

Written Statement

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Subcommittee on Near East, South Asia, Central Asia, and Counterterrorism**

**“Afghanistan: The Humanitarian Crisis and U.S. Response”**

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Chairman Murphy, Ranking Member Young, and distinguished members of the Subcommittee, thank you for your attention to this important subject and for inviting me to testify.

I am a Senior Consultant for the International Crisis Group, which covers more than 50 conflict situations around the world, including Afghanistan, with the aim of helping to prevent, resolve or mitigate deadly conflict. I have worked in the country since 2005.

In previous years, I listened to U.S. congressional hearings from Kandahar or Kabul, sometimes with gunfire or explosions in the background. The Internet connection was not always good, but I heard enough to understand that the United States had ambitious plans for Afghanistan.

Now the guns are silent. America has withdrawn its forces. In the aftermath of war, the United States and its allies should focus on more modest plans, such as easing restrictions on the Afghan economy and saving the lives of starving people. These are not the lofty goals of the past decades. What is required now is urgent action to help address basic needs.

Tens of millions of lives are at stake. Afghanistan ranks as world’s largest humanitarian crisis, and there is a serious risk of widespread famine. The United Nations estimates that 97 per cent of Afghans could fall into poverty this year. People are so desperate that they are selling their own daughters, anything to survive.<sup>1</sup>

U.S. and European envoys signalled that they understand these life-or-death issues at a recent meeting in Norway. They committed to 1) “helping prevent the collapse of social services” and 2) “supporting the revival of Afghanistan’s economy.”<sup>2</sup> Further steps are now required to achieve those two objectives.<sup>3</sup>

#### 1. Help Prevent the Collapse of Essential Public Services

The United States has donated generously to emergency relief efforts, funding humanitarian agencies that are sending bags of food and other assistance into Afghanistan. However, such short-term assistance is not enough because this is not a natural disaster; it’s a man-made crisis resulting from the end of the war economy and the economic isolation imposed by Western governments on the new Taliban regime and – in effect – on the Afghan population. The Afghan state is collapsing. Half a million government employees lack salaries, and essential services

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<sup>1</sup> “2022 Humanitarian Response Plan: Afghanistan,” United Nations Office for the Coordination of Humanitarian Affairs, January 2022.

<sup>2</sup> “U.S.-Europe Joint Statement on Afghanistan,” 27 January 2022.

<sup>3</sup> Further recommendations are listed in this report: “Beyond Emergency Relief: Averting Afghanistan’s Humanitarian Catastrophe”, International Crisis Group, Asia Report N°317, 6 December 2021.

such education, sanitation, and agricultural programs are not being delivered. Entire systems such as the electrical grid could fall apart. The United States, among others, invested billions of dollars to build these state services over the last two decades.

#### a) Support the Public Sector with Existing Funds

The largest support mechanism for civil servants' salaries before the Taliban takeover was the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), a pool of aid to which the United States and other donors contributed. The fund has about \$1.2 billion in unspent money waiting to be disbursed, which could be allocated immediately to health, education, and other social services. Health funding is uncontroversial because implementing partners are outside the Afghan state — but health programs cannot stand alone because otherwise the clinics will be overwhelmed by the medical needs of a starving population. Some funding should be directed to the public sector in areas such as agricultural support and village-level development programs. Support should be targeted at Afghan livelihoods — not the state-building efforts of the past, in which donors supplied 75 per cent of the Afghan government's budget. Safeguards could be put in place to prevent the Taliban from diverting funds. Notably, nearly all of the civil servants on the job today were hired before the Taliban arrived in Kabul.

#### b) Build on Progress in Education

The biggest employer in the country is the education system, but right now there is no plan for paying 200,000 teachers and staff through the school year. The United Nations has successfully negotiated with the Taliban to allow girls' secondary schools to re-open in some provinces, and building on that momentum now depends on making funds available to reward progress. The United States and its allies should offer funding for education in provinces where the UN has verified that secondary education is open for boys and girls. None of these transfers would reach Taliban appointees because the teachers were already registered for electronic salary payments. The United Nations Children's Fund, UNICEF, has started using these channels to pay teachers small emergency stipends, proving that the mechanisms work.

### 2. Support Economic Revival

Even more urgent than channeling targeted support to the public sector is releasing the chokehold on the private sector. Afghanistan needs a viable economy because humanitarian assistance will never be sufficient or sustainable. Unfortunately, many parts of the Afghan economy cannot function because of Western sanctions, asset freezes, and other economic restrictions.

