban officials estimate that natural disasters this summer, including flooding and earthquakes, have killed at least 1,570 people, injured almost 6,000, and caused \$2 billion in damages to infrastructure and property.<sup>26</sup>

According to UNOCHA, the UN’s 2022 Humanitarian Response Plan (HRP) for Afghanistan had already accounted for a proportion of the population to be affected by sudden-onset emergencies throughout the year. As of August 31, the provision of emergency assistance for flash flooding remains part of ongoing response activities prepared for under the 2022



**Construction crews** work to clear the Parwan-Bamyan road after August flooding. (Taliban regime photo)





**WFP food aid** delivered to Afghans in need in Faryab, Jowzjan, Badghis, and Ghor Provinces (from top to bottom). (WFP Afghanistan photos)

HRP. UN partners were already delivering humanitarian assistance in flood-affected areas and have been able to use existing supply stocks and services to reach impacted communities.<sup>27</sup>

UNOCHA reports that while supplies for short-term emergency assistance are mostly available, gaps remain in complementary development support. Such support to rebuild destroyed houses and service infrastructure; restore livelihoods through livestock and grain replenishment; and put in place preventive investments (for example, the building of dams or establishment of early warning systems) would help mitigate prolonged suffering and avert further risks of double exposure to natural disasters and climate-related shocks.<sup>28</sup>

Communities in eastern Afghanistan are also still recovering from the devastating June 22 earthquake that killed over 1,000 people, injured 3,000, and destroyed 10,000 homes.<sup>29</sup> By August 26, humanitarian response efforts reached over 376,000 impacted people with at least one form of assistance, including 124,000 with food and agricultural support, 93,000 with emergency shelter and non-food items, 66,000 with protection, and 90,000 with cash assistance. UNOCHA estimated that 100,000 people needed additional humanitarian assistance, including aid that goes beyond immediate disaster relief, such as repairing earthquake sensitive shelters.<sup>30</sup>

## INTERNATIONAL ASSISTANCE TO AFGHANISTAN

### USAID Announces New Assistance This Quarter

The United States remains Afghanistan's single largest donor, having provided \$1.1 billion in assistance since August 2021, comprising nearly \$812 million from USAID and nearly \$320 million from the State Department. This includes more than \$326.7 million in additional funding announced on September 23, comprising nearly \$208 million from USAID's Bureau for Humanitarian Assistance and nearly \$118.8 million from the State Department's Bureau of Population, Refugees, and Migration.<sup>31</sup>

On August 12, USAID announced \$150 million for UN programs, including \$80 million to improve food security and nutrition, \$40 million to aid the education of Afghan children, and \$30 million to support gender equality and women's empowerment.<sup>32</sup> It is unclear if USAID reported this as part of, or in addition to, the \$1.1 billion.

USAID's \$80 million commitment for food security and nutrition programs will support United Nations Food and Agriculture Organization (FAO) efforts to assist Afghans experiencing severe food insecurity, including women, women-headed households, and smallholder farmers and herders. These UN activities aim to help Afghan farmers increase the production of nutritious food using environmentally sustainable practices

as well as increase the availability of quality seeds and other agricultural inputs. They also seek to improve smallholder farmers' resilience to climate and economic shocks through crop diversification and by promoting agricultural best practices. This funding is also meant to benefit small-scale Afghan agribusinesses, helping to ensure sustainable food production systems and improve the food security and nutrition of vulnerable Afghan families.<sup>33</sup>

USAID's \$30 million commitment to support gender equality and women's empowerment in Afghanistan will be programmed through the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). The "Enabling Essential Services for Afghan Women and Girls" activity aims to increase Afghan women and girls' access to social protection services; provide resources and support for women-led civil society organizations working to advance women's rights in Afghanistan; and increase women's economic empowerment through skills and business development training and entrepreneurship support. Funding will provide Afghan women and girl survivors of violence access to free and safe accommodation, legal aid and healthcare, psycho-social support, counseling, and vocational training; respond to their urgent and immediate livelihoods needs; and help build income security through private sector partnerships that will create job opportunities and help Afghan women launch or rebuild their micro-, small- or medium-sized businesses.<sup>34</sup>

USAID's \$40 million agreement with the United Nations Children's Fund (UNICEF) aims to increase international support for Afghan children, particularly adolescent girls, to realize their right to education. According to USAID's press statement, this funding ensures that UNICEF will have the resources to provide hundreds of thousands of vulnerable Afghans with desperately needed cash assistance to keep their children in school; children who would otherwise not attend or drop-out of school due to ongoing humanitarian, economic, and political crises. This assistance is said to build on USAID's partnerships with the Afghan people and UNICEF, ensuring students have the resources to learn foundational skills, such as reading, writing, and math.<sup>35</sup>

## World Bank Expands Support to Five ARTF-Funded Projects

As of September 9, the World Bank and donors approved two new **Afghanistan Reconstruction Trust Fund (ARTF)**-funded projects: Emergency Education Response in Afghanistan and nongovernmental organizations/civil society organizations (NGO/CSO) Capacity Support. This brings the total to five ongoing ARTF projects, worth \$893 million, providing urgent and essential food, livelihood, health, and education services to the people of Afghanistan. All five projects will be implemented off-budget—out of the Taliban regime's control—through United Nations agencies and NGOs and coordinated with other multilateral and bilateral funding pledges for Afghanistan. Each has features specifically designed to benefit women and girls.<sup>36</sup>

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### 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, financing up to 30% of its civilian budget. From 2002 to July 22, 2022, the World Bank reported that 34 donors had paid in nearly \$13.12 billion, with the three largest donors over this period being the United States, the United Kingdom, and the European Union. This quarter, ARTF reported to SIGAR that USAID contributed \$53.71 million to the ARTF in September 2022, representing the first and only U.S. contribution to the Fund since August 2021. The contribution is proposed to be used toward basic service delivery, livelihood, and private sector support projects.

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Source: ARTF, "Who We Are," 2021; ARTF Administrator's Report on Financial Status, as of January 20, 2022, (end of 1st month of FY1401); SIGAR, Quarterly Report to the United States Congress, 7/30/2022, p. 50; SIGAR, Quarterly Report to the United States Congress, 7/30/2021, p. 42.

