

**AFGHANISTAN: THE HUMANITARIAN
CRISIS AND U.S. RESPONSE**

HEARING

BEFORE THE

SUBCOMMITTEE ON NEAR EAST,
SOUTH ASIA, CENTRAL ASIA,
AND COUNTERTERRORISM

OF THE

COMMITTEE ON FOREIGN RELATIONS
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AFGHANISTAN: THE HUMANITARIAN CRISIS AND U.S. RESPONSE

WEDNESDAY, FEBRUARY 9, 2022

U.S. SENATE,
SUBCOMMITTEE ON NEAR EAST, SOUTH ASIA,
CENTRAL ASIA, AND COUNTERTERRORISM,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:40 p.m., in room SD-106, Dirksen Senate Office Building, Hon. Christopher Murphy presiding.

Present: Senators Murphy [presiding], Shaheen, Markey, Booker, Van Hollen, Young, and Romney.

OPENING STATEMENT OF HON. CHRISTOPHER MURPHY, U.S. SENATOR FROM CONNECTICUT

Senator MURPHY. I am pleased to bring the subcommittee to order today for a hearing on a critical topic, the humanitarian crisis in Afghanistan.

I will start with a few opening remarks, turn it over to Senator Young, introduce the witnesses. I think we will be joined by a number of colleagues so we will try to be brief in our opening remarks.

Let me start by saying my belief is President Biden made the right decision to remove our remaining troops from Afghanistan. The American people, by a large margin, support that decision.

The overnight collapse of the Afghan army and the government was, to me, proof that 20 years of nation building had failed and another 20 years, frankly, was not going to end in a different result.

The scenes that accompanied our withdrawal were really hard to watch and there is no doubt mistakes were made, but in the aggregate, the State Department and the Department of Defense pulled off the largest airlift in American history, and anyone suggesting that the unexpected overnight collapse of the Afghan Government was not going to result in scenes of chaos is fooling themselves. The Biden administration made what they could out of a pretty terrible situation.

This hearing today, of course, is not about that decision or the details of our withdrawal. Today, we are commanded to deal with the here and now.

There is a growing humanitarian nightmare metastasizing in Afghanistan and it demands our nation's attention. Living in Afghanistan today is a nightmare and our witnesses will tell us more about this reality.

In the middle of winter, more than half the population—23 million people—do not have enough food to eat. By this summer, 97 percent of Afghans will be living below the poverty line, trying to survive on less than \$2 a day.

With 9 million people just one step away from famine, this humanitarian crisis—and I shudder to think about this—this humanitarian crisis could kill more Afghans than the past 20 years of war.

Once the U.S. military occupation and all the foreign aid that came with it disappeared, the Afghan economy, predictably, collapsed. Seventy-five percent of the Afghan Government's budget had come from foreign donors, and that was, rightfully, held back in August to prevent it from going to the Taliban, but no country can cope with the loss of 75 percent of public sector support overnight, especially one that already was in dire straits.

In this moment of crisis, the U.N. and international organizations on the ground are racing to scale up the humanitarian response.

A few weeks ago, the U.N. released an appeal to international donors for \$4.4 billion to meet the humanitarian need in Afghanistan.

This is the largest single U.N.—the largest single country U.N. appeal in history and that tells you something about the scale of this crisis.

It is larger than what we have seen in Syria or Yemen or Ethiopia, and I support the Administration's decision to dedicate an additional \$308 million to humanitarian aid in Afghanistan. That money is going to help save lives. Congress should, frankly, authorize more.

As is the case in crises all over the world, the humanitarians cannot be expected to do it all. No doubt they are going to do everything they can to keep people alive, but it is the country's economic crisis that is threatening to collapse Afghanistan into a nightmarish, failed state.

Addressing that crisis without empowering the Taliban is going to require some creative thinking and some political courage, and I do not want to sugarcoat that dilemma that we face and that we will talk about today.

On one hand, we warned the Taliban not to take over the government by force, and that by doing so would collapse the economy and run the risk of Afghanistan becoming an international pariah once again.

Their decision to charge ahead, knowing these risks, shows how they put their thirst for power over the welfare of the Afghan people.

We need to be honest. There is, frankly, moral hazard in putting billions into Afghanistan right now. We can do our best to route it around the Taliban, but there is no doubt that the partial effect of aid is to save the Taliban from itself. That is deeply distasteful, but the roots of Afghanistan's economic crisis are complicated because the United States has a lot to do with it.

The collapse is due, in part, to two decades of U.S. midwifery and a policy that tolerated and sometimes protected corrupt Afghan governments that facilitated the growth of the Taliban, and after the U.S. withdrew in August, we froze Afghanistan assets in the

Federal Reserve, rightly, to prevent that money from falling immediately into the hands of the Taliban.

It is not our money. It is the Afghan people's money, and our sanctions against the Taliban further constrained the economy.

In a nation that depends on imports for fuel and food, electricity and medicine, when you cut off the supply of U.S. dollars, it limits commercial actors' ability to pay for those imported goods.

We have to admit that U.S. policy did contribute to the Afghan economy contracting by 40 percent during the last year.

There is no good choice here.

On one hand, we cannot unduly empower the Taliban. We have to recognize the moral hazard, but on the other hand, with families that we stood with for two decades facing destitution and starvation, the solution cannot be to stand by and do nothing.

Today, we hope to use this hearing to understand how the United States can find ways to save lives without unreasonably empowering the Taliban.

We know it will not be easy, but it is wholly worthwhile, given the stakes, and I look forward to exploring what those solutions could look like with our witnesses today.

With that, let me turn to the ranking member, Senator Young.

**STATEMENT OF HON. TODD YOUNG,
U.S. SENATOR FROM INDIANA**

Senator YOUNG. Thank you, Mr. Chairman.

I think it is incredibly important that we are holding this hearing and I am grateful to see that pale dot across this significantly large chamber and you can see David Miliband there. Apologizing for the intimate atmospherics.

Mr. Chairman, as you have outlined, the situation in Afghanistan is deeply troubling to me, to millions around the world. It is a terrible confluence of intersecting events.

First, we have Afghanistan, which has had a serious drought for two consecutive years, cutting the country's wheat output by 20 percent.

Second, COVID-19 has contributed to a global decline in economic conditions, creating new stresses for the economy.

Third, Afghanistan's harsh winter has set in, restricting movement and forcing families to choose between prioritizing food or warmth with their limited resources.

Of course, all of these issues pale in comparison to what I think we could all agree is the central issue that is elevating this humanitarian crisis to tragic proportions—the Taliban takeover of the country in August of last year following our tragic withdrawal and the subsequent economic collapse.

As we all recognize, the Taliban has been a specially designated global terrorist group since 2002. They are responsible for thousands of casualties of U.S. and NATO service members and countless Afghan civilians during their decades of terror and carnage.

The Taliban continues to threaten Afghanistan stability and security, and that is only too apparent now with this terrible crisis upon us.

The U.S., the U.N., and partners throughout the world have rightly worked to cut off all financial resources from the Taliban,

Haqqani Network, and other terrorist groups operating in Afghanistan, imposing sweeping sanctions, travel restrictions, and equipment bans.

Now, we, of course, must continue to be vigilant in our efforts to deny the Taliban any resources, financial or otherwise, they can use to conduct further acts of terror. The worst-case scenario of all would be if humanitarian aid were diverted from legitimate recipients towards the Taliban and its partners in terror.

Our Senate Foreign Relations Committee has held several meetings, both classified and unclassified, on the U.S. withdrawal from Afghanistan, and I look forward to continued congressional inquiry into the process that led to that lamentable, to put it mildly, exit.

In the coming weeks, I hope we can hear more from the Administration directly regarding their planning and analysis of what the humanitarian response would be following the collapse of the Afghan Government and the subsequent withdrawal of U.S. support and assistance.

I hope we can hear from the Administration as it considers a political path forward in Afghanistan.

That, of course, is not the focus of this hearing this afternoon. With our distinguished guests, we have to instead examine the reality of Afghanistan as it is today under the Taliban control and with millions of everyday Afghans struggling to survive under dire circumstances.

This leaves the international community with a terrible dilemma. How do we support everyday Afghans, including many who supported and contributed to U.S. efforts in the country, without rewarding, legitimizing, or financing the Taliban?

How do we verify that humanitarian assistance is getting to the people who need it the most and is not being diverted for the Taliban's own purposes?

Looking beyond this winter, there are broader questions about the long-term sustainability of Afghanistan's economy. How can a country, that depended on foreign aid for nearly half of its economy, now rebuild?

We should examine, too, how other strategic competitors are behaving. China, Russia, Pakistan, and Iran have no issue dealing directly with the terrorists in Afghanistan.

They will gladly fill the power vacuum and prop up the Taliban, and they have no longer—and they have longer-term economic ambitions in the country as well. There are no easy answers.

In today's hearing, I look forward to understanding better the reality that donors and NGO partners are facing on the ground as they seek to relieve the suffering of Afghanistan's citizens.

I hope this hearing also clarifies the key obstacles preventing aid from getting to the right people, and I hope we can identify a path forward for engaging in an Afghanistan ruled by the Taliban.

Thank you, Mr. Chairman.

Senator MURPHY. Thank you, Senator Young. Let us move to our witnesses.

We have one in person and one remote. Let me first—I will introduce them both and then we will begin with David Miliband and then go to Graeme Smith.

The Right Honorable David Miliband is president and CEO of the International Rescue Committee where he oversees the agency's humanitarian relief operations in more than 40 countries.

From 2007 to 2010, he was the foreign secretary for the United Kingdom. He is a frequent guest before this committee, a great counsel to many of us. We are grateful for his testimony and appearance today.

Via video, we have Mr. Graeme Smith. Mr. Smith is a senior consultant on Afghanistan for the International Crisis Group, who worked on the ground in Afghanistan for 9 years.

He previously worked for the U.N. assistance mission in Afghanistan and as an international journalist. Again, thank you to Mr. Miliband and Mr. Smith for appearing.

We will begin with you, Mr. Miliband. Both of your full statements will be entered into the record.

**STATEMENT OF THE RIGHT HONORABLE DAVID MILIBAND,
PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTERNATIONAL RESCUE COMMITTEE**

Mr. MILIBAND. Thank you very much, Senator Murphy, Senator Young. Thank you very much, indeed, to both of you for your initiative in setting up this hearing.

I am really looking forward to answering your questions and want to bring the voices of 3,000 International Rescue Committee staff across Afghanistan into the halls of power today, but also will try to speak to the needs of the clients that we serve—a million last year and, sadly, many more need us today.

