

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 24-12 Evaluation Report

Cash Shipments to Afghanistan: The UN
Has Purchased and Transported More than
\$2.9 Billion to Afghanistan to Implement
Humanitarian Assistance



JANUARY
2024

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

Since 2001, the U.S. government and other donors have funded development and humanitarian assistance in Afghanistan through public international organizations (PIOs) and nongovernmental organizations (NGOs). However, following the Taliban's August 2021 takeover, donors suspended assistance as they reassessed their Afghan programs. By 2022, humanitarian assistance had resumed, but donors found providing aid difficult due to sanctions against the Taliban and a shortage of cash circulating in the country. As a result, the UN determined that it needed to move U.S. currency into the country.

In November 2022, the Taliban-controlled Afghan central bank—Da Afghanistan Bank (DAB)—posted on social media that it received its latest shipment of cash from the UN. In response, the UN stated that it deposits the cash it brings into Afghanistan in its bank account at a private Afghan bank, and that “none of the cash...is deposited in [DAB] nor provided to the Taliban de facto authorities by the UN.”

On March 13, 2023, the Chairman of the U.S. House of Representatives, Committee on Foreign Affairs sent SIGAR a letter requesting that SIGAR examine and report on 14 specific areas related to ongoing U.S. activities in Afghanistan, including the delivery, use, and oversight of U.S. funds provided in response to Afghanistan's humanitarian crisis.

This report responds, in part, to that request and describes (1) the amount of U.S. funding provided to Afghanistan through PIOs and NGOs since August 15, 2021, and how much of that amount was used to purchase U.S. currency; (2) how the UN, and other PIOs and NGOs transport and transfer U.S. dollars to Afghanistan for humanitarian and development assistance; and (3) how receiving private Afghan banks convert U.S. dollars into local currency for humanitarian and development assistance in Afghanistan.

January 2024

Cash Shipments to Afghanistan: The UN Has Purchased and Transported More than \$2.9 Billion to Afghanistan to Implement Humanitarian Assistance

SIGAR 24-12 EVALUATION REPORT

WHAT SIGAR FOUND

SIGAR found that after the Taliban overthrew the democratically elected government of Afghanistan in August 2021, the international community was reluctant to engage with Afghanistan's banking sector out of fear of violating sanctions and suffering reputational damage for assisting the Taliban. Additionally, the Department of the Treasury (Treasury) blocked DAB from accessing its assets held in U.S. accounts, and international donors—including the U.S. government—and aid organizations suspended their funding and programming activities in Afghanistan. As a result, Afghanistan fell into economic and humanitarian crises. By early 2022, international donors and the UN agreed that assistance needed to resume to address the crises. However, sanctions on the Taliban and the isolation of Afghanistan's banking sector meant that implementing partners did not have reliable or sufficient cash-on-hand to purchase and deliver required goods and services throughout the country. To mitigate this issue, the UN, in consultation with the Departments of State (State) and Treasury, determined that it needed to transport U.S. currency into the country to pay for the operational and programming costs associated with delivering humanitarian assistance.

Since August 2021, the UN has purchased, transported, and transferred at least \$2.9 billion to Afghanistan using international donor contributions. The U.S. is the largest international donor, having provided about \$2.6 billion in funding for the UN, other PIOs, and NGOs operating in Afghanistan since August 2021. More than \$1.7 billion of that funding came from State and the U.S. Agency for International Development (USAID) to support humanitarian activities implemented by PIOs and NGOs, including the UN, the World Bank, and the Colombo Plan. However, SIGAR found that donors make contributions to pooled UN accounts, and individual donors—including State and USAID—cannot determine how much of their contributions are used to purchase and transport cash for use in Afghanistan.

SIGAR found that the UN is the only organization purchasing and transporting cash, of any type, for humanitarian assistance in Afghanistan. In December 2021, the UN began purchasing and transporting cash to Afghanistan to fund the humanitarian operations of 19 UN entities, funds, and programs, as well as to support the activities of 48 PIOs and NGOs, including the World Bank and the Asian Development Bank. Since its first cash shipment, the UN has made at least 80 purchases of cash for transport to Afghanistan. The UN reported that it began purchasing and shipping cash because of Afghan banks' inability to participate in international wire transfers and Afghanistan's lack of domestic currency circulating throughout its economy.

In addition, SIGAR found that the UN contracts with a money services business to purchase U.S. currency from the Federal Reserve Bank of New York (FRBNY). The UN then uses a transportation company to fly the

purchased cash to Afghanistan. From the time the transportation company takes possession of the cash to the moment it delivers the cash to UN officials at Kabul Airport, the company performs various security checks and inspections throughout the transport process to verify the shipment's integrity. Once the cash arrives in Kabul, SIGAR found that UN personnel inspect and count the money before transporting it to a private Afghan bank that the UN uses. When the cash arrives at this Afghan bank, it is deposited into the UN's account before requested amounts are transferred into the appropriate PIO and NGO recipient bank accounts. While many of the UN-partnered PIOs and NGOs receiving money from UN cash shipments hold accounts at the same bank as the UN, cash is also transferred to other Afghan banks where PIOs and NGOs maintain accounts.

Purported Bundled of Cash to be Held in a Bank Vault



Source: Da Afghanistan Bank (@AFGCentralbank), X (formerly known as Twitter), November 2, 2022, 5:17 a.m.

SIGAR further found that the UN anticipates needing to purchase and transport cash into Afghanistan for the foreseeable future because humanitarian operations in Afghanistan will still rely on large amounts of cash until the country improves its banking sector, including implementing measures to counter and prevent money laundering and terrorist financing, complying with international banking laws, alleviating ongoing cash shortages, and developing sufficient internal controls and infrastructure to allow for digital transactions. The UN and international community have ongoing concerns about (1) the ability of Afghanistan's formal and informal banking sectors and of Afghanistan's central bank, DAB, to counter and prevent money laundering and terrorist financing; (2) their compliance with international banking laws; and (3) whether DAB could successfully process humanitarian monetary transactions. SIGAR found that the UN anticipates purchasing less cash in the future because the amount of humanitarian assistance will likely decline as donors reduce contributions. However, the UN reports that shipments of cash remain the most feasible means of delivering humanitarian assistance to Afghanistan. Unless Afghanistan can overcome the economic consequences of reduced donor assistance, alleviate ongoing cash shortages, or develop sufficient internal controls and infrastructure to allow for digital transactions, it will remain dependent on UN shipments of cash to fund humanitarian operations.

Lastly, SIGAR found that the Taliban benefits from the cash shipments. UN entities and UN-partnered PIOs and NGOs receiving cash via the UN's cash shipments use either U.S. dollars or afghanis to fund their operations. When these groups require afghanis, they solicit bids from private banks to convert the shipped U.S. currency. However, SIGAR found that many private banks do not maintain enough afghanis to exchange for large amounts of U.S. dollars. As a result, the bank typically uses UN-supplied U.S. dollars to purchase local currency from the Taliban-controlled DAB, through currency auctions. This has led DAB, and thereby the Taliban, to accumulate a large supply of U.S. dollars through the conversion process of dollars for afghanis.

SIGAR provided a draft of this report to State, USAID, and Treasury for review and comment. State and USAID provided written responses, which are reproduced in appendices III and IV, respectively. State's comments clarified statements on Afghanistan's banking sector, noted that the U.S. and the UN maintain safeguards and monitoring over U.S. funding to prevent its diversion, and that State is unaware of electronic cash delivery systems that can meet the UN's liquidity needs. In its comments, USAID thanked SIGAR for the opportunity to review the draft. Treasury also reviewed a draft of this report and notified us that it had no formal comments. SIGAR updated the report, as appropriate, based on technical comments from State, Treasury, and USAID.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

January 26, 2024

The Honorable Antony J. Blinken
Secretary of State

The Honorable Dr. Janet Yellen
Secretary of the Treasury

The Honorable Samantha Power
Administrator, U.S. Agency for International Development

This report discusses the results of SIGAR’s evaluation of the UN’s purchase, transport, and transfer of U.S. currency for use in Afghanistan. Since August 2021, using international donor contributions, the UN has purchased, transported, and transferred at least \$2.9 billion in cash for use in Afghanistan. The U.S. is the largest international donor to Afghanistan, having provided about \$2.6 billion in funding to the UN, other public international organizations (PIOs), and nongovernmental organizations (NGOs) operating in Afghanistan since August 2021. More than \$1.7 billion of that funding came from the Department of State (State) and the U.S. Agency for International Development (USAID) to support humanitarian activities implemented by PIOs and NGOs, including the UN, the World Bank, and the Colombo Plan. However, donors make contributions to pooled UN accounts, and donors—including State and USAID—cannot track how much of their contributions were used to purchase cash for use in Afghanistan. We also found that the UN is the only organization known to be purchasing and transporting cash, of any type, for humanitarian assistance in Afghanistan.

We found that multiple parties are required to secure and control the cash until it reaches its destination at a private bank in Afghanistan. Humanitarian operations in Afghanistan will continue to rely on the UN to purchase, transport, and transfer cash into Afghanistan until the country improves its banking sector, including implementing measures to counter and prevent money laundering and terrorist financing, complying with international banking laws, alleviating ongoing cash shortages, and developing sufficient internal controls and infrastructure to allow for digital transactions. Although the transfer of cash will continue for the foreseeable future, UN funding for humanitarian purposes in Afghanistan will likely decline due to the current decline in donor contributions.

Lastly, we found some cash that the UN purchases and transfers to Afghanistan ultimately end up in the Taliban-controlled central bank, Da Afghanistan Bank (DAB), through the currency conversion process. Because private Afghan banks and money exchangers typically do not hold large amounts of afghanis (Afghanistan’s national currency), which are needed to purchase goods and services in some parts of the country, the banks and money exchangers often use UN-provided U.S. dollars to purchase afghanis from the Taliban-controlled DAB at currency auctions. Consequently, the Taliban have a large supply of U.S. dollars due to DAB exchanging cash for international aid organizations.