## **Afghanistan Emergency Food Security Project**

This \$195 million program will help in the production of food crops for smallholder Afghan farmers and prevent the further deterioration of food security. The UN FAO-implemented project aims to:<sup>37</sup>

- focus on wheat production, supporting about 300,000 households in the November 2022 planting season and another 300,000 households in the March–November 2023 planting season;
- support the nutritional needs of children, people with disabilities or chronic illness, and support households headed by women by providing seeds, basic tools for backyard kitchen gardening, and technical training on improved nutrition and climate-smart production practices;
- train about 150,000 women in cultivation and nutrition;
- enhance linkages for both farmers and women involved in gardening with local markets to facilitate the sale of marketable surpluses of wheat, vegetables, and legumes; and
- increase access to irrigation water, improve soil and water conservation, and build climate resilience by rehabilitating and improving selected irrigation and watershed management systems over 137,000 hectares of land.

## **Afghanistan Community Resilience and Livelihoods Project**

This \$265 million program will help provide short-term livelihood opportunities and deliver urgent essential services in rural and urban areas, in coordination with UNDP’s ABADEI program. The UN Office for Project Services-implemented project aims to:<sup>38</sup>

- provide livelihood and income opportunities for one million households in 6,450 rural communities across Afghanistan and in the cities of Bamyan, Herat, Jalalabad, Kabul, Kandahar, Khost, Kunduz, and Mazar-e Sharif;
- improve basic utilities and services, such as clean water, sanitation, and road rehabilitation, for an additional 9.3 million Afghans in these same areas;
- deliver special assistance to women and vulnerable groups, including persons with disabilities and internally displaced people;
- utilize a bottom-up approach through the Community Development Councils that have provided services to communities for over 18 years; and
- engage local private sector contractors to help preserve the local civil works implementation capacity that has been gradually developed over the past two decades.

## **Afghanistan Health Emergency Response Project**

This \$333 million program will increase the utilization and quality of essential health services in Afghanistan. The UNICEF-implemented project aims to:<sup>39</sup>

- deliver basic health, nutrition, and COVID-19 services in partnership with national and international service providers, in more than 2,300 health facilities nationwide;
- help to fully immunize two million children;
- ensure care is available for 1.2 million women giving birth at health facilities;
- further enhance nutrition services at both community and health facilities;
- help strengthen the capacity of the health system to prevent and respond to infectious disease outbreaks, and to contribute to the Global Initiative Polio Eradication efforts in the country; and
- support women's and children's continued access to basic health services.

## **Emergency Education Response in Afghanistan Project**

This \$100 million program will increase girls' and boys' access to education and improve learning conditions throughout Afghanistan. The UNICEF-implemented project aims to:<sup>40</sup>

- support teachers and school-based staff in public primary and secondary schools based on integration of districts to (1) maintain continuous access to basic education for all children in public primary and secondary schools; (2) provide renewed access to girls in secondary schools; (3) decrease overall teacher absenteeism; and (4) lead to the reopening of closed schools;
- support community-based education to maintain access to basic education for all children, with a special focus on girls and out-of-school children;
- implement gender-focused rehabilitation of school infrastructure to provide safe and inclusive learning spaces for all children in approximately 193 project-supported schools; and
- strengthen monitoring and accountability to ensure continued access to general education services for target children.

## **NGO/CSO Capacity Support Project**

This \$20 million UNDP-implemented program recognizes the important cross-cutting role that non-governmental and civil society organizations (NGOs and CSOs) undertake to deliver basic services across Afghanistan, and works to enhance the capacities of select registered organizations to improve their performance and effectiveness.<sup>41</sup>





**Afghan laborers** provided with temporary jobs work for food. (Taliban regime photo)

## AFGHANISTAN'S ECONOMIC OUTLOOK

### Economic Forecast Remains Bleak

Despite extensive international humanitarian support since the Afghan government collapsed in August 2021, economic conditions in Afghanistan remain dismal this quarter. According to the UN, the Afghan economy stabilized after the initial months of free fall that followed the Taliban takeover, but it has since been functioning at a much lower equilibrium. The economy contracted by an estimated 20% since August 2021, while potentially having lost as many as 700,000 jobs. Some 25 million Afghans are now impoverished, with the overall population poorer and more vulnerable to privation, hunger, and disease. A U.S. Institute for Peace analyst warned, there is “no prospect for the economy to resume high growth let alone recover to pre-2021 levels in the foreseeable future.”<sup>42</sup>

The World Bank reported that labor demand remained relatively stagnant this quarter with some regional variations, and that employment opportunities remain mostly seasonal and agriculture-related. Work availability for skilled workers (such as carpenters, electricians, masons, painters, plumbers, and tile workers) increased marginally in July. For unskilled workers, it declined slightly from its peak in May 2022 due the end of the harvest season in most of the country. While labor demand declined in some provinces—including Badakhshan, Balkh, Farah, Herat, and Khost—it increased in some central-northern provinces. Nominal wages are slowly recovering, but remain lower than pre-August 2021 levels. Real wages, however, are declining due to high inflation, thereby decreasing the affordability of basic household consumer goods.<sup>43</sup>



Rising global food and energy prices, and the impact of the ongoing drought on agricultural production, continue to drive inflation. According to the World Bank, year-on-year (Y-O-Y) price increases include: a 55% cost increase for diesel; a 33% increase for high-quality rice; a 31% increase for sugar; a 42% increase for wheat; a 16% increase for pulses; and a 28% increase in the cost of bread. Overall inflation for basic household goods, including food and fuel items, rose by 31.5% Y-O-Y in August, a drop from 43% Y-O-Y in July 2022. Recent price statistics published by Afghanistan's National Statistics and Information Authority (NSIA) for July 2022 show headline consumer price index inflation at 18.3%, mainly driven by 25% Y-O-Y inflation in the food segment. Non-food segment Y-O-Y inflation for June 2022 was recorded at 11.6%. While prices are constraining household consumption rates, survey data show a general availability of basic food and non-food items in the markets.<sup>44</sup>

The value of Afghanistan's currency, the afghani (AFN), remained relatively stable this quarter. Data issued by Afghanistan's central bank, Da Afghanistan Bank (DAB), show that, between the end of June and mid-September, the AFN depreciated 0.6% against the U.S. dollar (USD) and 1.9% against the Chinese yuan, but appreciated by 6.1% against the euro, 11.6% against the Pakistani rupee, and 0.2% against the Indian rupee.<sup>45</sup>

However, in the absence of central bank **liquidity** management, informal money service providers continue to report some foreign exchange shortages in the open market, according to the World Bank. The last USD auction by DAB was held on March 23, 2022. Still, they report that the availability of USD and Pakistani rupees improved slightly in August 2022. The Taliban continue to exert more robust controls in the foreign exchange market, including regulating money service providers and prohibiting foreign currency-denominated domestic transactions.<sup>46</sup>

