Beyond Emergency Relief: Averting Afghanistan's Humanitarian Catastrophe

Asia Report N°317 | 6 December 2021

Headquarters
International Crisis Group
Avenue Louise 235 • 1050 Brussels, Belgium
Tel: +32 2 502 90 38 • brussels@crisisgroup.org

Preventing War. Shaping Peace.

Table of Contents

Principal Findings

What's new? The Afghan state is collapsing after the world responded to the Taliban takeover by freezing state assets, cutting aid and offering only limited sanctions relief for humanitarian purposes. Government employees lack salaries, basic services are not being delivered and the financial sector is paralysed. The economy is in freefall.

Why does it matter? Economic strangulation is unlikely to change the Taliban's behaviour but will hurt the most vulnerable Afghans. The rising number of people fleeing the country could provoke another migration crisis. State collapse would mark a terrible stain on the reputation of Western countries, which is already tarnished by chaotic withdrawal.

What should be done? Donors agree on sending humanitarian aid, but emergency relief is not enough. If they wish to avoid state failure and mass starvation in Afghanistan, the governments that battled the Taliban must decide to help state institutions provide essential services, including health care, education and a basic financial system.

International Crisis Group
Asia Report N°317 **6 December 2021**

Executive Summary

The end of the world's deadliest war has not put a stop to the suffering of the Afghan people. To the contrary, hunger and destitution following the Taliban's takeover of the country seem poised to kill more Afghans than all the bombs and bullets of the past two decades. The Afghan state is teetering on the edge of full collapse, as the UN warns that the country is fast becoming the world's worst humanitarian disaster. Some of the escalating misery cannot be avoided: when a war economy disintegrates, the adjustments will always be hard, especially when crops are failing as they are in 2021. Not surprisingly, the Taliban were better at fighting an insurgency than running a modern economy and have shown little sign of compromise since seizing power. But donors' decisions to cut off all but emergency aid is the biggest culprit. International actors must revisit that fateful choice, finding ways to work with the Taliban in restoring crucial public services, if they are to stave off a calamity for which they would shoulder much of the blame.

The enormity of the economic shock that hit Afghanistan in August is a consequence of donors, first, building an extremely aid-dependent Afghan state since 2001 and then, after the Taliban takeover on 15 August, dramatically curtailing that aid. Before U.S. and international troops withdrew, virtually every essential state function depended on donor money. With the troops' departure, the Afghan political order collapsed, and the Taliban swept into Kabul. Immediately, donors refused direct cooperation with the new Taliban regime, cutting off the funds that had paid salaries for civil servants and other costs of government institutions. They also froze Afghan state assets and allowed pre-existing sanctions on the Taliban to become de facto sanctions on the Afghan government.

Today, donors are providing humanitarian aid, but this limited type of emergency assistance is insufficient to arrest the worsening humanitarian and economic crises. The human cost is already immense. Hundreds of thousands or even more deaths, and unspeakable scenes of deprivation, seem likely over the winter months. The devastation is born in large part of Western politics: donors adopted isolation policies calculating that voters would react badly to headlines about aid money propping up the Taliban regime. So far, the U.S. has decided that not a single penny can be spent on programs that materially assist the new government, even for girls' schools. The tragic reality is that most of the disaster now unfolding in Afghanistan would not have occurred with a different set of decisions by foreign donors.

There are arguments for allowing the Taliban to fail. Western governments may want to punish the Taliban for their violent takeover. The U.S. and others had warned the Taliban repeatedly over several years that gaining power through military means rather than a political settlement would make them a pariah regime starved of resources. The Taliban captured a territory with millions of vulnerable people, but rich countries chafe at the idea of, in effect, paying the regime ransom. After watching decades of investment in Afghanistan go up in smoke, and already observing incompetence in how the Taliban is governing, beleaguered donors might conclude that their money is better spent elsewhere – for example, on efforts to help neighbouring

states cope with migrants rushing to escape. Moreover, the Taliban bear tremendous responsibility for failing to take steps – such as building an inclusive government and better respecting human rights, including girls' right to education – that would go far in enabling donors to work with them.

A stance against engagement with a Taliban-run state based on such considerations requires accepting the cruel and dangerous implications, however. The consequences are already visible: growing risk of famine; surging migration; rising threats of terrorism; and rising supply of illicit drugs. The burdens of social breakdown are falling most heavily on women and other vulnerable members of society, while the Taliban themselves remain secure in their victory and comfortably in control of the shadow economy. Whatever pressure the world applies to the Taliban, they seem capable of enduring it for the foreseeable future. Meanwhile, the population feels the pain.

There is a better way: working with the state apparatus to preserve its basic functions. Some of the solutions are free, or cheap, and could be implemented in a matter of days. The political costs are considerable, however, as they involve tacitly accepting that designated terrorists now control some Afghan ministries. Still, in the middle ranks of the Afghan civil service, many officials remain in their posts and could quickly resume working, with donor support. The following steps could ease restrictions on the Afghan economy and mitigate suffering:

- The World Bank, the International Monetary Fund and other international financial institutions should re-engage with Afghanistan to sustain a few essential services. A good start would be disbursing the $1.5 billion in unspent funds in the World Bank's Afghanistan Reconstruction Trust Fund.
- Health-care funding is uncontroversial because implementing partners are outside the Afghan state – but health programming cannot stand alone. Donors should revive a broader set of assistance programs for education, food security, basic infrastructure and rural livelihoods. To do so, they will often have to work with the Taliban authorities and fund civil servants' salaries.
- Sanctions for years aimed to weaken the Taliban insurgency (which they failed to do), not to crush Afghanistan's public sector and choke its economy, but those are now the perverse effects. The United States, the UN Security Council and other sanctioning entities should amend or more clearly interpret their sanctions to avoid targeting the entire Afghan government or the whole economy. Exemptions are needed for activities such as development aid, banking transactions, overflight fees, electricity purchases and regular trade of commercial goods.
- The U.S. government and its allies should find ways of injecting liquidity into Afghan currency markets. Ideally, Washington would greenlight the phased return of frozen reserves to the Afghan central bank (Da Afghanistan Bank), releasing an initial tranche on a trial basis to monitor for unintended effects. This step would allow the central bank to regulate the Afghan currency and run U.S. dollar auctions. If the Biden administration is not prepared to do that, currency swaps supervised by the World Bank or a UN agency might serve as a temporary fix.

- Easing restrictions as outlined above would slow the pace of the growing crisis, but Afghanistan will still require emergency aid. The next UN appeal for funding is expected to be the largest in the world. Western donors should prepare to fund humanitarian appeals while taking steps to buttress the Afghan state, shifting from an abrupt brake on aid to a more gradual glide path downward.

No one should think of returning to the staggering aid dependency that reigned in Kabul during the last two decades. No donor will want to spend money on that scale, in any case. Still, no state could survive the sudden loss of 43 per cent of gross domestic product without grave effects on the population. Donors should adopt more gradual measures that wean Afghanistan from the billions of dollars in aid funding that underwrote most aspects of the state. Doing so would mitigate the depth of the humanitarian crisis and leave the remnants of Afghanistan's professional civil service with some opportunity to rebuild. With temperatures falling and snows deepening, the fate of millions of Afghans over the winter hangs on the survival of their state.

London/Washington/Brussels, 6 December 2021

International Crisis Group
Asia Report N°317 **6 December 2021**

Beyond Emergency Relief: Averting Afghanistan's Humanitarian Catastrophe

I. Introduction

The United States and its allies withdrew the last of their military forces from Afghanistan on 30 August 2021, ending two decades of war against the Taliban.[1] Before the last soldiers boarded transport aircraft, they helped evacuate more than 120,000 Afghans and foreigners, including officials from the Islamic Republic of Afghanistan, the U.S.-backed government that collapsed with the international troops' exit.[2] Panicked crowds clung to the fuselages of departing planes.[3] Only a few officials remained at their desks in Afghan ministries, watching anxiously as Taliban insurgents took down the tricolour flags of the Republic and hoisted their own white banners.[4]

Horrified by the scenes in Kabul, the world responded with a series of policies aimed at isolating the Taliban regime. The U.S. decided that pre-existing sanctions on Taliban leaders would remain in effect, with only minor exemptions to allow limited forms of humanitarian aid. Billions of dollars in development assistance halted overnight. Neighbouring states complained that the countries that invaded Afghanistan should pay for the consequences of Kabul's fall and said the change of regime should be handled pragmatically, but none of them rushed to recognise the Taliban government.

Exiled from the global financial system, Afghanistan's beleaguered economy tipped toward full-blown crisis. A humanitarian disaster was already brewing in the war's final months, as fighting forced hundreds of thousands of people from their homes and recurrent droughts impoverished farmers. The conclusion of major armed conflict started a new struggle for survival as the abrupt cutoffs in foreign assistance revealed the fragility of state systems.

The Taliban appealed for help, but without much effort to make themselves appealing to international donors. They set up a nominally interim government that included designated terrorists and excluded most constituencies outside their secretive cliques. Their cabinet included no women and they closed girls' secondary schools in many provinces. The Taliban's new government was arguably less regressive than their earlier version in the 1990s, but still far short of expectations from the outside world.

This report describes the aftermath of the war in Afghanistan and the looming threat of state collapse and humanitarian catastrophe, worsened by the Taliban's mismanagement but driven primarily by external factors as outside powers turn away from the disaster. A section of the report considers the reasons why foreign donors

[1] "Defense, military officials hold news conference", U.S. Department of Defense, 30 August 2021.
[2] "The last U.S. military planes have left Afghanistan, marking the end of the United States' longest war", CNN, 31 August 2021.
[3] "'He saw the panic': The Afghan men who fell from the U.S. jet", *The Guardian*, 16 September 2021.
[4] Crisis Group interviews, former Afghan officials, August 2021.

might want the Taliban to fail at governing and outlines the likely consequences of such a failure. The concluding sections offer an alternative course of action that would require engagement with the Taliban government to assist with provision of essential services. The report is based on dozens of interviews with current and former Afghan officials, aid workers, diplomats, economists, business executives and other interlocutors, most of them contacted remotely from August to November 2021.

II. The Aftermath of War

A. *Humanitarian Disaster in a Parched Land*

Crisis Group and others raised the alarm about a growing humanitarian emergency right after the Taliban advanced into the capital on 15 August.[5] Record-breaking numbers of Afghans fled their homes in the war's final months, and the surge of violence preceding the Taliban's victory killed more people than had died in the entire previous year.[6] The displaced have started trickling back to their homes, but their villages are ravaged by conflict.[7] The UN said the chaos increased the number of people in need of food assistance by one million, in addition to 7.3 million already "food insecure" when the year began.[8] Hunger spread as winter neared, with the UN projecting that 22.8 million would suffer varying levels of food insecurity in the coming months, a 35 per cent increase over 2020 and the worst levels recorded in a decade.[9] Aid workers made plans to care for an additional 100,000 Afghans who need clothing, fuel and other supplies to survive the winter, on top of an estimated 670,000 who needed shelter before the Taliban takeover.[10] A UN household survey found deep hunger in the cities, at rates similar to rural areas stricken by drought.[11]

The turmoil unfolded in a parched landscape where farmers were already struggling with the second drought in the last few years.[12] The wheat harvest is expected to be as much as 25 per cent below average, as drought afflicts 25 of 34 provinces.[13] Not all parts of the country suffered from dry conditions, and Taliban-affiliated media boasted of bumper crops in some locations, especially in the east.[14] Satellite imagery of fields showed large parts of the country with no significant change in crop yields.[15] But the southern, western and north-western parts of the country are badly affected,

[5] Crisis Group Briefing Note, "Afghanistan's Growing Humanitarian Crisis", 2 September 2021. See also "Afghanistan: Humanitarian Crisis Needs Urgent Response", Human Rights Watch, 3 September 2021; Hannah Duncan and Kate Clark, "Afghanistan's looming economic catastrophe: What next for the Taleban and the donors", Afghanistan Analysts Network, 6 September 2021; and Mark Bowden and Martin Barber, "Backing the UN Can Help Afghans Facing a Tough Winter", Chatham House, 26 August 2021.

[6] See "Afghanistan: Conflict-Induced Displacements", UN Office of the Coordinator for Humanitarian Affairs (OCHA), 15 November 2021; and Therese Pettersson, "Fewer Choices and Uncertain Future in Afghanistan", Uppsala University, 1 October 2021 (Swedish).

[7] At its peak in 2019-2020, the war in Afghanistan ranked as the deadliest in the world. "Strange quiet arrives in Afghanistan after decades of war", *The Wall Street Journal*, 11 October 2021.

[8] "Flash Appeal: Afghanistan", OCHA, September 2021.

[9] "Afghanistan: Acute Food Insecurity Situation September-October 2021 and Projection November 2021-March 2022", Integrated Food Security Phase Classification (IPC) portal.

[10] "Flash Appeal: Afghanistan", op. cit.

[11] "Educated urban Afghans are new face of hunger as jobs and incomes dry up", press release, World Food Programme (WFP), 21 September 2021.

[12] See tweet by Liaison Office of the UN Food and Agriculture Organization (FAO) in New York, @FAONewYork, 12:48pm, 14 September 2021.

[13] "Afghanistan: FAO urges G20 countries to increase support for rural farmers", press release, FAO, 23 September 2021.

[14] See tweet by Nunn Asia, @nunnasia, 10:02am, 7 October 2021; and (about the east) tweet by Shamshad News, @Shamshadnetwork, 5:50am, 19 October 2021.

[15] See tweet by Alcis Geo, geographic information service, @AlcisGeo, 5:00am, 8 October 2021.

hurting harvests and livestock.[16] Reports of rural deprivation were widespread, and UN officials said the fast-moving situation outpaced assessments of the rising humanitarian needs.[17] An evaluation in September found 40 per cent of Afghan districts experiencing drought conditions.[18] Some humanitarian officials predicted the worst drought in a generation in 2021, as long-range weather forecasts showed a risk of below-average rainfall throughout the winter.[19]

B. *Economic Shock*

The proximate cause of the grave worsening of the population's suffering since August is the economic shock that followed the war's climax and denouement.[20] The Taliban's blitzkrieg in mid-2021 deprived the government in Kabul of customs revenue, its largest domestic source of funding, and the besieged authorities suspended salaries for many state employees during their final months in power.[21] Silence descended upon the hallways of semi-abandoned state institutions, where many employees went unpaid for months. Swathes of the public sector were at a standstill.