We are not making any recommendations in this report. We received written comments on our draft report from State’s Office of Afghanistan Affairs Director of and USAID’s Afghanistan Mission Director, which are reproduced in appendices III and IV, respectively. State’s comments clarified statements on Afghanistan’s banking sector, and noted that the U.S. and the UN maintain safeguards and monitoring over U.S. funding to prevent its diversion and that State is unaware of electronic cash delivery systems that can meet the UN’s



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liquidity needs. In its comments, USAID thanked SIGAR for the opportunity to review the draft. Treasury also reviewed a draft of this report and notified us that it had no formal comments. We updated the report, as appropriate, based on technical comments from State, Treasury, and USAID.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4; and in accordance with *Quality Standards for Inspection and Evaluation*, published by the Council of Inspectors General on Integrity and Efficiency.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

DAB	Da Afghanistan Bank
FRBNY	Federal Reserve Bank of New York
MSB	money services business
NGO	nongovernmental organization
PIO	public international organization
State	Department of State
Treasury	Department of the Treasury
USAID	U.S. Agency for International Development

For approximately 20 years, foreign assistance to support Afghanistan totaled almost \$8 billion per year. This accounted for nearly 40 percent of the country's gross domestic product and financing three quarters of the former Afghan government's public expenditures. However, following the August 2021 Taliban takeover, international donors suspended direct budgetary assistance as they re-assessed their programs in Afghanistan. In the subsequent months, international donors terminated development and humanitarian programs that could no longer achieve their goals and resumed those that could, sometimes with a modified scope and funding levels. By 2022, foreign assistance to Afghanistan had resumed, albeit on a smaller scale.

According to a United Nations Development Programme report, "...the Afghan economy lost \$5 billion after August 2021, wiping out in 10 months what had taken it 10 years to accumulate."¹ As a result, Afghanistan fell into economic and humanitarian crises as its gross domestic product decreased by at least 20 due to reductions in public expenditures and overall spending that had come from international assistance. According to another UN Development Programme report, the magnitude of the Afghan economy's contraction 1 year after the Taliban takeover led to "near-universal level(s)" of poverty in Afghanistan, placing approximately 34 million Afghans in need of assistance.²

In December 2021, the Taliban-controlled Afghan central bank—Da Afghanistan Bank (DAB)—began posting on one of its social media accounts about cash shipments from the UN in the form of wrapped bundles of cash. The posts included arrival dates, shipment amounts, and photographs, including photos of what DAB said were officials unloading the UN cash shipment at Kabul Airport and photos of bundled cash deposited into a commercial bank vault. On January 9, 2023, the UN issued a press release confirming that it was transporting cash into Afghanistan for humanitarian and developmental assistance, but would not comment on the methods, timings, dates, and amounts of individual cash shipments. The UN stated that all the cash it brings into Afghanistan is deposited into its bank account at a private Afghan bank and that "[n]one of the cash brought into Afghanistan is deposited in the Central Bank of Afghanistan nor provided to the Taliban de facto authorities by the UN."³ Photos 1, 2, and 3 purportedly depict a UN cash shipment being unloaded at Kabul airport and readied to be held within a bank vault.

¹ UN Development Programme, "One Year in Review: Afghanistan Since August 2021, Socio-Economic Snapshot," October 2022, p. 4.

² UN Development Programme, *Afghanistan Socio-Economic Outlook*, 2023, p. 25, 80.

³ UN Assistance Mission in Afghanistan, "Media Information Sheet: Cash Shipments to the United Nations in Afghanistan," January 9, 2023.

Photo 1 - Purported Cash for Humanitarian Assistance Being Unloaded at Kabul Airport



Source: Da Afghanistan Bank (@AFGCentralbank), X (formerly known as Twitter), November 2, 2022, 5:17 a.m.

Note: SIGAR routinely checks DAB's social media posts; however, we cannot verify the accuracy of DAB's posts. Additionally, the date and time of the post may not correspond to the date and time the photo was taken.

Photo 2 - Purported Bundled of Cash to be Held in a Bank Vault



Source: Da Afghanistan Bank (@AFGCentralbank), X (formerly known as Twitter), November 2, 2022, 5:17 a.m.

Note: SIGAR routinely checks DAB's social media posts; however, we cannot verify the accuracy of DAB's posts. Additionally, the date and time of the post may not correspond to the date and time the photo was taken.

Photo 3 - Purported Bundled of Cash to be Held in a Bank Vault



Source: Da Afghanistan Bank (@AFGCentralbank), X (formerly known as Twitter), November 2, 2022, 5:17 a.m.

Note: SIGAR routinely checks DAB's social media posts; however, we cannot verify the accuracy of DAB's posts. Additionally, the date and time of the post may not correspond to the date and time the photo was taken.

On March 13, 2023, the Chairman of the U.S. House of Representatives, Committee on Foreign Affairs sent SIGAR a letter expressing concerns that U.S.-funding for Afghanistan may be subject to waste, fraud, and abuse or may benefit the Taliban. The letter requested that we examine and report on 14 specific areas related to ongoing U.S. activities in Afghanistan, including the delivery, use, and oversight of U.S. funds provided in response to Afghanistan's humanitarian crisis.⁴ Appendix II provides a list of the Committee's 14 requests and the four engagements we initiated to respond to those requests.

This report responds to a portion of the Chairman's request and describes the process to purchase, transport, transfer, and convert U.S. currency in Afghanistan.⁵ Specifically, this report's objectives were to determine

1. the amount of U.S. funding provided to Afghanistan through public international organizations (PIO) and nongovernmental organizations (NGO) since August 15, 2021, and how much of that amount was used to purchase U.S. currency;
2. how the UN, and other PIOs and NGOs as applicable, transport and transfer U.S. dollars to Afghanistan for humanitarian and development assistance; and
3. how the receiving private Afghan banks convert U.S. dollars into local currency for humanitarian and development assistance use in Afghanistan.

To accomplish our objectives, we analyzed documentation from the Department of State (State), U.S. Agency for International Development (USAID), and Department of the Treasury (Treasury) to determine the amount of U.S. funding provided to Afghanistan through the UN, World Bank, Colombo Plan, and other PIOs and NGOs

⁴ U.S. House of Representatives, Committee on Foreign Affairs, Letter to John F. Sopko, March 13, 2023.

⁵ "Purchase" refers to buying U.S. currency from the Federal Reserve Bank of New York (FRBNY). "Transport" refers to physically moving the purchased cash from the U.S. into Afghanistan. "Transfer" refers to electronically moving the transported cash from the UN's bank account to partner PIO and NGO bank accounts. "Convert" refers to the process of exchanging U.S. dollars for afghanis, Afghanistan's national currency.

since August 15, 2021.⁶ Using information we obtained through responses to requests for information, interviews, and independent research, we determined the processes and procedures to purchase, transport, and transfer U.S. currency in Afghanistan. We interviewed or submitted written questions to officials from State; USAID; Treasury; the former Afghan government; PIOs, such as the UN, World Bank, Colombo Plan; NGOs; and a private Afghan bank connected to the purchase, transport, and transfer of U.S. currency in Afghanistan. We also interviewed officials from the Federal Reserve Bank of New York (FRBNY), a money services business (MSB), and the transportation companies—all of whom are all involved in the process of selling, purchasing, and transporting U.S. currency on the UN’s behalf—about the processes and procedures related to the sale, purchase, and transport of U.S. currency into Afghanistan.⁷ Additionally, we submitted written questions to, and reviewed information from, subject matter experts and program beneficiaries. In September 2023, we interviewed seven Afghan money exchangers across six provinces in Afghanistan. We conducted our work in Arlington, Virginia, and various locations throughout Afghanistan from April 2023 through January 2024. Appendix I contains a detailed discussion of our scope and methodology.

BACKGROUND

Prior to the Taliban’s August 2021 takeover, Afghanistan relied heavily on international donor assistance to finance its government’s annual budget and public expenditures, including more than \$17 billion in U.S.-funded on-budget assistance paid directly to Afghan government institutions from 2002 to 2021. According to a Congressional Research Service report, U.S.- and international-funded assistance during this period played a major role in improving the Afghan economy and increasing DAB reserves, growing them to \$9.8 billion by the end of 2020.⁸ As of June 2021, DAB reported that its reserves totaled around \$9.5 billion, \$7 billion of which was held in deposit at the FRBNY.

However, uncertainty related to the applicability of existing sanctions against the Taliban and its members complicated efforts by international donors to provide assistance after August 2021. Since 1999, the U.S. has imposed sanctions against the Taliban, and in 2001, designated it as a terrorist organization.⁹ Immediately following the Taliban’s takeover, international donors and aid organizations were unsure whether their assistance activities were permissible under these existing sanctions, and the international banking sector isolated Afghanistan’s banking sector for fear of violating the existing sanctions and for reputational damage from assisting the Taliban. For example, in the days following August 15, 2021, international donors, including the U.S., suspended their funding and programming activities in Afghanistan and Treasury blocked DAB assets held in U.S. accounts. As a result, Afghanistan fell into economic and humanitarian crises. To alleviate the crises, Treasury’s Office of Foreign Assets Controls issued seven General Licenses between November 2021 and February 2022 to clarify the sanctions regime and to allow international donors and aid organizations to resume humanitarian and development assistance in Afghanistan.

In January 2022, to address Afghanistan’s humanitarian crisis, the UN made its largest appeal for aid for a single country, requesting \$4.4 billion to assist over 22 million Afghans.¹⁰ In response, international donors

⁶ In 1951, seven countries (Australia, New Zealand, Canada, Pakistan, India, Britain, and Sri Lanka) established the Colombo Plan for Cooperative Economic and Social Development in Asia and the Pacific (“Colombo Plan”), which was intended to act as a cooperative venture for economic and social advancement for people in South and Southeast Asia.

