

Congress of the United States
Washington, DC 20510

February 11, 2022

The Honorable Antony J. Blinken
Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Blinken and Secretary Yellen:

We write to express our deep concern about Afghanistan’s looming famine and economic collapse in the aftermath of the Taliban’s takeover as well as our support for continued, urgent steps on the part of the Biden administration to address the financial drivers of the hunger crisis. We welcome the administration’s initial U.S. contribution of \$308 million toward the United Nations’ 2022 Afghanistan appeal – the largest single country aid appeal in the UN’s history – on top of the \$474 million in direct humanitarian assistance the United States has already provided in 2021 to the Afghan people and to Afghan refugees in the region. We also applaud the administration’s decision to pursue the release of Afghanistan’s frozen assets to pay for food and other emergency needs in Afghanistan, while keeping the funds out of the hands of the Taliban and other malicious actors.

We share your concern that humanitarian relief alone will not be sufficient to prevent innocent Afghans from dying of starvation as drought and harsh winter conditions intersect with a complete paralysis of the financial sector. We request that the State and Treasury Departments continue to adopt measures to address Afghanistan’s liquidity shortage and isolation from the international banking system, which will be imperative in both the short and long term to stave off what is fast becoming the world’s worst humanitarian disaster.¹

According to the United Nations, 22.8 million Afghans – or more than half of the country’s population – will face acute food insecurity this winter, and one million children risk dying of malnutrition. The UN Development Programme estimates that 97 percent of Afghans are in danger of falling below the poverty line. A combination of the Taliban’s economic mismanagement, overly restrictive sanctions regimes that could be better targeted, the freezing of at least \$9 billion of the country’s overseas assets, and the abrupt suspension of multilateral and bilateral assistance that previously accounted for 75 percent of Afghanistan’s public expenditures, have given rise to a dire liquidity crisis that has constrained nearly all sectors of the Afghan economy, from the financing of food imports to salary payments for civil servants and the functioning of basic services. Experts warn that, without urgent action, more Afghan civilians will die in the coming months than died in the last 20 years of war.

Reinjecting liquidity into the Afghan economy and ensuring a smooth and effective humanitarian response are interlinked: without a reliable mechanism for payments, NGOs have struggled to make financial transactions to pay their employees, let alone scale up their operations to meet the demands of a humanitarian crisis of such extreme proportions. Nor will it be technically feasible for NGOs and

¹ “Afghanistan on ‘countdown to catastrophe’ without urgent humanitarian relief,” United Nations, October 25, 2021, <https://news.un.org/en/story/2021/10/1103932>.

humanitarian partners to cover the entirety of Afghanistan's food supply. In both the immediate and long term, Afghans need not just bags of flour but also a viable currency, access to the international financial system as well as international reserve assets, and trade financing to support food sales and essential government-run services. To build on your efforts, we recommend the following steps that we believe are truly commensurate with the scale and urgency of the country's economic freefall, and avoid emboldening an odious regime like the Taliban:

- *Further Clarify U.S. Sanctions Authorities:* We welcome the general licenses issued by the Treasury Department's Office of Foreign Assets Control (OFAC) to date to help facilitate the free flow of humanitarian aid into Afghanistan. Nonetheless, U.S. sanctions have left international banks and suppliers risk-averse to conducting transactions in or linked to Afghanistan without a clear policy objective. As a next step, OFAC should provide additional guidance and comfort letters to banks and humanitarian suppliers clarifying U.S. sanctions apply only to listed Taliban members and the Haqqani network rather than the entire Afghan government. Implemented with proper oversight, such guidance would help mitigate the chilling effect of U.S. sanctions restrictions on foreign banks and businesses, while offering Afghan banks access to their overseas holdings and to the global financial system. To complement OFAC's efforts, the State Department should also consider amending the outdated 2002 definition of "the Taliban" under Executive Order 13268 to distinguish the sanctions regime from humanitarian aid efforts. OFAC should also issue additional general licenses that allow for activities such as development aid, overflight fees, electricity purchases, and the regular trade of commercial goods, all of which could ease humanitarian operations.
- *Signal United States Support for Alternative Sources of Liquidity into Afghanistan:* Combined with the suspension of most donor assistance, the withholding of Afghanistan's foreign exchange assets has all but crippled the Afghan central bank, precipitating a severe cash shortage, rampant inflation, currency depreciation, and scarcities of food and medicine. The disintegration of the country's banking system has impeded Afghan citizens, businesses, and humanitarian organizations from withdrawing cash and paying salaries, and Afghan families from buying food, medicine, and other vital staples. We are encouraged by the State Department's reported support for the UN and World Bank's humanitarian exchange facility and by the administration's decision to release frozen Afghan central bank assets held by the Federal Reserve Bank of New York to fund urgent humanitarian needs. We also support the administration's continued diplomatic efforts with multilateral partners and other Western donors to establish additional sources of liquidity, with sufficient safeguards in place to circumvent Taliban incompetence or misappropriation.

