

## **RAPID RESPONSE BRIEF**

### GLOBAL FOOD SECURITY: MINIMIZING THE HUMANITARIAN IMPACTS OF RUSSIA'S EXPANDED INVASION OF UKRAINE

As Russia's invasion of Ukraine continues into its third month with no end in sight, the international community is starting to move from crisis response to crisis management. Global food insecurity, particularly impacting developing countries, presents a growing concern.

This brief discusses the secondary effects of Russia's expanded invasion of Ukraine, and multilateral sanctions against Russia and Belarus, and provides an overview of efforts to mitigate the humanitarian impacts of sanctions to inform sanctions and financial crime compliance.

#### **How does this relate to the Ukraine crisis?**

- The ongoing conflict in Ukraine will have significant impacts on global food supplies, given both Ukraine and Russia's substantial production and export of essential commodities like wheat, corn, and barley, used for direct consumption and for livestock feed.
- The conflict has disrupted existing exports, impacted some trade finance mechanisms, and prevented Ukrainian farmers from planting (and harvesting later this year).
- Compounding this emerging problem, Russia and Belarus account for over twenty percent of global fertilizer production, so a reduction in exports is reducing other crop yields around the world.
- Declining remittances from Russia to Central Asia by migrant workers will also have economic and social consequences, including reduced access to food, education, and other basic human needs.

- The United States has articulated a framework for sanctions policy that directly addresses its approach to humanitarian activities, but it focuses on heavily sanctioned jurisdictions, rather than their direct and indirect trading partners.

## Context

### Impact of the conflict and sanctions on global food security

1. Russia's expanded invasion of Ukraine and attendant sanctions against Russia and Belarus appear to be putting severe, and likely unintended, pressures on global food supplies. The United Nation's International Fund for Agricultural Development (IFAD) have noted that Ukraine and Russia account for roughly one third of global wheat exports,<sup>1</sup> and that the area in conflict exports at least twelve percent of the food calories traded in the world.<sup>2</sup>
2. The conflict's impact will be outsized on countries like Armenia, Mongolia, Kazakhstan, and Eritrea, who import almost all of their wheat from the region, while large countries like Turkey, Egypt, Bangladesh, and Iran import more than sixty percent of their wheat from Russia and Ukraine.<sup>3</sup> Egypt imports over eighty percent of its wheat from Russia.<sup>4</sup> Rising food prices will also harm conflict-impacted countries like Afghanistan, Ethiopia, South Sudan, Syria, and Yemen.
3. Russia is the world's largest producer of fertilizer, accounting for about 15 percent of world supply.<sup>5</sup> Belarus, subject to existing human rights sanctions as well as newer sanctions for its support of Russia, produces significant amounts of potash-based fertilizer used for crops like soybeans and corn.<sup>6</sup> Russia and Belarus export over 20% of the world's

---

<sup>1</sup> International Fund for Agricultural Development, March 17, 2022, "Impacts of Ukraine conflict on food security already being felt in the Near East North Africa region and will quickly spread, warns IFAD", <https://www.ifad.org/en/web/latest/-/impacts-of-ukraine-conflict-on-food-security-already-being-felt-in-the-near-east-north-africa-region-and-will-quickly-spread-warns-ifad>

<sup>2</sup> International Fund for Agricultural Development, March 3, 2022, "The impact of conflict in Ukraine on global food security - statement by Gilbert F. Hougbo, President of IFAD", <https://www.ifad.org/en/web/latest/-/the-impact-of-conflict-in-ukraine-on-global-food-security-statement-by-gilbert-f.-hougbo-president-of-ifad>

<sup>3</sup> Jack Nicas, The New York Times, March 20, 2022, "Ukraine War Threatens to Cause a Global Food Crisis", <https://www.nytimes.com/2022/03/20/world/americas/ukraine-war-global-food-crisis.html>

<sup>4</sup> Al-Monitor, February 24, 2022, "Egyptian wheat imports jeopardized by war in Ukraine", <https://www.al-monitor.com/originals/2022/02/egyptian-wheat-imports-jeopardized-war-ukraine>

<sup>5</sup> Jack Nicas, The New York Times, Op. cit.