Six months ago, Afghanistan was a poor country, a very poor country. As Senator Young has rightly pointed out, the climate crisis, the COVID crisis, added to that.

However, today, Afghanistan is a starving country, not just a poor country. I am very sorry to report the proximate cause of this starvation crisis is the international economic policy which has been adopted since August and which has cut off financial flows, not just to the public sector, but in the private sector in Afghanistan as well.

Today, Afghanistan faces a “catastrophe-of-choice,” not choice in Kabul or Herat or Mazar-i-Sharif, but choice in Washington, London, and Berlin.

I am here to appeal to members of the subcommittee to lead the charge for an urgent change in U.S. and international policy. On Monday, I spoke to some of our staff across Afghanistan. They begged me to be blunt with you today.

Current policy will, indeed, mean that the starvation crisis kills, as Senator Murphy rightly said, more Afghans than the past 20 years of war, which is an extraordinary indictment of the current policy mix.

Yes, it is true that Afghanistan has been uniquely dependent on Western support for 20 years, but that means that the end of public sector salary payments by the international community decimates living standards.

The figures of 40 percent of the economy and 75 percent of government public spending coming from donors that Senator Murphy quoted is absolutely right, but the private economy has been fro-

zen, too. The banking system has had its capital frozen. There is a liquidity crisis in the banking system.

The value of the local currency has fallen by at least a quarter. Bank branches lack cash, and sanctions, which are meant to be on the Taliban, end up freezing private sector activity.

The impact of the current policy mix has, therefore, been as fast and brutal as it was predictable and preventable, and it leads to the statistics that Senator Murphy rightly quoted, the U.N. statistics that less than 2 percent of Afghans will have enough to eat this winter.

The testimony from my own staff is that media reports of young girls being sold into marriage are true. Media reports of people having to sell their organs to feed themselves—also true.

I do not believe, Mr. Chairman, that the United States or anyone else must choose between helping the people of Afghanistan or helping the Taliban. That is wrong.

I will not argue today to help save the Taliban from themselves. I will argue for how we can make a difference to save Afghans from being punished for the victory of the Taliban last August.

I am going to suggest five areas where there is urgent need for action. The first, obviously, is in the humanitarian domain. The U.N. has called for \$4 billion of funding.

I hope we can concentrate today on the economy, as Senator Murphy rightly said, because humanitarian aid will be running up an escalator that is going downwards faster and faster unless the economy is brought back to life and that will take the following four steps, in my view.

First, the urgent release of the \$1.2 billion in the World Bank-managed Afghan Reconstruction Trust Fund to support basic services like health and education as well as civil servants' salaries.

These salary payments are not just an economic measure. These are a humanitarian measure because the people have not been paid since, in some cases, last April, in other cases, August.

Secondly, to clarify the application of U.S. sanctions to private sector entities. There is welcome exemption for humanitarian activities, but little or no clarity about commercial activity.

Third, inject liquidity to help the economy function, starting with a phased release of frozen assets. I believe the U.S. should prioritize the release of private assets—not Afghan Government assets, private assets, and encourage European capitals to release the assets that are under their control, given the legal suits that are taking place in the United States and limit some freedom of maneuver.

Finally, the technical support for the central bank and the finance ministry is essential to run a macro economy.

Mr. Chairman, I do not want to hide at all that Afghanistan has been a source of tremendous pain over the last 20 years, but the Afghan people have already paid the price of war. Now they are being punished as the price of peace, and further collapse of the state, which will be the result of current policy, will only make things worse.

That prospect is terrifying for Afghans, but it should be a worry for Americans and Europeans concerned about security or migration flows, never mind their reputation in the international system.

Times are desperate in Afghanistan today and I hope the voices of our staff and clients can be heard. I look forward very much to answering your questions and participating in this session with Graeme Smith, who has done some outstanding reporting on the crisis.

Thank you very much.

[The prepared statement of Mr. Miliband follows:]

Prepared Statement of Mr. David Miliband

Chairman Murphy, Ranking Member Young, and Members of the Subcommittee: Thank you for convening this hearing on the humanitarian crisis in Afghanistan and the U.S. response.

The severity of the situation in Afghanistan, reinforced to me by a meeting this week with IRC staff in the country, requires me to speak in blunt terms today. The humanitarian situation is rapidly deteriorating by nearly every measure as we near 6 months since the change in power and subsequent halt in all non-emergency aid for Afghans. Business as usual will mean that a starvation crisis kills more Afghans than the past 20 years of war. I am here today to appeal to members of this subcommittee to lead the charge for an urgent change in U.S. and international policy, especially economic policy, to avert a catastrophe-of-choice imposed on the Afghan people and a catastrophe-of-reputation left for the U.S. and its allies.

Humanitarian responses have historically received welcome bipartisan support from members of this Subcommittee, the wider Senate Foreign Relations Committee and the U.S. Congress writ large, spanning across Republican and Democratic Administrations. We appreciate the U.S. efforts to support the humanitarian response in Afghanistan—from quick and continuing action to ensure humanitarian exemptions in sanctions to humanitarian aid funding itself.

But this crisis will not be solved by more humanitarian aid. Aid cannot make up for an economy deprived of oxygen. Economic collapse makes the humanitarian challenge like running up an escalator that is going down faster and faster. It becomes impossible. That is why the need today is not just for more aid; it is for different policy.

There is a narrative around Afghanistan that the U.S. must choose between helping the people of Afghanistan or helping the Taliban. The suffering of the Afghan people is seen as an unfortunate byproduct of an impossible situation. My message is that this is wrong. The humanitarian community did not choose the government, but that is no excuse to punish the people, and there is a middle course—to help the Afghan people without embracing the new government.

IRC: A UNIQUE RESOURCE IN AFGHANISTAN AND IN THE U.S.

I am speaking today on behalf of the International Rescue Committee (IRC), a humanitarian organization that has provided lifesaving aid and services to Afghans since 1980. The IRC has a unique vantage point from which to offer perspective on the crisis. We are on the ground providing aid in Afghanistan, responding to refugees across the border in Pakistan, supporting those seeking asylum in Europe, and working closely with the U.S. authorities in this country, across two dozen cities, to resettle Afghans and other refugees who have been given the opportunity to start their lives anew. We have resettled Afghans through the Special Immigrant Visa (SIV) program since it was established more than a decade ago. After the evacuation from Kabul last fall, the IRC worked with the U.S. Government to support Afghans at all the government reception facilities in Virginia, Texas, Wisconsin and New Jersey and we are continuing to support them as they are resettled around the country with immediate needs such as housing, food and medical care, as well as long-term support.

On the ground in Afghanistan, the IRC has maintained aid operations during the past three decades as power and territory changed hands. Our work began as relief programs for people displaced by the invasion of the Soviet Union, continued during the civil war, and then transitioned to providing aid under Taliban rule in the 1990s, then under the new government and in pockets of Taliban control after 2002, and continue today. During each period, we have adhered to the humanitarian principles of neutrality, independence, impartiality, and humanity.

Since August, our nearly 3,000 staff have resumed operations, providing lifesaving assistance and expanding our programs to reach 10 provinces. Afghans make up more than 99 percent of IRC staff in the country and women make up half of our

staff. Last year, we reached 1 million Afghans with vital services spanning health, emergency cash, education, water and sanitation, and economic recovery programs.

The IRC is responding to the ongoing deterioration by providing emergency winterization assistance and scaling up support for 64 health facilities. We are also launching mobile health teams to travel to treat malnourished children in rural communities with no other access to healthcare. We support those displaced with cash, tents, clean water, sanitation, and other basic necessities. The IRC has expanded our women's protection and empowerment activities in recent years and has become a leading actor in the protection field. Our teams also help Afghans gain self-sufficiency, including by helping local communities plan and manage their own development projects and by providing livelihoods support like climate-smart agriculture programming.

Generous U.S. Government funding has helped support our work, including ongoing programs focused on protection and economic (cash) support for women, protection services for at-risk children, and gender-based violence case management and psychosocial support.

The IRC's mandate is to help Afghans survive, recover and rebuild their lives. This means we have a stake in not only seeing humanitarian assistance reach everyone who needs it, but ensuring the causes of humanitarian distress are addressed. The IRC does not take a position on the issue of diplomatic recognition or the wider interests of the U.S. Government in Afghanistan. All of our asks of the U.S. Government are rooted in what the IRC's experience on the ground shows is required to address the humanitarian crisis and avert a larger catastrophe.

CATASTROPHE-OF-CHOICE

Afghanistan is moving towards economic catastrophe at breakneck speed. In just the last 6 months, the country has emerged as the world's fastest-growing humanitarian crisis. The IRC completed a global analysis exercise in December to identify the top countries at risk of humanitarian deterioration this year. Afghanistan topped our list, surpassing even active conflict zones like Yemen and Ethiopia.

Afghanistan has been uniquely dependent on western support for 20 years. This goes well beyond the military effort. Less than 6 months ago, over 40 percent of the economy, and 75 percent of the government's public spending, came from international donors.¹ Now, the international house of cards that was Afghanistan's economy has come falling down. The international community, overnight, halted its support while freezing Afghan assets overseas. Sanctions, which are meant to be on the Taliban, have in fact chilled almost all economic activity. While those in power in Afghanistan have much to answer for, it is these policy choices of the international community that are the proximate cause of the crisis we face today.

It is one thing to say that Afghanistan needs economic adjustment at the end of a major war. It certainly does. But while a planned and phased shift in foreign aid could be defended, there has instead been a guillotine cutting off desperately needed support. If state collapse was the object of policy, it could hardly be better designed. That is the effective consequence of current U.S.-led policies.

The impact of the current policy mix has been as fast and brutal as it was predictable and preventable.

The economy is disintegrating and the banking system has been crippled. Organizations like IRC, and Afghan families, cannot take more than token sums out of the bank. Some branches have run out of cash entirely and shut down. Businesses cannot do business. And since the humanitarian response does not happen in a vacuum, we are not spared. And at the end of the day, the cost is footed by the poverty-stricken population.

