

# As Afghans Suffer, U.S. Stalls on Plan to Return Central Bank Funds

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*In September, the U.S. created a foundation that was supposed to unfreeze Afghanistan's foreign assets. Yet, interviews with trustees reveal that, in three months, no funds have been disbursed—or concrete plans made—to help the Afghan people.*

The Taliban seized power in Afghanistan in August 2021 and, in response, Europe, the United Arab Emirates and the United States froze the Afghan central bank's roughly \$9 billion in foreign assets — \$7 billion of which was under control of the United States.

Without access to these funds — alongside a lattice of sanctions, a decline in humanitarian aid and harsh political turmoil under Taliban rule — Afghanistan has been led into an economic collapse with a dramatic uptick in poverty; [6 million Afghans](#) are facing the immediate risk of starvation. According to [calculations](#) from the Center for Economic and Policy Research (CEPR), a left-leaning think tank, U.S. sanctions on Afghanistan (including the freezing of these central bank assets) could kill more people than 20 years of U.S. war and occupation.

In September, the Biden administration placed half of the U.S.-controlled assets into a private foundation, trustee by just four people, "to be used for the benefit of the people of Afghanistan while keeping them out of the hands of the Taliban and other malign actors," according to a [joint statement](#) from the departments of Treasury and State.

But interviews with two of those four trustees reveal that no funds have yet been disbursed to help the Afghan people and there are no policies in place to do so immediately. One trustee underscored that it is unlikely the foundation will be a vehicle to quickly return the assets to Afghanistan's central bank while the Taliban is maintaining oppressive rule.

This lack of progress raises concerns that the Biden administration is on course to worsen the rapidly spiraling humanitarian crisis. "Who pays the price," asks Basir Bitra, an Afghan activist who works with the Afghan refugee community in Canada and who has family in

Afghanistan, “for the U.S. freezing the funds? The public. The people who live in Afghanistan.”

## Creation of a foundation

The United States froze the Afghan central bank’s assets amid public outcry over the U.S. military’s withdrawal from Afghanistan. The Biden administration depicted the move as a refusal to legitimize Taliban rule.

Yet, according to Andrés Arauz, a senior research fellow at the CEPR,

“The reality is that central banks don’t just hold government money — they also and mostly hold commercial banks’ money. They are not only banks of governments; they are also banks of banks. It was important for the working of Afghanistan’s financial system, and therefore its economy, that their banks have access to money that was seized by the United States.”

The freezing of the assets plunged Afghanistan into a liquidity crisis, in which people are unable to access their cash and perform essential transactions. Alongside the liquidity crisis is hyper-inflation, which has worsened the acute and widespread problem of hunger. Between June 2021 and July 2022, the price of wheat flour in Afghanistan skyrocketed 68% and cooking oil jumped 55%, [according to](#) the International Committee of the Red Cross. Seventy percent of homes are “unable to meet basic food and non-food needs,” the International Federation of Red Cross and Red Crescent Societies [warned](#) in June. Reports have [emerged](#) of Afghans selling their daughters, and their kidneys, in an effort to survive hunger and rising debt.

Citing the deepening catastrophe, some activists and lawmakers have been calling for the Biden administration to take a less collectively punitive approach and return the assets to Afghanistan’s central bank. In January, the *New York Times* editorial board published an op-ed [warning](#) against a policy of letting the Afghan central bank fall apart, titled, “Let Innocent Afghans Have Their Money.”

In the midst of all of this, in February, the Biden administration issued an [executive order](#) to set aside \$3.5 billion of the U.S.-held central bank assets for victims of the attacks of September 11, 2001 (though lawyers and lobbyists stand to [profit handsomely](#)). This move was widely criticized by [United Nations experts](#) and some [9/11 families](#) for its disastrous humanitarian consequences for Afghans.

On September 14, the U.S. departments of Treasury and State [announced](#) the other half of the U.S.-controlled reserves of the Afghan central bank — another \$3.5 billion — would be placed under the control of a Swiss foundation called the Afghan Fund. The Afghan Fund would “maintain its account” with the Bank for International Settlements, which is a global financial institution, based in Switzerland, that provides banking services for central banks.

According to a [statement](#) from the Bank for International Settlements, its role “is limited to providing banking services” and it plays no part in the decision-making of the Afghan Fund.