The situation remained dire after Kabul fell. Life returned to some ministries as the Taliban coaxed civil servants back to work and paid small portions of their wages.[22] Tens of thousands of government workers had fled the country as the Taliban advanced, but a Western official estimated that about 380,000 civilian employees remained after the evacuations. A Taliban official put the number higher, saying more than 500,000 employees on state payrolls were owed salaries.[23] Those jobs are a large share of overall employment, especially in cities; the next largest civilian employer is the telecommunications sector, with 200,000 employees.[24] The Taliban complain to Western officials that they inherited a bankrupt government that struggles to cover payroll, because their predecessors relied on foreign grants to finance 75 per cent of public spending.[25] Donors halted grants after the Taliban took over, immobilising

[16] Mohammad Assem Mayar, "Global warming and Afghanistan: Drought, hunger and thirst expected to worsen", Afghanistan Analysts Network, 6 November 2021.

[17] Crisis Group interviews, UN officials in Kabul, September and October 2021. See also "'We won't eat tonight': Hunger plagues Afghans in historic valley", Al Jazeera, 6 October 2021; and Shadi Khan, "From rural drought to urban shortages: Afghanistan's new hungry", *The New Humanitarian*, 6 October 2021.

[18] "Afghanistan Drought Bulletin", World Bank Group, 28 September 2021.

[19] "Severe drought adds to Afghanistan's woes, endangering millions as economy collapses", *The Wall Street Journal*, 10 October 2021. See also the IPC food insecurity portal, op. cit.

[20] "Strange quiet arrives in Afghanistan after decades of war", op. cit.

[21] See Eltaf Najafizada, "Taliban seizes customs posts, draining Afghanistan government's key revenue source", *The Print* (India), 5 August 2021; and Kate Clark and Roxanna Shapour, "The Khaled Payenda interview (2): Reforms, regrets and the final bid to save a collapsing Republic", Afghanistan Analysts Network, 9 October 2021.

[22] Crisis Group interviews, Kabul residents, September-November 2021.

[23] Crisis Group interviews, Taliban and Western officials, September 2021. The Taliban foreign minister subsequently said some overdue salary payments were being provided to government employees. "A conversation between Mawlawi Muttaqi and Sultan Barakat", video, Center for Conflict and Humanitarian Studies (Doha), 11 October 2021.

[24] Graeme Smith, "Resource Flows and Political Power in Afghanistan", ODI, November 2020.

[25] Crisis Group interviews, Western and Taliban officials, September 2021. See also the overview on the World Bank's Afghanistan country page.

both bilateral aid programs and mechanisms such as the Afghanistan Reconstruction Trust Fund, administered by the World Bank, which had been the previous government's largest source of funding.[26]

Donor funding for civilian government payrolls was overshadowed in recent years by the bigger costs of paying for Afghanistan's security forces. Security institutions employed several hundred thousand people, at least on paper, whose salaries evaporated along with the institutions in August. Corruption siphoned off large amounts of security assistance, and covert budgets made it difficult to know the war effort's full size, but as of July the U.S. had appropriated almost $89 billion for the Afghan forces and other donors had contributed significant amounts, including $145 million a year for police payrolls.[27] A meaningful part of the spending on security remained in the country.[28] As the wartime economy grew, it contributed significantly to pushing Afghanistan's per capita GDP up to $509 in 2020 from $179 in 2002.[29] The population size also climbed during the two decades of foreign intervention, to an estimated 39 million, from about 21 million before the 2001 invasion.[30] A whole generation grew up in cities where some of the biggest industries were military contracting, trucking and fuel supply.

That wartime economy has staggered to a halt. According to one UN expert, no modern economy has ever faced such an abrupt shock, with an overnight loss of foreign assistance that amounted to 43 per cent of gross domestic product.[31] The World Bank notes that the collapse of public spending has had a knock-on effect on the private sector, hurting the services and construction sectors that give jobs to 2.5 million people, accounting for 77 per cent of urban employment.[32] The International Monetary Fund forecasted a 30 per cent contraction in economic output in 2021.[33] About half the Afghan population lived in poverty before the Taliban takeover.[34] Forecasts vary as to how many Afghans may fall into poverty in the coming year, but some economists talk about the prospect of "universal poverty", with nearly all Afghans

[26] "Afghanistan's health crisis: The system is functional – now donors need to fund it", press release, Reliefweb, 8 October 2021; "Afghanistan Reconstruction Trust Fund steering committee meets", press release, World Bank, 2 September 2020.

[27] "Report to the United States Congress", Special Inspector General for Afghan Reconstruction, 30 July 2021, section II; "Fact Sheet: Law and Order Trust Fund for Afghanistan", UN Development Programme (UNDP), 16 November 2021.

[28] Some of the war spending was smuggled into offshore portfolios. One study of tax havens concluded that "leakage" of aid in countries such as Afghanistan could be 7.5 per cent of foreign assistance. J. Andersen, N. Johannesen and B. Rijkers, "Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts", World Bank, 2020. But much of the foreign money served to maintain a tangled web of patronage within the country. See Smith, "Resource Flows and Political Power in Afghanistan", op. cit.

[29] World Bank data.

[30] World Bank data. No census has been completed in Afghanistan, and population estimates vary.

[31] Crisis Group interview, UN consultant, 12 November 2021.

[32] Crisis Group interview, World Bank official, September 2021.

[33] "Regional Economic Outlook: Middle East and Central Asia", International Monetary Fund, October 2021.

[34] Poverty rates are based on the cost of food (with 2,100 calories per day considered adequate) and minimal non-food costs such as rent. In 2019-2020, the food and other costs were equivalent to $0.94 per person per day. World Bank data.

lacking money for basic necessities.[35] Within weeks of the Taliban victory, some city streets turned into flea markets as Afghans sold possessions.[36] Landlords started offering apartments for half the previous rents.[37]

C. *Trade and Market Disruptions*

Interruptions of transnational commerce have dealt another blow to the Afghan economy, driving up prices of basic consumer goods, many of which are in short supply. Disquieted by Taliban advances in mid-2021, Afghanistan's neighbours slammed borders shut, allowing only a partial resumption of trade as the war ended.[38] Afghans fleeing the country after the Taliban takeover temporarily overwhelmed some crossings, often though not always impeding the flow of goods.[39]

The closures added to the economic damage. Afghanistan depends heavily on imports, with official inbound trade worth ten times more than exports in recent years, according to World Bank data.[40] Pakistan, one of the country's largest trading partners, reported figures for the July-September period showing a 42 per cent decline in goods imported by Afghanistan as compared with the same period a year earlier.[41] Later, border issues slowed the flow of goods to local bazaars, and pharmacies reported that truckloads of medicine were stalled at crossings.[42]

Not all the numbers were alarming. One source told Crisis Group that an average of 254 cargo trucks crossed from Pakistan into Afghanistan each day in July and August, only a 14 per cent decrease from the average for the year.[43] Afghan exports to Pakistan remained relatively stable as local fruits and vegetables continued selling across the border.[44] Iran's official statistics showed no significant change in trade, with exports to Afghanistan rising 1.7 per cent during the tumultuous five months ending in October.[45] Traders at the main crossing with Uzbekistan said shipments had resumed after initial disruptions.[46] Official trade is sometimes surpassed by smuggling, making it difficult to measure trends. Nonetheless, it is clear that the Taliban takeover had a negative impact on cross-border businesses: even when not dealing with closures, Afghan traders said they could not get loans to make transactions due to banking restrictions.[47]

[35] "97 percent of Afghans could plunge into poverty by mid-2022, says UNDP", press release, UNDP, 9 September 2021.
[36] "Kabul streets full of Afghans selling anything to survive", *TOLO News*, 6 November 2021.
[37] Crisis Group interviews, Kabul residents, October 2021.
[38] "Trucks rolling across Afghanistan border as trade resumes", Reuters, 19 August 2021.
[39] "Torkham border remains closed for hours", *Dawn*, 24 September 2021.
[40] "Afghanistan Trade Summary", World Integrated Trade Solution, 2019.
[41] "Afghanistan Economic Monitor", World Bank Group, 1 November 2021.
[42] "Truckloads of medicine stopped at customs borders", *TOLO News*, 15 October 2021.
[43] Crisis Group interview, regional trade expert, September 2021.
[44] "Afghanistan Economic Monitor", op. cit.
[45] "Iran joy at U.S. withdrawal from Afghanistan fades quickly", *Nikkei Asia*, 22 September 2021.
[46] "Uzbek traders learn to do business with the Taliban", France 24, 1 November 2021.
[47] See Nafey Chowdhury, "Afghan money exchangers are the economy's last, best hope", *Foreign Policy*, 5 September 2021; and "Afghan crisis: What impact Taliban takeover is having on Indian MSMEs, traders", *Financial Express* (India), 22 September 2021.

The resulting shortages drove up prices in Afghan markets. Panic buying also contributed to the problem as Afghans reacted to the turmoil by hoarding food and other supplies. Rising prices for basic commodities started to make headlines in September, as fuel prices in Kabul went up 20 per cent in a few months and outlying areas reported similar surges.[48] The World Food Programme's regular monitoring of prices showed that wheat, rice, cooking oil, diesel and other essentials were more expensive in September and October than in June; by the third week of October, a day's wages for a labourer purchased 25 per cent less wheat flour than before the Taliban victory.[49] The national currency, the afghani, lost about 13 per cent of its value in the same period, trading at 90 to the U.S. dollar.[50] That left the currency weaker than at any point since the government launched a new version of the afghani in 2002, reducing the ability of Afghans to buy imported goods. The World Bank estimated that Afghanistan was suffering year-on-year inflation of almost 32 per cent.[51]

[48] See "Sales of cheap, low-quality fuel increase on Kabul streets", *TOLO News*, 21 September 2021; and "Rising fuel prices ahead of winter worry Helmand residents", Pahjwok Afghan News, 12 October 2021. Prices are tracked at the Global Petrol Prices website.

[49] "Afghanistan: Countrywide Weekly Market Price Bulletin", WFP, 24 October 2021.

[50] Exchange rates are drawn from WFP monitoring. Anecdotally, currency depreciation has been worse in some parts of the country. Crisis Group interviews, October 2021.

[51] World Bank analysis based on WFP price monitoring of ten critical household goods from all provinces, weighted for consumption and population. "Afghanistan Economic Monitor", op. cit.

III. Taliban Responses

A. *Empty Coffers Lead to Poor Choices*

The Taliban were unprepared for such challenges. The insurgents expressed surprise as their opponents melted away in mid-2021 and then shock when the government folded.[52] Further revelations awaited: Taliban officials said they were astounded by the lack of currency reserves in Kabul when they captured state institutions. The previous government had almost emptied the central bank.[53]

The Taliban may have not understood how the economy worked. The central bank had been dependent on regular shipments of dollars from the U.S. Federal Reserve, which assisted the Afghan central bank's management of foreign assets. The shipments supplied currency auctions in Kabul that traded U.S. dollars for afghanis. These auctions raised as much as $45 million per week in cash, supporting the afghani's value and injecting liquidity into an economy in which foreign currencies (mostly U.S. dollars) represented 60 per cent of all bank deposits.[54] Afghans used their own currency to buy bread, for instance, but they imported wheat flour – and most other products – using U.S. dollars.[55] Taliban officials had known before marching on Kabul that the economy was dependent on foreign aid, and they had discussed options for cutting the state budget to become less reliant on outsiders, but the cash shortages caught them off guard.[56]

B. *Banking Restrictions*

Freshly appointed officials in the new Taliban cabinet appeared to lack the expertise to run a modern economy, but even the brightest minds in finance would have concluded they faced an impossible bind.[57] Demand for U.S. dollars had already started to overwhelm the central bank in the final days of the previous administration, forcing the imposition of currency controls. The Taliban's only viable option was tightening the tourniquet to stem the bleeding. Their first published regulatory statements required that financial transactions be settled in afghanis, while offering vague assurances that Afghan banks retained enough cash to be "completely secure".[58] The banks themselves seemed less confident, with dollar auctions halted and Afghans mobbing branches to make withdrawals. The banks warned that they could run out of U.S. dollars altogether, despite Taliban-imposed limits that prevented individuals

[52] "Taliban surprised by speed of its takeover", Anadolu Agency, 16 August 2021.
[53] Crisis Group interviews, Taliban officials, September 2021.
[54] World Bank data.
[55] Crisis Group interviews, academics and former Afghan officials, September-October 2021. See also Manuel Bautista-Gonzalez, "Cash during the fall of Kabul", Cash Essentials, 6 September 2021.
[56] Crisis Group interviews, Taliban-affiliated figures, Doha and Kabul, 2020-2021.
[57] Crisis Group interview, World Bank official, 12 November 2021. See also Ibraheem Bahiss and Graeme Smith, "Who Will Run the Taliban Government?", Crisis Group Commentary, 9 September 2021.
[58] "Da Afghanistan Bank Notification", 9 September 2021; "Message of Mr Alhaj Abdul Qahir, the Acting Governor of Da Afghanistan Bank", 15 September 2021.

from taking out more than $200 per week.[59] (In November, the Taliban raised the limit to $400 per week.[60])

The limits acted as a drag on the economy. Some of Afghanistan's biggest companies said they could not pay their taxes or major suppliers because they could not withdraw enough money from their own accounts. The Taliban also restricted international money transfers, and factories shut down as industrialists complained that the banking sector's paralysis prevented them from purchasing raw materials abroad.[61] The Taliban banned the export of U.S. dollars from the country, and currency smuggling increased.[62] Some found workarounds: reports from border provinces suggested that many businesses ignored the Taliban edict to use the national currency, preferring the Pakistani rupee or Iranian toman.[63] A few charities started paying salaries using *hwaladars*, traditional currency brokers, but executives worried about running afoul of sanctions or anti-money-laundering rules. "It's not sustainable", an aid worker said.[64]

The banking restrictions stemmed the afghani's slide, but at the cost of paralysing the financial sector. Even the benefit could be temporary: the currency's collapse remains a serious risk whenever the Taliban lift the restrictions. A Western official concluded: "The banking sector is dead on the current trajectory".[65]