The banking system needs capital to function. But the international assets that underpinned the economy have been frozen, estimated at over \$9 billion.² A portion of these frozen assets—estimated at at least \$500 million—belonged to Afghan individuals and businesses. In Afghanistan, a trade deficit has left the country with almost no other sources of funds to fall back on to deal with economic shock or maintain the value of local currency. Without access to foreign reserves, essential currency auctions used to support the value of the Afghani have ceased, while traders have lost access to U.S. dollars needed to pay for imports. The value of the country's currency is estimated to have plummeted by at least a quarter. To cap it all, as confidence is lost in the banking system, most suppliers now demand payment in cash, perpetuating a vicious cycle where shortages of cash are making access to cash more important than ever. Yet the import of \$8.5 million worth of Afghani banknotes from the Polish printing press that has the contract has been blocked by fears of falling foul of the sanctions regime.³

Humanitarian actors like the IRC also depend on banks and access to cash to pay our staff, procure items locally, and run operations. Yet a humanitarian response which the UN says needs \$4.4 billion this year is now forced to move to informal channels.⁴ Just last week, UN staff reported that the UN has \$135 million sitting in a bank that they cannot use because the bank cannot convert it to local currency.⁵ Humanitarians are dependent on local money brokers (“Hawalas”), which are providing a vital stop gap, but they cannot act as a substitute for the banking system. Meanwhile, many local Afghan NGOs without international bank accounts do not have these options and are even more constrained.

Livelihoods are evaporating across the board, in both the public and private sector. The largest employer in the country was the government. Now, the government does not have the funds to pay salaries for doctors, teachers, sanitation workers, or other civil servants. In the private sector, businesses cannot withdraw enough funds to pay employee and day laborers’ salaries, many of whom lack bank accounts or savings and depend on daily cash wages to feed their families. Farmers are increasingly unable to afford food for livestock or agricultural inputs, threatening their income and ability to provide for local communities. At least 500,000 Afghans have lost their jobs since August, while many more have seen their salaries reduced or unpaid for months.⁶ UNDP has projected unemployment could rise by over 40 percent,⁷ while 97 percent of Afghans could be living below the poverty line by mid-2022.⁸

As a result, ordinary Afghans do not have enough cash in their pockets to buy food, pay for medicine, or afford transportation to health clinics. As the Afghani depreciates, the cash available is worth less and less each day. As people can neither access savings in the bank nor receive daily wages, the demand for goods has plummeted.

Foreign businesses and commercial actors are disengaging from Afghanistan for fear of running afoul of sanctions. Sanctions on the Taliban were imposed two decades ago, but have taken on new implications since the shift in power that the U.S. has yet to fully clarify. Many foreign banks, including those that act as correspondent banks for international wire transfers, are unwilling to facilitate transactions into Afghanistan. Some of the commercial banks’ deposits are caught up in frozen assets, while other funds were held abroad but are now stuck in limbo as international correspondent banks are hesitant to engage with the central bank. The reason seems to be fear of being caught up in the sanctions regime. The U.S. Treasury Department has been helpful in clarifying the range of humanitarian activities that are not subject to sanctions. But at the time of writing there is little clarity about commercial activities, including whether commercial fuel imports or machine parts imports are a sanctions risk. Yet Afghanistan depends on imports for 80 percent of its electricity and nearly all fuel.⁹ The chilling effect, on suppliers and their financial backers, is obvious.

State services are crumbling, from health care to education. Many civil servants haven’t been paid in 6 months or more, creating a risk that they leave their jobs or even the country with a ripple effect across service delivery. Some workers have already quit. The government cannot afford to procure items or pay for basic operations. Warnings of state service collapse are not hyperbolic. By September—just weeks after funding for the health system was halted—a mere 17 percent of previously supported health facilities could fully function.¹⁰ By early November, IRC assessments found 60 percent of health clinics we assessed did not have the capacity to deliver nutrition programming as malnutrition rates spiked. Afghanistan is now confronting its fourth wave of COVID-19 with this collapsing health system, with ripple effects across disease surveillance, COVID-19 vaccination campaigns, and treatment. While the UN has provided stop gap measures at facilities run by NGOs, support for government-managed facilities is nearly non-existent. All COVID-19 hospitals, 1,000 health clinics, and over 60 hospitals at provincial levels all excluded from current funding plans. By September, a quarter of COVID-19 hospitals had already shut down.¹¹ Despite stop gap measures via UN agencies, even funded health facilities are struggling to afford fuel for ambulances and power generators, water, and even food for patients. One hospital has resorted to cutting down trees around the hospital for heating.

Last fall, our staff spoke to Farida,¹² a midwife at an IRC-supported health clinic. She is also the sole earner for her family. She reported she and the rest of the staff at the clinic had not received salaries in 6 months, faced shortages of medicines and lacked running water. She warned, “if no one helps health clinics or provides their salaries then we cannot help those women who come here and need our help.” The IRC had previously been providing Covid-19 infection prevention and control at the clinic, but we scaled up efforts after World Bank funding was suspended, including by paying salaries, bringing running water and solar power to the clinic. Farida described the challenges she sees in her patients: “the majority of the pregnant women

who visit us have financial problems ... When I tell them to eat good food because you are pregnant, they say we can't. They cannot afford fruits or other necessary nutrition." Despite these challenges, Farida is determined to continue her work, "I feel very happy that I can help women in need ... I am able to serve my people."

The crisis is affecting every aspect of life for virtually all 40 million Afghans and sending humanitarian needs spiraling. The entire population faces the prospect of poverty, while half face hunger. Even Afghans that were spared previous periods of conflict and crisis—those in urban areas, the upper middle class and the well-educated—are now affected. Only 2 percent of Afghans have enough food to eat today.¹³ Almost 9 million people are one step before famine conditions.¹⁴ This is the highest figure ever recorded in Afghanistan and the largest in the world today. Food is still available in markets, yet the threat of famine looms as people have no access to cash to buy the food. In places like Herat, our staff even hear reports of people resorting to selling organs. Others are leaving for Iran through informal and illegal routes because they cannot meet their most basic needs inside Afghanistan.

In one of the world's youngest populations, the welfare of a generation of Afghan children is at risk. Nearly half of the population is under 15 years old.¹⁵ Many of these children have missed 2 years of school due to COVID-19. Girls should be allowed to go to school, and we welcome recent announcements from Taliban leaders to this effect, but no child will learn if schools remain closed without funds to pay teachers. Some of these children may never return to school if the economic crisis means they need to support their families. IRC staff are already seeing rises in child labor. Families are being forced to make decisions no one should have to make, including selling off young daughters so they can buy food for the rest of their children. One woman was about to resort to selling her daughter for \$200 until she received cash assistance from the IRC that allowed her to help support her family.

Our staff on the ground spoke to a woman named Hajeera¹⁶ who recounted how she had lost her job as a house cleaner and her family could no longer even bring in cash from begging. "Nowadays, the problems have multiplied ... there is no money or sight of money." Two of her children, both under the age of five, had died within the past 2 weeks. She said both were malnourished and her infant daughter is now sick because she cannot afford food. "When I take my baby to the doctor, he says there is no medicine left. If I take it somewhere else, I cannot afford it. We are facing a lot of problems. Right this moment, we do not have flour to make bread." She explained how her family did not have enough food, clothes, or even wood to keep warm. The family had resorted to burning plastic to try to survive the winter. She said, "My message to the world is that please help us ... please send us food or other supplies so I can rescue my children."

Across the country, Afghan women like Hajeera, whose rights are held up to justify Western policy choices, are in fact the people bearing the brunt of this crisis. Our staff say uncertainty defines every aspect of life for Afghans—uncertainty over the next time they will have an income or their children will return to school. Afghans tell us they feel completely in the dark about their own futures.

CHARTING A WAY FORWARD

The wealthiest and most powerful countries have spent nearly 6 months deliberating the way forward, but Afghans' lives are worsening every day that goes by without action. We understand that some of the choices in front of the U.S. and its allies may be unpalatable, but the choices facing too many Afghan families are unimaginable: to sell a body part or a child to survive. These stories are sensational, but sadly not sensationalist.

The severity of the crisis requires the U.S. and its partners to radically and urgently shift their approach and to move quickly across the following five areas. The U.S. has a unique role to play in each given its direct control of the majority of Afghan financial assets, the wide-ranging impact of the U.S. sanctions regime, and its position as the largest contributor to key international financial institutions.

First, support the urgent reprogramming of the full World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF) for basic services like health and education. There is \$1.2 billion remaining in the fund, which provides a proven, trusted method for service delivery. The U.S. should press for the scope of the fund to broaden given the severity and scale of unmet needs, for instance funds should ensure that health clinics have not only medicine and other health supplies, but also fuel, electricity, and clean water. These funds should also be used to pay essential civil servants who are the lifeblood of these services. We welcome the new guidance last week from the U.S. Treasury that salary payments for public employees are permissible in Afghanistan today. Afghanistan is not the first place where the world has grappled with this challenge. The World Bank has adopted similar programs in Yemen

and Somalia, including funding for civil servant salaries. These funds could be directed through UN agencies and NGOs to bypass the government. With new legal guidance and past experience to draw on, we now need political will to move it forward.

Second, clarify the limits of U.S. sanctions to catalyze private sector engagement in Afghanistan. U.S. sanctions on the Taliban have existed for 20 years, but the change in power in August has sparked new uncertainty about the reach of these sanctions. It remains unclear whether the U.S. Government considers the entire Afghan Government to fall under sanctions on the Taliban. General licenses for humanitarian actors have been vital for our aid operations, but private actors have received little clarity on commercial and financial transactions beyond those for humanitarian activities—but upon which the humanitarian response and 40 million Afghans depend. When there are gray areas, private actors will take the most risk averse stance. Commercial actors and international banks are effectively treating the Central Bank and line ministries as sanctioned entities. The U.S. Government should engage in more public, proactive, forward leaning guidance on allowable commercial activities, including essential imports, to address the chilling effect on private actors and catalyze immediate engagement.

Third, inject liquidity to help the economy to start functioning again. A phased release of funds is the foundation to allow Afghans to access their deposits, to enable banks to provide loans and allow traders to pay for essential imports. The clearest way to do so at the scale required is to start to release frozen Afghan assets. We appreciate legal questions that require the attention of the U.S. Government. However, the U.S. should prioritize efforts to separate out private assets from government assets and release private reserves. The U.S. should also encourage European capitals to release assets under their control, estimated at around \$2 billion. The U.S. should work to support the UN's proposed Humanitarian Exchange Facility that could help provide some liquidity by facilitating dollar-for-afghanis swaps between humanitarian organizations and Afghan companies, even if it is not a scalable or long-term solution.

Fourth, support technical efforts with the central bank and finance ministry to stabilize the economy. The central bank is the linchpin to ensuring the steps I have outlined have their desired effect. Microeconomic steps should be accompanied by a macroeconomic approach. If frozen funds are released or Afghani banknotes are shipped in, then the central bank has an irreplaceable role to play in currency auctions to stabilize the currency and avoid further depreciation or inflation. It can help rebuild confidence in the banking system so that greater functionality of banks and eased financial transactions leads to deposits in the banks once more, rather than capital flight. There are no sustainable workarounds that try to bypass the Central Bank and create parallel, shadow systems. No private bank could effectively take on this role.

