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# FACT SHEET ON FINANCE IN AFGHANISTAN



Women selling goods at a fair held at the Continental Hotel in Kabul in October 2021

## THE SITUATION - FROZEN ASSETS BELONGING TO AFGHANS & EXTREME CASH SHORTAGE

Due to the irregular manner in which the Taliban came to power and uncertainly about how they will govern and deal with terrorism, human rights, minority rights, and women's rights, the U.S. has ordered a global freeze of all assets belonging to Afghanistan. This includes the funds and assets of the Afghan Central Bank, which were always managed by U.S. and European banks, totaling over 9 billion dollars; the country's Special Drawing Rights with the IMF; and access to designated funds in the World Bank Trust Fund for Afghanistan. The overseas companies that print the Afghan currency, the afghani, also fall under the ban.

This means that the country has no ability to function economically.

The months before the fall of the government were already marked by upheaval and dysfunctionality, accompanied by price inflation and by non-payment or irregular payment of public sector salaries.

Consequently, Afghan public sector workers' salaries including those of teachers, medical personnel, and municipal workers have not been paid since June 2021. This represents hundreds of thousands of civilians with no ability to support themselves or their families, yet they are still expected to perform their essential jobs.

Police, national military, and Taliban soldiers are also not being paid. This is a recipe for trouble. Armed individuals without food are likely to eventually turn to looting and theft.

International NGOs in possession of millions of dollars earmarked for aid to Afghan women and other civilians, including emergency humanitarian aid, are facing enormous difficulties transferring funds into the country. Even when funds are successfully transferred, they often can't be withdrawn, since Afghan banks have run out of cash notes. Due to the cash shortage, the Afghan Central Bank has imposed a restriction of \$200 USD/week for withdrawals. Afghans are currently standing in line, sometimes for days, to withdraw money from their accounts.

## WHAT CAN BE DONE: OPTIONS FOR ADDRESSING THE FUNDING, PAYMENTS, AND CASH CRISIS:

1

Send money in a targeted way directly to the intended civilian recipients, thereby preventing the Taliban government from diverting the money for unintended uses.

- The options include the direct transfer of funds via individuals' cell phones; the use of a trusted intermediary, such as WFP or UNICEF; or having a third country disburse payments. Norway is emerging as one such potential intermediary.
- There are ways to determine the legitimate recipients of salaries and funding. For example, there are several repositories of the lists of schools and teachers. These will have to be updated to take into account those persons who have left the country. We are informed that the Taliban are creating such an inventory. These lists can be cross-indexed with other information. In the past, for example, direct transfers via cell phones were preceded by the biometric registration of the entitled recipients.

2

Directly fund international and local NGOs, as well as UN agencies, which need to purchase food and other supplies and to pay the salaries of humanitarian workers and other essential staff.



Teachers and advocates hold Press Conference on the Issue of Unpaid Salaries of female teachers & health care workers, Sep. 2021

# 3

Employ a sequenced, conditional release of funds to selected government Taliban agencies and ministries

For the funding of government administration, food purchases, infrastructure, and the like, a sequenced, conditional release of funds to selected government agencies and ministries should be considered, with each subsequent payment being dependent on monitored compliance with predetermined obligations. This would entail tying a limited amount of initial funds to certain actions that the Taliban would commit to doing, or not doing – the so-called conditionality approach.

## ADDITIONAL CONSIDERATIONS:

The intention behind the withholding of resources is to prevent the Taliban from using the funds for terrorist or other undesirable purposes. The goal is understandable, but this approach risks causing Afghanistan to become a failed state and turn its population into a permanent charity case for the international donor community. Even if UN and other emergency assistance can stave off the worst of a humanitarian crisis in this coming winter, the country's economy has no chance of getting on its feet without at least a portion of these resources.

Afghan businesses that import food and medicine can't conduct transactions due to banks not having funds, causing the price of staple food items, such as wheat and rice, to rise 50% and making it even harder for families to survive.

A total financial collapse will accelerate the massive migration that is already happening, and will create conditions ripe for an expansion of ISIS and other terrorist groups.

## OUR CONCLUDING RECOMMENDATION:

There are multiple options for opening the flow of funding to the people of Afghanistan, a few of which were briefly described above. It would be irresponsible and wrong to intentionally deprive the country of assets it owns, and that could be used to fund its day-to-day operations, sustain its population and begin building an economy appropriate to its resources and circumstances. The release of funding can be accomplished while still taking into the account the legitimate security and human rights concerns of the international community. Afghan businesses that import food and medicine can't conduct transactions due to banks not having funds, causing the price of staple food items, such as wheat and rice, to rise 50% and making it even harder for families to survive.

A total financial collapse will accelerate the massive migration that is already happening, and will create conditions ripe for an expansion of ISIS and other terrorist groups.



Members of "Unfreeze Afghanistan" in front of the World Bank in Washington, DC during their Annual Meetings, October 2021