C. *Edicts for Businesses*

The Taliban's heavy-handed management of the banking crisis might have been unavoidable, but in other sectors the new authorities seemed to be testing the levers of modern government by trial and error. They showed a preference for a command economy, trying to control the behaviour of private businesses by edict – with only partial success. In early September, irritated by press attention to protests, often mounted by women angered at the reimposition of constraints on their rights, the Taliban decided to switch off telecommunications in restive areas of the capital. Mobile phone companies complied with the Taliban orders, but the blackout was temporary. Protests continued, as did the media coverage.[66]

The Taliban government also discovered that it could not simply instruct telecommunications firms to improve mobile services for its supporters in southern provinces. The Taliban made the request to the companies in September, blurring the

[59] "Running out of dollars, Afghan banks ask Taliban for more cash", Reuters, 15 September 2021.
[60] "Afghanistan central bank raises limit on bank withdrawals to $400 a week", Reuters, 3 November 2021.
[61] Crisis Group interviews, Afghan business executives, September and October 2021. On the transfer restrictions, see tweet by Kawoon Khamoosh, journalist, @KawoonKhamoosh, 10:47am, 18 October 2021.
[62] "Dollar smuggling out of Afghanistan increases: Money changers", *TOLO News*, 10 October 2021.
[63] Crisis Group interviews, Kandahar and Helmand residents, September 2021.
[64] Crisis Group interview, veteran aid worker, London, 12 October 2021.
[65] Crisis Group interview, Western official responsible for Afghan economic issues, 11 October 2021.
[66] See, for example, "Afghan activists protest outside shuttered women's affairs ministry", Reuters, 19 September 2021. The Taliban did succeed in reducing the number of protests, as the new bureaucracy imposed a system of permits for demonstrations. See "Protests get harder for Afghan women amid risks and red tape", Reuters, 4 October 2021.

line between public and private sectors, but the firms did not immediately obey. The companies were not sure they would profit by building more towers to improve reception, and even if they had been, they could not get enough hard currency to import the necessary equipment.[67]

The Taliban encountered similar problems when they tried to dictate terms to other private firms. The Taliban asked Pakistan International Airlines to reduce its fares; flights halted when the carrier failed to comply, prompting a meeting between the Pakistani ambassador and the new Taliban aviation minister to discuss ticket prices.[68] (Flights had not yet resumed by November.) The Taliban also tried to shut down the mining of lapis lazuli, a semi-precious stone whose export had generated tens of millions of dollars per year, saying that mining concessions granted by the previous government were no longer valid.[69] They do not yet appear successful at setting up their own large-scale exports of lapis.[70]

The Taliban seem to prefer strong regulation of the private sector. In some places, they have taken a hands-off approach, with lower taxes than their predecessors: at the border, the Taliban cut duties 70 per cent on food items and 30 per cent on non-food items.[71] But their conduct during their years as insurgents suggests that, for the most part, they will be hands-on managers. In areas under their control, they limited prices for essential goods such as bread and meat; inspected petrol stations to check for fraudulent pumps; checked the expiry dates of medicines sold in markets; weighed loaves of bread to ensure that bakers were not short-changing customers; and investigated local allegations of butchers selling dog or donkey meat. These regulatory approaches might continue under the Taliban government, in part because such actions are often popular.[72]

D. *Empty Ministries*

Much less popular were the Taliban's demands that civil servants continue working, even though they had not been paid in months. Many government staff did not show up at their offices, while others wandered the hallways of office buildings without a clear purpose. The new Taliban director of a government office said he inherited a depleted staff, as half the roster had evacuated. The remaining half lacked any understanding of the Taliban's program or a budget to spend on carrying it out. "We have no money, and not that much power", the mid-level Taliban official said.[73] The Taliban boasted of restarting infrastructure projects, but in practical terms not much

[67] Crisis Group interview, Afghan telecommunications firm employee, September 2021.
[68] See tweet by Mansoor Ahmad Khan, Pakistani ambassador to Afghanistan, @ambmansoorkhan, 9:39am, 15 October 2021.
[69] See tweet by Franz Marty, journalist, @franzjmarty, 10:17am, 23 October 2021. For background, see "War in the Treasury of the People: Afghanistan, Lapis Lazuli and the Battle for Mineral Wealth", Global Witness, 2015.
[70] Victoria Gomelsky, "Afghan gems have a future, a longtime dealer says", *The New York Times*, 22 November 2021.
[71] David Mansfield, "A Taxing Narrative: Miscalculating Revenues and Misunderstanding the Conflict in Afghanistan", Afghanistan Research and Evaluation Unit, October 2021, p. 38.
[72] Crisis Group interviews, Afghan businessmen, June and July 2021.
[73] Crisis Group interview, Taliban official, 23 October 2021.

construction could go ahead without funding.[74] The new foreign ministry asked freshly appointed diplomats to start working at the embassy to Pakistan, but the staff received no salary for three months and the mission failed to pay rent.[75]

E. *Searching for Revenue*

The retreat of donors who provided most of the state budget has left the Taliban scrambling for alternatives. A Taliban political official predicted that customs payments would return to previous levels "as usual, like the previous government", but early estimates of Taliban revenues suggested that domestic sources would fall short. Forthcoming research from a leading expert forecasts that the Taliban will not raise more from customs than $750 million per year at first.[76] The World Bank has suggested that the "absolute maximum" for Taliban revenues might be $2.2 billion a year, which would imply at least a 60 per cent contraction in government spending without infusions of donor money.[77] Other experts with regular contacts among Taliban officials predicted that the new finance ministry would indeed cut the annual budget by 60 to 70 per cent.[78] Unofficial numbers from the finance ministry suggested that Taliban revenues fared better than some experts feared in the first three months, with daily tax and non-tax collections of 400 to 500 million afghanis, equivalent to $1.5 to $2 billion in potential annual revenues.[79]

The Taliban appealed to non-Western donors such as China, Qatar, Pakistan and Turkey during their first months in power, but pledges from those countries were meagre. The richest among them, China, offered only $31 million in humanitarian aid.[80] (The Taliban still hope that China will invest "billions", especially in mines.[81])

Meanwhile, the Taliban also ran a vigorous program of asset recovery. That entailed, first, hunting for the riches of the previous government elites, and trumpeting their purported discoveries such as a cache of $12 million "and a number of gold bricks" allegedly stored at a former vice president's residence.[82] The Taliban's search for money also included confiscation of cash reserves held by NGOs and international agencies, although some of the seized assets were later returned.[83] Aid workers complained of paying hundreds of dollars in "additional fees" to the Taliban for visas and work permits.[84]

[74] "Afghanistan: Taliban road construction projects stall without foreign funding", Deutsche Welle, 18 October 2021.
[75] "Taliban install diplomats in Pakistan embassy, missions", VOA News, 29 October 2019.
[76] Initial estimates based on trade volumes observed at border crossings. Crisis Group interviews, David Mansfield, September and October 2021.
[77] Crisis Group interviews, World Bank official, September 2021.
[78] Crisis Group interviews, Taliban experts, October 2021.
[79] Crisis Group interview, Western official based in Kabul, 22 November 2021.
[80] "Economic sanctions on Afghanistan must end, humanitarian aid is of great urgency: Chinese FM Wang Yi", *Global Times*, 23 September 2021.
[81] "Taliban: China is ready to invest billions in Afghanistan", VOA, 14 October 2021.
[82] "A Certain Amount of Cash Seized from the Previous Govt Officials Submitted to DAB", Da Afghanistan Bank, 15 September 2021.
[83] Crisis Group interviews, Western officials overseeing Kabul-based operations, September 2021.
[84] Crisis Group interview, Kabul-based aid worker, 7 November 2021.

Lacking money, the Taliban have found other ways of rewarding their supporters. Locals report mass evictions in several provinces, as the Taliban seized property, redistributing it to followers.[85] In some cases, the seizures reversed land grabs under the previous administration, when "land mafias" affiliated with government leaders manipulated the system of deeds, sometimes taking property by force.[86] Yet the pattern of the Taliban's actions suggested their aim was not only to correct past injustices. Many of the evictions target ethnic Hazaras, a form of "collective punishment" of the predominantly Shia minority by the mostly Sunni Taliban.[87] In some places the confiscations were cash grabs, as Taliban commanders seized compounds where NGOs paid monthly rents.[88] In others they seemed like welfare measures for Taliban fighters garrisoned in unfamiliar cities. An Afghan from the northern city of Mazar-e Sharif said impoverished Taliban forced a shop owner to feed 50 fighters once a week, although the fighters insisted that they would not ask for any cooked dishes, subsisting mostly on tea and bread.[89]

F. *Requesting Help from Former Enemies, and Blaming Them*

The Taliban have been unabashed in asking for help from the same countries that until recently were sending money and troops to defeat them. After seizing power, the Taliban held dozens of high-level meetings with Western interlocutors and requested financial aid in exchange for collaboration on issues such as migration and counter-terrorism. Participants from both sides say the Taliban genuinely seem to think that Western embassies could reopen in Kabul, bringing back the cascades of support for past governments. For example, when Taliban Deputy Prime Minister Abdul Ghani Baradar met with UN humanitarian chief Martin Griffiths on 5 September, the UN official was seeking guarantees that humanitarian staff would be safe. The Taliban leader followed up on 10 September with a letter to Griffiths offering the requested assurances plus a dozen "asks" for development aid. A Taliban official with knowledge of the letter said the "asks" included assistance for Taliban security forces. He could not envision Western personnel returning to offer military training but said Qatari or Turkish trainers might be acceptable.[90]

Over the following weeks, the Taliban's demands did not get more realistic; however, their tone shifted toward dark warnings that hinted at calamity without foreign aid. Foreign Minister Amir Khan Muttaqi on 11 October called for "positive relations" with European states and claimed that the Taliban share their concerns about Afghan migration. "We do not want Europe to be burdened by our migrants", he said, urging donors to invest in Afghan prosperity to keep people from leaving.[91] Taliban-

[85] Crisis Group interviews, Kandahar residents and Western officials, September 2021. See also Sune Engel Rasmussen and Ehsanullah Amiri, "Taliban evict Hazara Shiite Muslims from villages, rewarding loyalists", *The Wall Street Journal*, 30 September 2021.
[86] A. Larson and N. Coburn, "Resources over Reform in Afghanistan: How Changes in the Political Economy are Reshaping Local Politics", U.S. Institute of Peace, 2016.
[87] "Afghanistan: Taliban Forcibly Evict Minority Shia", Human Rights Watch, 22 October 2021.
[88] Crisis Group interview, Kabul-based aid worker, 7 November 2021.
[89] Crisis Group interview, former Afghan official, 12 October 2021.
[90] Crisis Group interview, Taliban official, 17 September 2021.
[91] "A Conversation between Mawlawi Muttaqi and Sultan Barakat", op. cit.

affiliated media highlighted concerns about the resurgent Islamic State affiliate, claiming that it might flourish because aid cutoffs weakened the Taliban's counter-terrorism efforts.[92] The Taliban also organised social media campaigns and street protests, blaming donors for the economic shambles.[93]

[92] "Muttaqi: ISIS has been crushed, but sanctions and pressure on Afghanistan are strengthening its morale", Nunn Asia, 18 October 2021.
[93] The #unfreezeafgmoney hashtag on Twitter is one such campaign. On protests, see, for example, "Hundreds protest in Kabul to demand release of Afghan foreign reserves", Reuters, 24 September 2021.

IV. Donors Hold Back

A. *No Recognition, Limited Humanitarian Aid*

Donors that bankrolled previous governments reacted cautiously to the insurgents' victory, hewing to policies such as sanctions and non-recognition even as they engaged in limited dialogue with the new regime. The Taliban wrote to the UN on 20 September asking to represent Afghanistan at the General Assembly, but Western diplomats demurred, saying acceptance would depend on the Taliban's behaviour.[94] Thus far, that behaviour has not been endearing: the Taliban severely restricted girls' education; hunted down former government officials; thrashed demonstrators and journalists; and lionised suicide bombers.[95] The new Kabul administration consists entirely of men, many of whom are designated by the UN and Western governments as terrorists.[96] Misogyny and violence do not disqualify a regime from sitting at the UN, but such actions could discourage bilateral recognition and influence the rotating nine-member committee that confers UN credentials. No government seems in a hurry to officially recognise the regime, even as many are treating it as the de facto authority and not fussing about its legitimacy.[97]

In the meantime, without a recognised government, and with donors suggesting that satisfaction of conditions should precede any support, major flows of development aid have halted.[98] The International Monetary Fund said the lack of recognition forced it to pause assistance to Afghanistan.[99] The World Bank has occasionally worked with non-state actors (in the 1980s in El Salvador and in the past decade in Yemen), but it usually insists on dealing with a recognised state.[100] Other international financial institutions also remain unwilling to invest; among these, the Taliban have expressed disappointment with the Asian Development Bank and Islamic Development Bank.[101] These decisions, in addition to bilateral and European Union

[94] "UN and Afghanistan's Taliban: Figuring out how to interact", AP, 26 September 2021.
[95] Adam Nossiter, "Taliban fighters crush a women's protest amid flickers of resistance", *The New York Times*, 4 September 2021; "Watchdog: 30 recent cases of violence against Afghan journalists", Al Jazeera, 28 October 2021; Thomas Gibbons-Neff, Sharif Hassan and Ruhullah Khapalwak, "Taliban honor suicide bombers' 'sacrifices' in bid to rewrite history", *The New York Times*, 23 October 2021.
[96] See "Who Will Run the Taliban Government?", op. cit. Several of these men appear on the Specially Designated Nationals and Blocked Persons list maintained by the U.S. Treasury Department.
[97] "Russia's Lavrov says Taliban recognition not on the table", Reuters, 25 September 2021.
[98] U.S. National Security Advisor Jake Sullivan said in early November that direct aid would remain suspended "until we see a substantially improved approach to everything from inclusive government to other elements that we are discussing with them". Quoted in "US envoy starts trip to discuss way forward on crisis-hit Afghanistan", VOA, 8 November 2021.
[99] "Special drawing rights, Afghanistan, Ukraine", press briefing, International Monetary Fund, 16 September 2021.
[100] See "Post-Conflict Reconstruction: El Salvador Case Study Summary", World Bank Operations Evaluation Department, Summer 1998; and Afrah Alawi al-Ahmadi and Samantha da Silva, "Delivering Social Protection in the Midst of Conflict and Crisis: The Case of Yemen", World Bank Group, October 2018.
[101] See tweet by TOLO News, @TOLONews, 8:23am, 14 September 2021.