Foreign technical assistance, including from the World Bank and IMF, will be critical to restore the core functions of the central bank and ensure sufficient monitoring and oversight of funds to rebuild the confidence of donors and Afghans alike. The U.S. should seek to ensure institutions like the World Bank and IMF have sufficient legal guidance from the U.S. and mandates from their executive boards to allow them to engage with the central bank. The U.S. should help convene a meeting on the Afghan economy, bringing together the World Bank, IMF, and major donors to determine a pathway forward.

And finally, rally international support for the humanitarian response. More than half of the population needs life-saving humanitarian aid this year. Meeting their needs requires \$4.4 billion—a more than tripling compared to last year. The UN pledging conference planned for mid-March is an important opportunity to galvanize pledges to fully fund the response. The U.S. announcement of \$308 million last month is a welcome step. But humanitarian aid is not a silver bullet. If the other measures I outlined are not taken, then requirements for humanitarian aid will only rise. As the head of UN OCHA, Martin Griffiths, warned, without action, “next year we’ll be asking for \$10 billion.”¹⁷

Afghan staff on our team say to me: “nation building is our job, not yours, but you can either help or hinder, and we want Western help.” The steps I have outlined can halt the slide towards the worst case scenarios like famine and buy time for the international community to chart a path forward for its engagement with Afghanistan so we are not back here in a year’s time facing the same dilemmas.

There is no shortage of technical ways forward—but there is a shortage of political will to act on them. The options in front of the U.S. will get worse the longer it waits to act. If the state is allowed to collapse, with civil servants leaving the country en masse and the financial system left in ruins, the investments of the past

20 years will be lost and it will take a generation to rebuild this capacity and expertise.

Thank you for your attention to this crisis and the opportunity to provide IRC's perspective on the complex humanitarian challenges facing the people of Afghanistan. I look forward to answering your questions.

Notes

¹*South Asia Macro Poverty Outlook*, World Bank Group, October 2021. <https://thedocs.worldbank.org/en/doc/5d1783db09a0e09d15bbcea8ef0cec0b-0500052021/related/mpo-sar.pdf>

²Ibid.

³Editorial 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>

⁴"Afghanistan Humanitarian Needs Overview 2022," UN OCHA, January 2022, <https://reliefweb.int/sites/reliefweb.int/files/resources/afghanistan-humanitarian-needs-overview-2022.pdf>

⁵Michelle Nichols, "U.N. has millions in Afghanistan bank, but cannot use it," *Reuters*, February 3, 2022, <https://www.reuters.com/world/asia-pacific/un-has-millions-afghanistan-bank-cannot-use-it-2022-02-03/>

⁶*Employment prospects in Afghanistan: A rapid impact assessment*, International Labour Organization, January 19, 2022, https://www.ilo.org/asia/publications/issue-briefs/WCMS_834525/lang-en/index.htm

⁷"Afghanistan: Socio-Economic Outlook 2021-2022," United Nations Development Programme, November 30, 2021 <https://reliefweb.int/sites/reliefweb.int/files/resources/UNDP-AFG-Afghanistan-Socio-Economic-Outlook-2021-2022.pdf>

⁸"97 percent of Afghans could plunge into poverty by mid 2022, says UNDP," United Nations Development Programme, September 9, 2021, <https://www.undp.org/press-releases/97-percent-afghans-could-plunge-poverty-mid-2022-says-undp>

⁹*South Asia Macro Poverty Outlook*, World Bank Group, October 2021. <https://thedocs.worldbank.org/en/doc/5d1783db09a0e09d15bbcea8ef0cec0b-0500052021/related/mpo-sar.pdf>

¹⁰"Statement by Dr Tedros Adhanom Ghebreyesus, Director-General of the World Health Organization, and Dr Ahmed Al-Mandhari, WHO Regional Director for the Eastern Mediterranean on their visit to Kabul," World Health Organization, September 22, 2021, <https://www.who.int/news/item/22-09-2021-acute-health-needs-in-afghanistan-must-be-urgently-addressed-and-health-gains-protected>

¹¹"Funding pause results in imminent closure of more than 2000 health facilities in Afghanistan," World Health Organization, September 6, 2021, www.emro.who.int/afg/afghanistan-news/funding-pause-results-in-shut-down-of-more-than-2000-health-facilities-in-afghanistan.html

¹²Pseudonym used to protect her identity.

¹³"Afghanistan Food Security Update," World Food Programme, December 8, 2021, <https://docs.wfp.org/api/documents/WFP-0000134768/download/>

¹⁴"Afghanistan: Acute Food Insecurity Situation September—October 2021 and Projection for November 2021—March 2022," IPC Info, October 2021, <https://www.ipcinfo.org/ipc-country-analysis/details-map/en/c/1155210/?iso3=AFG>

¹⁵"Afghanistan Humanitarian Needs Overview 2022," UN OCHA, January 2022, <https://reliefweb.int/sites/reliefweb.int/files/resources/afghanistan-humanitarian-needs-overview-2022.pdf>

¹⁶Pseudonym used to protect her identity.

¹⁷"Afghanistan: UN launches largest single country aid appeal ever," UN News, January 11, 2021, <https://news.un.org/en/story/2022/01/1109492>

Senator MURPHY. Thank you very much.
Mr. Smith.

STATEMENT OF GRAEME SMITH, SENIOR CONSULTANT, INTERNATIONAL CRISIS GROUP

Mr. SMITH. Chairman Murphy, Ranking Member Young, distinguished members of the subcommittee, thank you for inviting me to testify.

I have worked in Afghanistan since 2005. In previous years, I listened to congressional hearings from Kandahar or Kabul with gunfire in the background. The internet was not always good, but I heard enough to understand that the U.S. had ambitious plans for Afghanistan.

Now the guns are silent and America has withdrawn. In the aftermath, the U.S. and its allies should not dwell on the lofty goals of past decades. Now is the time for practical action.

Tens of millions of lives are at stake in the world's largest humanitarian crisis, as you have just heard from David Miliband's heartbreaking testimony.

U.S. and European envoys recently committed to: One, preventing the collapse of social services; and two, revive Afghanistan's economy. Urgent work is now necessary to achieve those two objectives.

Goal number one, prevent the collapse of essential services. The United States has donated generously to emergency relief efforts. However, such assistance is not enough because this is not a natural disaster.

It is a man-made crisis resulting from the end of the war and the economic isolation imposed by Western governments. Half a million government employees lack salaries. Education, sanitation, agricultural services are not being delivered.

Supporting the public sector with existing funds is an initial remedy. The largest source of funding for civil servants before the Taliban takeover was a World Bank trust fund. It still holds \$1.2 billion, which could be allocated immediately to social services.

In particular, donors should fund education. The education system is the country's largest employer, but there is no plan for paying teachers in the coming school year.

The U.N. has negotiated with the Taliban to allow all-girl schools to reopen, but sustaining that momentum requires funding.

Goal number two, help with an economic revival or at least do not stand in the way of an economic revival. The U.S. should ease restrictions on the Afghan private sector, such as sanctions and asset freezes. To start with, the U.S. should permit the central bank to function.

Da Afghanistan Bank—DAB—is cut off from the world, but Afghanistan needs central banking to regulate its currency. The most straightforward solution would be reviving DAB. This might require technical assistance and maybe ring fencing to keep the bank independent.

The U.S. should also describe a path towards unfreezing the central bank's assets. Billions of dollars in frozen assets remain stuck in legal proceedings, but the U.S. should signal an intention to someday return the funds to the central bank.

In the meantime, as you have just heard, the U.S. could immediately return hundreds of millions of dollars that belong to private depositors, ordinary Afghans who have been deprived of their savings.

More generally, the U.S. must reduce the impact of sanctions. Recent humanitarian exemptions are praiseworthy. However, U.S. sanctions still choke the Afghan economy. Treasury cannot feasibly list every permitted sector in the Afghan economy. Instead, U.S. officials must forbid what is not allowed—for example, arms trafficking.

Unfortunately, many of these steps require cooperation with the Taliban. That is hard and it is distasteful, especially as the Taliban continue to flout human rights standards.

Months of talks between the Taliban and Western officials have not resulted in much progress and the impasse is partly the

Taliban's fault. They have resisted reasonable demands such as allowing education for girls of all ages.

However, the U.S. is also pushing unrealistic goals such as an inclusive government. The Taliban should select a more representative government to legitimize and stabilize their regime.

However, considering the Taliban's strength on the ground, the authorities in Kabul feel justified in rejecting what they view as Western meddling.

The way forward is limited cooperation on narrow objectives. We can still dream of an Afghanistan at peace with itself and the world, a country that recovers from war and sustains its own population.

America had bigger plans at the beginning, but in the end, these are the humble goals that can and must be achieved.

I look forward to your questions.

[The prepared statement of Mr. Smith follows:]

Prepared Statement of Mr. Graeme Smith

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 percent of Afghans could fall into poverty this year. People are so desperate that they are selling their own daughters, anything to survive.¹

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."² Further steps are now required to achieve those two objectives.³

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 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.

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 over-

whelmed 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 percent 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.

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.

SUPPORT ECONOMIC REVIVAL

Even more urgent than channeling targeted support to the public sector is releasing the choke-hold 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.

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.

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.

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.

Notes

¹"2022 Humanitarian Response Plan: Afghanistan," United Nations Office for the Coordination of Humanitarian Affairs, January 2022.

²"U.S.-Europe Joint Statement on Afghanistan," 27 January 2022.

³Further recommendations are listed in this report: "Beyond Emergency Relief: Averting Afghanistan's Humanitarian Catastrophe," International Crisis Group, Asia Report N°317, 6 December 2021.

Senator MURPHY. Thank you both for your questions.

We have got votes on the floor so you will see senators moving in and out. I am going to ask just one question and then defer to Senator Shaheen so that she can get back to the floor.

Mr. Miliband, Mr. Smith touched on this question of conditionality being applied to the release of the money being held and frozen by the United States today. He suggested that our demands seem unreasonable.

At the same time, to many Americans who feel like we have invested 20 years in trying to expand out the right to education for women and girls, I think they would expect that we would try to press for a protection of those advancements if we are going to release these dollars.

I understand the pull and tug here. What do you make of suggestions that we should apply conditions to the release of the money that we currently hold or to the dollars right now being held in the reconstruction funds?