In the short term, the Afghan Fund’s board of trustees “will have the ability to authorize targeted disbursements to promote monetary and macroeconomic stability and benefit the Afghan people,” according to the joint statement from Treasury and State. The foundation

could, for example, use the assets to pay for “critical imports like electricity,” or to pay for “Afghanistan’s arrears at international financial institutions to preserve their eligibility for financial support.” The Afghan Fund’s long-term goal is to return the funds to the Afghan central bank, but only if key assessments and “counter-terrorism” controls are implemented, the statement indicates.

Some activists and members of the U.S. Congress cautiously supported the creation of the Afghan Fund, hoping it marked a step toward the United States unfreezing the assets.

“The fund has the potential to create a vital pathway to a functioning financial system, returning desperately needed assets to Afghanistan that could alleviate major price spikes of food and other essentials,” Rep. Pramila Jayapal (D-Wash.), chair of the Congressional Progressive Caucus, wrote in a September 15 [statement](#).

The press coverage surrounding the Afghan Fund intimated a major unlocking of the assets could be just around the corner. “Setting up the new fund will enable the funds to flow quickly,” Kylie Atwood [wrote](#) for CNN.

But now, three months later, no money has been distributed and two of the Afghan Fund’s trustees say there is no immediate plan to return assets to the Afghan central bank.

## Four trustees

The Afghan Fund has four trustees who make its decisions. Of the two born in Afghanistan, the first is Anwar-ul-Haq Ahady, former head of the Afghan central bank and Afghanistan’s former minister of finance. The second is Shah Mehrabi, a professor at Montgomery College in Maryland, who also serves on the Afghan central bank’s Supreme Council.

Mehrabi and Ahady each confirmed to *Workday Magazine* and *In These Times* that, in the three months since it was created, the Afghan Fund has not disbursed any funds — neither directly to the Afghan central bank, nor to meet any immediate needs for economic stabilization—and has no immediate plans to make significant disbursements to the central bank.

At the first meeting of the Afghan Fund trustees in Geneva on November 21, “potential disbursement issues were addressed but no policy and procedures or options were elaborated or finalized,” Mehrabi explains. There is another meeting scheduled for January, he says, but “release of these funds to the central bank most likely will not occur in January.” Ahady confirmed the Afghan Fund has not yet reached agreement on a policy to disburse funds.

According to Mehrabi and Ahady, among the trustees at the November 21 meeting was Andrew Baukol, the U.S. Treasury’s acting undersecretary for international affairs, who replaced Scott Miller, U.S. ambassador to Switzerland, as a trustee. (The U.S. Embassy in Switzerland confirmed that Miller had been replaced, and “the U.S. representative is now based at Treasury.”) The swap-in of Baukol, who has also worked in the CIA and the U.S. office of the International Monetary Fund, suggests a larger role for the Treasury Department.

The fourth trustee is Alexandra Baumann, a Swiss foreign ministry official.

For any decision to go through, it must have the unanimous backing of the foundation’s four

trustees, Ahady explains. Given the Treasury Department's representation, "If the U.S. government disagrees, no decision will be made," he says.

Mehrabi's position on the board was a win for advocates of unfreezing the Afghan central bank funds, as he is an outspoken proponent of unlocking the assets and restoring them to the central bank. Mehrabi explains over WhatsApp that he would like to see a "limited, monitored release" of funds to the Afghan central bank, ranging from \$80 million to \$100 million per month, "depending on the demand and stabilization of currency and stable prices." (He has [previously called for](#) \$150 million a month.)

Mehrabi's proposal is relatively moderate compared with [others](#) who have issued less qualified calls to fully unfreeze the Afghan central bank assets and revive the institution. But for those who are anxious to welcome any amount of disbursement to Afghanistan's central bank, Mehrabi stands out for supporting the direct flow of funds.

When asked whether other trustees agree the funds should be returned to the Afghan central bank, Mehrabi replies, "The issue of disbursement has not been fully discussed yet and finalized."

A Treasury Department [readout](#) from the November 21 meeting says the trustees of the Afghan Fund agreed on operational matters, like "hiring an external auditor" and "developing compliance controls and foundational corporate governance documents." But the readout contains no mention of what will happen with the actual assets.

When asked about the prospect of unlocking the assets for the Afghan central bank, Mehrabi explains: "The U.S. government's position has been not to release funds to the central bank unless capacity building and AML/CFT issues [anti-money laundering and counter-financing control measures] are resolved. How long will this take? There is an immediate need to tackle higher prices that people are suffering from, and lack of funds has prevented businesses from paying for imports. If funds are not released soon, the suffering of Afghans will continue."