In the first instance, with appropriate controls in place, the United States should support an independent and technocratic Afghan central bank free from Taliban interference.² Where possible, the U.S. should prioritize efforts to find new ways of working within existing institutions like the Central Bank—with enhanced oversight and safeguards in place—to avoid the immense challenges of building up entirely new mechanisms and potential pitfalls of parallel economic systems as we have seen in countries like Yemen. One strong proposal is to allow the monthly release of small tranches of frozen assets in quantities necessary to permit the central bank to conduct monetary policy and avert a collapse of the financial system, while maintaining the ability to end such

² Alex Zerden, "Reassessing Counter Terrorism Financing in a Taliban-Controlled Afghanistan," *Just Security*, September 17, 2021, <https://www.justsecurity.org/78221/reassessing-counter-terrorism-financing-in-a-taliban-controlled-afghanistan>.

transfers immediately if the money were diverted for other purposes.³ In the event of Taliban obstruction, however, another option could be to explore alternative solutions to inject liquidity into the economy quickly, including through private banks in Afghanistan or by temporarily deputizing an Afghan private bank to assume some of the core functions of the central banking system.⁴ Other smaller scale solutions include unfreezing the foreign assets of certain verified Afghan individuals and corporations.⁵

- *Support the World Bank's Timely and Full Release of Unspent Funds from the Afghan Reconstruction Trust Fund:* As the largest shareholder at the World Bank, International Monetary Fund, and Asian Development Bank, the United States should exercise its clout at international financial institutions to encourage a reboot of multilateral Afghanistan financing, with appropriate safeguards to prevent, to the maximum extent possible, the diversion of funds by the Taliban. We welcome the United States' support for the World Bank's initial transfer of \$280 million from the \$1.5 billion Afghanistan Reconstruction Trust Fund (ARTF), the coordinated financing mechanism that was the largest source of development funding for the previous government. The Biden administration should build on that step by signaling U.S. support for the full release of remaining ARTF funds, and make clear that it will not block disbursements for basic services delivered by Afghan government ministries, on which the Afghan people also depend.
- *Make a Sizeable Contribution to the UN's 2022 Humanitarian Appeal:* Finally, the United States should pledge additional emergency funding toward the United Nations' 2022 humanitarian aid appeal, and dedicate the necessary diplomatic capital to encourage Western partners to contribute their fair share, while ensuring appropriate oversight safeguards accompany the disbursements. While not a silver bullet, humanitarian relief remains an important stopgap that will provide lifesaving food assistance, shelter, and salary payments to the Afghan people – especially if paired with liquidity-focused measures and sanctions guidance that will ease cash obstacles hobbling humanitarian operations and position NGOs to increase the scale of their humanitarian response. The sooner donors can make these pledges, the more likely humanitarian organizations will be able to prepare for a massive scale up of their operations.

The political and technical challenges of unlocking international financing in Afghanistan – while ensuring that such financing reaches the Afghan people directly – are onerous. Yet the humanitarian and national security consequences of a prolonged liquidity crisis are far worse: manmade famine, forced migration, increased drug production, and a heightened threat from transnational jihadist groups operating from Afghanistan. The burdens of universal poverty are certain to fall most heavily on women, girls, and other vulnerable members of Afghan society who the Biden administration has pledged to help protect.

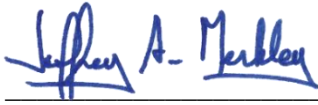
We look forward to working with you on this urgent issue.

³ The Editorial Board, “Let Innocent Afghans Have their Money,” *The New York Times*, January 14, 2022, <https://www.nytimes.com/2022/01/14/opinion/afghanistan-bank-money.html?referringSource=articleShare>.

⁴ Alex Zerden, “Establishing a Humanitarian Financial Corridor for Afghanistan,” *Lawfare*, November 15, 2021, <https://www.lawfareblog.com/establishing-humanitarian-financial-corridor-afghanistan>.

⁵ Anthony Faiola, “How to Help Afghans without Aiding the Taliban,” *Washington Post*, January 19, 2022, <https://www.washingtonpost.com/world/2022/01/19/how-help-afghans-without-aiding-taliban/>.

Sincerely,



Jeffrey A. Merkley
United States Senator

Tammy Baldwin
United States Senator

Bernard Sanders
United States Senator

Sara Jacobs
Member of Congress

Dina Titus
Member of Congress

Eleanor Holmes Norton
Member of Congress

Peter Welch
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Scott H. Peters
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Marc Veasey
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Grace Meng
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