Mr. MILIBAND. Thanks. I think the answer to that question is: conditions on what? Conditions on which money? From our point

of view, conditionality in respect of preventing starvation is an easy question to answer. There should be no conditions on actions to relieve a starvation crisis.

The situation in Afghanistan today is such that the payment of public sector salaries and the functioning of the private sector economy are, frankly, nonnegotiable when it comes to preventing the starvation crisis because at the moment people cannot feed themselves and they cannot all be fed by the World Food Programme.

Then there is a second question. You mentioned the Afghan Reconstruction Trust Fund. We are recommending that that be used to pay the salaries of public servants, teachers.

More than half of public servants in Afghanistan are actually classified as teachers. Nurses in health clinics who are paid by NGOs get paid, but if they are employees of the Ministry of Public Health they cannot be paid. That does not make any sense at all, given the danger of a malnutrition and starvation crisis.

Also, water engineers. We have nurses being supported in health clinics where there is no proper running water and there is no fuel to run the heating systems. That makes no sense at all.

When it comes to the longer term, however, if we can get through this crisis, if we can relieve the economic pressure and get through to May, June, and July, then I think there is a discussion to be had about the amount of support that the U.S. Government is going to release and offer, which I think will be on a declining trend from the amounts of last year or, certainly, the pre-August level.

There is a real tradeoff here. The tougher and tighter you are on the release of assets to support the economy, the greater the danger that you will end up with more humanitarian aid being needed.

The U.N. has not just launched an appeal for \$4 billion of humanitarian aid this year. It has warned that unless there is a shift in the current trajectory, the humanitarian aid bill will be \$10 billion next year, and that is why I think this question of conditionality needs to be addressed, very specifically, to different types of activity and different types of money.

Senator MURPHY. Thank you. I will reserve the remainder of my questions for later.

I am going to amend my order and we will go to Senator Young and then to Senator Van Hollen.

Senator YOUNG. Thank you, Chairman Murphy.

Mr. Miliband and Mr. Smith, as we examine the U.S. response to the Afghanistan humanitarian crisis, we should not overlook the primary responsibility the Taliban has for bringing us to this point, and I know no one here is.

Being the terrorist organization they are, they choose global conflict rather than welfare of their people. They now, ostensibly, govern and they have demonstrated little interest in renouncing their past or working with the international community in a constructive fashion.

Undoubtedly, this is more of a challenge in terms of governing than the Taliban anticipated when they took power.

In your view, gentlemen, how is the Taliban seeking to use this crisis for their own advantage?

Mr. MILIBAND. Graeme, do you want to go first?

Mr. SMITH. Sure. Yes.

The Taliban, as you know, signed an agreement with the United States in 2020. A major plank of that agreement was that the Taliban promised America that Afghan soil would never again be used in a hostile way outside of the territory of Afghanistan.

That is to say, there will not be another 9/11, according to the terms of this agreement, and my understanding is the Taliban are still extremely committed to that agreement, including the Haqqanis within the Taliban movement.

So it is very well understood, I think, by conflict analysts that, so far, the Taliban's ambitions lie squarely within the territory of their own country.

They do have ambitions, as you say. They are very eager to round up all of the illegal weapons and they are trying to collect them in a central containment area. They are trying to raise money. In fact, I think they are doing a very good job of collecting tax revenues.

Trade is down by half, but government revenues are holding steady, which means that the Taliban are very significantly less corrupt than the previous government, at least so far.

I think one of the things that the international community will need to do is to keep a very close watch, and America has very significant decisions coming up with the renewal of the UNAMA mandate.

The U.N. Mission in Afghanistan needs teeth. It needs a very serious ability to keep an eye on the Taliban and make sure that they are making good on their promises. I appreciate your question.

Senator YOUNG. Thank you. I just want to toss this to Mr. Miliband, briefly.

Mr. Miliband, do you agree, specifically, that the Taliban's ambitions lay squarely within the proper territory of Afghanistan?

Is that something you would agree with? Do you further agree that the Taliban is significantly less corrupt than the previous iteration of Taliban leadership?

Mr. MILIBAND. The International Rescue Committee worked in Afghanistan in the 1990's during that period of Taliban rule as well as during the last 20 years, and putting my former hat on, I would agree with what Graeme said, that the Taliban's ambitions are confined to the territory of Afghanistan. As you know, they have proclaimed it Islamic Emirate.

I do think it is important to say that there are other forces in Afghanistan that have wider ambitions and, obviously, there is a great fear. I served on the Afghan Study Group that was convened by the U.S. Institute of Peace, and that raised a range of security questions relating to other groups beyond the Taliban.

Secondly, I want to emphasize that we have been very clear with the Taliban authorities that we will not take dictates about who we can employ.

About half of our staff are women. They are in senior management positions as well as in more junior roles. We have also made clear that we will not pay illicit levies or unofficial levies to them, and they have encouraged us to carry on with our work according to the basis that we have set forward.

So I do not want to make a blanket comment on the second question, but I do want to relate to you the experience that we have had. They have a lot to answer for, clearly. I can also speak to the humanitarian work that they are not at the moment interfering with.

Senator YOUNG. That is quite helpful. Thank you.
Chairman.

Senator MURPHY. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Welcome to both of you, and, Mr. Miliband, if I can start with you.

I appreciate the work of the International Rescue Committee in Afghanistan and other places around the world, and the IRC is very active in Maryland. You have hubs both in Silver Spring as well as in Baltimore. In fact, one of my state offices in Baltimore is in the same building that houses the IRC. Appreciate your good work.

Can you talk a little bit about the challenges you are facing right now at the IRC with respect to resettlement here in the United States? I know from the folks in your Baltimore office that it has been a challenge.

Can you talk about that situation as well as, more broadly, what you are seeing here in terms of our resettlement efforts?

Mr. MILIBAND. Sure. The International Rescue Committee is in a unique situation since we work across Afghanistan and we work across the United States with 25 offices here. Thank you very much for the support that you and your staff have offered.

We, on the ground, have been doing two main things over the last 6 months. First of all, we are working in partnership with the U.S. authorities to document the 70,000 Afghans who arrived in a very short period in August and have been housed in government facilities.

We did that work with about 450 staff who we redeployed from across our network and brought from outside.

Secondly, we are beginning the process of resettling Afghans into American communities, on the road to becoming, we hope, productive and patriotic citizens if there is a proper provision made for them to go on that citizenship course.

There are three main challenges that I would highlight for you. First, you all know there is a very hot housing market in the United States at the moment and that is putting severe strain on the ability of resettlement agencies to find affordable housing for Afghans who arrive.

Secondly, the hot housing market does not equate exactly to where the jobs are, and these are people who have arrived with nothing and they are really struggling to get into the employment market. There is plenty of demand for labor, but it is not necessarily in the right places.

Thirdly, the resettlement network was shrunk over the years of the previous Administration. It was really massively downgraded, and tooling up the resettlement network with the staff has been an enormous enterprise.

For example, for the International Rescue Committee, we resettle about 20 percent of all the refugees who come into America.

More or less, in the last 3 months, we have resettled more people than in the whole of the previous year. So there is a massive strain on the system and that means that our staff are having to work very hard and also the Afghans are having to be very patient, because it has taken 4 or 5 months to get them out of government facilities and now some of them are staying in hotels for longer than anyone would want.

Senator VAN HOLLEN. I appreciate that and we look forward to continuing to work with you on this effort.

If I could just in my remaining time pick up on where Senator Murphy left off in terms of threading this needle in terms of addressing the humanitarian needs of the Afghan people.

I think everyone is on board, at least most people are on board, in terms of the international relief through international organizations directly to the people of Afghanistan.

I think it is also clear, and we need to be coordinated in this, that any steps toward any kind of normalization in the future with the Taliban, which is very hard to envision today, requires meeting these conditions that we have laid out in terms of inclusive government, in terms of treatment of women and girls.

There is this other debate going on, which you mentioned, which is, is there a way to thread the needle in terms of providing the ability of some of these funds that have been held to benefit the Afghan people without in any way strengthening the hand of the Afghan regime.

Can you just talk a little bit about that? I do not know, Mr. Smith, if you have any views on that.

Mr. MILIBAND. Yes. I apologize that my previous answer used up a lot of your time, but maybe if the chairman is feeling generous he will give me an extra 30 seconds on this one.

Look, I think it is more than possible to thread the needle, not just because we have done it before in Afghanistan, but we have done it before in Yemen and we have done it before in Libya and we have done it before in Somalia.

When we pay a nurse or when we pay a teacher or when we pay a water engineer, we are not paying the regime. We are paying someone for their work and giving them a chance to support their family. That is the challenge that we face today, but it is one that is eminently meet-able.

You referred to funds. The Afghan Reconstruction Trust Fund that the World Bank has is there to be used and it needs to be used in a way that supports the economy as well as delivers pure humanitarian aid.

On the frozen assets—I appreciate that there are issues associated with the lawsuits that are pending, but at least half a billion dollars' worth of the assets, belong, as Graeme Smith hinted, to private individuals and to corporations.

It is Afghan money. It is not our money. So I would urge very, very strongly that you see the interdependence of the humanitarian effort and the broader economic support for the country, because if the economy collapses there is no way that the humanitarian system can cope.

Both need to get going, and, actually, if the private economy works well, we will not be in a situation in a year's time where 22

million people are dependent on the World Food Programme for food.

Senator VAN HOLLEN. That—Mr. Miliband's conclusion on threading the needle?

Mr. SMITH. Sure. Maybe I can just reinforce everything Mr. Miliband said.

I think he is absolutely correct. You can send bags of food, but you—more than that, you need to address the reason why people are hungry, which is the collapse of the economy, mostly due to Western economic restrictions.

If you do not remove the chokehold on the Afghan economy, there is really no point. You will you will end up needing more and more bags of food.

I would just say, maybe U.S. taxpayer dollars should not be used forever to feed Afghans. The Taliban should be allowed to create a self-sustaining economy in Afghanistan so that Western economic assistance is not required in the coming years. Thank you.

Senator VAN HOLLEN. Thank you. Thank you.

Senator MURPHY. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you to you and Senator Young for holding this hearing this afternoon.

To Mr. Miliband and Mr. Smith, we very much appreciate your being here and the work that you are doing in Afghanistan.

I, certainly, understand the arguments that you are both making for relieving some of the holds that the West has on the financial economy of the country.

What I am having trouble with is how to advocate to pay teachers and to release those funds when the reports that we have are that schools are open, but not necessarily to girls and to young women, that while elementary grades seem to be open to girls, high school is much more problematic for girls.