(EU) aid suspensions, took big money off the table: since 2007, annual development assistance for Afghanistan had ranged from $3.8 billion to $6.7 billion.[102]

Humanitarian aid alone has continued to flow. That aid has been a relatively small portion of overall assistance to Afghanistan, amounting to $1.56 billion in 2021.[103] Lacking consensus about how they should react to the Taliban takeover, and inclined to take a wait-and-see approach to engagement with the new regime, international donors focused at first on a narrow agenda of sending food and other urgent support.

The humanitarian response has lagged behind the growing crisis and directed money at spillover effects rather than root causes. A conference on 13 September drew promises of hundreds of millions of dollars, but donors have been slow to fulfil the pledges.[104] A large part of the funding was earmarked for Afghanistan's neighbours, intended to help them accommodate an expected influx of asylum seekers – so that fewer will go on toward Europe. The EU said it was "determined" to "prevent the recurrence of uncontrolled large-scale illegal migration".[105] On 12 October, when the EU announced a humanitarian aid package "for the Afghan people", about half the money went to regional migration programs rather than projects inside Afghanistan.[106]

Still, spending went up: the $1.5 billion budgeted for humanitarian aid in 2021 is an increase from $730 million in 2020 and $585 million in 2019. Even more ambitious fundraising seems inevitable after UN Secretary-General António Guterres declared that the situation in Afghanistan is "becoming the world's largest humanitarian crisis".[107] A renewed UN appeal for humanitarian funding, expected in December, will probably rank Afghanistan as the neediest country in the world.[108]

Thus far, donors appear set on withholding the funds that kept the former Afghan government afloat and enabled key public services, pending decisions in world capitals about engagement with the Taliban. Meanwhile, donors are addressing only the most basic needs of the Afghan population in a manner that cannot keep pace with the economic impact of isolation.

B. *Humanitarianism Has Limits*

Emergency aid, however, only goes so far. Humanitarian efforts are bandages, not cures, and even these temporary remedies are hard to deliver in a failing economy. Arguably, the biggest success of emergency aid occurred in the health sector, but this example also shows the limits of humanitarianism. Two thirds of the health facilities in Afghanistan lost their funding when the World Bank retreated from a major support program, leaving doctors and nurses without salaries, reducing medicine sup-

[102] World Bank data.
[103] As of the time of publication. Figures from OCHA's Afghanistan Country Summary page.
[104] "Afghanistan crisis worsening as temperatures drop, warns UNHCR", UN News, 12 October 2021.
[105] "Statement on the Situation in Afghanistan", Council of the EU, 31 August 2021.
[106] "Afghanistan: Commission announces €1 billion Afghan support package", press release, European Commission, 12 October 2021.
[107] See tweet by António Guterres, UN secretary-general, @antonioguterres, 12:33pm, 26 October 2021.
[108] Crisis Group interview, UN official in Kabul, 20 November 2021.

plies and forcing some clinics to shut their doors.[109] A coalition of humanitarian agencies filled the gap left by the Bank, saying they would "scale up" support for the health system.[110] Still, a UN health official said, the stopgap solution will run out of money in early 2022. "Humanitarians can only do so much", the official said.[111] Paying hospital staff is necessary but not sufficient: the UN predicts that health facilities will suffer blackouts, for example, because more than 80 per cent of electricity on Afghan grids is imported from neighbouring countries, previously funded by donors at a cost of $280 million a year.[112]

Faced with wide-ranging needs, European officials announced a "humanitarian plus" strategy to keep supporting essential programs under the rubric of humanitarianism, though these activities previously depended on development budgets.[113] They did not define "plus", however: could education be considered "humanitarian?" What about other ministries where salaries had been donor-funded? Some answered "all of the above". "It is misleading to suggest that financial support to teachers, health care or food security workers in state institutions is somehow not entirely humanitarian", said a UN consultant.[114] A U.S. diplomat disagreed, saying funding with ancillary benefits to the Taliban government remains out of bounds: "The challenge is that what we are talking about isn't purely humanitarian".[115] Leaving aside the debates over nomenclature, more and more observers have started expressing concern that humanitarian aid would be insufficient. Aid experts said UN agencies and NGOs simply cannot replace all government systems for delivering education, sanitation, electricity, road maintenance, central banking and other services.[116]

C. *America the Gatekeeper*

The principal arbiter of Kabul's economic relationship with the world remains the United States, despite the withdrawal of U.S. troops. President Joe Biden has declared that he will "support the people of Afghanistan", but his administration appears to be searching for, and not yet identifying, assistance options that will entirely circumvent the country's Taliban rulers.[117] Almost three months after the Taliban victory, the Biden administration has, by all appearances, not decided whether to persist in

[109] "Nearly 1 in 4 hospitals treating Covid in Afghanistan have shut down, the WHO warns", *The New York Times*, 9 September 2021; "Salaries for Afghanistan health workers 'send message of hope' to millions", UN News, 10 November 2021.

[110] "Joint Statement by the UN Resident and Humanitarian Coordinator and Heads of ICRC, OCHA, UNICEF and WHO in Afghanistan", 27 September 2021.

[111] Crisis Group interview, UN health official, Geneva, 2 October 2021.

[112] "Economic Instability and Uncertainty in Afghanistan after August 15: A Rapid Appraisal", UNDP, 9 September 2021. See also Adam Tooze, "Don't abandon Afghanistan's economy, too", *Foreign Policy*, 27 August 2021.

[113] "Afghanistan: Commission announces €1 billion Afghan support package", op. cit.

[114] Crisis Group interview, UN consultant, 12 November 2021.

[115] Crisis Group interview, U.S. diplomat, 9 November 2021.

[116] Sarah Rose, Michael Pisa and Mark Lowcock, "On the brink: Enabling urgent financial aid flows to Afghanistan", Center for Global Development (blog), 25 October 2021.

[117] "Full transcript: Biden addresses 76th UN General Assembly", ABC News, 21 September 2021; Brian Bennett, "Biden administration grapples with how to send aid to Afghanistan without supporting the Taliban", *Time*, 22 September 2021.

its present posture or allow material support for the Taliban government on a conditional basis. Other donors have not either, as they are waiting for signals from Washington. Three main points of leverage give the U.S. an outsized role in shaping the policies of Western donors toward the Taliban regime: frozen assets, sanctions and influence in multilateral settings.

1. Frozen assets

The United States holds most of Afghanistan's $9.4 billion in overseas assets, a major form of U.S. leverage over a government whose central bank held few reserves locally and depended on U.S. cash shipments. Taliban officials told Crisis Group that they were "negotiating" with the U.S. for access to the frozen assets, but U.S. officials say their conversations with the Taliban on the topic have been brief, with the U.S. bluntly informing the Taliban that the assets will stay out of their reach.[118] U.S. Treasury Deputy Secretary Wally Adeyemo testified on 19 October: "I see no situation in which we would allow the Taliban to have access to the reserves".[119] He blamed the economic crisis in Afghanistan on climate factors and Taliban mismanagement. The U.S. has not publicly spelled out its legal justification for the asset freeze, and could face a court challenge, but for the time being the majority of the funds are stored in the Federal Reserve Bank of New York on behalf of the central bank of the erstwhile Islamic Republic of Afghanistan.[120]

2. Sanctions

The world faced a legal puzzle when the Taliban conquered Kabul, because it was the first time that a sanctioned group including individually designated terrorists had taken over an entire country. The Taliban, the group's Haqqani faction and some individual members are subject to a variety of sanctions imposed by the UN and EU, as well as the U.S. and many other countries.[121] The purpose of these sanctions is to prohibit material support of or benefit to the Taliban. But it is unclear whether that prohibition now applies to all Afghan ministries; some individuals in government; or the whole territory of Afghanistan under Taliban control. Authorities who manage the sanctions regimes have not yet clarified how they will enforce pre-existing rules.

The sanctions that matter the most, in practical terms, are those enforced by the U.S. Treasury's Office of Foreign Assets Control (OFAC), because of their wide-ranging effects on transactions touching the U.S. financial system. Aid agencies, businesses, European governments and other concerned actors pushed OFAC for answers after

[118] Crisis Group interviews, Taliban and U.S. officials, September 2021.
[119] "Department of State sanctions policy review", video, C-SPAN, 19 October 2021.
[120] A former U.S. Treasury official has called for greater clarity about the reasons for the asset freezes: "For the sake of not just Afghanistan policy, but also to protect the Federal Reserve's role as a banker to central banks, providing clarity in this regard would be prudent". Adam M. Smith, testimony to the U.S. Senate Committee on Banking, Housing, and Urban Affairs, 5 October 2021. One possible legal challenge could hinge on the question of whether the Taliban now have signing authority on behalf of Da Afghanistan Bank. See "Does the U.S. have leverage in restricting Taliban access to assets?", University of Miami, 30 August 2021.
[121] Adam Smith, "The Humanitarian and Policy Challenges of U.S. Sanctions on the Taliban", Just Security, 23 August 2021.

the Taliban takeover, asking how the U.S. would apply Taliban sanctions to the Afghan state. The need for clarity was urgent: studies by humanitarian agencies have shown that U.S. sanctions can have a "chilling effect" on aid programs at real or perceived risk of violating U.S. sanctions.[122] OFAC responded quickly, issuing two sanctions exemptions on 24 September to allow humanitarian work and basic imports such as medicine and agricultural supplies. OFAC added that it would handle other requests on a "case-by-case basis".[123]

Such a limited set of exemptions left a series of unanswered questions: would the U.S. consider it legal for traders to pay customs duties to the Taliban authorities? What about airlines paying for landing rights in Kabul or overflight fees? Are banks allowed to conduct business? The short-term effect of the uncertainty was that some firms avoided Afghanistan altogether. "The banking industry is reading this as, 'the entire government is now the Taliban'", a former U.S. Treasury official said.[124] One result was that overseas banks froze private Afghan bank deposits, at least in effect; the overseas accounts of a single bank might be worth hundreds of millions of U.S. dollars.[125] Other firms that could not cut their connections to the country found themselves in complex discussions with their lawyers and OFAC officials. One major business was advised that OFAC would allow payment of regular taxes and fees to the Taliban government, but not penalties such as fines for overdue taxes – a ruling complicated by the fact that the banking sector's paralysis made it impossible to pay taxes on time.[126]

For NGOs working on development, the problem was likewise vexing. The former head of the UN Office for the Coordination of Humanitarian Affairs co-authored a warning that OFAC's two licences restrict "crucial activities" including work on human rights, education and economic development: "Prohibitions on funding these activities make it more likely that the development gains achieved over the last twenty years will be lost."[127] In his Senate testimony, Deputy Secretary Adeyemo acknowledged that the OFAC rules are a work in progress and that the U.S. Treasury is "consulting these groups on specific issues".[128]

3. U.S. influence

No less important than direct U.S. control of frozen assets and sanctions is U.S. influence over allies and multilateral institutions. Washington's global leadership has diminished since the peak of the Afghan war, when the U.S. led a military coalition that included 51 countries. Still, the U.S. remains the biggest donor to Afghanistan

[122] Kate Mackintosh and Patrick Duplat, "Study of the Impact of Donor Counter-Terrorism Measures on Principled Humanitarian Action", OCHA, July 2013.
[123] "Treasury issues general licenses and guidance to facilitate humanitarian assistance in Afghanistan", press release, U.S. Treasury Department, 24 September 2021.
[124] Crisis Group interview, former U.S. Treasury official, 23 October 2021.
[125] Crisis Group interview, U.S. Treasury official, 1 December 2021. One example is the Afghanistan International Bank, whose assets held by foreign banks were worth $334 million in 2020. "Annual Report 2020", Afghanistan International Bank, 2020, p. 52.
[126] Crisis Group interview, Afghan businessman, 19 October 2021.
[127] Sarah Rose, Michael Pisa and Mark Lowcock, "On the Brink: Enabling Urgent Financial Flows to Afghanistan", Center for Global Development, 25 October 2021.
[128] "Department of State sanctions policy review", op. cit.

and is prominent in multilateral forums on Afghan policy. For example, if the International Monetary Fund were considering a lifeline for the Afghan central bank, restoring access to its $460 million allocation of Special Drawing Rights, the U.S. would be the only country that could veto such a decision because of its voting rights on the Fund's Board of Governors. It may be an exaggeration to say the U.S. dominates the international financial institutions, as some scholars have observed, but the U.S. does wield substantial clout at the International Monetary Fund and World Bank.[129]

UN, World Bank and aid agency officials said technical staff have been scrambling in recent months to develop fixes for the many overlapping crises affecting Afghanistan, but that it is difficult to make policy without any clear sense of what the U.S. and its allies want to achieve. The U.S. government knows what it does *not* want, forbidding multilateral funding to pay Afghan civil servants – "not even a school janitor".[130] At the same time, the U.S. and other donors must decide whether (and how) to continue supporting the basic services financed by international aid for the past twenty years. "The Americans need to decide if they want the state to collapse, or not", said a UN official.[131]

D. *A Divided World*

It is not only U.S. officials who lack direction on the way ahead. The Taliban takeover sparked vehement debates in foreign capitals about what to do next.