<sup>6</sup> *Ibid.*

fertilizer.<sup>7</sup>

4. While not directly related to food supplies, migrant remittance flows from Russia to Central Asian countries will likely have an impact on basic human needs, such as food, through reduced purchasing power. Remittances make up almost one third of Kyrgyzstan's GDP, most of which come from Russia.<sup>8</sup>
5. The United Nations estimates that the current market disturbances for global food supplies could continue through 2023.<sup>9</sup>
6. To date, sanctions have likely had an indirect impact on the export of agricultural commodities from Russia through sanctions on parts of the Russian banking sector. Disruption to food exports also occurs as a result of the actual conflict, by diverting truck and rail shipping assets for military activities, denying access to fields for planting and harvesting in Ukraine, and closing port and sea shipping operations.

## Related sanctions and licensing

7. The sanctions against Russians are extensive. However, the US Treasury Department's Office of Foreign Assets Control (OFAC), the EU, UK, and other major economies have not comprehensively sanctioned the Russian Federation as a jurisdiction. Furthermore, the Russian agricultural sector is also not subject to sanctions.
8. For US sanctions under Executive Order 14024, OFAC has issued a general license (GL) for exporting and reexporting agricultural commodities to, from, or transiting Russia, that includes fertilizers.<sup>10</sup> OFAC also expanded sanctions against the Belarusian potash sector in December 2021.<sup>11</sup>

---

<sup>7</sup> United Nations Conference on Trade and Development, April 13, 2022, "Brief No. 1: Global Impact of war in Ukraine on food, energy and finance systems", [https://unctad.org/system/files/official-document/un-gcrg-ukraine-brief-no-1\\_en.pdf](https://unctad.org/system/files/official-document/un-gcrg-ukraine-brief-no-1_en.pdf)

<sup>8</sup> International Fund for Agricultural Development, Op. cit.

<sup>9</sup> United Nations Conference on Trade and Development, Op. cit.

<sup>10</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, March 24, 2022, "Russian Harmful Foreign Activities Sanctions Regulations 31 CFR part 587 General License No. 6A: Transactions Related to the Exportation or Reexportation of Agricultural Commodities, Medicine, Medical Devices, Replacement Parts and Components, or Software Updates, the Coronavirus Disease 2019 (COVID-19) Pandemic, or Clinical Trials", [https://home.treasury.gov/system/files/126/russia\\_gl6a.pdf](https://home.treasury.gov/system/files/126/russia_gl6a.pdf); U.S. Department of the Treasury, Office of Foreign Assets Control, February 24, 2022, "[Frequently Asked Question] 979. I am a U.S. person. Can I rely on a person sanctioned pursuant to Executive Order (E.O.) 14024 in connection with transactions for official business of an international organization, certain humanitarian-related trade, or the response to the Coronavirus Disease 2019 (COVID-19) pandemic?", <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/979>

<sup>11</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, December 2, 2021, "Treasury Expands Sanctions Against Belarusian Regime with Partners and Allies", <https://home.treasury.gov/news/press-releases/jy0512>

9. Under US Executive Orders 13685 and 4065 the Crimea region and the so-called Donetsk People's Republic (DNR) and the Luhansk People's Republic (LNR) regions of Ukraine are comprehensively blocked; however, within this framework OFAC maintains several GLs designed to provide humanitarian relief and assistance, including transactions related to the export of food. On April 19, 2022, OFAC issued a [fact sheet](#) for "Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine".<sup>12</sup> The fact sheet provides an overview of the Ukraine/Russia-related sanctions program and existing general licenses. OFAC has also issued [Russia-Related General License 27](#) "Certain Transactions in Support of Nongovernmental Organizations' Activities"<sup>13</sup> ([notice](#))<sup>14</sup>.
10. More generally, OFAC administers and enforces at least 37 separate sanctions programs.<sup>15</sup> As such, OFAC does not issue omnibus licenses, but rather issues public general licenses on a program-by-program basis to authorize "a particular type of transaction for a class of persons without the need to apply for a license."<sup>16</sup> Additionally, OFAC issues non-public specific licenses on an individual case-by-case basis.<sup>17</sup>
11. The US Treasury Department released a public 2021 Sanctions Review that codified many existing sanctions practices into nonbinding policy guidance for the department, including on humanitarian activity.<sup>18</sup>
12. One of the five steps to modernize sanctions calls for the Treasury Department to "mitigate unintended economic and political impacts on domestic workers and businesses, allies, and non-targeted populations abroad". Furthermore, "Sanctions should be designated to tailor their impact so that costs fall on intended targets and that potential negative impact on others is minimized".<sup>19</sup>
13. The policy further requires the Treasury Department to "address more systematically the challenges associated with conducting humanitarian