One of the things that I feel the best about over the 20 years of the United States engagement in Afghanistan was the number of girls who were able to go to school, the number of women in university, the number of women who participated in the economy of Afghanistan, and what you are both saying to us is we should reopen that economy, but to men only.

Tell me how this is going to work. Why do we not have the ability to say to the Taliban, we are happy to support the efforts to pay teachers and to reintegrate the economy, but you are telling us you are only going to do that for men, that you are not going to do it and give opportunities for women? I do not understand how that works.

Mr. MILIBAND. Senator Shaheen, I truly applaud your passion on this issue and your support for Afghan women. What I would love to do is host a session for you to meet some of our Afghan staff who are Afghan women and let them answer your question.

I will tell you what they said to me on Monday. One, how on Earth does the West think they are helping our prospects when we cannot feed our families?

Senator SHAHEEN. Yes, listen, I understand that, and whenever I am asked about what we need to do, my first response is we need to provide humanitarian assistance to ensure that the people of Afghanistan, the families of Afghanistan, are not starving, and I un-

derstand that that means, to some extent, we have got to thread the needle.

I really reject the premise that we should enshrine with the Taliban their restrictive relationships with their citizens. So I guess—I do not understand how you thread that needle and provide some of those safeguards at the same time we are trying to ensure that Afghans can be fed.

I totally agree that has got to be the number-one priority, but what kind of leverage is there then to try and encourage the Taliban to be more inclusive in what they are doing?

Mr. MILIBAND. The second thing I would say to you is that there are women who are working, but they are at the moment not being paid. They are teachers. They are nurses, and we are dependent on their goodwill to turn up at the health clinics and at the schools.

Thirdly, I think you make an incredibly important point about the education of girls over the age of 13. You referred, rightly, to high school, and March is coming up.

At the moment, there is an easy excuse for the Taliban authorities. They can say, “well, there is no money to pay the teachers.”

Actually, they have made a pledge that the schools will be open for girls over the age of 13 from March. Let’s pay the salaries of the teachers to make sure there are teachers in the schools to see whether that pledge is fulfilled. We have had private conversations that suggest it will be fulfilled.

So I can only put to you the arguments that are put to me by our own staff. They say, nation building is not your job. That is our job.

You can either help us or hinder us, and you will not help us, they say to me, by strangling the private economy. You will not help us if you are not standing by our side in supporting a phased approach to the shift in the budget of the Government of Afghanistan away from Western international aid towards its own resources.

At the moment, they feel we are tying their hands behind their back.

Senator SHAHEEN. Again, I appreciate that argument and I think we do not want to do that, but based on the experience that we have had here, I do not believe the Taliban, frankly.

So the question is, is there some sort of a phased reopening that would allow us to see if they are going to be as good as their word, because so far they have not been.

Mr. MILIBAND. I very much appreciate your use of the word phased. I have used that word in respect to the trajectory of economic policy over the next 3 to 5 years.

I think that also applies in respect to public support for government institutions—and I choose my words carefully—the payment of salaries, including to women as well as to men, and that is, indeed, being tested as we speak.

The trouble is the interaction of the humanitarian crisis with the economic crisis is what is leading to the desperation of our female staff as well as our male staff, and that is why they are asking for a very significant shift in approach.

Senator SHAHEEN. Thank you. Thank you, Mr. Chairman.

Senator YOUNG [presiding]. Thank you, Senator Shaheen.

Just I would make an observation at this point. We need to be careful in releasing to the Taliban the nearly \$7 billion in Afghan foreign reserves.

I understand the motivations that some public-spirited and humanitarian colleagues and others would have as it relates to that, but there was a lawsuit brought by the families of 9/11 victims and I believe they have a legitimate claim to those funds. They, certainly, I think, deserve the right to make that claim.

I would note that there have been many public reports on China seeking deeper engagement with the Taliban and stepping up with humanitarian assistance this winter.

A question for either of our witnesses. How are the Chinese Communist Party as well as other regional partners—Pakistan, Iran, Russia, for example—stepping up to assist and how might your organizations be partnering with these countries?

Mr. MILIBAND. Graeme, do you want to go first?

Mr. SMITH. Yes, certainly.

So far, the region—Russia, China—are taking a rather cautious approach. They are accepting the Taliban as the de facto authorities in Afghanistan, but not recognizing them diplomatically. No country in the world has recognized them.

They are not stepping in to feed the Afghan people and they are saying that the West needs to release the economic restrictions so that Afghans can feed themselves.

China does have interest in investing in Afghanistan. There is a very large gold and copper deposit near Kabul that it would like to invest in, but ordinary business cannot get off the ground.

The Afghan economy cannot become self-sufficient while these economic restrictions are in place. It is not a feasible investment climate at the moment. Private business is not allowed to thrive right now in Afghanistan.

Mr. MILIBAND. I would just add a couple of things to that.

First, there is an unusual alignment of interests between Iran, China, Russia, Central Asia, and the U.S., which is for counterterrorism and for internal economic stability.

Secondly, the interests of Iran and Pakistan are especially important, given the migration challenges that they face. The New York Times reported that since October, a million Afghans have gone into Iran, 80 percent of them to be returned. Pakistan is very worried about an unanticipated flow of people with two and a half million Afghans already in Pakistan and the asylum questions are quite serious there.

Thirdly, we have not seen any humanitarian aid ourselves from the Chinese Communist Party and we have had no proposals to partner with us, but there is no question that they see Afghanistan as very important to regional stability and to their own regional interests.

Senator YOUNG. That is actually an important point, I think, Mr. Miliband, and we must not forget that where there is an alignment of interests in these situations we need to leverage that into going ahead and seeking stability in this instance.

There are a number of financial institutions that have made the choice to leave Afghanistan altogether. They simply do not trust the Taliban and do not want to be associated with them. I probably

share most of their concerns, frankly, and respect the right to weigh the risks of operating in such a volatile country.

What has been your experience—I ask both of our witnesses—engaging with banks and private financial actors supporting humanitarian relief in Afghanistan?

As you speak to your experience, you might consider, absent international financial linkages to Afghanistan, what alternatives might there be to delivering aid to Afghanistan?

Thank you.

Mr. MILIBAND. Graeme, do you want to pick that up or—

Mr. SMITH. Sure. I was chatting with a bank CEO in Kabul very recently, who was saying that he was one of the very few who stuck around. You are right that a lot of them left.

I think that the U.S. Treasury is already having conversations with banks about getting back in the game in Afghanistan because there needs to be a banking sector. Otherwise, you are just dealing with underground money changers and that does not help anyone, especially from the point of view of tracking illicit flows of monies.

I think it is in United States' interest and it is in Afghanistan's interest to have a legitimate banking sector get going again, and this CEO was telling me what really needs to happen is the central bank needs to start operating again.

You mentioned earlier the dangers of returning the reserves to the Taliban. I have to tell you to, Senator, nobody is proposing that. They are proposing to return the reserves to the owner of the reserves, which is the central bank of Afghanistan, and there are laws that constrain what they can do with those reserves.

Those are only for managing the currency. That does not go into a Taliban piggy bank. This is to make sure that the paper money in circulation in the country has value so that people can buy bread.

Senator YOUNG. I'll have to think more about that. I mean, so you are making the argument that this separation of powers, as it were, between their central bank and the Taliban government will—I suppose it is a judgment call informed by experience, but that will be respected if the funds are released? I do not want to speak for you. Is that accurate?

Mr. SMITH. I do not want to guarantee that it is respected. I think there needs to be an insistence on transparency.

I think what folks at Treasury are talking about is this idea of ring fencing, providing some safeguards around Da Afghanistan Bank—the central bank. I think it probably needs some more technical expertise.

There probably need to be some people with Ph.D.s in economics on the top floors of the central bank to keep things running, but yes, it needs to run.

Senator YOUNG. Just one point here, because it is very important and I am sure there are others watching these proceedings.

I think it is important that counsel to the families of 9/11 victims are comfortable with any such release of funds. I mean, I am sure they could make very robust arguments.

If, indeed, as you say, the money could be separated, protected, then my expectation would be that the families would be com-

fortable. If they are not comfortable that suggests that maybe there is a lack of confidence that the monies will be preserved.

Mr. Miliband, do you have anything to add on that? Then I will pass it back to the chairman.

Mr. MILIBAND. Obviously, the pain of the 9/11 families goes to the heart of the trauma over the last 20 years, and I do not think anyone would want to do anything that stood in the way of the legal and moral rights of those people.

Obviously—I was just speaking to the unspeakable trauma that has been experienced over the last 20 years by the 9/11 victims and their families and, obviously, that is, predominantly, American, but also international.

Now, I can speak to the fact that in ministries that we deal with, there are technocrats who have built expertise over the last 20 years in health or in education.

We do not deal with the central bank so I cannot speak to that. Those technocrats, it is important that they stay in the country because the country has to function with a functioning state.

I can speak, secondly, to the issue of the banking system. With the full agreement of our donors, we now have to work not through the banking system to pay our staff, but through local money brokers, and that is done in a transparent way and it is done in a way that is above board, but it incurs costs that would not otherwise be faced in a more normal situation.

It is an abnormal situation in Afghanistan for all sorts of reasons, but especially at the moment, there has been no example that I have come across of an economic contraction of the speed and scale that Afghanistan has faced and that is what has put extraordinary pressure on the humanitarian effort.

Senator YOUNG. Thank you so much.

Senator MURPHY [presiding]. Mr. Miliband, you had on your opening list this issue of making sure that humanitarian operations have the necessary space inside Afghanistan.

I will often hear pro-sanctions advocates when they are envisioning the impact of U.S. sanctions on Syria or Venezuela, Afghanistan, on civilians, who tell us that these sanctions come with the ability for Treasury to be able to issue these general licenses for humanitarian work and that is how you fix the problem of civilians being adversely affected by sanctions that are primarily in place to try to affect government decisions.

Can you tell us a little bit about whether these general licenses are sufficient in Afghanistan and what more we need to do in order to make sure that we are allowing humanitarian operations to continue?

Mr. MILIBAND. The licenses have been helpful. The U.S. issued them in September and then the U.N. did so with American support in December.

They are helpful, but they are not sufficient. You can see they are not sufficient by the mounting number of people who are malnourished or at the international phase classification of food insecurity level four, which is the one step short of famine that you quoted.

This goes to the heart of a point that Graeme Smith made, which is that rather than trying to list all the activities that are allowed,

it is far better to list the activities that are proscribed and say everything else is okay.

We have got to engineer a flip in the presumption about economic engagement with Afghanistan, because at the moment anyone outside the country is running away from the country when it comes to doing business with the country.