Three basic approaches have emerged. First, many European states lean toward going beyond humanitarian relief to support essential services, but they are still determining the parameters. For their part, regional powers call upon Western donors to pay for the disaster and unfreeze assets. A third group – a minority – comprise countries such as Tajikistan and France, who are even more hostile to the Taliban government than the U.S., seeking to deny the Taliban legitimacy and impose strict limits on aid. These broad categories are useful for understanding the disagreements among governments, though some (the UK, Canada, Japan) do not fall neatly into them. It is also important to note the dissent within bureaucracies and policymaking circles in the first months of Taliban rule. A senior European official, for instance, said his own colleagues' views ranged from "brutally pragmatic", calling for collaboration with the Taliban, to others who favoured "rights-based" approaches that would hold back assistance until after the Taliban met conditions, especially on the treatment of women.[132]

1. European re-engagement, with caveats

Fearing another migration crisis, some European states re-engaged quickly after evacuating their diplomats and others from Kabul in August. The European Union reached conclusions on 15 September that paved the way for EU staff to re-establish

[129] Mark Copelovitch, Daniel Nielson, Ryan Powers and Michael Tierney, "The Unipolar Fallacy: Common Agency, American Interests and the International Financial Institutions", presentation at the American Political Science Association Annual Meeting, August 2014.
[130] Crisis Group interview, UN consultant, 4 November 2021.
[131] Crisis Group interview, UN official, Geneva, 2 October 2021.
[132] Crisis Group interview, senior European official, Berlin, 22 September 2021.

a "minimal" presence in Kabul and restart work on humanitarian operations.[133] The EU decision did not set hard conditions for the resumption of non-humanitarian aid, but laid out five principles: freedom of movement; respect for human rights, including women's rights; respect for humanitarian norms; support for counter-terrorism efforts; and inclusion of women and ethnic minorities in government. Putting those ideas into practice proved challenging, as the Taliban showed no inclination to negotiate away their policy preferences and clearly disagreed with the EU's understanding of human rights.

Still, some donors forged ahead. Germany, the largest European donor to Afghanistan, considered plans for reopening its embassy and became the first supporter of a UN trust fund that aimed to pool donor funding for essential services and promotion of economic development. The Special Trust Fund for Afghanistan included six UN agencies, funds and programs at its inception in October, with plans to expand from a primarily humanitarian effort in the first twelve months into a development fund in the coming years.[134] At a virtual G20 meeting, German Chancellor Angela Merkel spoke about the need for donors to support not only food and medicine but also Afghan state services such as electricity and the financial system.[135] Italy, which chaired the meeting, published a summary calling for help with the provision of basic services "that go beyond delivering emergency aid, provided those services are open to all".[136]

2. Region blames West, legitimises Taliban

The Chinese and Russian presidents did not join the G20 meeting on Afghanistan, focusing their attention on an alternative conference in Moscow the following week that brought together regional powers and Taliban leaders. At that gathering, and elsewhere, regional governments voiced demands for the U.S. and its allies to cover the costs of Afghanistan's humanitarian and economic catastrophe. Russia, China, Pakistan, India, Iran and the five Central Asian states made a joint plea for a UN funding conference, saying the "main burden" of Afghanistan's collapse should fall upon the countries that deployed troops.[137] Several regional actors – China, Pakistan, Iran, Russia – had wanted U.S. troops out of Afghanistan and granted the Taliban dignified, high-level meetings before and after their victory. China held a series of meetings with Taliban leaders, emerging with calls for the U.S. and its allies to lift sanctions and engage with the Taliban "in a rational and pragmatic manner".[138]

The willingness of regional actors to work with the new rulers of Kabul represented a sharp reversal for several of them. Indian officials opened dialogue with the Taliban – the clients of their nemesis, Pakistan – and hosted a regional conference that concluded with a joint statement calling for urgent humanitarian assistance.[139] The shift

[133] "Council Conclusions on Afghanistan", Council of the EU, 15 September 2021.
[134] "Meeting on Special Trust Fund for Afghanistan", slide deck, 22 October 2021.
[135] "Afghanistan crisis: G20 leaders pledge to avert economic catastrophe", BBC, 12 October 2021.
[136] "G20 Leaders' Extraordinary Meeting on Afghanistan: Chair's Summary", 12 October 2021.
[137] "Regional powers back aid for Afghanistan, say U.S. and allies should pay", Reuters, 20 October 2021.
[138] "Foreign Ministry spokesperson Zhao Lijian's regular press conference", Embassy of the People's Republic of China in the U.S., 27 October 2021.
[139] "Delhi Declaration on Afghanistan", Indian Ministry of External Affairs, 10 November 2021.

was especially abrupt for Uzbekistan, which had backed the anti-Taliban strongman Abdul Rashid Dostum in recent decades; by contrast, the Uzbek foreign minister visited Kabul in October and promised cooperation with the Taliban, including a continued supply of electricity despite not getting paid in full.[140] Turkmenistan also held discussions with the Taliban about development of energy corridors and railways.[141]

Little of practical value came from the meetings, however. China did not announce any major financial backing for the Taliban government. Beijing has interests in mining Afghan gold and copper, and extracting oil and gas, but these are long-term prospects and Chinese industry remains wary of the risks.[142] When regional ministers met in Tehran at the end of October, issuing another statement expressing "great concern" for the Afghan economy, their focus appeared to be containment of terrorism threats and refugee flight.[143] Most regional actors also stopped short of calling for diplomatic recognition of the Taliban government: Russia signalled that recognition would be premature.[144] Even the Taliban's most ardent supporter, Pakistan, has called for help to "strengthen and stabilise" the new government but has not yet recognised it.[145] The most tangible steps by regional actors were logistical, as Qatar, Tajikistan and Kazakhstan opened their doors to UN and other aid agencies and Qatari technical teams reopened the Kabul airport.

3. Hosting rebels: France, Tajikistan

If most countries argued about how to help the Afghan population, others questioned the value of stability under the Taliban. Their reasons seemed to vary from principled opposition to long-time ties with Afghan factions opposed to the former insurgent group. France declared within weeks of the Taliban takeover that Paris would have no relationship with Kabul's new rulers.[146] French authorities supported their old allies in Jamiat-e Islami, an anti-Taliban northern faction, as they held protests in Paris.[147] Ahmad Massoud, son of a Jamiat leader, announced himself as head of the National Resistance Front (NRF) and vowed to fight the Taliban.[148] The NRF skirmished with Taliban forces throughout the autumn, with Massoud and other

[140] Crisis Group interview, Taliban official, 20 October 2021. See also tweet by Da Afghanistan Breshna Sherkat, national utility, @DABS_official, 11:17am, 23 October 2021.
[141] See tweet by Shafi Azam, Turkmenistan foreign ministry official, @ShafiOriakhil, 10:00am, 31 October 2021.
[142] "Taliban's troubles are canaries in the mines for Chinese investors", *South China Morning Post*, 19 September 2021. Early announcements of trade cooperation between China and the Taliban have been modest: for example, the Taliban foreign minister announced in October that Afghanistan would start exporting pine nuts to China "very soon". "A Conversation between Mawlawi Muttaqi and Sultan Barakat", op. cit.
[143] "Joint Ministerial Statement of the Second Meeting of Foreign Ministers of Afghanistan's Neighbouring Countries", Mission of the People's Republic of China to the European Union, 28 October 2021.
[144] "Russia signals not ready to let Afghanistan's Taliban into the UN", Reuters, 29 October 2021.
[145] "Statement by Prime Minister of Pakistan H.E. Imran Khan to the 76th Session of the UN General Assembly", 24 September 2021.
[146] "The Taliban are lying, France's foreign minister says", Reuters, 11 September 2021.
[147] Crisis Group observations, Paris, 20 September 2021.
[148] Ahmad Massoud, untitled letter, 12 October 2021.

NRF leaders sheltering in Tajikistan.[149] A politician linked to the NRF said Massoud was a personal guest of Tajik President Emomali Rahmon, who has been lobbying regional capitals not to recognise the Taliban government.[150] French media reported that Rahmon's pro-resistance stance earned him an invite to meet French President Emmanuel Macron.[151]

It is unclear, however, to what extent Tajik or French support for the NRF might assist rebel operations, if at all. Other longstanding allies of the anti-Taliban northern factions in Afghanistan, notably India, do not appear so far to have decided to back the small insurgency against the Taliban.[152] Only a small minority of Western policymakers advocate backing the armed resistance; U.S. Senator Lindsey Graham called for supporting the northern rebels, but despite his prominence in the Republican caucus, the concept did not gain traction.[153] Even among the Afghan factions opposing the Taliban, some politicians say the NRF cannot win militarily – but that armed struggle might prompt the new rulers of Kabul to make concessions, such as including non-Taliban figures in government or devolving power to allow for greater autonomy in the provinces.[154]

[149] "How Tajikistan became a hub for Afghanistan's resistance", *Irish Times*, 29 September 2021.
[150] Crisis Group interview, Jamiat-e Islami politician, 10 October 2021. See also Catherine Putz, "Emomali in Paris: Tajikistan, Europe and the Afghanistan Problem", *The Diplomat*, 20 October 2021.
[151] "Afghan resistance has sanctuary in Tajikistan, but fighting Taliban a non-viable prospect", France 24, 4 October 2021.
[152] Lt. Gen. Prakash Menon, "Instead of Taliban talks, India must stand up for Afghan resistance despite Panjshir fall", *The Print* (India), 7 September 2021.
[153] Andrew Desiderio, "Lindsey Graham, one-man PR shop for the Afghan resistance", *Politico*, 15 September 2021.
[154] Crisis Group interviews, ethnic Tajik politicians, October 2021.

V. The Default Option: Let Them Fail

Though scholars debate how to define "state collapse", the Taliban regime does not yet appear to have reached the tipping point because the fledgling government makes rules, collects taxes and (mostly) controls the means of violence.[155] All the same, recent visitors to the ghostly corridors of defunct government offices might be forgiven for concluding that the country is sliding toward some form of collapse. Major institutions are stagnant, the economy is shrinking and citizens are not receiving services. The Taliban government is failing.

Some donors seem willing to let the Taliban founder rather than offer material support to the country that might have the effect of propping up the regime. "There are lots of people in our system who would happily watch the Taliban fail", a Western diplomat said.[156] Any financing that the Taliban could divert to discretionary uses is especially disfavoured. Sanctions, asset freezes and aid cutoffs are already having devastating effects, compounded by the Taliban's mismanagement. After two decades in which donors set up a heavily aid-dependent state, Afghanistan has been exiled to an economic wilderness. Some U.S. lawmakers proposed further banishment with a series of bills calling for tighter sanctions on the regime; forbidding assistance to the Taliban; and imposing secondary sanctions on any state or non-state actor that gives support to the Taliban or any government offices under Taliban control.[157] A policy aimed at isolating the Taliban is the default option for key donors, including the U.S., because it is the status quo and requires no controversial choices.

A. *Reasons to Let Them Fail*

Proponents of isolating the Taliban deploy several arguments. The first is that insurgents who seize power have no right to expect assistance from the outside world. Moreover, policymakers who were dedicated to fighting the Taliban might hesitate before committing funds that would have the effect of helping them govern. For many years, in negotiations with the Taliban and other donors, the U.S. told the group's leaders that gaining power through military means rather than a political settlement would make them an impoverished pariah regime once again, as in the 1990s. Following through with that warning is defensible in several respects. Insurgents abroad might feel emboldened if the Taliban receive donor assistance, generating a perception among armed groups that military conquest could result in aid. Support could also be construed as de facto acquiescence in the group's past and present human rights violations. The Taliban grabbed territory that is home to millions of vulnera-

[155] One test of statehood is "making and enforcing binding rules, monopolising the means of violence and collecting taxes". Daniel Lambach, Eva Johais and Markus Bayer, "Conceptualising State Collapse: An Institutionalist Approach", in Rachel M. Gisselquist (ed.), *Fragility, Aid and Statebuilding: Understanding Diverse Trajectories* (New York, 2017), p. 31.
[156] Crisis Group interview, Western diplomat, 9 November 2021.
[157] The 22 Republican senators who co-signed the secondary sanctions bill focused on Pakistan's support for the Taliban, proposing restrictions on many businesses, especially in the financial sector.

ble people, but that should be no guarantee of the support the last government enjoyed. A former Afghan ambassador compared it to a "hostage" situation.[158]

Another reason for letting the Taliban government fail might be to avoid inspiring Islamist militants elsewhere. Crisis Group's initial research into the way such groups view the Taliban victory was inconclusive, finding that events in Afghanistan might give some jihadists a morale boost, but with unclear effects on militants' recruitment and funding, and the balance of forces on the battlefields where they are fighting, which depends much more on local factors.[159] The degree of inspiration for Islamist movements around the world might depend on whether the Taliban stumble out of the gate, and Western governments might reasonably seek to deny them a triumphant start.[160]

The Taliban stand for a set of values antithetical to Western ideals, directly opposing the "feminist foreign policy" and "democracy promotion" written into the mandates of major donors. For this reason, some argue that the Taliban should be treated like permanent enemies, to be opposed and undermined.[161]

Another motivation for letting the Taliban fail could be the global scarcity of aid dollars. For decades, Afghanistan has absorbed an outsized share of the resources available for poverty reduction. Since 2002, the EU, for example, has provided more than €4 billion in development aid to Afghanistan, more than to any other country in that period.[162] Afghanistan has also consistently ranked as the largest beneficiary of U.S. foreign aid to low-income countries, despite a steady decline over the last decade.[163] The priority given to Afghanistan was even more impressive on a per capita basis. In 2020, Afghanistan's population of 39 million received 43 per cent of U.S. aid for the entire region of South and Central Asia, with 1.9 billion people. Despite such a high concentration of aid dollars, poverty worsened in recent years.[164] If donors are looking for locations where their dollars go the furthest toward lifting people out of misery, there are valid reasons for looking elsewhere.

[158] "EU pledges $1.15 billion in Afghan aid as U.S. talks to Taliban", *The New York Times*, 12 October 2021.

[159] Crisis Group Commentary, "How Islamist Militants Elsewhere View the Taliban's Victory in Afghanistan", 27 October 2021.

[160] The opposite argument could also be plausible, however: Western-imposed sanctions and asset freezes might result in mass starvation that fuel grievances and jihadist recruitment across the region.

[161] Ahmed Massoud, "The mujahideen resistance to the Taliban begins now. But we need help", *The Washington Post*, 18 August 2021.

[162] See the Afghanistan page on the Council of the EU website.

[163] For fiscal year 2021 (which ended 30 September), U.S. development and governance aid totaled $358 million and humanitarian aid $258 million. Although humanitarian aid fluctuated around a similar level over the prior decade, development and governance assistance had fallen from $5.3 billion in fiscal year 2010. The cumulative total from 2002 through fiscal year 2021 of $36.2 billion for development and governance and $4.4 billion for humanitarian was far outstripped over the same period by $89.4 billion in U.S. Department of Defense assistance for Afghan security forces. "Quarterly Report to the United States Congress", Special Inspector General for Afghanistan Reconstruction, 30 October 2021, Appendix B.

