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Afghanistan: Humanitarian Crisis, Economic Collapse, and U.S. Sanctions

Humanitarian and economic conditions in Afghanistan, long one of the world's poorest and most aid-dependent countries, have deteriorated significantly since the Taliban's August 2021 takeover, creating the largest humanitarian crisis in the world. The Biden Administration and many Members of Congress seek to maintain sanctions on the Taliban and avoid actions that would empower the group or legitimize its rule. At the same time, they and many others in the international community seek to respond to the urgent humanitarian crisis. Afghanistan's needs will persist in the absence of sustainable economic development that may be difficult without greater engagement with the Taliban.

Afghanistan Pre-Taliban Takeover

Prior to the Taliban takeover, roughly half of Afghanistan's population (18.4 million people, out of 35-40 million) faced a severe humanitarian crisis across a wide range of metrics. Conflict, natural disasters (including severe droughts in 2018 and 2020), and the Coronavirus Disease 2019 (COVID-19) pandemic contributed to deteriorating humanitarian conditions and chronic vulnerability and poverty among the general population.

The weak Afghan economy exacerbated humanitarian needs. The former U.S.-backed government relied heavily on international development assistance. Foreign donors financed over half of the government's \$6 billion annual budget and as much as 80% of total public expenditures. Between 2002 and 2021, the United States provided over \$17 billion to the Afghan government in on-budget assistance—funds that went directly to Afghan government entities, or to them through multilateral trust funds.

Current Humanitarian Overview

In Afghanistan, humanitarian needs have since surpassed those of other major crises (such as Ethiopia, South Sudan, Syria, and Yemen) with 24.4 million people in humanitarian need. The U.N. World Food Program (WFP) has been sounding the alarm on food insecurity, with some estimates predicting that at least 55% of the population will likely reach crisis or emergency levels of food insecurity by March 2022, a near 35% increase over the previous winter. Nine million are projected to reach the more severe level of emergency food insecurity. Acute malnutrition is expected to impact the most vulnerable, including millions of children. As of January 2022, U.N. estimates indicate forced displacement could affect over 9 million people this year, including more than 3.4 million Afghans displaced within Afghanistan and 5.7 million people in the region. (In neighboring countries this includes 2.2 million Afghans previously registered as refugees, 1.7 million Afghans

projected to be newly displaced in 2022, and 1.8 million people in communities hosting displaced Afghans.)

On January 11, 2022, the United Nations launched a \$5 billion humanitarian appeal for Afghanistan (\$4.4 billion) and five neighboring countries (\$623 million) hosting displaced Afghans—the largest ever annual appeal for one country. The humanitarian community requires lead times of several months to increase capacity for critical assistance; however, the United Nations emphasizes that these efforts cannot be a substitute for long-term recovery. While the operational context is extremely challenging in Afghanistan, U.N. entities and other humanitarian organizations continue to deliver multi-sector assistance (such as emergency food, health, water and sanitation, shelter, and winterization services) across the country.

The U.S. government is the largest humanitarian donor for the Afghan population, including refugees and internally displaced persons. On January 11, 2022, the United States announced a contribution of more than \$308 million, bringing total U.S. humanitarian assistance to nearly \$782 million since October 2021. It is not yet clear how much of the U.S. contribution is for the recent U.N. appeal.

Current Economic Situation

Following the Taliban takeover, economic challenges, such as currency depreciation, increased food and fuel costs, reduced cash availability, and high unemployment have constrained Afghans' ability to meet their basic needs, and made a greater number more reliant on humanitarian assistance. Donor governments and implementing partners ended international development funding to prevent the Taliban from accessing those resources. Millions of Afghans lost salaries and other forms of support. In October 2021, the International Monetary Fund projected that the Afghan economy may contract as much as 30% by the end of 2022.

The currency devaluation and halt in foreign aid have contributed to fundamental government insolvency, including a severe liquidity crisis (in response to which the Taliban imposed limits on the amount of cash Afghans could withdraw). Prior to August 2021, the Afghan central bank reportedly received quarterly shipments of \$249 million in U.S. paper currency, which stopped after the United States placed a hold on U.S.-based Afghan central bank reserves. In December 2021, Secretary of State Antony Blinken stated "we are looking intensely at ways to put more liquidity into the Afghan economy, to get more money into other people's pockets ... in a way that doesn't directly benefit the Taliban."

Many experts argue it is critical to avert a collapse of the banking sector and stimulate cash flow in the country to enable Afghans to meet their basic needs and supplement the humanitarian response. Some international initiatives have injected cash into the Afghan economy, such as the World Bank's December 2021 transfer of \$280 million in Afghanistan Reconstruction Trust Fund (ARTF) monies to UNICEF and WFP for Afghan health and education sector worker salaries. Roughly \$1.2 billion remains in the ARTF.