⁷ Treasury sets various criteria that determine whether an individual or an organization is an MSB and acts as a currency dealer, exchanger, or money transmitter. Section 1010.100(ff) of Title 31, U.S. Code of Federal Regulations, contains the criteria and definitions for determining whether an individual or business is an MSB, which is clarified in FinCEN’s “Application of FinCEN’s Regulations to Certain Business Models Involving Convertible Virtual Currencies.”

⁸ Congressional Research Service, “Afghanistan Central Bank Reserves,” March 13, 2023, p. 1.

⁹ Executive Order 13129 of July 6, 1999, “Blocking Property and Prohibiting Transactions with the Taliban,” terminated by Executive Order 13268 of July 2, 2002, “Termination of Emergency With Respect to the Taliban and Amendment of Executive Order 13224 of September 23, 2001.” See also Executive Order 13224 of September 23, 2001, “Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism.”

¹⁰ UN Office for the Coordination of Humanitarian Affairs, “Humanitarian Response Plan: Afghanistan,” January 2022, p. 5.

contributed more than \$3.7 billion to the UN to help fund life-saving humanitarian aid. However, delivering this assistance was difficult for the UN. First, sanctions restricted DAB's ability to implement monetary policy and led to a liquidity problem in Afghanistan. As Afghanistan developed a heightened economic reliance on cash, DAB could not increase the circulation of banknotes within the economy since it could no longer access its foreign reserves nor obtain new afghani banknotes to replace its aging banknotes that were being removed from circulation.¹¹ Specifically, Treasury blocked U.S. banks from transferring DAB's cash reserves into Afghanistan and the international currency printing companies producing new Afghani banknotes delayed providing them to the Taliban-controlled DAB because the banks and printers were uncertain how the sanctions affected those transactions.

Further, the Taliban instituted new monetary policies, such as banning the use of foreign currency within Afghanistan, requiring businesses and individuals to use only the national currency, afghani, and restricting cash withdrawals from banks, which exacerbated Afghanistan's liquidity problem.¹² Second, both the sanctions and the Taliban's monetary policies contributed to the international banking sector's continued reluctance to engage with the Afghan economy. For example, reports from two organizations noted that despite Treasury's issuance of General Licenses and resolutions authorizing transactions involving Afghanistan or governing institutions in Afghanistan, the international banking sector remained reluctant to engage in the country due to concerns about inadvertently violating money laundering and terrorism regulations.¹³

As a result, according to the UN, the international donor community found providing aid difficult in Afghanistan's cash reliant economy due to a shortage of foreign and local currency circulating in the country.¹⁴ Without enough currency circulating within Afghanistan's economy to pay for its humanitarian-related operational and programming costs, the UN, in consultation with State and Treasury, determined that it needed to transport cash into the country.

The UN established a process wherein it imports cash into Afghanistan so it, and other aid organizations, have cash on hand to pay for operating costs and to purchase the items necessary to deliver assistance. Informally, the UN refers to its cash transfer process as a "cash transfer mechanism." The UN reported the primary reason it established its cash transfer mechanism was the inability of Afghan banks to participate in international wire transfers and Afghanistan's lack of currency circulating within its economy.¹⁵ In January 2023, the UN also stated that the physical delivery of cash by the UN and its approved humanitarian partners "has proved to be essential in the provision of life-saving assistance to more than 25 million Afghans."

THE U.S. HAS PROVIDED \$2.6 BILLION IN FUNDING TO PIO AND NGO PROGRAMMING IN AFGHANISTAN SINCE AUGUST 2021, BUT U.S. AGENCIES AND THE UN CANNOT DETERMINE HOW MUCH OF THAT FUNDING WAS USED TO PURCHASE CASH

Since August 2021, the UN has purchased, transported, and transferred at least \$2.9 billion for use in Afghanistan using international donor contributions. The U.S. is the largest international donor to Afghanistan, having provided about \$2.6 billion in funding to the UN, other PIOs, and NGOs operating in Afghanistan since

¹¹ According to the March 2023 USAID-funded report on DAB, as of 2022, up to 90 percent of Afghanistan's banknotes were tattered and needed replacement. However, since DAB lacks the ability to print new banknotes, DAB relies on international businesses specializing in currency printing to do so.

¹² Since 2001, the U.S. dollar has been widely available and used within Afghanistan. For example, the FRBNY told us that from January 2019 to August 2021, it made regular bulk cash shipments into Afghanistan totaling almost \$2 billion.

¹³ Michael Pisa, Center for Global Development, *Responding to Afghanistan's Humanitarian Crisis: The Role of Digital Payments*, May 2022, p. 2; Norwegian Refugee Council, "Life and Death: NGO access to financial services in Afghanistan," January 2022, p. 19.

¹⁴ UN Assistance Mission in Afghanistan, "Media Information Sheet: Cash Shipments to the United Nations in Afghanistan," January 9, 2023.

¹⁵ UN Assistance Mission in Afghanistan, "Media Information Sheet," January 9, 2023.

August 2021.¹⁶ More than \$1.7 billion of that funding came from State and USAID to support humanitarian activities implemented by PIOs and NGOs, including the UN, the World Bank, and the Colombo Plan.¹⁷

However, the UN told us that international donors—including State and USAID—make contributions to pooled UN accounts, which prevents tying humanitarian assistance expenses—including for the purchase and transport of cash into Afghanistan—to a specific donor’s contribution. State and USAID confirmed this, telling us that their contributions are made to a pooled UN account that does not provide a system for individual donors to track for which humanitarian assistance expenses their funding is paying. As a result, State and USAID do not know how much of their total contributions to the UN have been used to purchase cash for use in Afghanistan.

The UN Has Purchased, Transported, and Transferred At Least \$2.9 Billion in Cash to Use in Afghanistan Since August 2021

According to an August 2023 World Bank report, the UN has purchased, transported, and transferred \$2.9 billion in U.S. currency to Afghanistan since August 2021.¹⁸ This includes \$1.8 billion provided in 2022 and \$1.1 billion provided in 2023, as of August 2023. Organization officials responsible for purchasing and transporting U.S. currency into Afghanistan on the UN’s behalf confirmed these amounts, telling us that from December 2021 through July 2023, their organizations made at least 80 purchases and transported over \$2.8 billion in cash into Afghanistan. These officials also told us that they are not aware of any other PIOs or entities outside of the UN making similar bulk purchases or bulk transport of any type of currency into Afghanistan. Similarly, the money exchangers we spoke with told us they are not aware of other organizations or individuals outside of the UN who regularly import bulk amounts of cash into Afghanistan.

A UN official familiar with how the UN’s cash shipments enter Afghanistan and Afghan banking system told us that it is not typical for the UN to purchase, transport, and transfer cash into countries where it works to fund its operations. However, this official added that the UN has standard operating procedures to facilitate this measure. Other UN officials told us that Afghanistan is currently one of the few countries where this is happening.

According to the UN, cash purchases made between August 2021 and August 2023 were expected to be used by 19 UN entities, funds, and programs, as well as 48 UN-partnered PIOs and NGOs to provide humanitarian assistance in Afghanistan, including emergency food assistance and support for healthcare, water, sanitation, hygiene, and education.¹⁹ The PIOs and NGOs use money provided by UN cash shipments to pay for their operations and to implement their programming. For example, during a July 2023 panel discussion hosted by the U.S. Institute of Peace, officials from two UN-partnered NGOs stated that they received cash from UN cash shipments and use that cash to pay for program costs such as local employee salaries, subcontractor and vendor payments, and organizational programming costs such as direct cash payments to program beneficiaries. According to these officials, their respective organizations received U.S. dollars via UN cash shipments, and depending on the type of transaction, use either U.S. dollars or afghanis when making payments. These officials noted that even though the Taliban issued a ban on the use of foreign currency in Afghanistan in October 2022, PIOs and NGOs continue to use both U.S. dollars and afghanis to fund their

¹⁶ SIGAR, *Quarterly Report to the United States Congress*, SIGAR 2023-QR-4, October 30, 2023, p. 6.

¹⁷ Of the \$2.1 billion in appropriations for organizations in Afghanistan, \$1.7 billion is for humanitarian assistance and \$404 million is for developmental assistance. In addition, U.S. agencies provided approximately \$386 million for operations and security associated with implementing programs in Afghanistan.

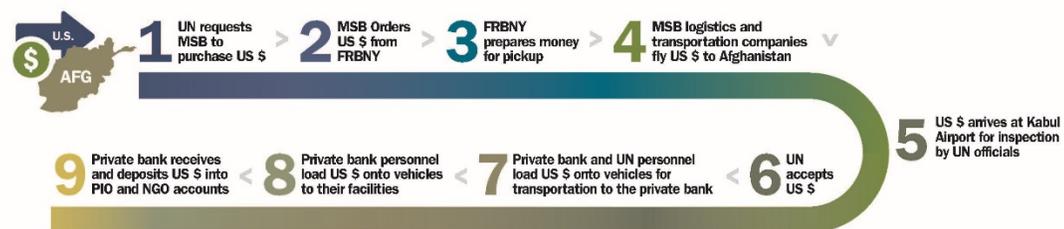
¹⁸ World Bank, *Afghanistan Economic Monitor*, August 31, 2023, p. 2.