[164] Shubham Chaudhuri, "The latest poverty numbers for Afghanistan: A call to action, not a reason for despair", World Bank (blog), 7 May 2018.

A last reason relates to migration. Donors (particularly European) already spend a large part of their time and money on policies aimed at keeping Afghans inside their country and discouraging those who flee across borders from travelling onward. The share of resources focused on constraining migration, and forging partnerships with regional actors for that purpose, could increase as Afghanistan falls deeper into chaos. Having just witnessed enormous investments in state building evaporate, and anticipating another state collapse, donors might reasonably draw the conclusion that no institutions remain in Kabul with any prospect of being revived. A total loss of control would render moot any debates about how to deliver services with the Taliban in charge.

B. *Consequences of Failure*

If donors have reasons to countenance state failure in Afghanistan, the consequences of doing so are likely to be dire. No one knows what will happen if Afghanistan sinks further into impoverishment, but the best-informed predictions tend to focus on the risks of famine, increased migration, renewed transnational terrorism and greater narcotics supply, as well as the human toll – especially for women and girls. The Afghan people will likely bear the worst of these consequences, while others could pose dangers outside Afghanistan. None would likely threaten the Taliban's grip on power under foreseeable circumstances.

1. Risks to Afghan civilians

The biggest and most immediate consequence of state failure in Afghanistan would almost certainly be mass hunger, as joblessness throws more and more people into penury and essential services wither. Women and girls are likely to suffer the most in this scenario, though men and boys would suffer greatly as well.

Famine already looms. Already the economic and humanitarian disasters enveloping Afghanistan may seem like the worst calamities a country could suffer, but it can get much grimmer. The UN has not yet declared a famine in Afghanistan, although many people are already starving to death.[165] Haunting pictures of skeletal babies are becoming a staple of international media coverage.[166] Ordinary Afghans are the main victims, of course, but famine would have political repercussions as well. In particular, the reputational damage to Western countries implicated in the debacles of the last two decades will get more severe as hunger grows.

Beyond the spectre of famine lies the long-term impact of state failure, as institutions providing health care, education and other services close for lack of resources, combining with poverty to trap large segments of the population in dire circumstances.

The disappearance of basic services disproportionately affects women and girls. Shutting clinics increases the risks of women dying in childbirth, after decades of medical advances that reduced the danger to new mothers by more than half.[167] School-

[165] "The world must act now to stop Afghans starving", *The Economist*, 13 November 2021.
[166] See, for example, "Afghan children face death from malnutrition without intervention, advocatess warn", NBC News, 15 October 2021; and "Afghans facing 'hell on earth' as winter looms", BBC, 8 October 2021.
[167] Bhav Jain et al., "Global Health Responsibilities in a Taliban-led Afghanistan", *Nature Medicine*, no. 27 (2021).

ing for girls would also be imperilled: UN officials emerged from talks with the Taliban in October expressing hope that girls' secondary schools could be re-opened across the country in "a month or two", continuing the slow easing of the Taliban's initial ban on schooling for girls after sixth grade.[168] But the Taliban's permission – if they do give it elsewhere in the country, which is not certain – will not matter if no funding exists for schools or other services. Some families will scrape together money for the private schooling of boys, but many girls will not be allowed to learn.

Even with schooling, a state collapse would affect the lives of women in profoundly negative ways. More and more young brides would be sold off to cover household debts.[169] Electricity blackouts and the shutdown of internet services would leave millions of women largely confined to their homes in the dark, literally and figuratively. Telecommunications providers already warn they will start pulling the plug because of banking restrictions, depriving remote villages of a link to the world.[170] Crisis Group has interviewed dozens of women throughout Afghanistan in recent years, and one of the major findings is that access to radio, television and the internet has opened horizons for women and gradually changed the prevalent values in Afghan society, a trend that could reverse.[171]

2. Risks for other countries

The three major consequences of state failure for neighbouring and other foreign states are likely to be increasing emigration, a heightened threat from transnational jihadist groups operating from Afghanistan, as al-Qaeda did in the late 1990s, and greater outflow of illegal drugs including opium.

Afghans are already one of the largest migrant populations in the world, with 2.6 million registered Afghan refugees, according to the UN High Commissioner for Refugees, and many more unregistered. The war's conclusion sharply reduced the number of people internally displaced by conflict, although an estimated 677,000 people remain uprooted from their homes.[172] The pain of a shrinking economy is worsened by demographic pressures, as about 400,000 youth enter the job market every year,

[168] "Taliban to allow girls to attend schools, says UNICEF official", *Hasht-e Subh*, 18 October 2021; "Taliban allow teenage girls back in some provincial schools – but not in Kabul", *The Wall Street Journal*, 12 October 2021.

[169] "As Afghanistan sinks into destitution, some sell children to survive", *The Wall Street Journal*, 16 October 2021.

[170] "Afghanistan's lack of dollars threatens internet infrastructure", Bloomberg, 4 October 2021. Only about 26 per cent of the 39 million people in Afghanistan live in cities, but villagers had been getting online quickly: the country has about 27 million mobile phones and about 8.6 million internet users, with about a million additional users each year. Simon Kemp, "Digital 2021: Afghanistan", Data Reportal, 11 February 2021. Among other things, connectivity gave women information about health care; research also suggests that women in conservative societies are more likely to find jobs and suffer less domestic violence when they have internet access. See Fazal Yamin et al., "Women's Perceptions of Using Mobile Phones for Maternal and Child Health Support: Cross-sectional Survey", *JMIR mHealth and uHealth*, vol. 6, no. 4 (2018); and Mariana Vollaz and Hernan Winkler, "Does the Internet Reduce Gender Gaps? The Case of Jordan", unpublished paper presented to World Bank conference, 30 May 2019.

[171] Crisis Group interviews, women in fourteen Afghan provinces, 2019-2020.

[172] "Afghanistan: Snapshot of Population Movements (January-September 2021)", OCHA, 22 October 2021.

according to World Bank data. Instead of seeking shelter in the cities, Afghans are now fleeing the country: observers at the border say the number of emigrants has "increased exponentially".[173] Human traffickers at one major crossing said their business had doubled as Afghans escape toward Europe.[174]

As for transnational terrorism, the main worry seems to be the Islamic State-Khorasan Province, the ISIS franchise in Afghanistan. The Taliban are battling this group daily, primarily in the east. But they say economic pressures have weakened their capacity for combat.[175] Former U.S. Envoy Zalmay Khalilzad echoed that claim, warning as well that, absent foreign assistance to Afghanistan, a variety of other threats could emerge in the coming years.[176] To be sure, the Taliban have an incentive to promote this notion, knowing that Western and regional states are concerned above all with terror threats. Whether such fears are justified is hard to say: small numbers of foreign militants have reportedly settled in Afghanistan, but experts disagree about the scale of their capabilities and the Taliban's ability (or willingness) to honour their promise to contain them.[177] At a minimum, isolation policies will put the Taliban in no mood to contemplate counter-terrorism cooperation with the West. They will certainly withhold what the U.S. and others want most if their interests receive no consideration in exchange.

The issue of narcotics supply is clearer: opium, hashish and methamphetamines will remain major exports in the coming years. Despite their claims to have taken action to curb the narcotics industry, the Taliban have few practical means of reducing the scale of production. Production volumes could grow further as other sectors of the Afghan economy collapse, leaving hundreds of thousands of people unemployed. Cheap farm labour has been a key ingredient that made Afghanistan the world's largest producer of opium in recent decades.[178] Experts predict that urban economic collapse would push more labourers into farmlands, expanding the global supply of narcotics.[179]

3. Fewer consequences for the Taliban

Although allowing the state to fail might incur substantial future costs and consequences for the Afghan people and for foreign interests, it is far from clear that the Taliban's grip on the country would weaken. Taliban supreme leader Hibatullah Akhundzada has not bothered to spend time in the capital city since his movement took power, preferring to hold court in the southern province of Kandahar, where he was born.[180] Some experts speculate that Taliban leaders feel comfortable with a scenario of semi-collapse in which their domestic opponents – concentrated in cities – are impoverished, while Taliban supporters in the countryside are less affected.

[173] See tweet by David Mansfield, economist, @mansfieldintinc, 2:44pm, 11 October 2021.
[174] See tweet by Secunder Kermani, journalist, @SecKermani, 8:59am, 9 November 2021.
[175] "A Conversation between Mawlawi Muttaqi and Sultan Barakat", op. cit.
[176] "Lessons from America's Afghanistan withdrawal", CNN, 31 October 2021.
[177] Crisis Group interviews, terrorism experts, October 2021.
[178] Christopher Ward, David Mansfield, Peter Oldham and William Byrd, "Afghanistan: Economic Incentives and Development Initiatives to Reduce Opium Production", World Bank, February 2008.
[179] Crisis Group interviews, narcotics expert, 2 and 3 November 2021.
[180] "Taliban's reclusive supreme leader appears, belying rumours of his death", Reuters, 31 October 2021.

Rural areas were somewhat disconnected from the urban economy during the last two decades, separated by the front lines of battle.[181]

The Taliban are resilient, and outsiders may struggle to shape their behaviour by isolating them. Their leaders spent twenty years learning how to survive under military pressure and punishing sanctions, and their new economic team has experience with hiding money and circumventing banking restrictions.[182] Even with the world's most sophisticated armies pursuing them, the insurgents gained control over a lucrative shadow economy. Taliban profits from the drug industry have been exaggerated, but still amount to tens of millions of dollars annually, in addition to greater revenues from "taxes" on trade and agriculture.[183] The chances of the Taliban losing power if the economy falls apart and their opponents gain traction should not be dismissed entirely, but for the time being they are secure in their victory.

Moreover, lessons from elsewhere strongly suggest that sanctions tend to squeeze the citizens of states being punished while doing little to alter leaders' calculus. The effects of sanctions are foreseeable, but Western policymakers often fail to anticipate the consequences until it is too late to avoid humanitarian crises.[184] Insulated by illicit wealth and sometimes support from other governments, those in power are usually less affected. In places as varied as Cuba, Iraq, Venezuela and Gaza, sanctions had few of the intended effects on governments but did severe damage to civilian livelihoods and fuel off-the-books trade.[185]

[181] Crisis Group interviews, Taliban experts, October 2021.

[182] Crisis Group interviews, Taliban officials and Taliban experts, September-October 2021.

[183] David Mansfield and Graeme Smith, "War Gains: How the Economic Benefits of the Conflict are Distributed in Afghanistan and the Implications for Peace", Alcis and ODI, August 2021.

[184] In Somalia, the threat of U.S. sanctions impeded aid delivery in 2010 and 2011 until the UN declared a famine, at which point Washington belatedly eased sanctions. Such a disaster was narrowly averted in northern Yemen, where UN agencies and NGOs asked President Biden to suspend U.S. sanctions on humanitarian grounds – and he did, without formally reversing earlier findings that the Huthis are terrorists. When considering the Yemen decision in early 2021, the U.S. government was presented with a scenario like what is now unfolding in Afghanistan: the UN warned that sanctions on the Huthis would halt salaries for civil servants, cripple the economy, devalue the currency, increase food prices and hobble the banking system. Crisis Group interviews, UN officials who worked in Yemen, October 2021. See also Kate Mackintosh and Patrick Duplat, "Study of the Impact of Donor Counter-terrorism Measures on Principled Humanitarian Action", Norwegian Refugee Council, July 2013.

[185] Crisis Group analysis of sanctions' effects in Iran and Venezuela appears in "U.S. Sanctions: An Overused Tool?", Hold Your Fire! (podcast), 21 January 2021. See also Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare* (New York, 2013).

VI. A Better Option: Preserve State Functionality

State collapse is not inevitable, but appears increasingly likely; indeed, the plunge is already in progress. Major changes in approach to Afghanistan policy, especially by the United States, would be necessary in the coming weeks to keep a modicum of essential services working under the Taliban.

The main challenge is the political climate in Western capitals. For some governments it will be impossible to sell parliamentarians and voters on a head-spinning course reversal from battling the Taliban to helping the former insurgents provide services to millions of people.[186] Deborah Lyons, the special representative of the UN secretary-general, identified the problem in the early weeks of the crisis: "A modus vivendi must be found, and quickly, that allows money to flow to Afghanistan to prevent a total breakdown of the economy and social order".[187] Such declarations are easier for officials not worried about elections; she was later echoed by her boss, UN Secretary-General António Guterres, and the outgoing German chancellor, but other politicians have been more subdued. After two decades of war, Western voters find the Taliban so odious that the topic of Afghanistan is too hot to touch; one European official observed: "Nobody wants to burn their fingers".[188]

Nonetheless, the political costs need to be weighed against the harm, outlined in previous sections, resulting from an isolation policy. The fallout would not be limited to the millions of Afghans who suffer first-order consequences. Second-order effects could include regional instability, unmanageable migration and further disrepute for rich countries that could have mitigated the human disaster but chose not to. The political price of moving now with bold action to address the situation pales in comparison to the political cost of allowing Afghanistan to descend into utter catastrophe.

There is an alternative approach that focuses on preserving at least a minimal degree of state functionality. A path toward salvaging the state remains open, but donors must choose to engage rather than isolate the Taliban. They cannot do both and have a coherent policy that achieves clear objectives. There is no precedent for a state that has functional essential public services, and economic activity that depends upon such services, under a failed or failing government.[189]

A. *Move Beyond Emergency Relief*

Neither the U.S. approach of narrowly restricted humanitarian aid nor the European "humanitarian plus" concept will be sufficient to avoid collapse. The world will need to unlock the larger budgets and broader purposes of development funds to address the scale of the problem. Food shipments are necessary as short-term relief, but such

[186] "'Send the bill to Blair!' Britons furious as Taliban demand billions in war reparations", *Express*, 11 October 2021.
[187] "Briefing by Special Representative Deborah Lyons to Security Council", UN Assistance Mission in Afghanistan, 9 September 2021.
[188] Crisis Group interview, European official, Berlin, 21 September 2021.
[189] A small example exists in Gaza, but the model of UN service delivery in that territory would be difficult or impossible to scale up for the larger population of Afghanistan. Crisis Group interview, UN official who served in Gaza and Afghanistan, 6 October 2021.

emergency measures cannot be a substitute for basic services. Some U.S. officials believe that giving money to UN agencies and NGOs to address urgent humanitarian needs while imposing restrictions on other forms of assistance can avert the worst human suffering, but they are mistaken. The suffering will grow more quickly than humanitarian agencies can supply aid, unless there is support for restarting the Afghan economy.