According to media reports, a lack of new banknotes entering circulation is also contributing to the physical quality of individual bills worsening beyond use, with afghani banknotes literally falling apart and being rejected in transactions. In previous years, DAB would withdraw 3–4 billion afghanis' worth (about \$33–45 million) of decrepit banknotes and substitute them with new ones printed abroad. Afghanistan lacks the domestic capacity to print currency and has struggled to restore international arrangements for such services since the Taliban seized power.<sup>47</sup>

Households and firms throughout Afghanistan continue to face significant liquidity constraints. Individuals and businesses reported limited access to both USD and AFN, with most cash withdrawals below statutory limits.<sup>48</sup>

The Taliban also enforced a nationwide ban on cryptocurrencies this quarter, arresting 13 crypto token dealers and shutting down at least 20 crypto-related businesses in Herat alone. Alongside **hawalas**, crypto exchanges had become a popular means for some Afghans to move money in and out of the country.<sup>49</sup>

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**Liquidity:** 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 itself.

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Source: Investopedia, "Liquidity," 8/29/2021.

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

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



**Tomato harvest** collected in Baghlan Province. (Taliban regime photo)

**Liquidity crisis:** 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. The economies of entire countries 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—banks 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 Crisis," 12/6/2020.

## Liquidity crisis at core of humanitarian crisis

The severe **liquidity crisis** remains the crux of Afghanistan's humanitarian crisis. While the revocation of DAB's credentials to interact with the international banking system in the wake of the Taliban takeover halted basic banking transactions,<sup>50</sup> wide-ranging sanctions and lost confidence in Afghanistan's domestic banking sector limited the country's cash flow to the point of crisis. Afghan businesses that previously paid for imports through bank transfers have since been forced to rely on more expensive and less reliable hawala networks, driving up the cost of importing goods. With rising prices, falling incomes, and diminished access to cash, most Afghan families are struggling to purchase food and household goods, despite their availability on the open market.<sup>51</sup> Most of the sanctions' restrictions constraining international aid were lifted earlier this year when the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) issued several licenses, yet international transactions have not fully been restored, in part due to continued risk aversion by banks.<sup>52</sup>

In his August briefing to the UN Security Council, Under-Secretary-General for Humanitarian Affairs Martin Griffiths, said that "international financial transactions are extremely hard due to de-risking and overcompliance of global banks [toward international sanctions] ... the liquidity and banking crisis continues to impact the delivery of assistance and on the daily lives of Afghans."<sup>53</sup>

The International Committee of the Red Cross likewise reported in August that the banking and liquidity crises are having a "direct and huge" impact on the health system, with thousands of health facilities continuing

to struggle with limited funding and resources.<sup>54</sup> The breakdown in international bank transfers has made it difficult for NGOs to send funds to victims of recent natural disasters and constrained the ability of pharmacies to pay for medicine imports. One Kabul pharmacy reported rationing the sale of some drugs due to supply shortages, and that some drugs for treating cancer and diabetes can no longer be found in Afghanistan.<sup>55</sup>

Since February, the UN has been attempting to establish a **humanitarian exchange facility** that could temporarily and partially alleviate liquidity constraints. Such proposals have so far failed, reportedly due to Taliban intransigence.<sup>56</sup>

Throughout this time, UN agencies have been indirectly injecting much-needed liquidity into the economy through emergency cash assistance for a range of specific needs—from food, shelter, water and sanitation, and health, to cash for work and livelihoods support. Similarly, UN cash shipments totaling \$1 billion have also helped meet their partners’ humanitarian fund transfer needs amid ongoing challenges with the formal banking and financial sectors. UNOCHA describes this effort as an invaluable lifeline for humanitarian actors, ensuring that time-critical programs can continue uninterrupted, while also yielding some positive macro-economic effects such as currency stabilization.<sup>57</sup>

However, to truly address the liquidity crisis, economists and aid groups argue that Afghanistan needs a functioning central bank. The Norwegian Refugee Council has called for the United States and international community to take steps to secure mechanisms for providing technical assistance to Da Afghanistan Bank (DAB). They argue that building DAB’s capacity and independence is a necessary step toward restoring the commercial banking sector and reconnecting Afghanistan to the global economy, maintaining macroeconomic stability, and restoring confidence in Afghanistan’s banking system.<sup>58</sup> Many economists and aid groups have also called for the United States to restore access to billions of dollars in frozen Afghan central bank reserves held overseas, arguing that the central bank cannot carry out its normal, essential functions without them.<sup>59</sup>

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**Humanitarian exchange facility:** Allows the UN and aid groups to swap millions in 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 would use aid dollars to pay off the foreign creditors of Afghan businesses as a means of bolstering private-sector activity. The exchange would be structured so that the funds entirely bypass Taliban authorities, although the facility would require the approval of the Taliban-run central bank before it could operate.

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Source: Reuters, “EXCLUSIVE U.N. aims to launch new Afghanistan cash route in February: U.N. note,” 2/11/2022.

## THE AFGHAN FUND: NEW MECHANISM ESTABLISHED TO DELIVER \$3.5 BILLION IN DA AFGHANISTAN BANK ASSETS FOR THE BENEFIT OF THE AFGHAN PEOPLE

“When it comes to the fungibility of money, this fund is for Afghanistan’s macroeconomic stability. Afghanistan’s macroeconomic stability is in the interests of the people of Afghanistan. It’s in the interests of the broader region. It’s in the interests of the international community. What is important is that the Taliban does not have access to these funds. The Taliban will not be able to pull the levers of these funds, to direct these funds to specific entities.”

*Ned Price, State Department  
Press Secretary*

Source: State, “Department Press Briefing – September 14, 2022,” 9/14/2022.