#### a) Allow the Central Bank to Function

The United States has worked with the United Nations in recent months toward setting up a humanitarian currency swap mechanism, which, if implemented, could inject some of the cash liquidity that is urgently required for the functioning of the Afghan economy. These swaps involve humanitarian actors giving U.S. dollars to approved Afghan businesses in exchange for local currency. However, currency swaps are a short-term and limited workaround to make up for the lack of a functioning central bank. Swaps cannot supply all of the hard currency required — among other things, for imports of food and medicine.

Afghanistan needs an entity to serve the functions of a central bank, holding U.S. dollar currency auctions, printing local currency, and regulating the banking sector. A variety of options are under discussion, but the most straightforward and durable solution would be reviving Da Afghanistan Bank (DAB), the central bank. This might require foreign technical assistance, and "ring-fencing" DAB to keep it independent from the Taliban-controlled government. The United

States should exercise leadership at the World Bank and the International Monetary Fund to obtain these institutions' help with DAB's rehabilitation.

#### b) Describe a Path Toward Unfreezing Assets

The central bank's frozen assets remain stuck in political and legal complications, mostly in the United States, but the U.S. government should immediately signal an intention to someday return these state assets to DAB on behalf of the Afghan people. While litigation is pending, the U.S. could ask European partners to return the DAB assets located in their jurisdictions. The U.S. could also return to their rightful Afghan owners the hundreds of millions of dollars among the frozen assets that comprise private deposits in Afghan banks. These owners include small businesses and ordinary Afghans who have been deprived of their savings. As reserves become available, the United States should return them in gradual tranches, monitoring closely for unintended effects. The U.S. should also insist on the appointment of qualified officials to DAB and undertakings by central bank officials to respect the Afghan laws that constrain the uses of reserves.

#### c) Reduce the Impact of Sanctions

The U.S. Department of the Treasury should be commended for publishing general licenses exempting from sanctions enforcement the delivery of humanitarian aid. However, many sectors of the Afghan economy remain negatively affected by the threat of U.S. sanctions enforcement. It is not feasible for the U.S. Treasury to devise lists of all of the various sectors of the Afghan economy that should be permitted; instead, U.S. officials must start thinking about what should *not* be allowed. This would mean relieving the Afghan people of the broad effects of sanctions that are choking the economy and, instead, targeting sanctions to people and activities of concern. (For example, an arms embargo could help to address proliferation concerns in the region.) Tailoring sanctions in this way would better fit their original purpose, which was not to constrict the entire Afghan public sector or the country's economy. The financial sector may require extra assurances: to allow Afghan banks to regain access to the global financial system, the U.S. government must actively encourage international banks to resume transactions with Afghanistan.

This set of proposals is not only the best way to save lives. This kind of pragmatic engagement with the Taliban-controlled government is also the most reliable way of protecting U.S. interests. Keeping economic pressure on the Taliban will not get rid of their regime, but a collapsing economy could lead to more people fleeing the country, sparking another migration crisis. It would result in more smuggled drugs and weapons. It might also raise the threat of terrorism. America's reputation would also suffer if the U.S. legacy in the country was a famine.

Unfortunately, avoiding catastrophe requires cooperation with the Taliban on the issues I have discussed. That is, for many, more than distasteful after two decades of war. In power, the Taliban continue to flout human rights standards, as illustrated by the recent arrests of female activists. Still, sometimes it is necessary to work with bad actors for the sake of a greater good. That is not easy. Months of conversations between the Taliban and Western officials have not resulted in much cooperation on basic tasks.

The impasse is partly the Taliban's fault, because they have not yet accepted Western donors' reasonable demands: among other things, allowing universal education of girls and women of all ages. But part of the stalemate results from the U.S. and its allies pushing for unrealistic goals, such as an "inclusive" government with more ethnic minorities and women. American officials may be correct that the Taliban *should* select a more participatory form of government for the sake of legitimizing and stabilizing their regime, but U.S. diplomats can no longer expect to

successfully insist on such things. Considering the Taliban's strength on the ground, the new authorities in Kabul feel justified in rejecting what they view as Western meddling.

The way forward is limited cooperation on narrow goals. We can still dream of an Afghanistan at peace with itself and the world, a country that recovers from a terrible succession of wars and finds a way to sustain its own population. America had bigger plans at the beginning, but in the end this is what can, and must, be achieved. I look forward to your questions.