Ahady says over the phone that, due to the position of the United States, the Afghan Fund will be unlikely to return any significant portion of the assets to the Afghan central bank while the Taliban "is declining U.S. requests for more inclusive government and women's rights."

Some funds may be disbursed for key items that circumvent the central bank in the public interest, Ahady says, such as printing new bank notes or passports. But the primary purpose of the Afghan Fund "is really to keep this money so that, one day, when the situation becomes normal, this is the capital of the Afghan central bank. So at least the central bank will have capital to work with. So the main idea is not so much disbursement, unless it's strictly needed, but to manage the fund that's under sanction."

Ahady declined to comment on whether he supports this orientation to the frozen assets.

Such an approach would differ from the standards laid out in the joint statement from the departments of Treasury and State, which highlights three conditions for unfreezing the assets: that the central bank "demonstrates its independence from political influence and interference"; "demonstrates it has instituted adequate anti-money laundering and countering-the-financing-of-terrorism (AML/CFT) controls"; and "completes a third-party

needs assessment and onboards a reputable third-party monitor.”

According to Cavan Kharrazian, a progressive foreign policy advocate for Demand Progress, any delay will most greatly harm those who are already vulnerable and oppressed under Taliban rule. “For the foreseeable future, the Taliban will be in charge of the government of Afghanistan,” Kharrazian says. “While they have a deplorable human rights record, especially towards women, there is also a severe economic and humanitarian crisis in the country that needs immediate attention. This crisis affects the most vulnerable segments of society the worst.”

Kharrazian adds: “The U.S. just spent 20 years and trillions of dollars attempting to eradicate and replace the Taliban and its oppressive rule. It didn’t work. But the U.S. does have the ability to facilitate the unfreezing of funds that can benefit millions of people facing humanitarian disaster in Afghanistan.”

Afghan activist Bitia implores that “the funds need to be released right now, because people are struggling. So many people lost their lives, so many people sold their kids on the streets, so many forced their daughters to marry a man because of the economic situation. So it has to be right now.”

Arauz, from the CEPR, says it would be a profound mistake on the part of the United States to withhold assets from the Afghan central bank in order to punish the Taliban. “The central bank funds are not government funds,” he emphasizes. “They are commingled with commercial banks’ funds, which ultimately belong to depositors, which are human beings and businesses. It would not be returning the funds to the Taliban — it would be returning funds to the commercial system and depositors of the Afghan economy.”

The clock is ticking and activists warn that each day without the unfreezing of the funds brings more hardship for Afghans. “When the fund was created, every major humanitarian institution, the United Nations, etc., were already pretty clear that the whole country faced a giant humanitarian crisis that needed to be addressed as soon as possible,” Kharrazian says. “There was already a sense of urgency.

“They’ve waited three months to deliberate over sending small portions over what should have been fully unfrozen funds. If it was urgent in September, it’s especially urgent now, with winter arriving.”

Ahady’s position is that unlocking the Afghan central bank assets would not be a magic wand. He says that “the objective of sanctions is to make things difficult, and have these sanctions contributed to the slowdown of economic activities in Afghanistan? Yes.” But, he contends, a number of factors are to blame, including dependency on foreign assistance, the imposition of sanctions, and poor economic management. “I think that, even if the U.S. government were to release this fund, this is not going to solve Afghanistan’s economic problems,” he says. “It might help a little bit. Just a little bit.”

Afghan Fund trustee Baumann did not respond to a request for an interview, but she has emphasized caution in previous statements to the press. “The [Afghan central bank], in its current form, is not a fit place for this money,” she [said](#) in an October article from SWI swiss info.ch, a media service of the Swiss Broadcasting Corporation. “We do not have any guarantee that if the money goes back right now that it will be effectively used for the benefit of the Afghan people.”

The U.S. Treasury Department also did not return a request for comment.

With no clear timetable for disbursing funds, Erik Sperling, executive director of advocacy organization Just Foreign Policy, expresses frustration. "Given U.S. Treasury's continued veto and dominance over the Swiss Fund," he says, "U.S. officials like Janet Yellen, Adewale O. Adeyemo and, ultimately, President Biden are responsible for destroying [the Afghan] economy and knowingly plunging tens of millions of Afghans into crisis."

According to Bitá, "The way the U.S. government has taken hostage of the funds — that is one way of dehumanizing the people of Afghanistan."

"With this money," Bitá adds, "you could save the lives of so many people."

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