Given that Afghanistan is import dependent, that is a recipe for the kind of disaster that we have got at the moment. Licenses on their own cannot do the job.

Just to give you a very simple example, it is easy to get an answer to the question on the Treasury website, “is it okay for a humanitarian agency to import fuel into Afghanistan”? The answer is yes.

It is very hard to get answers to the question, “is it okay for a private enterprise to import machine parts into Afghanistan”? That is not a sustainable state of affairs.

Senator MURPHY. Mr. Smith, I wanted to talk to you about one specific idea and that is a humanitarian exchange facility. It is an idea that has been proposed by the United Nations, and the idea is to try to address this liquidity crisis in Afghanistan.

As in many other countries in crisis, many international suppliers who are importing goods demand to be paid in U.S. dollars, but since the Taliban took over the country, shipments of U.S. dollars were, effectively, stopped to avoid that money falling into Taliban hands.

So the U.N. has proposed this sort of regulated exchange facility where you could exchange Afghan currency for U.S. dollars in order to at least facilitate these economic activities that are vitally necessary to continue the economy running.

What do you think of this idea? Is it sufficient? Is it something that the United States should get behind?

Mr. SMITH. It is a great idea. It is not sufficient. It should be set up quickly, and nobody should be under any illusions that this substitutes for the normal functioning of a central bank.

I am glad that you have highlighted that this is about making import deals so that people can feed themselves, because it is not just that we want private business to run in Afghanistan because we like private business.

These are businesses that feed the people. The calories that Afghans consume on a daily basis come in across the borders, and nobody can load up a truck full of paper afghanis and drive it across the border to make a deal to buy wheat flour.

I mean, they need U.S. dollars to make those deals. Yes, this is—you know, the humanitarian exchange facility, that is one quick and easy way of getting some U.S. dollars into the market, but it is not nearly sufficient.

Before August, the central bank was running currency auctions three times a week, something like \$50 million a shot. We are talking about very large amounts of U.S. dollars required so that the people can eat.

Senator MURPHY. One question, Mr. Smith, to follow up on your exchange with Senator Young about the central bank.

I hear loud and clear both of your cautions on applying overly restrictive unrealistic conditions to the release of funding, but it did

sound, Mr. Smith, as if you were open to the possibility of applying conditions relative to the guarantee of independence of the central bank that we would want to make sure, if we are going to release billions of dollars to the central bank, that it continues to operate independently and is not, as soon as we transfer the money in, taken over by the Taliban to become its political arm or a political arm.

Mr. SMITH. Absolutely. There is a giant-sized accountability challenge now. No matter what happens next in Afghanistan, we need a lot of people on the ground holding the Taliban's feet to the fire, making sure that there is transparency, making sure the fight against corruption actually works.

This is why I emphasized in one of my earlier points that as you are standing up a new UNAMA mission on the ground, you need a large risk analysis unit. You need people who understand the political economy because otherwise this is going to be a boondoggle of monumental proportions.

Senator MURPHY. Last question for both of you. What do you both understand as to the current decision-making structure within the Taliban?

I think part of the reluctance to engage is an inability to understand how decisions get made. This is not a government that functions like others we deal with—unclear how many decisions get elevated to the Supreme Leader, which decisions are made at the local level, which decisions are made at the national level.

What do we understand right now about how to best engage with the Taliban if the United States made the decision to engage on a question like this one, the independence of the central bank?

Who are you talking to? Are you talking to the government in place? Are you trying to get a direct line to the Supreme Leader? What is the best way to get decisions that will hold made by the Taliban?

Mr. SMITH. A good friend of mine wrote his Ph.D. about the process of negotiating humanitarian access with the Taliban in the 1990's, and I think some of the same lessons still apply because some of the same Taliban are still in power.

His conclusion was you cannot make big grand bargains. There will be no single deal with the Taliban that ends all deals because it is the Taliban, and we do not trust them and they do not trust us and we disagree with them about a lot of things.

So this is going to be a day-to-day negotiation grind. We are going to have to find people we can deal with and deal with them, and then be back in their offices the next day saying, nope, that did not work.

We do not—and holding them accountable, and that is going to require teams on the ground getting in their faces on a day-to-day basis.

Senator MURPHY. Mr. Miliband.

Mr. MILIBAND. I think I would add two things to that.

First of all, there are divisions at national level and there are also divisions between the national and the local level, and this adds to the sense that Graeme Smith has conveyed that it is a complicated decision-making structure.

It is a government that is able to make commitments and they have made commitments, for example, in respect to NGOs, which are now being followed through at local level.

So I think that recognizing the multiplicity of power centers that exist is important because, obviously, the United States has negotiated and continues to negotiate with representatives of the Taliban government now.

There are also other players who are powerful forces inside the country, and I think Graeme's answer rightly recognizes that.

Senator MURPHY. Senator Markey.

Senator MARKEY. Thank you very much.

Mr. Smith, yes, this is a difficult kind of circle to square in terms of where the aid would go if it was released from the U.S. Federal Reserve Bank of New York.

Could you maybe just compartmentalize short term, medium term, long term what the impact would be in terms of meeting the needs of the people in Afghanistan?

Understanding that everything you would be doing would have to be carefully calibrated to elicit specific narrow responses from the Taliban, but how optimistic would you be that we could create such a formula?

Mr. SMITH. Thank you for the question. I do not pretend to have all the answers, but what Crisis Group, my organization, has recommended is a phased release of selected tranches of the central bank reserves.

That would allow us to put some cash liquidity into the central bank so that they could hold currency auctions. They would go to the money changers in Kabul and offer U.S. dollars in exchange for paper Afghani.

Fortunately, that is an electronic and automated system and so that could be scrutinized and should be scrutinized extremely closely by U.S. and other authorities.

So this is not aid. This is not money for the Taliban budget. This is money so that the central bank can function, and what that would allow to happen is it would float the value of the Afghani so the paper that people use to go to the bakery to buy bread, that paper would retain its value.

It would also mean that the bakers, when they are buying wheat flour, that the traders have U.S. dollars that they can use to buy the wheat flour that comes into the country that goes into Afghans' daily bread. So it is a life or death issue.

Senator MARKEY. Thank you.

When I was in Kabul, the delegation from Congress arrives wearing armor, helmets. We are in armored vehicles, pulling up to the meeting with the Afghan women and then teachers, nurses, they arrived. They have no armor. They have no protection.

When we finished the meeting, we put back on all of our armor, we get down into the vehicles and the women just walk down back into the streets of Kabul.

Mr. Miliband, how do we make sure that those courageous people get the funding and that—because you can see that they would make it tough, in many ways, for the Taliban to interfere with their ability to help their families or their community that it is trying to help.

What is the formula that you use to empower those incredibly courageous women, especially, that I was able to meet with?

Mr. MILIBAND. Thank you, Senator.

The first thing to say is that, obviously, the end of the war means it is far more secure in Afghanistan than it has been for a very long time for the moment, and there are roads that we can drive down that we have not been able to drive down for a very long time.

Secondly, paying directly to staff members is a way of making sure that the funds from the international system go to the people that it is intended for and we have very strict systems for making sure that that happens.

Thirdly, we do work with the consent of the national and the local authorities and we also find that those authorities are very leery of getting on the wrong side of the population who are being served by those services. We do not have arms, either. We do not carry guns. We do not have any kind of protection.

I can tell you that we are hiring in Afghanistan. We now have 3,000 staff across the country in 10 of the most densely populated provinces, and our services, tragically, are more needed than ever before, but it is not the local security situation that is getting in the way of us doing our work.

Senator MARKEY. Finish the sentence. It is——

Mr. MILIBAND. It is the economic collapse and that——

Senator MARKEY. Yes, I see. You are saying—and if I just may follow up on this—so if you are LGBTQ, if you are an ethnic minority, if you are a religious minority, you are saying that there is still a way to get the funding into the hands of those communities and that the obstacles are not then what the Taliban would be especially inclined, perhaps, to do to those groups that might not be of the ethnic majority?

Mr. MILIBAND. One of the programs that we work to deliver is a cash distribution program, and so I can see that you are asking not about payments to our staff, but about payments to our clients.

What we do in all the places that we work is seek out the most persecuted minorities and try and reach them. Now, there are always many who we cannot reach, but I am very happy to send you more details of how we seek out persecuted minorities, how we get support to them, and how we allow them to register their needs without advertising those needs, which is, obviously, very important.

Senator MARKEY. I thank you, and I thank you, Mr. Chairman.

Again, I want to thank you for all of your historic work on climate change as well. I would ask you about that situation in Afghanistan because I know it does have an impact, but I do not have the time.

Just know that we are committed to having the United States be a leader once again by the end of this year so that the world has our nation to look to once again.

Thank you so much, both of you——

Mr. MILIBAND. Thank you.

Senator MARKEY. —for all of your great work.

Senator MURPHY. Senator Young.

Senator YOUNG. Thank you, Chairman.

We are struggling, of course, with dire needs of this horrible humanitarian crisis and, that said, I want to take a look at the longer term for a moment.

It seems increasingly apparent that the Afghan economy was built almost wholly on international donor assistance in recent history, and much of that is gone forever with the Taliban in charge.

Prior to the withdrawal, assistance accounted for three-quarters of the Government's budget and 40 percent of the country's entire economy. I think to myself and many others' hope of building a sustainable economy seem, if not dashed, remote, and so perhaps our witnesses can give me some measure of hope, of course, tempered by reality.

Are there elements of the real Afghan economy, I ask you, that are stronger today than they were two decades ago, and if so, perhaps you could highlight those for me.

Mr. SMITH. With permission maybe I would just offer a few observations. There are many elements of the Afghan economy that are stronger today. When I first arrived in 2005, I was using my satellite phone a lot. Now you can get a pretty decent 3G signal.

Telecommunications has become the largest private sector employer, by some measures about 200,000 employees. That sector, of course, just like so many other sectors, now at dire risk not only because of the banking sector collapse, but also because—a friend of mine is a telecommunications executive.

He wants to buy spare parts for his cell phone towers. He calls a European parts supplier and they just hang up the phone on him because of U.S. sanctions. They are all terrified of U.S. sanctions.

There really is a need to get some of these things unstuck. Regional connectivity is one potential future way that Afghanistan could improve its standing in the world. There are plans on paper, at least, for gas pipelines and electricity corridors and so forth, and the Taliban are eager to make those things work.

All those things are going to require a stable investment climate. What we do have at the moment is more peace than we have seen in 40 years in Afghanistan.

That is a good step towards a stable investment climate, but I do not think investors are going to be willing to come back in the numbers needed until the West decides to release the economic restrictions on Afghanistan.