The largest support mechanism before the Taliban takeover was the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), backed by 34 donors. Immediately restarting ARTF disbursements is the most vital and easiest step donors could take to move beyond narrow humanitarian relief. The fund has about $1.5 billion in unspent money waiting to be disbursed, which could be allocated right away to health, education, food security and community resilience programs.[190] The U.S. has signalled that it might allow ARTF funds for UN and NGO health-related activities, but would block disbursements for programming via Afghan ministries.[191] This restriction is cruel as hunger deepens and the best existing options for avoiding large-scale destitution are ARTF projects in partnership with the three Afghan ministries responsible for agriculture, local governance and rural development.[192] The U.S. has also not laid out the restriction in a way that suggests it is based on an analysis of the specific risks of Taliban diversion of funds. The U.S. should drop its objection to Afghan civil servants receiving donor money.[193]

No matter what funding mechanism they prefer, donors must consider which functions of the Afghan state are "essential" and require some level of support. Health, education, central banking, electricity, water supply and many other basics will need financial support from the outside world for a period of years. How many years will depend on whether the Taliban and donors can construct a new economy not predicated on war spending. The Taliban have already been dusting off plans from previous governments to build railways and mines, along with gas pipelines and electricity corridors for Central and South Asia.[194] Such projects may or may not deliver results in the coming decades, but in the short term there is certainly a deep chasm of immediate needs. In the coming years, donors should consider continuing the gradual reduction of aid of the last decade, decreasing foreign assistance to more sustainable levels (as outlined below) at a speed that allows adaptation to the changes.

B. *Prioritise the Financial Sector*

Perhaps the most urgent actions required of donors, and especially the U.S., relate to the liquidity crisis and the financial sector's paralysis. Major traders cannot drive truckloads of paper currency across borders to purchase imports with local afghanis;

[190] Crisis Group interviews, UN consultant, 4 and 5 November 2021.
[191] Crisis Group interviews, UN and World Bank officials, November 2021.
[192] In the past, Afghan government partners for ARTF food security programs included the ministry of rural rehabilitation and development, the Independent Directorate for Local Governance and the ministry of agriculture, irrigation and livestock. "Afghanistan: New grants to cushion impact of COVID-19 on poor households and protect food security", press release, World Bank, 4 August 2020.
[193] Crisis Group interviews, Western officials, 22 November 2021.
[194] "A Conversation between Mawlawi Muttaqi and Sultan Barakat", op. cit.

they need U.S. dollars and financial services. Afghans depend on imports for their daily bread after shortfalls in local harvests resulted in demand for 2.7 million tonnes of imported wheat in 2021.[195] Even the delivery of basic humanitarian aid is hamstrung by the shortage of paper currency.[196] By one estimate, the humanitarian sector needs about $3 million per day, an amount too large to be supplied by traditional *hawala* currency dealers.[197] UN Secretary-General Guterres has called for resolving this problem quickly: "I urge the world to take action and inject liquidity into the Afghan economy to avoid collapse".[198]

The first – and most effective – option would be to revive the central bank. Regulation of the financial sector is the responsibility of the central bank, Da Afghanistan Bank. Before the Taliban takeover, that bank supervised dollar auctions that injected about $45 million per week into Kabul's currency markets; some economists say $15 million per week might now be sufficient for the diminished level of commerce under the Taliban.[199] The technically simplest way to restart the dollar auctions would be unfreezing the assets of Da Afghanistan Bank, but the U.S. is very reluctant to do that and it is unclear whether the Taliban would have the financial acumen to run their own monetary policy. Some Western officials have floated the idea of sending technical experts to help the Taliban administer the central bank, but that prospect remains distant, in part because of U.S. resistance.[200] In the meantime, the Taliban continued issuing edicts forbidding the use of foreign currencies in November, and local businesspeople continued warning that the rules are impractical because they need U.S. dollars for imports.[201]

A second option would entail establishing a parallel central bank. Externally imposed sanctions and other restrictions might prevent the Taliban from running their central bank effectively, even if they had the skills, because the bank suffers from shortages of both U.S. dollars and afghanis. Afghanistan lacks printing presses for its own currency, and it would eventually need permission to resume ordering banknotes from international printers.[202] In the meantime, some entity must act as a central bank. A former U.S. Treasury official has proposed a parallel system, empowering the strongest of Afghanistan's private banks to provide some central banking func-

[195] Mayar, "Global warming and Afghanistan", op. cit.
[196] The liquidity shortages fuelled speculation about Afghans turning to cryptocurrencies and mobile money, but such alternatives remain at the fringes of the economy. About 85 per cent of Afghans do not use banks, making the country dependent on paper currency. See "A pathway to financial inclusion in Afghanistan", World Bank (blog), 19 February 2020.
[197] Sue Eckert, testimony before the U.S. Senate Committee on Banking, Housing and Urban Affairs, 5 October 2021.
[198] See tweet by António Guterres, UN secretary-general, @antonioguterres, 10:37 am, 12 October 2021.
[199] Crisis Group interviews, economic experts, September 2021.
[200] Crisis Group interviews, European and World Bank officials, November 2021.
[201] Crisis Group interview, Afghan businessman, Jalalabad, 3 November 2021. See also "Taliban bans use of foreign currency across Afghanistan", Al Jazeera, 2 November 2021.
[202] A French company, Abirtour Fischer, was hired to supply Afghanistan's banknotes in 2021. "A French company to print 390mn afghani banknotes for Afghanistan", MenaFN, 28 May 2021.

tions as a short-term way of easing the liquidity crisis.[203] Such an arrangement would be a novelty in modern history but would not be without precedent: even the Bank of England started as a private institution, hundreds of years ago.[204] Early indications suggest that the Taliban might reject the idea of parallel institutions regulating their currency, and diplomacy would be required to convince them that no alternatives exist.[205]

A third option would entail currency swaps managed by an international entity such as the World Bank or a UN agency. In the absence of a functioning central bank, with continued paralysis in the financial sector, Afghan businesses are collecting bushels of paper afghanis in warehouses because they are reluctant to make deposits. Humanitarian agencies have the opposite problem, with foreign accounts holding U.S. dollars and few efficient mechanisms for transferring cash into the country. Improvised deals have started between them, as major UN agencies make currency swaps with large Afghan businesses. Humanitarians get bundles of paper cash, and businesses replenish their overseas bank accounts. Already, a cash distribution program for impoverished families involved a deal worth hundreds of thousands of dollars with one of Afghanistan's wealthiest business owners.[206] Such arrangements could be systematised under a UN proposal for currency swaps, with the World Bank or another institution serving as matchmaker for dollar-to-afghani trades.

The Biden administration's best option would be the most courageous one: careful unfreezing of Afghan assets to revive the central bank. But absent the will for such decisions the quickest fix is expanding the volume of currency swaps. As of November, U.S. officials were reviewing the concept.[207]

C. *Ease Sanctions*

There is no point sending foreign aid while choking the economy with sanctions; it is a waste of money and lives. As discussed above, the U.S. remains the most important gatekeeper to the Afghan economy because many financial institutions, private firms and humanitarian agencies are loath to risk violating U.S. sanctions. The UN Security Council and EU also play significant roles; if the U.S. eases sanctions, they should, too. Still, the impetus needs to come from Washington.

The White House should instruct the U.S. Treasury's OFAC to go far beyond the two general licences issued in September. At minimum, OFAC should issue more general licences that allow activities such as development aid, overflight fees, electricity purchases and regular trade of commercial goods.[208] Afghan banks should

[203] Current and former U.S. officials usually refer to Afghanistan International Bank as the leading candidate. See, for example, Adam Smith's testimony before the U.S. Senate Committee on Banking, Housing and Urban Affairs, op. cit.

[204] Andreas Michael Andréadès, *History of the Bank of England* (London, 2013).

[205] Crisis Group interviews, UN official and UN consultant, October and November 2021.

[206] Crisis Group interviews, November 2021.

[207] Crisis Group interviews, UN consultant, 4 and 5 November 2021.

[208] OFAC's general licences have proliferated for dealing with countries under heavy sanctions. Venezuela has more than 30 such licences. "Venezuela-Related Sanctions", Office of Foreign Assets Control.

be allowed access to their overseas holdings and the global financial system. A more comprehensive approach would see the U.S. government clarifying its policy, limiting sanctions to listed members of the Taliban and not the Afghan government – even ministries run by sanctioned individuals.[209] U.S. policymakers might consider lifting some sanctions altogether, given that, as described above, such sanctions are unlikely to change the Taliban's behaviour and tend to hurt ordinary people more than the regimes they target.

D. *Empower the UN to Manage Risks in Aid Delivery*

Providing services under the shadow of a potentially predatory government or armed groups always involves risks: officials or militants steal aid, extort humanitarian agencies and exploit aid operations to collect information and reward supporters. Already, Afghans complain about the Taliban misappropriating aid for their own followers.[210] UN staff remember the experience with the Taliban in the 1990s as plagued by problems with diverted funds, compromised humanitarian norms and outright corruption.[211] In Yemen, too, the Huthis have profited from foreign aid (though Crisis Group still advocates sending more aid to Yemen to avert famine).[212]

Experienced aid workers concur that mitigating such risks requires a strategy and a dedicated focal point – like an empowered UN office in Kabul – to lead talks with local authorities about gaining access without being used. Donors should give authority to on-the-ground UN leadership to coordinate such efforts, including steering money away from areas susceptible to misuse and informing donor decisions to withhold aid when necessary.[213]

Still, even with the UN playing such a role, it will be necessary to consult the Taliban in planning. The UN leadership cannot decide the future course of Afghan development. Aid agencies are scrambling to fill the gaps of a crumbling state, but this work will not succeed piecemeal. If donors want to support essential state functions on a large scale, such as schooling for millions of girls and boys, they will need to talk to the Taliban on national plans. Policymakers should be clear-eyed about the limits of parallel systems created by aid delivery. Aid experts criticise funding that bypasses local leaders as counterproductive in the long term and sometimes inefficient in the short term.[214] Planning should also include a gradual tapering of assistance to

[209] See Adam Smith's Senate testimony, op. cit.

[210] Crisis Group interview, aid worker in Mazar-e Sharif, 15 October 2021. See also "Afghans accuse Taliban of misappropriating foreign aid", RFE/RL, 27 October 2021.

[211] Crisis Group interviews, UN officials who served in Afghanistan in the 1990s, September and October 2021.

[212] See "Deadly Consequences: Obstruction of Aid in Yemen during COVID-19", Human Rights Watch, 14 September 2020; Crisis Group Commentary, "Arresting Yemen's Freefall", 26 May 2021.

[213] A variety of UN structures could be employed for risk mitigation, including a team working under the UN Assistance Mission's special representative or the resident coordinator. Crisis Group interviews, current and former UN officials, October and November 2021.

[214] By one estimate, donors delivered some 85 per cent of all grants since 2001 outside of government systems, although over the decades of Western intervention, they started to direct a greater share of aid to on-budget support for the Afghan government itself. See Nigel Roberts, "When things fall apart", ODI Lessons for Peace Afghanistan (blog), 3 August 2021; and Tobias Haque, "Where

kick the habit of extreme aid dependency. Again, that would require working with the Taliban: for example, investments in irrigation and water management – not traditional "humanitarian aid" – would help reduce the likelihood of drought crises and lead to fewer appeals for donations in the future.[215]

E. *Hard Negotiations Ahead*

Whichever essential services donors decide to fund, for whatever period of years, development aid will give them a greater – even if limited – degree of negotiating leverage with Kabul than would be available in a response limited to the narrowest forms of emergency relief. Holding back lifesaving aid as a bargaining chip contravenes humanitarian norms. Donor agreements on development assistance should not be unconditional, however. Italian Prime Minister Mario Draghi hinted as much in his comments at the G20, emphasising that renewed aid must be accessible to all Afghans. At minimum, that would imply setting conditions for the Taliban that prevent them from offering services in a way that discriminates based on gender, religion or ethnicity.

Enforcing such basic conditions will be hard enough. Capitals should not burden their teams in Afghanistan with unrealistic demands, such as wishing away the Taliban victory. Some observers have argued that aid conditionality could be used as leverage to coax the Taliban into forming an "inclusive" government, but donors should temper expectations for cabinet shuffles.[216] Inclusivity should remain a point to press on when diplomats sit down with the Taliban, not a condition for keeping the lights on. Donors' high-level decision-makers need to weigh the limited prospects of getting the Taliban to include in their regime – much less empower – representatives of constituencies other than their own supporters against the likelihood of many Afghan lives lost and diminished in a protracted humanitarian and economic crisis.

UN officials had initial successes in some locations as they negotiated with Taliban officials about reopening girls' secondary schools, but countless similar negotiations will be required in the coming years as the Taliban's hardline views collide with international norms. Working with the Taliban is already exhausting some aid workers, as the new masters of Kabul demand jobs for their relatives and impose restrictions such as refusing face-to-face meetings with women.[217] Experts who have studied Taliban negotiations say the best approach would be breaking the problems down into many small discussions on particular issues, rather than seeking grand bargains, and bracing for years of frustrating follow-up meetings.[218] The Taliban will continue be-

does the money go? Examining public spending in Afghanistan", World Bank (blog), 29 July 2019. A former finance minister said about 60 per cent of foreign aid in 2021 was off budget. Clark and Shapour, "The Khaled Payenda interview", op. cit.

[215] Mayar, "Global warming and Afghanistan", op. cit.

[216] Sarah Chayes, "The Taliban is vulnerable. Here's how to seize the moment", *Politico*, 13 November 2021.

[217] Crisis Group interview, Kabul-based aid worker, 7 November 2021.