¹⁹ Examples of the 19 UN entities using funds provided by UN cash shipments include the United Nation Children’s Fund, United Nations High Commissioner on Refugees, World Food Programme, United Nations Entity for Gender Equality and the Empowerment of Women, and the World Health Organization. A UN official would not provide us the names of the UN-partnered PIOs and NGOs who receive money from UN cash shipments for security reasons. According to UN officials, the 48 UN-partnered PIOs and NGOs include organizations that have been vetted and approved by the UN Country Team in Kabul to receive cash through UN cash shipments. While we could not determine all the UN-partnered PIOs and NGOs who receive money from UN cash shipments, we determined that they include the World Bank, the Asian Development Bank, and various NGOs. Additionally, we determined that the Colombo Plan does not use money provided by UN cash shipments, nor does it import currency of any type into Afghanistan.

operations. Individuals knowledgeable about the Afghan banking sector told us that the Taliban’s ban on the use of foreign currency is not consistently enforced. For example, a money market exchanger told us that even though there is a ban on foreign currencies in Afghanistan, Afghans use both Pakistani rupees and U.S. dollars daily. Similarly, an individual with knowledge of the Afghan banking sector told us that not all UN contracts require payments in afghanis, such as local PIO and NGO employee salaries, which the UN pays in U.S. dollars.

According to UN officials, the requested amount of cash for each shipment varies based on the financial needs of each UN entity, PIO, and NGO. Every month, each UN entity, PIO, and NGO prepares and submits funding requests to the UN Assistance Mission in Afghanistan based on their financial needs for the coming month. The Mission combines those requests and submits a consolidated request to the UN Headquarters in New York to be reviewed and approved. Then, the UN Headquarters initiates the process to acquire U.S. currency from the FRBNY for onward transportation to Afghanistan. After the cash arrives in Afghanistan, it is deposited into the UN’s bank account at the private Afghan bank it uses, before the UN transfers the requested amounts to the respective bank accounts of each UN entity, PIO, and NGO. Figure 1 provides an overview of the UN’s request, purchase, and transport process of cash for UN, PIO, and NGO use in Afghanistan.

Figure 1 - Request, Purchase, and Transport Process of UN Cash Shipments



Source: SIGAR figure generated with data from interviews with UN, FRBNY, and UN transportation company officials.

The UN Will Continue to Purchase, Transport, and Transfer Cash into Afghanistan Until Afghan Banking Sector Conditions Improve

Due to Afghanistan’s isolated banking sector and its ongoing cash shortage, the UN anticipates the need to purchase and transport cash for the foreseeable future. In a January 2023 press release, the UN stated, “[t]he current process of bringing in cash for the United Nations remains the most feasible means of ensuring donor funds can quickly reach the millions of Afghan men, women and children who are in urgent need of aid,” and that the continued need for cash transfers depends on multiple factors, including whether the Afghan economy has the capacity to enable bank transfers and meet UN and international financial requirements.²⁰

The UN’s January 2023 press release also noted that Afghanistan’s banking sector, including DAB, is not “sufficiently robust” to receive international wire transfers, and terrorism concerns and Afghanistan’s poor infrastructure contribute to the need for continued cash shipments. Additionally, UN officials also told us that its cash shipments respond to constraints caused by the sanctions against the Taliban. According to a 2023 UN report, DAB experienced an “exodus of technical expertise” after August 2021, which has hindered its recovery as a capable central bank within Afghanistan and caused the institution to lose most of its ability to affect economic activity in Afghanistan.²¹ In a separate report, the UN determined that informal payment channels, such as the hawala system, are capable of transferring and disbursing aid.²² However, the report

²⁰ UN Assistance Mission in Afghanistan, “Media Information Sheet,” January 9, 2023.

²¹ UN Development Programme, *Afghanistan Socio-Economic Outlook*, 2023, p. 31.

²² The hawala system is an informal money transmission network that arranges for the transfer and receipt of funds or assets of equivalent value and to settle their accounts through trade and cash. Afghans use the hawala system to remit

also found that the hawala system lacks adequate internal controls to counter and prevent money laundering and terrorist financing. Furthermore, the report determined that Afghanistan lacks the infrastructure to support electronic transfers and digital payments due to low smartphone ownership rates, limited mobile phone network coverage outside of major cities, many Afghans' low digital and financial capabilities compounded by a lack of mobile money services awareness, and that many Afghans lack the proper identification needed to comply with mobile banking requirements.

We confirmed several of the factors the UN reports cite for its ongoing need for cash shipments. For example, State told us that it is not aware of any electronic delivery systems in Afghanistan that are scalable enough to provide the necessary assistance. Additionally, a March 2023 USAID-funded report assessed DAB's compliance with international banking laws and regulations, including the effectiveness of its anti-money laundering and counter-financing of terrorism measures, overall independence, organizational structure, resource allocation, and progress on regulating informal money service providers. The report determined that DAB (1) does not have the ability to function as an independent central bank apart from the Taliban, noting that the DAB executive board is comprised entirely of senior Taliban officials with full decision-making authority, and that DAB has complied with Taliban leadership decrees related to the Afghan banking sector; (2) does not exchange or receive information pertaining to anti-money laundering and counter-terrorism financing; (3) is not adequately examining financial institutions for potential money laundering and terrorist financing activities; (4) cannot adequately impose punitive measures against Afghan financial institutions that engage in money laundering and terrorism finance activities; (5) lacks the technical capacity to prevent terrorist financing; and (6) has minimal controls and oversight over hawalas for tracking and prohibiting transactions by sanctioned and politically connected individuals.²³ The report also noted serious deficiencies in DAB's financial intelligence unit, the Financial Transactions and Reports Analysis Center for Afghanistan, finding that it has been disconnected from the global financial intelligence network since August 2021.²⁴

The UN and international community also have concerns about the sufficiency of Afghanistan's informal banking sector to manage international transactions in the absence of a sufficiently robust DAB while Afghan money market exchanges and hawala systems face Taliban interference and regulations. We spoke with seven independent money exchangers based in Afghanistan's exchange markets, called Sarai Shahzadas, in six major Afghan cities; each of them confirmed that DAB performs some actions to regulate and register money exchanger transactions.²⁵

According to one money exchanger, DAB requires money exchangers to hire at least three individuals to be observers for DAB and to ensure that money exchangers are accountable to the Taliban-controlled central bank. Similarly, money exchangers told us that they are required to report their transactions to DAB through an online portal that DAB periodically checks for accuracy. However, money exchangers also told us that they do not record all transactions and sometimes create fake records to submit to DAB. In fact, money exchangers we spoke with stated that despite DAB regulations, many exchangers, hawalas, and even the Taliban do not abide by DAB rules. For example, one money exchanger stated that while DAB requires persons transferring large

payments to individuals and businesses within Afghanistan and internationally. UN Development Programme, "One Year in Review: Afghanistan Since August 2021, Socio-Economic Snapshot," October 2022, p. 20.

²³ According to this report, most current DAB employees worked at the bank prior to the Taliban takeover, and all bank departments continue to follow the same regulations, policies, and procedures that they did prior to August 2021, except for Taliban decrees related to the Afghan banking sector.

²⁴ The global financial intelligence network is a network of financial institutions that train and coordinate on combatting money laundering, terrorist financing, and other financial crimes. The Financial Transactions and Reports Analysis Center for Afghanistan, within DAB, is responsible for enforcing anti-money laundering and combatting terrorism financing regulations by monitoring transactions within Afghan banks, investigating regulation violations, and suspending licenses of Afghan banks and money exchangers who violate these regulations. The Center's membership in the Egmont Group, Asia Pacific Group on Money Laundering, and Eurasian Group on Combatting Money Laundering and Financing of Terrorism has been suspended since August 2021. As such, Center representatives have not participated in any international events or projects, and there have been no incoming or outgoing requests for anti-money laundering or countering-the-financing-of-terrorism information exchange.

²⁵ Sarai Shahzadas are money exchange markets where independent money exchangers do business. Afghanistan's main currency exchange market is in Kabul.

sums of money through the hawala system to show proper legal documents proving the source and intended destination of the funds being transferred, many people, including Taliban officials, do not abide by this requirement. Because of this, according to the official, there is “no control over the money business in Afghanistan,” and “hundreds of millions” can be transferred without showing any legal documents. Additionally, a money market exchanger told us that most international transfers of money through the hawalas are executed illegally; other money exchangers reported that individuals can transfer an “unlimited amount of money to anyone and anywhere” if they have certain documentation or the right connections. As a result, while the hawala system continues to be used to transfer funds inside and outside of Afghanistan, concerns remain about insufficient internal controls to prevent money laundering and terrorism financing within the hawala system.

In another example confirming the factors the UN reports cited for the ongoing need for cash shipments, a UN official familiar with how the UN’s cash shipments enter Afghanistan and the Afghan banking system told us in August 2023 that the international banking sector is hesitant to interact with Afghanistan’s banking sector due to ongoing sanctions against the Taliban and certain Taliban members and fear of reputational damage from the perception they may be assisting the Taliban. Further, another individual with knowledge of the Afghan banking sector confirmed the UN official’s statement, telling us sanctions have impacted the international banking sector’s “risk appetite,” thereby limiting Afghanistan’s ability to engage in financial transactions. This hesitancy is prevalent despite Treasury issuing General Licenses allowing financial transactions in Afghanistan for certain purposes, including the provision of humanitarian assistance.²⁶ A May 2022 Center for Global Development report made a similar observation, determining that the two biggest challenges to getting money into Afghanistan were (1) a fear among international banks of inadvertently violating sanctions and international banking regulations, and (2) international banks’ unwillingness to pay the high compliance costs required to do business in Afghanistan.²⁷ According to the report, these factors, combined with the limited profitability of doing business in Afghanistan, have made international banks reluctant to engage with Afghan banks.