On September 14, the U.S. Departments of Treasury and State jointly announced the establishment of the Fund for the Afghan People—also known as “The Afghan Fund”—to provide \$3.5 billion in frozen Afghan central bank assets for the benefit of the Afghan people. The Afghan Fund aims to protect, preserve, and make targeted disbursements of this \$3.5 billion to help provide greater stability to the Afghan economy and ultimately work to alleviate the worst effects of the humanitarian crisis.<sup>60</sup> According to State, the Fund is “explicitly not intended to make humanitarian disbursements.”<sup>61</sup>

The \$3.5 billion is part of \$7 billion in assets that Da Afghanistan Bank (DAB), the Afghan central bank, had deposited in the United States prior to the Taliban takeover of Afghanistan in August 2021. On February 11, 2022, President Joseph R. Biden acted to block 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 Federal Reserve Bank of New York. The effect of Executive Order (E.O.) 14064 was to preserve the DAB assets until several complex legal issues could 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. However, the ultimate disposition of these assets remains subject to court decision.<sup>62</sup>

Another approximately \$2 billion in Afghan central bank assets held in Europe and the United Arab Emirates may also end up in the Fund.<sup>63</sup>

“The Taliban’s repression and economic mismanagement have exacerbated longstanding economic challenges for Afghanistan, including through actions that have diminished the capacity of key Afghan economic institutions and made the return of these funds to Afghanistan untenable,” said Wally Adeyemo, Deputy Secretary of the Treasury. He added, “through this Fund, the United States will work closely with our international partners to facilitate use of these assets to improve the lives of ordinary people in Afghanistan.”<sup>64</sup>

The Afghan Fund will maintain its account with the Bank for International Settlements (BIS) in Switzerland and be governed by a Board of Trustees. According to the press announcement and registration

documents with the government of the Canton of Geneva, Switzerland, the Board currently consists of the U.S. ambassador to Switzerland, a Swiss government representative, and two Afghan economic experts with relevant macroeconomic and monetary policy experience.<sup>65</sup>

The Taliban are not involved in the Afghan Fund or the management of its assets and are protesting the decision, claiming the transfer of DAB assets is illegal and a violation of international norms. Taliban spokesperson Abdul Qahar Balkhi tweeted on September 15 that the Taliban would impose penalties on entities facilitating the disbursement of such funds in Afghanistan: “If the reserves are disbursed without taking into consideration legitimate demands of the Afghans, [the Taliban] will be forced to impose fines against, and ban activities of, all individuals, institutions and companies that facilitate this illegal venture & seek to misuse DAB reserves for humanitarian & other purposes.”<sup>66</sup>

The Taliban want the frozen central bank reserves to be returned to recapitalize DAB. During bilateral talks with the United States, the Taliban claimed to have proven “the independence and professionalism of the Central Bank, and openness to third party monitoring of [anti-money laundering and countering-the-financing-of-terrorism] AML/CFT regime... both in words and deeds.” However, according to the State Department, “the Taliban has not provided any solace or reassurance that funds would not be diverted for nefarious or otherwise malign purposes.”<sup>67</sup>

## **Fund for the Afghan People Board of Trustees**

The Fund for the Afghan People's initial Board of Trustees consists of four individuals appointed for a term of two years:

Dr. Anwar-ul-Haq Ahady, a U.S.-based Afghan economic expert, served as the Islamic Republic of Afghanistan's Minister of Finance 2005–2009 and as head of Da Afghanistan Bank (DAB), Afghanistan's central bank, 2002–2004. Dr. Ahady has also served as Afghanistan's Minister of Commerce and Industry and Minister of Agriculture, Irrigation, and Livestock.

Dr. Shah Mohammad Mehrabi, a U.S.-based Afghan economic expert, is a board member on the Supreme Council of DAB and a professor of economics at Montgomery College, Maryland. Dr. Mehrabi has been serving on DAB's governing board since 2003 and has previously served as an economic advisor to multiple Afghan ministers of finance.

Ambassador Scott Charles Miller, the U.S. representative to the Afghan Fund, was sworn in as the U.S. Ambassador to the Swiss Confederation and to the Principality of Liechtenstein, on December 21, 2021. Ambassador Miller is a former account vice president for the Swiss-based firm UBS Wealth Management, a philanthropist, and an LGBTQ rights activist.

Ambassador Alexandra Elena Baumann, the Swiss representative to the Afghan Fund, is a foreign ministry official who has served as the head of the Prosperity and Sustainability Division at the State Secretariat since September 2022. For the previous 3.5 years, she was a diplomatic advisor in the Swiss Federal Department of Finance.

Source: Site officiel de la République et canton de Genève, “Fund for the Afghan People – Fondation”, 9/5/2022; Fund for the Afghan People, Statutes of September 2, 2022, Art. 12, English translation, 9/2/2022; SWI (Swiss Broadcasting Corporation), “U.S. to move \$3.5 billion in Afghan central bank assets to Swiss based trust,” 9/14/2022; U.S. Embassy in Switzerland and Liechtenstein website, “Ambassador Scott C. Miller,” accessed 10/13/2022; Polar Journal, “New ambassador represents Swiss Arctic policy,” 9/1/2022; Montgomery College Maryland website, “Faculty and Staff – Business and Economics Department – Rockville Campus,” accessed 10/13/2022; Afghan Ministry of Agriculture, Irrigation and Livestock website, “Minister's Biography - Brief Biography of Dr. Anwar-ul Haq Ahady,” accessed 10/13/2022; SIGAR, interview with Dr. Shah Mehrabi, 10/4/2022.





**Cash delivered to a commercial bank** in Kabul for humanitarian assistance in October. (Da Afghanistan Bank photo)

There are concerns about potential Taliban misuse of the funds given that the Taliban rejected the constitution of the former Afghan government under which the banking law—and DAB’s statutory independence—was established. The Taliban have also appointed loyalists to senior roles at DAB, including a deputy governor sanctioned by the United Nations for his role as a Taliban militant leader.<sup>68</sup>

According to the joint Treasury-State press announcement, safeguards are in place to prevent the Afghan Fund from being used for illicit activity by the Taliban or other malign actors.<sup>69</sup>

In the short term, the Afghan Fund’s Board of Trustees will be able to authorize targeted disbursements to promote monetary and macroeconomic stability and benefit the Afghan people. This could include paying for critical imports like electricity, paying Afghanistan’s arrears at international financial institutions to preserve their eligibility for financial support, and paying for essential central banking services like SWIFT.<sup>70</sup>

Long term, the goal is for those funds not used for these limited purposes to be preserved for eventual return to DAB. Treasury and State have said that the United States will not support the return of these funds until DAB (1) demonstrates its independence from political influence and interference; (2) demonstrates it has instituted adequate AML/CFT controls; and (3) completes a third-party needs assessment and onboards a reputable third-party monitor.<sup>71</sup>

Prior to the announcement of the Afghan Fund, Paul Fishstein of NYU’s Center on International Cooperation, argued that an external trust fund that establishes a parallel central bank functionality may be the only option for providing needed economic management until the Taliban show themselves to be both willing and capable of ensuring that DAB uses the reserves as

intended. He added that “there is general moral agreement that the frozen reserves belong to the Afghan people and therefore should be used for their benefit. There is no agreement, however, that the Taliban represent the Afghan people and can be trusted to act in the greater national interest.”<sup>72</sup>