U.S. Sanctions

Efforts to address the humanitarian and economic crises in Afghanistan are complicated by sanctions on the Taliban. The United States has designated the Taliban as a Specially Designated Global Terrorist (SDGT) group since 2002, and the Haqqani Network, a semi-autonomous component of the Taliban, as a Foreign Terrorist Organization (FTO) and as an SDGT since 2012. SDGT designations are implemented under Executive Order 13224 (66 *Federal Register* 49079). Restrictions imposed on SDGT designees include blocking access to their U.S.-based property and interests in property, and prohibiting U.S. persons from engaging in transactions with designees. Foreign financial institutions found to have conducted or facilitated any significant transaction on behalf of SDGT designees may be prohibited from using the U.S. banking system. FTOs are designated by the Secretary of State pursuant to Section 219 of the Immigration and Nationality Act, as amended (P.L. 82-414, 8 U.S.C. §1189). The restrictions imposed on designated FTOs include a prohibition on U.S. persons knowingly providing them with “material support or resources,” restrictions on entry to the United States of representatives and members of designated FTOs, and a prohibition on access by designated FTOs to the U.S. financial system.

The legal framework authorizing sanctions on the Taliban and Haqqani Network has remained relatively consistent since the groups' designations. The implications of these designations, however, changed substantially following the Taliban takeover. It was initially unclear what, if any, activities in Afghanistan were permissible under U.S. and international sanctions. In September and December 2021, the Department of the Treasury issued a series of general licenses exempting from sanctions a range of support for humanitarian activities in Afghanistan, including transactions related to exportation of agricultural commodities and medical goods, noncommercial personal remittances, and official business conducted by the U.S. government, international organizations (IOs), and nongovernmental organizations (NGOs). These general licenses also authorize interactions with the Taliban or the Haqqani Network that are considered “ordinarily incident” to the provision of humanitarian assistance or the official business of the U.S. government, IOs, or NGOs in carrying out exempted activities. General licenses relating to Afghanistan do not allow financial transfers to any blocked persons, or to any entity in which the Taliban or the Haqqani Network owns a 50% or greater interest.

While the humanitarian community welcomes U.S. general licenses, some argue that these exemptions are insufficient to address the broader crisis. Moreover, they argue the

exemptions lack specificity on commercial activity, which may lead to financial institutions continuing to “de-risk” Afghanistan—refusing to engage in financial transactions entirely rather than risk violation of U.S. and international sanctions. This risk aversion may also be based on the U.S. government declining to define what constitutes the government of Afghanistan. De-risking may contribute to a chilling effect on humanitarian donors and slow the operational response. In other countries and contexts, sanctions have presented similar challenges.

The Biden Administration has indicated its support for addressing Afghanistan's humanitarian and economic crises, but also emphasized the importance of ensuring assistance does not fall into Taliban hands. More permissive exemptions in general licenses might mitigate de-risking, but raise risks of assistance being diverted to the Taliban. Further, a U.S. government determination on what constitutes the government of Afghanistan may resolve ambiguities on exemptions under general licenses, but sacrifice leverage in potential negotiations with the Taliban.

Policy Issues and Congressional Action

The intersecting crises in Afghanistan pose difficult challenges for U.S. policymakers. Biden Administration officials argue that the Taliban are primarily responsible for the current situation, noting that they were warned that if they pursued a military takeover, they would be shut off from international development assistance.

In Congress, some Members have sought to cut off all aid, including humanitarian assistance, which could be construed as supporting the Taliban (H.R. 5236). Other Members echo the Administration's support for U.S. assistance, provided the Taliban do not have access to it. These Members have welcomed Treasury's general licenses to exempt some transactions from sanctions and other measures taken by the Administration to facilitate aid delivery. Some Members have called on the Administration to go further, advocating “more explicit reassurance regarding permitted activities.” These Members also argue that “pragmatic U.S. engagement with the de facto authorities” is necessary to avert further humanitarian suffering.

Looking ahead, Members of Congress may be compelled to balance the risk of assistance being diverted to or used by the Taliban with the risks of further economic collapse, including increased humanitarian needs and heightened insecurity. The United Nations stresses that the 2022 humanitarian appeal is critical to saving Afghan lives but is a “stopgap measure.” Without a sustainable solution—which may entail stabilizing the Afghan economy in a way that further solidifies the Taliban's position in power—the crisis may worsen, creating greater humanitarian and economic consequences.

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