Although the UN expects to continue its cash shipments to Afghanistan, there are several reasons why the amount of cash it purchases, transports, and transfers in Afghanistan will likely decline in the future. First, UN funding for Afghanistan is declining. In May 2023, the UN revised its 2023 Humanitarian Response Plan to reflect a 30 percent decrease in programming budget amounts that have primarily resulted from decreased funding from international donors.²⁸ Additionally, as of June 2023, the Humanitarian Response Plan received only 9 percent of its \$4.6 billion total funding requirement.²⁹ Similarly, the UN’s 2023–2025 Strategic Framework for Afghanistan reflects a risk of further reduction in programming activities due to waning donor support for future programming in Afghanistan. This contrasts with the UN’s previous version of the Framework, which assumed sustained donor support, increased cash flows into Afghanistan, and scaled up programming.³⁰ Furthermore, the UN Development Programme stated that Taliban curtailment of women’s rights has also reduced international assistance provided to Afghanistan in 2023.³¹ Lastly, the Afghanistan Coordination Group found that humanitarian assistance directed towards Afghanistan is at risk of being

²⁶ See, e.g., Treasury’s Office of Foreign Assets Control, General License No. 19, “Authorizing Certain Transactions in Support of Nongovernmental Organizations’ Activities in Afghanistan,” December 22, 2021.

²⁷ The Center for Global Development is a nonpartisan think tank that works to reduce global poverty through economic research. “Compliance costs” refers to the costs of complying with anti-money laundering and countering the financing of terrorism regulations and the regulatory fines on businesses associated with unknowingly processing transactions involving illicit actors. Michael Pisa, Center for Global Development, *Responding to Afghanistan’s Humanitarian Crisis: The Role of Digital Payments*, May 2022, p. 2.

²⁸ The Humanitarian Response Plan details the UN response plan to address the humanitarian needs of Afghans, which includes the funding required to support this response.

²⁹ UN Secretary-General, *The situation in Afghanistan and its implications for international peace and security: Report of the Secretary General*, A/77/914-S/2023/453, June 20, 2023, p. 12.

³⁰ The previous Framework covered the period 2018–2021; however, the UN released an interim Framework in 2022 due to the prior Afghan government’s collapse. The UN extended the interim Framework through June 2023.

³¹ UN Development Programme, *Afghanistan Socio-Economic Outlook*, 2023, p. 9.

underfunded due to expected decreases in donor funding.³² In March 2023, the Group reached a consensus that its members should begin to support a digital payment infrastructure to expand digital payments and reduce cash shipments. As a result, the UN reported in 2023 that while UN cash shipments are “anticipated to continue, it is recognized that it is not a sustainable mechanism.”³³

THE UN PURCHASES U.S. CURRENCY FROM THE FEDERAL RESERVE BANK OF NEW YORK THROUGH A MONEY SERVICES BUSINESS AND HAS THE CASH FLOWN INTO AFGHANISTAN

To purchase U.S. currency from the FRBNY, an organization—such as an MSB—must have an account with the FRBNY and participate in its Foreign Bank International Cash Services program, which provides access to Federal Reserve U.S. currency services.³⁴ In December 2021, the UN contracted with a U.S.-based MSB to facilitate the purchase and transportation of cash into Afghanistan on the UN’s behalf. Officials at this MSB told us that they purchase U.S. currency at regularly scheduled intervals, typically in standard increments.³⁵ These officials also told us they subcontract with a transportation company that specializes in the international transport of valuable cargo, including cash, to fly the purchased cash into Afghanistan and deliver it to the UN. Neither UN officials nor the UN’s transportation company provided documentation showing the cost associated with purchasing and transporting cash into Afghanistan.

According to MSB officials, the purchase process begins with an email from the UN requesting that the MSB purchase U.S. currency on the UN’s behalf. Once the MSB confirms receipt of the UN’s payment to cover the purchase amount, it places an order with the FRBNY. After the FRBNY receives the MSB’s order, it debits the purchase amount from the MSB’s account, packages the cash for transportation, and arranges for the MSB to take possession of the cash. However, this MSB does not physically take possession of the cash purchased from the FRBNY because it subcontracts the transportation of the cash from the FRBNY distribution center in New York to Kabul. MSB officials told us that once the transportation company has the cash in its possession, the UN assumes the legal liability for the cash’s safety during its transport.

When the transportation company takes possession of the cash at the FRBNY pickup location, it takes the cash to a nearby airport to transport it via air to Kabul Airport.³⁶ According to transportation company officials, from the time the company takes possession of the cash to the moment it delivers the cash to UN officials at Kabul Airport, the company performs various security checks and inspections throughout the transport process to verify the shipment’s integrity. These checks and inspections include witnessing the cash being loaded and unloaded on each plane, physically inspecting packaging for evidence of tampering or damage, and reviewing and signing various shipping documents.³⁷ Transportation company officials told us the transfer process takes about 5 days, throughout which the shipping documentation is shared with the MSB and the UN. MSB and transportation company officials told us they, and their insurance company, regularly audit their

³² The Afghanistan Coordination Group, established in May 2022, consists of a multistakeholder consortium that includes representatives of donor states, civil society groups, NGOs, and PIOs, such as the UN, International Monetary Fund, the World Bank, and the UN. This Group aims to improve coherence, efficiency, and effectiveness among key international partners, and worked in coordination with the UN to develop the Strategic Framework for Afghanistan.

³³ UN Office for the Coordination of Humanitarian Affairs, *Humanitarian Needs Overview: Afghanistan–Humanitarian Programme Cycle 2023*, January 2023, p. 65.

³⁴ The FRBNY’s Foreign Bank International Cash Services program permits certain foreign banks not having a presence in the U.S. to open limited-purpose accounts with the FRBNY and use those accounts to access Federal Reserve Bank currency services in connection with their international banknote operations.

³⁵ The MSB typically purchases U.S. currency in a standard increment due to factors that include the UN’s budgetary needs, insurance restrictions, risk management considerations, logistical constraints, and transportation costs. The UN requested that we not publish details of the amount and frequency of each shipment due to the sensitive nature of the transport.

³⁶ Until August 2021, Kabul Airport was known as Hamid Karzai International Airport.

³⁷ Due to the sensitive and proprietary nature of the processes surrounding the transport of cash, this report does not detail the specifics of every security measure enacted to safely transfer the cash from the U.S. to Afghanistan.

operating processes and procedures to ensure compliance with required systems for the secure transport and delivery of cash.

Transportation company officials also told us that once the cash arrives at Kabul Airport, the UN takes possession of it on the tarmac, absolving the transportation company of legal liability. Transportation company officials said that while the UN is unloading the cash from the airplane, multiple UN representatives inspect and count it. After the inspection, the UN signs documents stating it received and accepts the shipment from the transportation company. Transportation company officials told us that a representative from the private Afghan bank that the UN uses is present during the cash delivery, and once the UN signs for the shipment, bank personnel load the cash onto vehicles for transport to their Kabul facilities.

When the cash arrives at the private Afghan bank that the UN uses, the money is deposited into the UN's account and later transferred into the appropriate recipient PIO and NGO accounts. A UN official told us that the UN's liability ends when the recipient PIO and NGOs have the funds in their accounts. This official also said that each PIO and NGO who uses money provided by UN cash shipments has specific sets of risk management processes and several methods to prevent the diversion or misuse of funds, which the UN reviews.³⁸

THE PRIVATE AFGHAN BANK RECEIVING CASH USES SEVERAL PROCESSES AND PROCEDURES TO CONVERT U.S. DOLLARS INTO AFGHANIS FOR HUMANITARIAN ASSISTANCE

After transporting the purchased U.S. currency to Afghanistan, the UN transfers the cash to the private Afghan bank with whom it does business, and the bank deposits the cash into the UN's account.³⁹ The role of the private Afghan bank is to store the cash, facilitate its transfer to the appropriate UN-partnered PIO and NGO accounts, and facilitate UN payments to other bank accounts, including those at other Afghan banks. A UN official also told us that the private Afghan bank cannot use the UN's cash deposits for other purposes, such as lending it to other businesses, as the cash is segregated from other customer accounts and bank assets; the bank effectively acts as a safety deposit box until the UN spends the cash.

When transferring the cash to recipient UN entities, PIOs, and NGOs, the UN provides the private Afghan bank it uses with instructions on the amount to be credited to each benefitting organization. A UN official told us that while many PIOs and NGOs involved in this process hold accounts at the same private bank, some use different Afghan banks. In these instances, the private Afghan bank that the UN uses facilitates the transfer of funds to the appropriate accounts at the other banks.⁴⁰

Private Afghan Banks Convert U.S. Currency on the UN's Behalf by Purchasing Afghanis from DAB, thereby Transferring Cash to Taliban Control

To fund their operations and implement their programs, PIO and NGO beneficiaries of UN cash shipments may convert some of their U.S. currency into afghanis by purchasing the afghanis from Afghan banks and money market exchangers. Private Afghan banks and local money exchangers within the Sarai Shahzada purchase afghanis from DAB during a currency auction. According to an individual with knowledge of the Afghan banking sector, each week, DAB holds between one and three auctions in which 20 to 50 bidders participate. This individual told us that DAB publicly announces the auction size and allows bidders to submit bids through its

³⁸ In response to the request from the Chairman, House Committee on Foreign Affairs, we initiated other engagements, including one examining State and USAID's oversight of PIO activities in Afghanistan (SIGAR Audit 159-A: "Audit of U.S. Agencies' Oversight of Funds Provided to PIOs for Activities in Afghanistan").

³⁹ For security reasons, this report does not name the private Afghan bank that the UN and other PIOs and NGOs use.

⁴⁰ When the private Afghan bank the UN uses physically transfers cash to other private Afghan banks that PIOs and NGOs use, the UN's bank records the serial numbers of the U.S. currency and associates those serial numbers with each transfer.

electronic system for afghanis that they wish to purchase and at what price.⁴¹ To prevent collusion, DAB limits auctions to 10 minutes, limits how many afghanis each bidder can buy, uses its electronic system to automatically determine the winning bids, and publicly discloses winning bid rates and amounts purchased. Bidders hold U.S. dollar and afghani accounts with DAB and wire transfer money into their U.S. dollar account, which DAB debits, and then credits the buyer's afghani account with the amount purchased. Bidders can then hold the purchased afghanis in their DAB account or wire transfer them to a private Afghan bank.