According to Fishstein, rebuilding the capacity and independence of DAB, along with international oversight and third-party monitoring, are essential for both the functioning of the bank and creating international confidence in the long term. This would, he said, require DAB to rehire technical staff and replace Taliban loyalists currently in senior positions with qualified, non-political officials.<sup>73</sup>

Shah Mehrabi, an Afghan economist on the Fund’s Board of Trustees, described the new mechanism as a very important first step to aiding Afghanistan’s economic recovery. He said, “Afghans will always continue to say the \$7 billion needs to be given back to the Bank of Afghanistan, and that should happen when [it] is able to address some of the concerns.”<sup>74</sup>

Mehrabi emphasized that these assets will be critical to combating inflation and called for \$150 million in assets to be delivered to the Afghan currency markets monthly. “The use of this fund should be done for the sole purpose of price stability to defend the value of afghani... This process can be independently monitored and audited with an option to terminate in the event of misuse. Through this process, purchasing afghani will increase,” he said.<sup>75</sup>

Similarly, William Byrd of the U.S. Institute of Peace wrote earlier this year that even if only half of DAB’s total reserves were 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.”<sup>76</sup>

On August 26 a federal magistrate judge issued a 43-page report recommending rejecting efforts by plaintiffs seeking turnover of the Afghan central bank funds remaining at the Federal Reserve Bank of New York. The legal analysis states that (1) the court lacks jurisdiction over the Afghan central bank; (2) such a ruling would effectively recognize the Taliban as the legitimate government of Afghanistan, something the courts lack the authority to do on their own; and (3) the bank does not count as an “agency or instrumentality” of the Taliban since it had been taken over by force.<sup>77</sup>

The federal district court judge supervising the case has not yet issued a final ruling.<sup>78</sup>



**A truckload of straw**, commonly used for heating, animal feed, and thatching roofs, in Taloqan City, Takhar Province. (UNAMA photo by Shamsuddin Hamed)

## Taliban Budget and Revenue

The Taliban's national budget for Afghan fiscal year 1401 (2022–2023) totaled 231.4 billion AFN (\$2.65 billion), including 203.4 billion AFN (\$2.33 billion) designated for operations and 27.9 billion AFN (\$302 million) for development. By contrast, the Afghan government's national budget for Afghan fiscal year 1399 (2020–2021), funded significantly by foreign donors, was 473.1 billion AFN (around \$6.1 billion at the exchange rate then) and included 288.1 billion AFN (\$3.7 billion) for operations and 185 billion AFN (\$2.4 billion) for development. The UN Development Programme (UNDP) reports that the Taliban budget in its present size has limited capacity to direct and stimulate growth in the country.<sup>79</sup>

According to the World Bank, the Taliban collected an estimated 104 billion AFN (around \$1.2 billion) in total revenue between December 22, 2021, and end-August 2022, marginally surpassing the Afghan government's collections over the same period in 2020 and 2021.<sup>80</sup> Taxes at the borders comprised 57% of the total revenue collected up to August 2022, with revenue from inland sources accounting for the remaining 43%. Non-tax sources accounted for 54% of total inland revenues, mainly from ministries collecting administration fees and royalties. By comparison, these sources made up only 30% of government inland revenues in 2021. The World Bank said the increase in ministries' revenue is likely driven by a rise in coal mining royalties and fees.<sup>81</sup>

Between June and July 2022, the Taliban tripled prices on coal exports to raise revenue from its mining sector amid booming coal exports to neighboring Pakistan. On June 28, coal prices increased from \$90 per ton

to \$200 per ton; and, on July 16, they were increased further to \$280 per ton. Customs duties also grew by 10%, totaling 30% on each ton, although Afghan coal is still comparatively cheap at about 40% of the international market value.<sup>82</sup>

## International Trade

Afghanistan registered a merchandise trade surplus of \$79 million with neighboring Pakistan, one of Afghanistan’s largest trading partners, from July 2021 to June 2022, according to the most recent trade data collected by the World Bank. During this time frame, total exports to Pakistan from Afghanistan were worth \$796.4 million, compared to \$717 million in Pakistani exports to Afghanistan. Afghan exports are driven by mineral fuel, oils, and products, including the recent surge in coal exports. Other Afghan export items are textile and food items such as fruits and vegetables. Afghanistan’s main imports from Pakistan are food products, followed by pharmaceutical products and wood.<sup>83</sup>

Afghanistan is exporting about 10,000 tons of coal a day to Pakistan, according to a spokesperson for the Taliban’s Ministry of Mines and Petroleum. Coal is transported by hundreds of trucks daily across three dedicated border crossings into Pakistan, and both sides are reportedly planning to add more space for additional trucks and open customs facilities for additional operational hours per day, instead of the current 12 hours.<sup>84</sup>

On September 27, the Taliban announced they had signed a provisional deal with Russia to import one million tons of gasoline, one million tons of diesel, 500,000 tons of **liquefied petroleum gas**, and two million tons wheat to Afghanistan annually. A Taliban official states that the arrangement will run for an unspecified trial period, after which both sides are expected to sign a longer-term deal if they are content with the arrangement. This is the Taliban’s first known major international economic deal since they seized power. A Taliban official said they seek to diversify the country’s trading partners and that Russia had offered them a discount to average global commodity prices.<sup>85</sup>

Earlier this quarter, a Taliban delegation traveled to Russia to discuss a barter arrangement trading Russian crude oil products for Afghan produce. Nuriddin Azizi, the Taliban’s minister of industry and trade, told Russian state media in August that “since Russia is a friendly country to us, we have come to reach an agreement on the import of Russian oil and oil products.”<sup>86</sup>

Despite its significant coal export industry, Afghanistan depends mainly on electricity imported from four of its neighboring countries (Iran, Uzbekistan, Turkmenistan, and Tajikistan) which accounts for 70% of its energy supply.<sup>87</sup>

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**Liquefied petroleum gas:** A group of hydrocarbon gases, primarily propane, normal butane, and isobutane, derived from crude oil refining or natural gas processing. They can be liquefied through pressurization (without requiring cryogenic refrigeration) for convenient transport or storage.

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Source: U.S. Energy Information Administration, “Glossary – Liquefied Petroleum Gas,” accessed 10/4/2022.