[218] Lessons could also be drawn from the UN experience in Yemen, where negotiations with the Huthis were centralised under the resident coordinator but required persistent follow-up on long lists of concerns gathered from aid workers in the field. Crisis Group interviews, UN officials, October 2021.

having like Taliban. There is little evidence of them softening their ideological views. Still, they may be ready to cooperate on a "to do" list of practical tasks and appear more likely to move gradually on donors' demands as aid comes in than offer major concessions up front.[219] The tiresome reality will be a need for daily negotiations, coordinated by the UN.

[219] Crisis Group interviews, Taliban experts, October 2021.

VII. Conclusion

No donor wanted to see the Taliban rise to power to Afghanistan, and accepting the reality of their ascent is difficult. Rich nations were inspired to spend hundreds of billions of dollars over the last two decades because they hoped to transform the country into a self-sustaining democracy capable of providing for its own security in ways aligned with the donors' security interests. That effort failed, and the choices now confronting donors in the aftermath of the Taliban takeover are exceptionally grim. They can allow economic strangulation to drive the Afghan state into a messy collapse that causes dramatic impoverishment, potentially kills hundreds of thousands of Afghans and strains regional stability, or they can avoid that outcome by finding ways to work with the Taliban regime. There cannot be a reasonably functional state and economy under an isolated government.

Devoting billions of dollars to keep the Afghan state on life support under Taliban rule is not an option that will rouse applause in many countries – but it is the best choice available for the moment. It is not a permanent solution, only a short-term way of cushioning the enormous economic blow the country has absorbed. Pakistan, the Taliban's biggest supporter, has called for a "roadmap" toward full recognition of the new government.[220] Most countries are not convinced that the Taliban deserve a place on the world stage, and global acceptance of the new regime might never happen. Yet even absent formal recognition of the Taliban, nearly 40 million Afghans need a government. They need schools, electricity and a banking system. They do not have the luxury of waiting for the Taliban to pass muster with foreign capitals. Temperatures are falling and snows are deepening. For millions of people, the chances of surviving the winter hang on the survival of the Afghan state.

London/Washington/Brussels, 6 December 2021

[220] "Don't isolate the Taliban, Pakistan urges", AP, 23 September 2021.

Appendix A: Map of Afghanistan

Appendix B: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is co-chaired by President & CEO of the Fiore Group and Founder of the Radcliffe Foundation, Frank Giustra, as well as by former Foreign Minister of Argentina and Chef de Cabinet to the United Nations Secretary-General, Susana Malcorra.

After President & CEO Robert Malley stood down in January 2021 to become the U.S. Iran envoy, two long-serving Crisis Group staff members assumed interim leadership until the recruitment of his replacement. Richard Atwood, Crisis Group's Chief of Policy, is serving as interim President and Comfort Ero, Africa Program Director, as interim Vice President.

Crisis Group's international headquarters is in Brussels, and the organisation has offices in seven other locations: Bogotá, Dakar, Istanbul, Nairobi, London, New York, and Washington, DC. It has presences in the following locations: Abuja, Addis Ababa, Bahrain, Baku, Bangkok, Beirut, Caracas, Gaza City, Guatemala City, Jerusalem, Johannesburg, Juba, Kabul, Kiev, Manila, Mexico City, Moscow, Seoul, Tbilisi, Toronto, Tripoli, Tunis, and Yangon.

Crisis Group receives financial support from a wide range of governments, foundations, and private sources. The ideas, opinions and comments expressed by Crisis Group are entirely its own and do not represent or reflect the views of any donor. Currently Crisis Group holds relationships with the following governmental departments and agencies: Australian Department of Foreign Affairs and Trade, Austrian Development Agency, Canadian Department of National Defence, Danish Ministry of Foreign Affairs, Dutch Ministry of Foreign Affairs, European Union Emergency Trust Fund for Africa, European Union Instrument contributing to Stability and Peace, Finnish Ministry of Foreign Affairs, French Development Agency, French Ministry of Europe and Foreign Affairs, Global Affairs Canada,, Irish Department of Foreign Affairs, Japan International Cooperation Agency, Ministry of Foreign Affairs of the Principality of Liechtenstein, Luxembourg Ministry of Foreign and European Affairs, Norwegian Ministry of Foreign Affairs, Qatar Ministry of Foreign Affairs, Swedish Ministry of Foreign Affairs, Swiss Federal Department of Foreign Affairs, United Arab Emirates (Ministry of Foreign Affairs and International Cooperation and Anwar Gargash Diplomatic Academy), United Nations Development Programme, United Nations World Food Programme, UK Foreign, Commonwealth and Development Office, and the World Bank.

Crisis Group also holds relationships with the following foundations and organizations: Carnegie Corporation of New York, Ford Foundation, Global Challenges Foundation, Henry Luce Foundation, John D. and Catherine T. MacArthur Foundation, Open Society Foundations, Ploughshares Fund, Robert Bosch Stiftung, Rockefeller Brothers Fund, Stiftung Mercator, and Wellspring Philanthropic Fund.

December 2021

Appendix C: Reports and Briefings on Asia since 2018

Special Reports and Briefings

Council of Despair? The Fragmentation of UN Diplomacy, Special Briefing N°1, 30 April 2019.

Seven Opportunities for the UN in 2019-2020, Special Briefing N°2, 12 September 2019.

Seven Priorities for the New EU High Representative, Special Briefing N°3, 12 December 2019.

COVID-19 and Conflict: Seven Trends to Watch, Special Briefing N°4, 24 March 2020 (also available in French and Spanish).

A Course Correction for the Women, Peace and Security Agenda, Special Briefing N°5, 9 December 2020.

Ten Challenges for the UN in 2021-2022, Special Briefing N°6, 13 September 2021.

North East Asia

The Korean Peninsula Crisis (I): In the Line of Fire and Fury, Asia Report N°293, 23 January 2018 (also available in Chinese).

The Korean Peninsula Crisis (II): From Fire and Fury to Freeze-for-Freeze, Asia Report N°294, 23 January 2018 (also available in Chinese).

The Case for Kaesong: Fostering Korean Peace through Economic Ties, Asia Report N°300, 24 June 2019.

South Asia

Countering Jihadist Militancy in Bangladesh, Asia Report N°295, 28 February 2018.

China-Pakistan Economic Corridor: Opportunities and Risks, Asia Report N°297, 29 June 2018 (also available in Chinese).

Building on Afghanistan's Fleeting Ceasefire, Asia Report N°298, 19 July 2018 (also available in Dari and Pashto).

Shaping a New Peace in Pakistan's Tribal Areas, Asia Briefing N°150, 20 August 2018.

Sri Lanka: Stepping Back from a Constitutional Crisis, Asia Briefing N°152, 31 October 2018.

After Sri Lanka's Easter Bombings: Reducing Risks of Future Violence, Asia Report N°302, 27 September 2019.

Getting the Afghanistan Peace Process Back on Track, Asia Briefing N°159, 2 October 2019.

Twelve Ideas to Make Intra-Afghan Negotiations Work, Asia Briefing N°160, 2 March 2020.

Raising the Stakes in Jammu and Kashmir, Asia Report N°310, 5 August 2020.

Pakistan's COVID-19 Crisis, Asia Briefing N°162, 7 August 2020.

Taking Stock of the Taliban's Perspectives on Peace, Asia Report N°311, 11 August 2020.

What Future for Afghan Peace Talks under a Biden Administration?, Asia Briefing N°165, 13 January 2021.

Pakistan: Shoring Up Afghanistan's Peace Process, Asia Briefing N°169, 30 June 2021.

South East Asia

The Long Haul Ahead for Myanmar's Rohingya Refugee Crisis, Asia Report N°296, 16 May 2018 (also available in Burmese).

Myanmar's Stalled Transition, Asia Briefing N°151, 28 August 2018 (also available in Burmese).

Bangladesh-Myanmar: The Danger of Forced Rohingya Repatriation, Asia Briefing N°153, 12 November 2018.

Fire and Ice: Conflict and Drugs in Myanmar's Shan State, Asia Report N°299, 8 January 2019 (also available in Burmese).

A New Dimension of Violence in Myanmar's Rakhine State, Asia Briefing N°154, 24 January 2019 (also available in Burmese).

Building a Better Future for Rohingya Refugees in Bangladesh, Asia Briefing N°155, 25 April 2019.

An Opening for Internally Displaced Person Returns in Northern Myanmar, Asia Briefing N°156, 28 May 2019 (also available in Burmese).

The Philippines: Militancy and the New Bangsamoro, Asia Report N°301, 27 June 2019.

Peace and Electoral Democracy in Myanmar, Asia Briefing N°157, 6 August 2019.

Myanmar: A Violent Push to Shake Up Ceasefire Negotiations, Asia Briefing N°158, 24 September 2019.

A Sustainable Policy for Rohingya Refugees in Bangladesh, Asia Report N°303, 27 December 2019.

Southern Thailand's Peace Dialogue: Giving Substance to Form, Asia Report N°304, 21 January 2020 (also available in Malay and Thai).

Commerce and Conflict: Navigating Myanmar's China Relationship, Asia Report N°305, 30 March 2020.

Southern Philippines: Tackling Clan Politics in the Bangsamoro, Asia Report N°306, 14 April 2020.

Conflict, Health Cooperation and COVID-19 in Myanmar, Asia Briefing N°161, 19 May 2020.

An Avoidable War: Politics and Armed Conflict in Myanmar's Rakhine State, Asia Report N°307, 9 June 2020.

Rebooting Myanmar's Stalled Peace Process, Asia Report N°308, 19 June 2020.

COVID-19 and a Possible Political Reckoning in Thailand, Asia Report N°309, 4 August 2020.

Identity Crisis: Ethnicity and Conflict in Myanmar, Asia Report N°312, 28 August 2020.

Majority Rules in Myanmar's Second Democratic Election, Asia Briefing N°163, 22 October 2020 (also available in Burmese).

From Elections to Ceasefire in Myanmar's Rakhine State, Asia Briefing N°164, 23 December 2020.

Responding to the Myanmar Coup, Asia Briefing N°166, 16 February 2021.

The Cost of the Coup: Myanmar Edges Toward State Collapse, Asia Briefing N°167, 1 April 2021.

Southern Philippines: Keeping Normalisation on Track in the Bangsamoro, Asia Report N°313, 15 April 2021.

Myanmar's Military Struggles to Control the Virtual Battlefield, Asia Report N°314, 18 May 2021.

Taking Aim at the Tatmadaw: The New Armed Resistance to Myanmar's Coup, Asia Briefing N°168, 28 June 2021.

Competing Visions of International Order in the South China Sea, Asia Report N°315, 29 November 2021.

The Philippines' Dilemma: How to Manage Tensions in the South China Sea, Asia Report N°316, 2 December 2021.

Appendix D: International Crisis Group Board of Trustees

CORPORATE COUNCILS

A distinguished group of companies who share Crisis Group's vision and values, providing support and sharing expertise to strengthen our efforts in preventing deadly conflict.

President's Council

CORPORATE
BP
Shearman & Sterling LLP
White & Case LLP

INDIVIDUAL
(2) Anonymous
David Brown & Erika Franke
The Edelman Family Foundation
Stephen Robert
Alexander Soros
Ian R. Taylor

International Advisory Council

CORPORATE
(1) Anonymous
APCO Worldwide Inc.
Chevron
Edelman UK & Ireland
Eni
Equinor
Ninety One
Tullow Oil plc
Warburg Pincus

INDIVIDUAL
(3) Anonymous
Mark Bergman
Stanley Bergman & Edward Bergman
Peder Bratt
Lara Dauphinee
Herman De Bode
Ryan Dunfield
Tanaz Eshaghian
Seth & Jane Ginns
Ronald Glickman
Geoffrey R. Hoguet & Ana Luisa Ponti
Geoffrey Hsu
David Jannetti
Faisel Khan
Cleopatra Kitti
Samantha Lasry
Jean Manas & Rebecca Haile
Dror Moreh
Lise Strickler & Mark Gallogly Charitable Fund
The Nommontu Foundation
Brian Paes-Braga
Kerry Propper
Duco Sickinghe
Nina K. Solarz
Raffi Vartanian

Ambassador Council

Rising leaders from diverse fields who contribute their perspectives and talents to support Crisis Group's mission.

Christina Bache
Alieu Bah
Amy Benziger
James Blake
Thomas Cunningham
Matthew Devlin
Sabrina Edelman
Sabina Frizell
Sarah Covill
Lynda Hammes
Joe Hill
Lauren Hurst
Reid Jacoby
Tina Kaiser
Jennifer Kanyamibwa
Gillian Lawie
David Litwak
Madison Malloch-Brown
Megan McGill
Hamesh Mehta
Clara Morain Nabity
Gillian Morris
Duncan Pickard
Lorenzo Piras
Betsy (Colleen) Popken
Sofie Roehrig
Perfecto Sanchez
Rahul Sen Sharma
Chloe Squires
Leeanne Su
AJ Twombly
Theodore Waddelow
Zachary Watling
Grant Webster
Sherman Williams
Yasin Yaqubie

SENIOR ADVISERS

Former Board Members who maintain an association with Crisis Group, and whose advice and support are called on (to the extent consistent with any other office they may be holding at the time).

Martti Ahtisaari
Chairman Emeritus

George Mitchell
Chairman Emeritus

Gareth Evans
President Emeritus

Kenneth Adelman
Adnan Abu-Odeh
HRH Prince Turki al-Faisal
Celso Amorim
Óscar Arias
Richard Armitage
Diego Arria
Zainab Bangura
Nahum Barnea
Kim Beazley
Shlomo Ben-Ami
Christoph Bertram
Lakhdar Brahimi
Kim Campbell
Jorge Castañeda
Joaquim Alberto Chissano
Victor Chu
Mong Joon Chung
Sheila Coronel
Pat Cox
Gianfranco Dell'Alba
Jacques Delors
Alain Destexhe
Mou-Shih Ding
Uffe Ellemann-Jensen
Stanley Fischer
Carla Hills
Swanee Hunt
Wolfgang Ischinger
Aleksander Kwasniewski
Ricardo Lagos
Joanne Leedom-Ackerman
Todung Mulya Lubis
Graça Machel
Jessica T. Mathews
Miklós Németh
Christine Ockrent
Timothy Ong
Roza Otunbayeva
Olara Otunnu
Lord (Christopher) Patten
Surin Pitsuwan
Fidel V. Ramos
Olympia Snowe
Javier Solana
Pär Stenbäck