---

<sup>12</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, April 19, 2022, "Fact Sheet: Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine", [https://home.treasury.gov/system/files/126/russia\\_fact\\_sheet\\_20220419.pdf](https://home.treasury.gov/system/files/126/russia_fact_sheet_20220419.pdf)

<sup>13</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, "Russia-Related General License 27: Certain Transactions in Support of Nongovernmental Organizations' Activities", [https://home.treasury.gov/system/files/126/russia\\_gl27.pdf](https://home.treasury.gov/system/files/126/russia_gl27.pdf)

<sup>14</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, April 19, 2022, "Publication of Fact Sheet on Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine; Issuance of Russia-related General License 27", <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20220419>

<sup>15</sup> U.S. Department of the Treasury, October 18, 2021, "The Treasury 2021 Sanctions Review", <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>

<sup>16</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, June 16, 2016, "[Frequently Asked Question] 74. What is a license?", <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1506>

<sup>17</sup> *Ibid.*

<sup>18</sup> U.S. Department of the Treasury, "The Treasury 2021 Sanctions Review", Op. Cit.

<sup>19</sup> *Ibid.*

activities through legitimate channels in heavily sanctioned jurisdictions. Where possible and appropriate, Treasury should expand sanctions exceptions to support the flow of legitimate humanitarian goods and assistance...”<sup>20</sup>

14. The Treasury Department may consider providing public guidance on this topic, and the US Government may consider additional policy responses to address growing global food insecurity as a result of the Russia-Ukraine conflict.

## **EU/UK policy on humanitarian activities and related licensing**

15. In parallel to the US, the EU, UK, and other major economies have implemented broad ranging sanctions against Russia. However, within these frameworks certain humanitarian exemptions apply. For instance, the full EU ban on Russian and Belarusian freight road operators working in the EU includes certain exemptions, such as agricultural and food products, and humanitarian aid, as well as energy. Equally, an EU entry ban on Russian-flagged vessels to EU ports includes exemptions for medical, food, energy, and humanitarian purposes, amongst others. The EU and UK situations for the Crimea, DNR, and LNR regions of Ukraine are broadly similar to that of the US, i.e. embargoes in place that include certain humanitarian exemptions.
16. Unlike the US and UK, the EU licensing framework does not offer scope for the issuance of humanitarian general licenses. Instead, the EU framework utilizes two broad categories, 1) exemptions that do not require authorization, and 2) derogations that are subject to authorization by the EU member state’s competent authority. These categories are broadly followed by other countries implementing EU sanctions.
17. To support humanitarian operations, the European Commission has issued a [fact sheet](#) on “Member State Procedures to Grant Humanitarian Derogations from EU Restrictive Measures (Sanctions)”<sup>21</sup>. The fact sheet summarizes the most common rules and procedures that are in place in different member states, including assessment consideration for authorizations for humanitarian derogations. In particular, the fact sheet includes preliminary indications on several aspects that humanitarian operators should take into account when applying for those authorizations. Also included are fictional examples, references to humanitarian derogations contained in EU sanctions regulations, to

---

<sup>20</sup> *Ibid.*

<sup>21</sup> European Commission, “Factsheet on Member States Procedures to Grant Humanitarian Derogations From EU Restrictive Measures (Sanctions)”, [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/eu-restrictive-measures-humanitarian-derogations-factsheet\\_en.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/eu-restrictive-measures-humanitarian-derogations-factsheet_en.pdf)

the [EU Sanctions-Humanitarian Contact Point](#),<sup>22</sup> and to the [list of relevant NCAs](#)<sup>23</sup> referred to in EU sanctions regulations.