**Kabul International Airport.** (Taliban regime photo)

## Civil Aviation

### **Taliban Sign Deal with UAE Aviation Company to Manage Airspace Control at Afghan Airports**

On September 8, the Taliban announced they would sign a 10-year contract with Abu Dhabi-based GAAC Holding to manage airspace control at Afghanistan's international airports. This is the third and final major contract for running Afghanistan's airports, the Taliban having previously awarded GAAC ground-handling and security services contracts in May.<sup>88</sup>

Ibrahim Moarafi, GAAC's General Manager and Regional Director, told reporters in Kabul that this move would encourage major international airlines to return to Afghanistan, claiming that it "is a significant development as it will bring economic benefits in terms of job creation."<sup>89</sup>

Further information on the status of civil aviation in Afghanistan appears in the Classified Supplement to this report.

## **Economic Growth Portfolio**

USAID refused to provide SIGAR with financial or programmatic data this quarter for its ongoing economic growth programs in Afghanistan. As of the latest data USAID provided in July 2022, USAID continued to implement five economic growth programs worth a total of \$156,681,787, as seen in Table E.3 on the following page.<sup>90</sup>

USAID also did not provide SIGAR with information regarding its recently announced \$30 million contribution towards gender equality and women's empowerment in Afghanistan, which includes economic opportunity support for Afghan women. In its press release regarding the new agreement with UN Women, USAID said part of this funding would "help respond to the urgent and immediate livelihoods needs of Afghan women



# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE E.3

USAID REMAINING ECONOMIC-GROWTH PROGRAMS, AS OF THE MOST RECENT DATA PROVIDED ON JULY 9, 2022				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Afghanistan Competitiveness of Export-Oriented Businesses Activity (ACEBA)	1/28/2020	1/27/2025	\$105,722,822	\$22,917,660
Extractive Technical Assistance by USGS	1/1/2018	12/31/2022	18,226,206	12,695,315
Livelihood Advancement for Marginalized Population (LAMP)	8/1/2018	7/31/2022	9,491,153	7,832,294
Afghanistan Investment Climate Reform Program (AICR)	3/27/2015	3/31/2023	13,300,000	7,825,276
Carpet and Jewelry Value Chains	1/31/2019	4/30/2023	9,941,606	6,818,678
<b>Total</b>			<b>\$156,681,787</b>	<b>\$58,089,222</b>

Source: USAID, response to SIGAR data call, 7/9/2022.

and help them build income security through private sector partnerships that will create job opportunities and help Afghan women launch or rebuild their micro, small or medium businesses.”<sup>91</sup>

## Agriculture

USAID refused to provide SIGAR with financial or programmatic data for its ongoing agriculture programs in Afghanistan. As of the latest data USAID provided in July 2022, USAID continued to implement five agriculture programs worth a total of \$172,698,834, as seen in Table E.4.<sup>92</sup>

USAID also did not provide SIGAR with information regarding its recently announced \$80 million contribution towards agriculture production in Afghanistan. In its press release regarding this new agreement with the UN Food and Agriculture Organization (FAO), USAID said this funding builds upon “more than \$775 million in humanitarian assistance that the United States has provided to support the people of Afghanistan since [August 2021]. Despite the Taliban takeover, USAID’s agricultural programs have continued to benefit thousands of Afghan farmers, including women, in 227 communities in Sar-e Pul, Jowzjan, Khost, and Nangarhar Provinces.”<sup>93</sup>

TABLE E.4

USAID REMAINING AGRICULTURE PROGRAMS, AS OF THE MOST RECENT DATA PROVIDED ON JULY 9, 2022				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Afghanistan Value Chains - Livestock	6/9/2018	6/8/2023	\$55,672,170	\$33,230,520
Afghanistan Value Chains - High Value Crops	8/2/2018	8/1/2023	54,958,860	31,499,846
Grain Research and Innovation (GRAIN)	11/8/2012	9/30/2022	19,500,000	14,471,563
Agricultural Marketing Program (AMP)	1/28/2020	1/27/2023	30,000,000	13,802,806
USDA PAPA	9/30/2016	9/29/2022	12,567,804	1,152,417
<b>Total</b>			<b>\$172,698,834</b>	<b>\$94,157,153</b>

Source: USAID, response to SIGAR data call, 7/9/2022.

## EDUCATION

USAID refused to provide SIGAR with financial or programmatic data for its ongoing education programs in Afghanistan this quarter. As of the latest data USAID provided in July 2022, USAID continued to implement three education programs worth a total of \$97,776,091, as seen in Table E.5.<sup>94</sup>

USAID also did not provide SIGAR with information regarding its recently announced \$40 million contribution towards girls’ education in Afghanistan. In its press release regarding this new agreement with UNICEF, USAID described its robust support to the education sector, including relevant training for female teachers, delivering textbooks, and providing direct support to families with school-aged and adolescent girls. USAID said this award aims to create the conditions needed to retain a skilled female teacher workforce and keep girls learning across the primary and secondary levels.<sup>95</sup>

TABLE E.5

USAID REMAINING EDUCATION PROGRAMS, AS OF THE MOST RECENT DATA PROVIDED ON JULY 9, 2022				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
Strengthening Education in Afghanistan (SEA II)	5/19/2014	12/31/2023	\$49,828,942	\$45,825,719
Let Girls Learn Initiative and Girls’ Education Challenge Programme (GEC)	6/29/2016	9/30/2022	29,000,000	25,000,000
Technical Capacity Building for AUAF	2/1/2021	5/31/2022	18,947,149	11,601,581
<b>Total</b>			<b>\$97,776,091</b>	<b>\$82,427,300</b>

Source: USAID, response to SIGAR data call, 7/9/2022.

### The Taliban’s Continuing—and Costly—Ban on Girls’ Secondary Education

The Taliban have not permitted girls to attend school between the sixth and twelfth grades since they took power in August 2021. On September 18, 2022, the first anniversary of the reopening of boys’ high schools, the United Nations again called on the Taliban to allow girls to return to high schools, noting that the denial of education violates the most fundamental rights of women and girls, and increases the risk of marginalization, violence, exploitation, and abuse.<sup>96</sup>

“This is a tragic, shameful, and entirely avoidable anniversary,” said Markus Potzel, UN Deputy Special Representative for Afghanistan. “The ongoing exclusion of girls from high school has no credible justification and has no parallel anywhere in the world. It is profoundly damaging to a generation of girls and to the future of Afghanistan itself.”<sup>97</sup>

On September 20, Taliban supreme leader Haibatullah Akhundzada appointed Habibullah Agha, a member of his inner circle, as the new



**Primary school-aged girls** in grades 1–3 attend classes in Herat. (UNICEF photo by Sayed Bidel)

minister of education. Agha was previously the head of Kandahar Provincial Council, as well as a judge during the Taliban’s 1996–2001 regime. While Agha has not made any announcements on the future of girls’ education, his appointment has raised concerns. “The appointment of Habibullah Agha... indicates the Taliban are elevating loyalists who reject the reopening of girls’ schools,” said Nishank Motwani, an Afghan specialist and fellow at Harvard University’s Kennedy School.<sup>98</sup>