The money exchangers we spoke with told us that DAB publishes its auction results and exchange rates. The exchangers also noted that exchange rates are determined by market conditions, although money exchangers can manipulate the exchange rate by taking large amounts of cash out of circulation, thus creating scarcity, and increasing the value of the afghani. A UN official told us that DAB, not the UN, is responsible for ensuring there is a sufficient supply of afghanis circulating within Afghanistan's economy. However, since there is a shortage of usable afghani banknotes, private Afghan banks and money exchangers do not hold large surpluses of afghanis, requiring banks and exchangers to purchase afghanis from DAB.⁴² The money exchangers we spoke with noted that DAB is replacing unusable banknotes but has not sufficiently addressed the matter and Afghanistan still has a liquidity issue.

When implementing UN entities and NGOs require U.S. dollars to be converted into afghanis, they solicit bids from private Afghan banks. A UN official told us the UN entities typically use the private bank where it maintains its account to convert U.S. currency because it provides the most favorable rates. Other officials, including a UN official and an individual knowledgeable about Afghanistan's banking sector, added that the private Afghan bank that the UN uses looks to MSBs and other Afghan banks—including the Taliban-controlled DAB—to obtain an adequate amount of afghanis to make the conversion possible. As such, a former Afghan official told us that when the UN wants to convert U.S. currency into afghanis, the private bank often uses the UN's U.S. dollars to purchase afghanis from the Taliban-controlled DAB. Afghan money exchangers we spoke with confirmed that this occurs. Figure 2 shows the process by which UN purchased U.S. dollars are converted into afghanis.

Figure 2 - Conversion Process of U.S. Dollars to Afghanis



Source: SIGAR figure generated with data from interviews with UN officials and individuals knowledgeable of the Afghan banking sector.

Despite UN statements that it does not provide cash to the Taliban or the Taliban-controlled DAB, when the UN's private Afghan bank cannot access sufficient afghanis to fulfill the UN's requirements for local currency, the bank does so through DAB on the UN's behalf and with the UN's knowledge. This means some of the U.S. dollars the UN purchases and transports into Afghanistan ends up in Taliban hands via the currency exchange process with DAB. Furthermore, Afghan money exchangers we spoke with told us that international aid organizations convert currency through transactions with DAB, and not through Sarai Shahzadas. One money exchanger stated that under the former Afghan government, international organizations would convert currency through the Sarai Shahzadas, but now these organizations work through banks, such as DAB, which has a large supply of U.S. dollars due to the currency exchange process.

Lastly, a UN official stated that after it spends U.S. dollars for its operations or program implementation, that cash enters Afghanistan's monetary system like any other banknote, flowing freely to other individuals and organizations, including the Taliban. As such, when the UN or UN-supported PIOs and NGOs spend U.S.

⁴¹ According to Treasury, as of December 31, 2023, \$1 equaled about 70 afghanis.

⁴² As previously mentioned, Afghanistan's banknotes are tattered and in need of replacement, leading to a shortage of useable banknotes within Afghanistan.

currency, the cash is circulated into the economy and may end up in Taliban hands or the Taliban-controlled DAB. Further, as the U.S. currency circulates within the Afghan economy, the purchase of goods and services generate tax revenue for the Taliban-controlled government.

CONCLUSION

The Taliban's August 2021 takeover of Afghanistan disrupted the country's economy and banking sector. Due to these disruptions, the UN determined that Afghanistan's central bank, DAB, lacked the capacity to affect monetary policy in Afghanistan; that the overall banking system no longer adhered to international banking requirements and processes, including preventing prohibited transactions intended to finance terror and launder money; and that the UN could no longer use the Afghan banking system for the international wire transfers required to fund activities. Nevertheless, because the country was suffering from economic and humanitarian crises, the UN decided to purchase and transport U.S. currency into Afghanistan to facilitate the ability of PIOs and NGOs to deliver needed assistance. The international community and UN maintain that cash shipments remain the most feasible and quickest means of delivering assistance due to the ongoing isolation of Afghanistan's banking sector and persistent liquidity issues. Even though the UN plans to continue transporting cash into the country for the foreseeable future, UN funding for humanitarian purposes in Afghanistan will likely decline due to the current decline in donor contributions. However, no matter the amount of funding provided, the process of exchanging U.S. dollars for afghanis at DAB will continue to result in U.S. currency ending up in Taliban hands.

Although we are not making any recommendations in this report, we maintain that policy makers and the international donor community must carefully consider our findings so they can appropriately weigh the economic, humanitarian, security, and moral costs of allowing the sanctioned Taliban regime to continue amassing U.S. dollars, against the benefits of enabling the UN to continue purchasing and shipping cash to Afghanistan.

AGENCY COMMENTS

We received written comments on a draft of this report from State and USAID, which are reproduced in appendices III and IV, respectively. In its comments, State's clarified statements in the draft related to Afghanistan's banking sector, noting that the U.S. and the UN maintain safeguards and monitoring over U.S. funding to prevent its diversion, and that State is unaware of electronic cash delivery systems that can meet the UN's liquidity needs. In its comments, USAID thanked us for the opportunity to review the draft report. Treasury also reviewed a draft of this report and notified us that it had no formal comments. We also received technical comments from State, Treasury, USAID, which we incorporated into the report as appropriate.

Regarding State's comments, we updated the draft of this report to reflect State's technical comments. Specifically, we updated the report to clarify that (1) the U.S. imposed no new sanctions after August 15, 2021, (2) U.S. and international sanctions target the Taliban and its members, not specifically Afghanistan's banking sector, and (3) the international banking and currency printing community was fearful of violating sanctions immediately following August 15, 2021, and so did not immediately provide the Taliban-controlled DAB with bank notes until it received clarity on existing sanctions from State and Treasury. We agree with State's comments that the international banking sector has isolated Afghanistan's banking sector due to fears of reputational damage and their risk aversion; however, other officials told us international banks are also fearful of violating international sanctions.

APPENDIX I - SCOPE AND METHODOLOGY

This report provides the results of our evaluation of the purchase, transport, transfer, and conversion of U.S. currency for use in Afghanistan. On March 13, 2023, the Chairman of the U.S. House of Representatives, Committee on Foreign Affairs sent SIGAR a letter requesting that we examine and report on 14 specific areas related to ongoing U.S. activities in Afghanistan, including the delivery, use, and oversight of U.S. funds intended to respond to Afghanistan's humanitarian crisis.⁴³ In response, we initiated four engagements, as detailed in appendix II. This is the first of two reports responding to the Committee's request to examine the purchase, transport, transfer, and conversion of U.S. currency to support the humanitarian and development programs of public international organizations (PIO) and nongovernmental organizations (NGO) in Afghanistan since August 2021. The second report will examine the use of U.S. currency by PIOs and NGOs, and the impact of introducing U.S. currency into Afghanistan's economy.

The objectives of this evaluation were to determine the (1) amount of U.S. funding provided to Afghanistan through PIOs and NGOs since August 15, 2021, and how much of that amount was used to purchase U.S. currency; (2) how the UN, and other PIOs and NGOs as applicable, transport and transfer U.S. dollars to Afghanistan for humanitarian and development assistance; and (3) how receiving private Afghan banks convert U.S. dollars into local currency for humanitarian and development assistance use in Afghanistan.

To achieve our objectives, we reviewed documentation and information related to cash shipments to Afghanistan, which we obtained through responses to requests for information, interviews, and reports from PIOs, NGOs, the Department of State (State), the U.S. Agency for International Development (USAID), subject matter experts, and independent research. We requested but were unable to obtain receipts or other cash shipment documents from the UN and its contracted transportation company due to the sensitive and changing nature of shipments, and because the UN, for security purposes, does not comment on the methods, timings, dates, and amounts of individual cash shipments.

To determine the amount of U.S. funding provided to Afghanistan through the PIOs and NGOs, we analyzed funding documentation from State, USAID, and the Department of the Treasury (Treasury). We submitted requests for information to State, USAID, and Treasury asking for funding amounts obligated and disbursed to the PIOs and NGOs, including the UN, from August 2021 through August 2023, and how much of that funding was used to purchase and transport U.S. currency to Afghanistan. We also analyzed funding data provided in U.S. agency reports, including USAID's Fiscal Year 2022 and Fiscal Year 2023 Complex Emergency Fact Sheets, and the October 2023 SIGAR Quarterly Report. We interviewed or submitted written questions to officials from State, USAID, Treasury, and PIOs, such as the UN, World Bank, and Colombo Plan to determine how much U.S. funding has been used to purchase U.S. currency for transport to Afghanistan since August 2021.

To determine how the UN purchased, transported, and transferred U.S. currency to Afghanistan, we interviewed UN and the Federal Reserve Bank of New York (FRBNY) officials. We also interviewed officials from the money services business (MSB) the UN uses that has an account with the FRBNY and participates in its Foreign Bank International Cash Services program, which provides access to and purchasing ability from Federal Reserve U.S. currency services. We interviewed these officials to understand their bidding application as an MSB. We also interviewed officials from the transportation companies responsible for transporting cash on behalf of the UN to Afghanistan.

To determine how the private Afghan banks receive and convert U.S. dollars into local currency for humanitarian and development assistance, we interviewed or obtained reports from subject matter experts, program beneficiaries, and Afghan money market exchangers. For example, in September 2023, we interviewed seven Afghan money exchangers across six provinces in Afghanistan to determine how the private Afghan bank that the UN uses converts U.S. dollars into afghanis. We also spoke with two former Afghan

⁴³ U.S. House of Representatives, Committee on Foreign Affairs, Letter to John F. Sopko, March 13, 2023.

government officials to determine the processes and procedures PIOs and NGOs use to convert U.S. dollars through the Afghan Central Bank.