Mr. MILIBAND. Can I just add to that, Senator?

I think you are so right to be focused on this because we do have to get through the starvation crisis of the next 8 to 10 weeks, but then there has to be a serious medium-term international plan.

We have talked a lot about bilateral U.S.-Afghan relations. There is a massive role for the World Bank and the IMF, international financial institutions, to sit down and run a proper exercise about the future of the Afghan economy.

We know it was more or less a \$20 billion economy just before COVID—the last World Bank estimates. You do the sums. Forty million people—that is only \$500 per person per year. It was a poor economy.

It is, undoubtedly, a smaller economy today. It might be a \$250-a-person economy or even less. That World Bank/IMF effort currently under severe restriction—in the case of the IMF completely

stopped—that is essential to give any kind of framework in which the responsibilities of some of the regional powers that you raised in your opening statement can be properly fulfilled.

Senator YOUNG. No, that is very helpful, both of you.

Mr. Miliband, I would circle back to a point you made earlier about how Russia, China, the United States, India, Pakistan—many of those countries share interests as it relates to maintaining some stability in Afghanistan, and so perhaps we could find more cooperation than is popularly believed as we put together this sort of plan.

I guess the last thing that I would ask, to telescope in on one area of their economy that has received a lot of attention at a policy level and in the media in recent years, and that is our efforts to eradicate poppy production.

I think few would question that was a failed effort. The demand for illicit substances in this country and others just swamped our public policy efforts there.

How important today is illicit drug trafficking to the economy of Afghanistan and what alternative exports could Afghanistan feasibly have?

Mr. MILIBAND. This is one for you, Graeme.

Mr. SMITH. Yes. Sure. I am glad you raised this, Senator, because there is a real risk that as more and more Afghans fall into poverty and especially as the urban economies collapse that they go home to their villages and they farm more poppy.

Afghanistan already dominates the global market for opium, but those volumes could even increase from where they are today, not just opium, but also hashish, and we are seeing, increasingly, supplies of methamphetamines. They are farming wild ephedra and outcompeting the synthetic methamphetamine.

It is a real risk, and I would say also that do not just think about drugs. Also think about guns. There is a real concern that Afghanistan could again become a sort of open-air arms bazaar just like Libya was after 2011.

So there are actually proposals out there for cooperating with the Taliban on rule of law issues. I know of one NGO that wants to work with the Taliban on collecting weapons and safely securing them in containment facilities.

That might be difficult for a U.S. politician to even think about, but down the road, working on rule of law issues, is something that could be considered.

Senator YOUNG. Thanks again, gentlemen. I appreciate it.
Chairman.

Senator MURPHY. Thank you very much, Senator Young.

Just a couple final questions. I take your challenge seriously. You were blunt, as promised, today, Mr. Miliband, but we are looking at a \$4.4 billion appeal that has been made by the U.N.

The United States has pledged \$308 million, less than 10 percent of that total. You are coming here to tell us we need to do more, but if you could transport yourself to one or two or three other national capitals to make this same plea, which ones would they be?

Who are the other nations that are going to have to step up in order to meet this \$4.4 billion need to get us through the next 8

months? Who should we be talking to to convince to do more if we are going to ask our taxpayers to do more as well?

Mr. MILIBAND. I think the burden sharing argument on this is very, very strong and it is a call to do different as well as to do more, hence, the focus on the economy.

I would start in Europe. They were the United States' partners over the last 20 years. There is a massive European interest in avoiding further collapse of the Afghan state and society for obvious migration reasons.

Secondly, I think that the coalition of Gulf countries that summoned a meeting of the Organization of Islamic Conference are concerned about the stability of the Afghan state and the fate of the Afghan people, and when it comes to a discussion about underpinning the banking system in Afghanistan, I think there is good reason to look to the Gulf for support as well.

Thirdly, I know that America has a very tangled and troubled relationship both with Pakistan and with Iran for different reasons. Certainly, on the Pakistan side, where the U.K. has a long history and a history that is somewhat easier than our history with Iran, those neighbors feel the destabilization in Afghanistan very, very seriously.

In my time as foreign minister, I tried to emphasize in everything I did the need not just for a national bargain inside Afghanistan, but a regional bargain as well, because the history of the last 200 years shows that when the region is not involved in Afghanistan, it makes trouble in the country. When there is stability in Afghanistan, it is, in part, because there is engagement with the region.

Those would be the three centers of my activity and actually are the three centers of the advocacy that I am trying to do.

Senator MURPHY. The final subject I want to touch upon you have both referenced in small parts to answers to questions.

There are these two big things that have happened in Afghanistan: one, the collapse of their economy, but second, the end of 20 years of war, and that is not insignificant.

You have mentioned the impact it has had on humanitarian access, roads that you were unable to access during the war or parts of it that you now have access to.

So I wonder what you hear from your partners on the ground and citizens in Afghanistan about how they view the peace dividend that has come, what it means to them to not have to deal with war on a daily basis, and what we know about the broader impact that the Taliban has on individuals' and families' lives.

We have, rightly, focused a lot on the restrictions on girls' education, but when we saw images of the 1990s Taliban, it seemed as if there was a much greater level of micromanagement of individuals' and families' social lives than simply the restriction on female education.

What do Afghans say today about the way that their daily life is impacted: a) by the elimination of the threat of warfare, but; b) by a new government that has a very different social agenda?

Is it just about girls having less access to education, which in and of itself is an abomination, or is the Taliban back to their old

tricks of deciding when and where you can socialize with friends or watch movies or engage in broader social opportunities?

Tell a little bit of a story to the extent you know about what the end of the war has meant and what the second coming of the Taliban government has meant to the daily lives of Afghans.

Mr. MILIBAND. Want to go, Graeme?

Mr. SMITH. Sure, if I may. It is the end of the deadliest conflict on the planet Earth. Tens of thousands of Afghans were being killed annually, hundreds of thousands displaced annually.

People are going back to their broken homes. They are trying to pick up the pieces of their lives. It really depends on which Afghans you speak to. Some have fled the country, fearing for the lives.

Some are hiding in their own homes if they were in some ways associated with the previous government, very fearful that the Taliban's promise of amnesty will not protect them from the revenge of people who may want to do them harm.

Other people are traveling back into the country for the first time. People who have been in exile are coming back to Afghanistan and hoping to make new lives.

For women, it is a very varied picture and it is something that is moving very quickly. You are seeing the Western pressure having some effect.

The Taliban have just announced that this spring the exams, the Konkor—it is a very famous rite of passage for young Afghans to try to get into university—that both young men and young women will write that exam this year. These are small steps and I think we have to watch this space very closely and continue to advocate with the Taliban to make everyone's lives better in Afghanistan and not just the victors in this conflict.

Mr. MILIBAND. I think that Graeme is right to emphasize how varied it is across the country and between different layers of society, but if I had to generalize, I would say they are very fearful of the future, and the more they have gained over the last 20 years the more fearful they are of the future because they have more to lose. The passion that comes through in any conversation that I have with our teams is precisely because they think that they have got something to lose and that is creating a real sense of crisis.

It is leading some to want to leave, although the opportunities for that are extremely limited, but it is also creating this sense of disbelief that they are going to be abandoned.

When I referred in my opening statement to the price of peace, I think any Afghan who had been told that peace would be as painful as it is and, potentially, be even more deadly than war would have not believed it. That is the situation that we face today.

Senator MURPHY. I want to thank both of you for your testimony today. We appreciate the insight and the recommendations that you have made to the subcommittee.

Members are going to be allowed to submit questions for the record until the close of business on Friday.

With thanks to the subcommittee, this hearing is adjourned.

[Whereupon, at 4:02 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

TESTIMONY FROM EXECUTIVE DIRECTOR CHRIS WHATLEY OF THE HALO TRUST (USA)

Chris Whatley, Executive Director, The HALO Trust (USA)

OUTSIDE WITNESS TESTIMONY FOR THE SENATE FOREIGN AFFAIRS SUBCOMMITTEE ON NEAR EAST ASIA, SOUTH ASIA, CENTRAL ASIA AND COUNTERTERRORISM

AFGHANISTAN: THE HUMANITARIAN CRISIS AND U.S. RESPONSE

The HALO Trust is the largest humanitarian landmine clearance organization in the world. An Anglo-American nonprofit, HALO was first established in Afghanistan in 1988 and now works in 28 countries worldwide, employing over 10,000 staff.

Founded in response to the devastation following the Soviet occupation, HALO currently employs over 2,100 staff-members in Afghanistan and operates in almost every province. The program is led and managed by Afghan nationals who continue to have high-level access to local and national government authorities despite the Taliban takeover. During its history, HALO Afghanistan has cleared over 850,000 mines, 10.7 million other explosive devices, and returned 498 square miles of contaminated land back to affected communities—an area over seven times the size of Washington, DC.

Explosive clearance is a precondition for refugees to return to their homes, schools to reopen, and farmers to sow their fields. HALO successfully operated throughout the post-Soviet civil war, the first Taliban government, and the two decades following the U.S.-led invasion in 2001. However, *the contamination left from the final phase of fighting last year in Afghanistan is some of the worst HALO has seen in its 30+ years operating in the country.*

The primary explosive risk Afghanistan faces today is the threat of victim-activated Improvised Explosive Devices (IEDs). These murderous weapons, constructed with homemade explosives or pilfered munitions and rigged with pressure sensors, are the landmines of the 21st century. *From July 2020-June 2021, Afghanistan suffered over 1,500 civilian casualties from explosives. Over two-thirds of these casualties were from IED's.* Since August 2021, HALO has already identified an area three and a half times the size of Central Park that contains IED contamination. And compared to January 2021, the number of IEDs cleared by HALO in January 2022 increased 740 percent.

The very homemade nature of these devices makes them dangerous and complicated to clear. HALO is currently the only organization conducting IED clearance in Afghanistan. Through the generous support of private American donors and European countries, HALO has been able to deploy a limited number of emergency IED clearance teams to clear contamination around schools, Internal Displaced Persons (IDP) camps, and other vital infrastructure. *However, sustaining and extending this capacity to meet the humanitarian needs of the Afghan people will require U.S. Government support.*

For over 20 years, the U.S. State Department has generously funded the clearance of Soviet-era landmines thanks to bipartisan support in for the Conventional Weapons Destruction (CWD) account. HALO and other NGOs continue to receive U.S. Government support to clear legacy explosives. However, to date the State Department has not shown interest in supporting IED clearance.

Given the importance of IED clearance to addressing humanitarian crisis, we hope the committee will use its oversight authority to encourage the State Department to address this critical need.