On September 27, a senior Taliban official made a rare statement on behalf of restoring girls’ access to education. Taliban deputy minister of foreign affairs Sher Mohammad Abbas Stanikzai said at a Taliban gathering in Kabul that “it is very important that education must be provided to all, without any discrimination... Women must get an education, there is no Islamic prohibition for girls’ education.” Stanikzai added, “Let’s not provide opportunities for others to create a gap between the government and people... if there are technical issues, that needs to be resolved, and schools for girls must be opened.”<sup>99</sup>

While the Taliban claim they are working on a plan to reopen girls’ secondary schools for girls, they have given no timeframe. Previously, the Taliban education ministry had announced that girls could return to secondary and upper secondary schools on March 23, the start of the current school year. However, that promise was broken on the morning of March 23, when the ministry renewed the ban. The sudden policy reversal reportedly even took some Taliban members by surprise.<sup>100</sup>

Despite the official Taliban ban, UNICEF reported this quarter that “secondary schools remained open for girls in 11 provinces, with secondary schools fully open in five provinces and partially open in six provinces.”<sup>101</sup> A small number of schools reviewed during a SIGAR-

sponsored survey this summer also reported girls being allowed to attend higher secondary education.<sup>102</sup>

Still, UNICEF estimates that over three million girls who previously attended secondary school have been denied their right to education in the year since the Taliban took power. Close to half, they said, are unlikely to return should schools reopen. In 2019, girls made up 38% of the estimated 9.2 million Afghan students. Even before the political transition, 4.2 million children were out of school, 60% of them girls.<sup>103</sup>

Restrictions on girls' education have economic costs, too, and are likely to deepen Afghanistan's economic crisis and lead to greater insecurity, poverty, and isolation, according to the UN.<sup>104</sup> An educated labor force contributes more to the national economy with higher levels of productivity, while earning higher wages. Though potential costs from lost education are high for both boys and girls in terms of lost earnings, a failure to educate girls has further costs in part because of the relationships between educational attainment, child marriage, and early childbearing.<sup>105</sup>

Without female education and economic participation, Afghanistan's real gross domestic product (GDP) will remain only a fraction of its true potential. UNICEF estimates that the Taliban ban on girls' secondary education may end up costing the Afghan economy up to \$5.4 billion in lifetime earnings potential. In an August 2022 report, UNICEF noted:

This loss can be minimized to only \$500 million [2.5% of Afghanistan's 2020 GDP] should the authorities decide not to prolong the return of secondary education and economic participation of girls and women. This should however be accompanied by concerted efforts to return all girls to school. The costs of this interruption alone could be as high as \$3.7 billion if 65% of the girls previously enrolled fail to return and complete secondary school.<sup>106</sup>

These estimates do not account for the losses from policy knock-on effects from reduced enthusiasm for primary education, nor the loss of access to university education, nor the negative impacts from a lack of education toward health and family planning.<sup>107</sup>

According to a survey study released by Save the Children this quarter, students in primary and secondary schools also noted a declining quality of teaching, "citing a lack of motivation from teachers, a lack of qualifications for certain subjects, and the fact that to fill gaps, older students are teaching younger children."<sup>108</sup>

While access and quality were major issues related to children's education before August 2021, Save the Children reported that in the past schools were open, school materials were available, and both boys and girls were happy they could attend classes. Some children told the NGO that while COVID-19 had prevented them from going to school the previous year, they had kept studying and, in some cases, continued to follow classes online.<sup>109</sup>



**A 16-year old girl** unable to start 11th grade in Kabul, Afghanistan. (UNICEF photo by Mohammad Haya Burhan)

Many teachers also continue to report missing or delayed salary payments, as corroborated by a SIGAR-sponsored survey of 122 schools across 10 Afghan provinces.<sup>110</sup>

## **Taliban Tighten Restrictions on Women’s Access to Higher Education**

At the higher education level, public and private universities remain open. Female students and faculty continue to face restrictions, including separate participation days and strict uniform guidelines. Women attending university also experience significant harassment, according to USAID.<sup>111</sup> Women are also reportedly dropping out of university at a far higher rate than men.<sup>112</sup>

A lack of female teachers and facilities also complicates women’s access to higher education, since the Taliban mandate that female students be taught only by female teachers.<sup>113</sup>

According to media reports in October, the Taliban have also blocked women from taking college entrance exams for a wide range of subjects, including engineering, economics, veterinary medicine, agriculture, geology, and journalism. According to one student interviewed, the Taliban deemed those topics “too difficult for women to handle.”<sup>114</sup>

In a statement to BBC News, a Taliban official tried to downplay these restrictions, claiming that they “need to provide separate classes for women. In some areas the number of female candidates are low. So we are not allowing women to apply for certain courses.”<sup>115</sup>

Additionally, even though female students are allowed to attend some higher education institutions, their inability to attend secondary schools will effectively bar them from advancing to the university level.<sup>116</sup>



The number of female students applying to university has already fallen compared to previous years. For example, in Laghman Province only 182 girls took college entrance exams this year, compared to 1,200 last year.<sup>117</sup>

## PUBLIC HEALTH

USAID refused to provide SIGAR with financial or programmatic data for its ongoing public health initiatives in Afghanistan this quarter. As of the latest data USAID provided in July 2022, USAID continued to implement 11 public health programs worth a total of \$307,600,139, as seen in Table E.6.<sup>118</sup>

TABLE E.6

USAID REMAINING HEALTH PROGRAMS, AS OF THE MOST RECENT DATA PROVIDED ON JULY 9, 2022				
Project Title	Start Date	End Date	Total Estimated Cost	Cumulative Disbursements, as of 7/6/2022
DEWS Plus	7/1/2014	6/30/2022	\$54,288,615	\$41,588,740
Assistance for Families and Indigent Afghans to Thrive (AFIAT)	7/10/2020	7/9/2025	117,000,000	20,413,201
Urban Health Initiative (UHI) Program	10/14/2020	10/13/2025	104,000,000	20,251,698
SHOPS Plus	10/1/2015	9/30/2022	13,886,000	13,162,480
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	1,274,223
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
<b>Total</b>			<b>\$307,600,139</b>	<b>\$106,408,398</b>

Source: USAID, response to SIGAR data call, 7/9/2022.