To assess the reliability of data reported by various entities, we (1) reviewed existing documentation related to the data sources, (2) checked the data to identify problems with completeness or accuracy, and (3) worked closely with agency officials to address any concerns about the data. We determined that the data were sufficiently reliable for the purposes of this evaluation.

We conducted our evaluation work in Arlington, Virginia, and various locations throughout Afghanistan from April 2023 through January 2024, in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives. SIGAR performed this evaluation under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, 5 U.S.C. Chapter 4.

APPENDIX II - U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN AFFAIRS LETTER TO SIGAR

On March 13, 2023, the Chairman of the U.S. House of Representatives, Committee on Foreign Affairs sent SIGAR a letter expressing concerns that U.S.-funding for Afghanistan may be subject to waste, fraud, and abuse, or may be benefiting the Taliban. We have reproduced the Committee's letter in this appendix.

The letter requested that we examine and report on the following 14 specific areas related to ongoing U.S. activities in Afghanistan. Specifically, the letter requested we report to the Committee on

1. the extent to which U.S.-funding provided for Afghanistan has been provided to the Taliban via taxes, fees, import duties, or for purchasing permits, licenses, or utility services since August 15, 2021;
2. the amount of U.S.-funding provided to Afghanistan through international aid organizations since August 15, 2021;
3. how the UN transfers U.S. currency into Afghanistan;
4. how U.S. currency is converted into local currency;
5. the impact of the resumption of U.S. currency inflows on Afghanistan's economy under the Taliban;
6. how international aid organizations provide direct cash assistance in Afghanistan, the extent to which it is subject to misuse or diversion, and its costs and benefits compared to other aid modalities;
7. U.S. agency policies and procedures that limit the oversight of U.S.-funding to international aid organizations;
8. international aid organization policies or procedures that limit the oversight of U.S. agencies and their funding for Afghanistan related activities;
9. the extent to which U.S. agencies are providing oversight over international aid organizations;
10. the extent to which international aid organizations have policies and procedures for overseeing U.S.-funding for Afghanistan activities;
11. administrative fees, or other fees, paid by U.S. agencies to international aid organizations to carry out assistance in Afghanistan;
12. the policies and procedures of the Afghan Fund to protect against waste, fraud, and abuse;
13. the vetting of all Afghan Fund Board Members and contracts; and
14. suggestions to Congress to improve the operations and ensure the effectiveness of the Afghan Fund.

In response to the Committee's request, we initiated the following four new engagements:

- An audit of U.S. funds directly benefitting the Taliban (SIGAR 158-A) to examine the use of appropriated funds to directly benefit the Taliban in response to request 1.
- An evaluation of the purchase, transport, transfer, conversion, and use of U.S. currency for activities in Afghanistan (SIGAR E-020) to examine and describe the process for purchasing, transferring, converting, and using U.S. currency for activities in Afghanistan in response to requests 2, 3, 4, 5, and 6.
- An audit of U.S. agencies' oversight of funds provided to public international organizations (PIO) for activities in Afghanistan (SIGAR 159-A) to examine U.S. agency's oversight of PIOs receiving U.S. funds in Afghanistan in response to requests 7, 8, 9, 10, and 11.
- An evaluation of the Afghan Fund (SIGAR LL-22) to describe the Fund's policies and procedures, vetting process, and provide suggestions to Congress in response to requests 12, 13, and 14.

MICHAEL T. McCAUL, TEXAS
CHAIRMAN

BRENDAN P. SHIELDS
STAFF DIRECTOR



GREGORY W. MEEKS, NEW YORK
RANKING MEMBER

SOPHIA A. LAFARGUE
DEMOCRATIC STAFF DIRECTOR

One Hundred Eighteenth Congress
U.S. House of Representatives
Committee on Foreign Affairs
2170 Rayburn House Office Building
Washington, DC 20515

March 13, 2023

The Honorable John F. Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, Virginia, 22314

Dear Inspector General Sopko:

I write today to express my concern about ongoing U.S. assistance to Afghanistan and to request your continued help in ensuring that taxpayer dollars supporting the Afghan people do not benefit the Taliban regime or are otherwise subject to waste, fraud, or abuse.

SIGAR's January 2023 Quarterly Report to Congress stated that since the disastrous collapse of the former Afghan government in August 2021:

“...the United States has appropriated or otherwise made available over \$8 billion in assistance to Afghanistan and Afghan refugees. This includes more than \$2 billion, primarily for humanitarian and development aid in Afghanistan, and \$3.5 billion transferred to a newly created Afghan Fund to recapitalize the Afghan central bank and for related purposes. In addition, the United States obligated \$2.7 billion in FY 2022 for the Department of Defense (DOD) to transport, house, and feed Afghan evacuees.”¹

In the wake of the calamitous withdrawal of U.S. personnel and the collapse of the former Afghan government, SIGAR's independent and objective oversight of the billions of dollars continuing to support the people of Afghanistan remains as vital as ever. Specifically, despite the withdrawal, the Department of State and U.S. Agency for International Development (USAID), among other entities, have continued to spend billions across multiple humanitarian

¹Special Inspector Gen. for Afg. Reconstruction, January 2023 Q. Rep. to the U.S. Cong. at 1 (2023) [hereinafter SIGAR Jan. 2023 Q. Rep.], <https://www.sigar.mil/pdf/quarterlyreports/2023-01-30qr.pdf>.

and development sectors, including support for women’s rights, healthcare, food assistance, agriculture, education, and assisting internally displaced persons in Afghanistan.

SIGAR remains uniquely positioned with the purview, authority, and expertise to audit, evaluate, and investigate ongoing assistance to Afghanistan. I have reviewed SIGAR’s fiscal year 2023 Oversight Plan, which includes ongoing and planned work related to U.S. humanitarian and development assistance to support Afghans. It is imperative that SIGAR continue to complete this work. I also understand that SIGAR’s fiscal year 2023 Oversight Plan has been coordinated and deconflicted with the Department of State Office of Inspector General and USAID Office of Inspector General, among other entities.

It is essential that U.S. funds should be spent on U.S. priorities and not benefit that the Taliban, which represses women and girls, imposes a cruel interpretation of Sharia law, and remains unrecognized as a legitimate government by the U.S. and international community. However, as you know, since August 2021, the Department of the Treasury’s Office of Foreign Assets Control (OFAC) has issued multiple General Licenses to provide for the continued flow of assistance to support Afghanistan through “legitimate and transparent channels.”²

In February 2022, OFAC issued General License 20 which authorizes direct payments for the Taliban for the payment of “taxes, fees, or import duties, or the purchase or receipt of permits, licenses, or public utility services,” associated with assisting Afghanistan.³ On December 20, 2022, the head of the United Nations Office for the Coordination of Humanitarian Affairs, Martin Griffiths, reported that UN agencies and non-governmental (NGO) partners have been conducting authorized transactions with Taliban-controlled entities for the delivery of humanitarian aid and basic services. According to Griffiths, these payments are essential to ongoing humanitarian activities.⁴ SIGAR reported in January 2023 that “neither the State Department nor SIGAR have visibility on how much revenue the Taliban-controlled ministries may be collecting from fees and other payments from UN agencies or NGOs.”⁵

Given the significant concerns about U.S. taxpayer dollars benefitting the Taliban regime, I request that SIGAR:

- Report to the committee on the extent to which U.S. funds intended to respond to a humanitarian crisis in Afghanistan have been provided to the Taliban to pay taxes, fees,

² Off. of Foreign Assets Control, Dep’t of Treasury, Fact Sheet: Provision of Humanitarian Assistance to Afg. and Support for the Afghan People (Apr. 2022), https://home.treasury.gov/system/files/126/afg_factsheet_20220413.pdf

³ OFF. OF FOREIGN ASSETS CONTROL, DEP’T OF THE TREASURY, GENERAL LICENSE NO. 20, AUTHORIZING TRANSACTIONS INVOLVING AFG. OR GOVERNING INST. IN AFG. (Feb. 25, 2022), https://home.treasury.gov/system/files/126/ct_gl20.pdf.

⁴ Martin Griffiths, Under Sec’y Gen. for Humanitarian Affairs and Emergency Relief Coordinator, U.N. Off. for the Coordination of Humanitarian Affairs, Statement for the Sec. Council Briefing on the Humanitarian Situation in Afg. (Dec. 20, 2022), <https://reliefweb.int/report/afghanistan/under-secretary-general-humanitarian-affairs-and-emergency-relief-coordinator-martin-griffiths-statement-security-council-briefing-humanitarian-situation-afghanistan-20-december-2022>.

⁵ SIGAR Jan. 2023 Q. Rep., *supra* note 1, at 70.

import duties, or for the purchase or receipt of permits, licenses, or public utility services since August 2021.

Additionally, SIGAR has consistently reported on challenges to executive branch and congressional oversight of U.S. funds channeled through international organizations, such as the UN, World Bank, and the Colombo Plan. For example, in March 2022, SIGAR found “...issues persisted with the [World] Bank’s monitoring, performance, management, and oversight of the \$13 billion international investment in Afghanistan reconstruction [through the Afghanistan Reconstruction Trust Fund].”⁶ Similarly, in September 2020, SIGAR identified more than \$23 million in questioned costs – or 59% of audited expenditures – related to Department of State efforts to develop and sustain a drug treatment program in Afghanistan through the Colombo Plan.⁷

Since the Taliban’s return to power in August 2021, State and USAID have continued providing billions in humanitarian and development assistance, including funds provided through international organizations. The United States is the single largest donor to the UN’s 2022 Humanitarian Response Plan (HRP) for Afghanistan, contributing over \$1.1 billion of the HRP’s \$3.32 billion in funding (or 34.3%) as of February 26, 2023.⁸ Similarly, in September 2022, USAID provided \$53.7 million to the Afghanistan Reconstruction Trust Fund.⁹ I remain concerned that the Department of State and USAID lack visibility into the expenditure of funds once they are transferred to international organizations and that funds may not be used as intended. To assist the committee’s efforts in enhancing transparency of such funds, I request that SIGAR report to the committee on:

- The total amount of U.S. funding provided to Afghanistan through the UN, World Bank, Colombo Plan, and other multilateral international organizations since August 15, 2021.
- The processes and procedures used by the UN in transferring U.S. dollars to Afghanistan and utilizing them for humanitarian aid.
- The processes and procedures used by Afghanistan International Bank to convert U.S. dollars into local currency for humanitarian use in Afghanistan.
- The impact of the introduction of large amounts of U.S. dollars into the Afghanistan economy and their beneficiaries.
- The use of direct cash assistance in U.S.-funded humanitarian aid efforts in Afghanistan, including the processes and procedures under which it is provided, the extent to which it

⁶ Special Inspector Gen. for Afg. Reconstruction, March 2022 Q. Rep. to the U.S. Cong. at 18 (2022), <https://www.sigar.mil/pdf/evaluations/SIGAR-22-15-IP.pdf>.

⁷ Special Inspector Gen. for Afg. Reconstruction, Dep’t of State’s Efforts to Develop and Sustain Afg.’s Drug Treatment Sys.: Audit of Costs Incurred by the Colombo Plan for Coop. Econ. and Soc. Dev. in Asia and the Pac. Results in More than \$23 Million in Questioned Costs at 6 (Sept. 2020), <https://apps.dtic.mil/sti/pdfs/AD1137554.pdf>.

⁸ U.N. Off. for the Coordination of Humanitarian Affairs, Afg. Humanitarian Response Plan 2022, Fin. Tracking Serv. Appeal Summary (2022), <https://fts.unocha.org/appeals/1100/summary>.

⁹ SIGAR Jan. 2023 Q. Rep., *supra* note 1, at 69.

is subject to misuse and diversion, and its costs and benefits compared to less fungible forms of assistance.

- Any Department of State or USAID regulations, policies, or practices that limit or restrict direct U.S. government oversight of funds provided to international organizations. Please identify the effect of such regulations, policies, or practices, and, if appropriate, suggest actions for congressional consideration that would improve transparency of such funds.
- Any regulations, policies, or practices imposed by an international organization receiving U.S. funding that limits or restricts direct oversight by U.S. government entities of those funds. SIGAR shall also identify the effect of such regulations, policies, or practices, and if appropriate, suggest actions for congressional consideration that would improve transparency of such funds.
- The sufficiency of oversight, monitoring, due-diligence, and safeguards used by the U.S., UN, and other international organizations in providing humanitarian aid in Afghanistan in preventing waste, fraud, abuse –to include diversion (or other direct or indirect support) to the Taliban regime and terrorist organizations.
- The extent to which the aforementioned international organizations have established policies and practices for overseeing U.S. funds that align with established requirements for funds provided directly by the U.S. government to NGOs or other implementing partners.
- Any amounts paid by the U.S. to international organizations, including the U.N. and the World Bank, in administrative fees and whether those fees are in addition to or taken from the amounts intended for assistance to Afghanistan.

Finally, as you are aware, the executive branch has taken action to seize \$7 billion in Afghan central bank assets that were deposited in the United States prior to the Taliban’s return to power in August 2021. On September 14, 2022, the White House and Department of the Treasury announced the creation of the Fund for the Afghan People (“Afghan Fund”), and subsequently transferred \$3.5 billion of the seized assets to the Fund.¹⁰ The purpose of the Afghan Fund is to recapitalize the Afghan central bank and otherwise help stabilize the Afghan economy.

I understand that SIGAR has begun looking into the oversight and management mechanisms of the Afghan Fund. I agree that independent, external, U.S. government oversight of the Afghan Fund is needed, as the fund was capitalized with funds seized by the U.S. government and subsequently made available by the U.S. government to assist Afghanistan. Therefore, I request that SIGAR report to the committee on:

- The operations, policies, and expenditures of the “Afghan Fund” and determine whether adequate safeguards have been put into place for protecting Fund disbursements from

¹⁰ Press Release, Dep’t of State, The U.S. and Partners Announce Establishment of Fund for the People of Afg (Sept. 14, 2022), <https://www.state.gov/the-united-states-and-partners-announce-establishment-of-fund-for-the-people-of-afghanistan/>.

waste, fraud, and abuse – to include diversion (or other direct or indirect support) to the Taliban regime.

- The vetting of all appointments to the management and operation of the Afghan Fund and its boards as well as the vetting of all contracts for the Fund.
- Suggestions for Congress to consider to improve the operations and effectiveness of the Afghan Fund.

I greatly appreciate SIGAR's assistance in these matters and continued work to ensure that U.S. government funds provided for Afghanistan are used as intended, in the most efficient manner possible, and do not benefit the Taliban regime. In the interest of expediency, SIGAR may respond to these requests in multiple reports, as appropriate.

Please immediately notify the Committee if SIGAR encounters any obstruction, noncompliance, obfuscation, or unreasonable delay in the provision of requested information from the Department of State, the Department of the Treasury, USAID, or any other executive branch agency. Likewise, I expect to be notified without delay if SIGAR encounters any obstruction, noncompliance, obfuscation, or unreasonable delay in the provision of requested information from the UN, World Bank or other international organizations in receipt of U.S. government funds.

Sincerely,



Michael T. McCaul
Chairman
House Foreign Affairs Committee

CC:
Rep. Gregory Meeks, Ranking Member
House Foreign Affairs Committee

APPENDIX III - COMMENTS FROM THE DEPARTMENT OF STATE



United States Department of State

Washington, D.C. 20520

Mr. John M. Sopko
Special Inspector General
Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR)
2350 Crystal Drive
Arlington, VA 22202

Dear Special Inspector General Sopko:

The Department of State appreciates the opportunity to review and comment on SIGAR's report for the evaluation of E-20 "U.S. Currency Shipments to Afghanistan: The UN has Purchased and Transported More than \$2.9 Billion U.S. Dollars into the Country to Implement Humanitarian Assistance."

The Department wishes to thank SIGAR for the opportunity to clarify several points made concerning the use of the term "sanctions" in SIGAR's initial draft of the report. First, the draft report stated that "the international community established sanctions...to isolate Afghanistan's banking sector." Neither the United States, nor any other country with active sanctions against the Taliban, has a stated policy goal of isolating Afghanistan's banking sector. On the contrary, the United States has made concerted efforts to facilitate financial transactions in Afghanistan to prevent the collapse of the commercial banking sector.

Second, the report referred to U.S. sanctions designed to prevent the Afghan Central Bank "from obtaining new banknotes." That is inaccurate; no such sanctions exist. Third, the report said that the international banking sector's reluctance to engage in Afghanistan stems from fear of violating U.S. and/or other international sanctions. We clarified to SIGAR that international institutions' primary concerns center on the lack of profitability in transactions with an Afghanistan nexus and the potential reputational damage, given the Taliban's egregious human rights record.

We take seriously our duty as stewards of American taxpayer money and hold our implementing partners to the highest standards to ensure that U.S. assistance funds are used wisely, effectively, and for their intended purposes. Any interference with, or diversion of U.S. government assistance is unacceptable.

The U.S. government maintains robust oversight measures to monitor the implementation of U.S. taxpayer funded humanitarian assistance around the world, and Afghanistan is no exception. We require all U.S. government humanitarian partners to have safeguards in place to ensure assistance reaches those who need it. Our partners must also adhere to State and USAID reporting requirements with respect to allegations of fraud, waste, or abuse.

Cash transfers to Afghanistan are managed and administered by the UN. As noted in SIGAR's report, the UN seriously considered the risks of money laundering and terrorist financing in deciding to cease the use of international wire transfers and instead to physically transport U.S. currency to Afghanistan for payment to implementing partners. To the best of our knowledge, no electronic financial delivery systems are currently scalable and able to meet the liquidity needs of the UN so that it may deliver assistance responsibly to benefit the millions of Afghans in need. We will, however, continue to advocate for the most transparent, reliable, and secure methods for the delivery of U.S. humanitarian assistance and payments to humanitarian assistance providers.

We remain committed to providing critical, life-saving humanitarian assistance to the Afghan people. We will continue to monitor assistance programs and seek to mitigate the risk that U.S. assistance could indirectly benefit the Taliban or could be diverted to unintended recipients.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Covert". The signature is stylized with a large, sweeping initial "K" and a long, horizontal flourish extending to the right.

Kevin Covert
Director
Office of Afghanistan Affairs
Bureau of South and Central Asian Affairs

APPENDIX IV - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



MEMORANDUM

TO: The Honorable John F. Sopko, The Special Inspector General for Afghanistan Reconstruction (SIGAR)

FROM: Joel Sandefur, USAID/Afghanistan Mission Director *Joel Sandefur*

DATE: December 18, 2023

SUBJECT: Management Comments to respond to the draft SIGAR evaluation report, "U.S. Currency Shipments to Afghanistan: The UN has Purchased and Transported More than \$2.9 Billion U.S. Dollars into the Country to Implement Humanitarian Assistance" (SIGAR E-20).

The U.S. Agency for International Development (USAID) thanks SIGAR for the opportunity to provide comments/feedback on the subject draft evaluation report, which does not contain any recommendations for the Agency. USAID has no comments on the draft report.

APPENDIX V - ACKNOWLEDGMENTS

Adriel Harari, Senior Audit Manager

Julianna Barr, Analyst-in-Charge

Ashley Cox, Senior Auditor

Noah Clarke, Program Analyst

John Cafferty, Program Analyst

This evaluation was conducted
under project code SIGAR E-020.

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publicly released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

SIGAR's Mission

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