## Access to Health Care Services Remains Strained

Access to health care remains a major concern for communities across Afghanistan, according to the World Health Organization (WHO) and public health NGOs. Thousands of health facilities continue to struggle with limited funding and resources, while health care needs grow in the midst of a “cocktail of disasters and crises,” including persistent hunger and economic crises, a series of natural disasters, and multiple outbreaks of COVID-19, measles, and acute watery diarrhea. Public facilities face shortages in staff, training, medicine, and equipment, and the few private clinics that are able to run are unaffordable for many, causing poorer patients to delay seeking health care.<sup>119</sup>



**Student midwives** in UNHCR’s two-year training program in Daykundi Province. (UNHCR Afghanistan photo)

International donor funding has been pivotal in preventing a collapse of the health sector by ensuring essential staff continue to be paid. UNOCHA reported that the Afghanistan Humanitarian Fund and Central Emergency Reserve Fund helped ensure that some 7.7 million people received sustained health services in 2022, including three million women and girls who received primary, reproductive, and maternal health support, contributing to reduced excess maternal, neonatal, and child deaths.<sup>120</sup>

Many health facilities reported their staff received salaries on time during the last 10 months according to data collected in a SIGAR-sponsored survey of 120 health facilities across 10 Afghan provinces.<sup>121</sup>

While humanitarian actors have kept Afghanistan’s fragile health care system afloat, UN and NGO reports note that this cannot be not a long-term solution. “Humanitarian organizations and funding mechanisms will never be a substitute for a well-functioning public health system. Afghans urgently need a health care system that meets their needs,” wrote Médecins Sans Frontières.<sup>122</sup>

WHO estimated 18.1 million Afghans needed health services in August 2022, including 3.2 million children under five years old and 348,621 pregnant women. Afghanistan continues to have some of the highest maternal and infant mortality rates in the world, with a projected maternal mortality rate of 638 deaths per 100,000 births and an infant mortality rate estimated to be 46.5 per 1,000 live births, this quarter. WHO reported that pregnant women are in dire need of pre- and post-natal care, as well as access to



**Women health workers** train on basic emergency care. (UNHCR Afghanistan photo)

skilled birth attendants. An estimated 20% of deliveries and 20% of newborns will require life-saving emergency interventions.<sup>123</sup>

Since August 2021, women in Afghanistan have been disproportionately impacted by barriers to basic health care services, facing restricted decision-making and mobility, as well as gender norms that prohibit them from interacting with anyone outside of their family. Many women suffer in silence from various diseases while being prevented from seeking necessary medical support, according to the UN.<sup>124</sup>

Children in Afghanistan also face significant health risks from the combined effects of severe hunger and a lack of safe drinking water. According to Médecins Sans Frontières, “children are more vulnerable to severe illness from malnutrition if they are also fighting other diseases such as measles, malaria, pneumonia, and gastrointestinal infections. They are also more susceptible to these diseases if they are malnourished, as their immune systems are weakened. It’s a vicious cycle. Acute watery diarrhea, which peaks in summer, is particularly dangerous for malnourished children and is one of the leading causes of death in children in Afghanistan.”<sup>125</sup>

The departure of development agencies from Afghanistan after the Taliban takeover in August 2021 led to the suspension or termination of many major infrastructure projects, including those meant to bolster the country’s overstretched water supply infrastructure. According to the International Committee of the Red Cross, the lack of safe drinking water for millions of people increases their risk of contracting waterborne diseases such as acute watery diarrhea, thus further straining the health sector.<sup>126</sup> In August, UNICEF reported a 25% increase in admitted severe

acute malnutrition cases, particularly in Helmand and Kandahar due to the ongoing effects of drought and acute watery diarrhea.<sup>127</sup>

Last quarter, USAID reported supporting one project to address Afghanistan's water supply challenges: UNICEF's \$35 million Rural Water Supply, Sanitation and Hygiene (Ru-WASH) program, funded through a five-year grant agreement awarded on June 24, 2020.<sup>128</sup> Ru-WASH projects aim to address acute water and sanitation needs in underserved rural areas in Afghanistan, and promote efforts to improve basic drinking-water supply sources and expand access to sanitation facilities for children at schools. These activities were being conducted in Khost, Maydan Wardak, Paktika, Panjshir, Paktiya, Kabul, Laghman, Nangarhar, Nuristan, Sar-e Pul, Samangan, and Jowzjan Provinces.<sup>129</sup> USAID refused to provide SIGAR with an update on their ongoing infrastructure projects, including Ru-WASH, for this quarterly report.

## Vaccination Programs

The international community continues to support surveillance efforts and vaccination campaigns for COVID-19, measles, and polio in Afghanistan.

WHO and UNICEF supported a national COVID-19 vaccination campaign conducted from July 16 to August 14, 2022, reaching 4.4 million individuals in 34 provinces. Some 194,241 COVID-19 cases have been reported in Afghanistan since the start of the pandemic in February 2020, alongside a total of 7,782 deaths.<sup>130</sup> Public-health officials and experts have long cautioned that the number of confirmed cases vastly undercounts the true spread and impact of the disease because of Afghanistan's low testing capacity and the limited reach of its public-health system.<sup>131</sup>

UNICEF reported vaccinating over 170,000 children under-five against measles through routine immunization programs in August, with planned measles campaigns for 85 new high-risk districts in 25 provinces in September. Between January and the end of May 2022, there were 65,470 suspected cases of measles and 367 related deaths reported in Afghanistan.<sup>132</sup>

In July, the WHO conducted their largest review to date of Afghanistan's polio surveillance system. Reviewers visited 152 health facilities in 76 districts across 25 provinces, interviewing 899 people from a community surveillance network that makes up over 46,000 people, including pharmacists, community health workers, faith healers, nurses, imams, and bone fixers. The review determined that Afghanistan's polio surveillance system is functioning well and that the likelihood of undetected poliovirus transmission is low.<sup>133</sup>

Afghanistan remains one of the last countries where polio is endemic, though the number of cases has dropped in recent years. So far in 2022, only two children have been paralyzed by wild poliovirus, compared to four in 2021, and 56 in 2020.<sup>134</sup>



**A 3-year-old Afghan boy** receiving his polio vaccine on the first day of the September vaccination campaign in Mazar-e Sharif. (UNICEF Afghanistan photo)



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“Without a serious national political dialogue about the future of the country with Afghans who have genuine support within their communities, I really do fear – and I think this is a consensus – that what we see now is a pause in 44 years of conflict and that we could see a return to civil war in time.”

—*U.S. Special Representative  
for Afghanistan Thomas West*