## Addressing sanctions and food insecurity

18. Ending the conflict will be the fastest way to address these extreme shocks to global food supplies. However, understanding the scope of sanctions, as well as the sanctions relief available through humanitarian activity sanctions licenses, allows compliance professionals to more effectively manage sanctions risks and appropriately assess permissible financial activity, especially as it relates to basic human needs in other heavily sanctioned jurisdictions around the world.
19. Impacts to the global food supply will likely extend well into 2023, so compliance professionals should adapt to the changing trade environment to support those at risk from food insecurity across the world.

---

<sup>22</sup> European Commission, “EU-level contact point for humanitarian aid in environments subject to EU sanctions”, [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/eu-level-contact-point-humanitarian-aid-environments-subject-eu-sanctions\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/eu-level-contact-point-humanitarian-aid-environments-subject-eu-sanctions_en)

<sup>23</sup> European Commission, 20 April, 2022, “National competent authorities for the implementation of EU restrictive measures (sanctions)”, [https://ec.europa.eu/info/files/national-competent-authorities-sanctions-implementation\\_en](https://ec.europa.eu/info/files/national-competent-authorities-sanctions-implementation_en)

## Practical Steps for Compliance

- Integrate existing designations, licenses, and policy statements into internal controls to ensure that financial institutions appropriately manage permissible humanitarian activity involving Russia sanctions.
- Review the applicability of humanitarian activity sanctions licenses and policy statements for jurisdictions like Afghanistan, Ethiopia, South Sudan, Syria, and Yemen that may have increased demand to provision basic human needs by international organizations (IOs) and nongovernmental organizations (NGOs), due to the decrease in food exports from Russia and Ukraine.
- Review internal controls and update as needed to deter, detect, and deny malign actors who may seek to exploit permissible humanitarian activity sanctions licenses to evade sanctions.
- Update internal controls as needed to assess risks from associated services like insurance and shipping.
- On humanitarian licensing considerations:
  - Check that you actually require a specific/individual license – i.e. there is no applicable general license that would cover your activities, or a relevant exemption in place; this might include reaching out to the authority that you deem competent for your application
  - Be clear on the appropriate licensing grounds and provide solid evidence
  - Identify whether the authority you are applying to has a set humanitarian license form
  - Provide an opening paragraph within your application that summarizes the project
  - Be specific – do not use overly general terms
  - Ensure you clearly set out all the activities that the license will need to cover
  - Remember you may need to apply to different authorities beyond those dealing with financial sanctions
  - Be specific on timeframe; specify if there is any particular urgency
  - Be prepared – and available – for follow-up dialogue with the relevant licensing authority

- Note that ACAMS provides a number of helpful resources, including the [ACAMS Risk Assessment](#) tool and a wide-ranging online training program of webinars and Sanctions Masterclasses.
- Of particular relevance to food security and humanitarian activity is our [Sanctions Masterclass](#): Risk Managing Humanitarian Payments into High Risk Jurisdictions. The [paper](#) “Risk Management Principles Guide for Sending Fundings into Syria and other High Risk Jurisdictions” further provides a helpful checklist of practical tips that should be considered in the application of US, UK, EU, and other licenses.

### **ACAMS Contact:**

**Justine Walker**, Global Head of Sanctions, Compliance and Risk

**April 29, 2022**

### **Disclaimer**

The content contained herein is for general information purposes only and is neither legal nor business advice. You should consult your own legal and business advisors for advice that applies to your particular situation.

### **About ACAMS**

ACAMS is the largest international membership organization dedicated to providing opportunities for anti-financial crime (AFC) education, best practices, and peer-to-peer networking to AFC professionals globally. With over 90,000 members across 180 jurisdictions, ACAMS is committed to the mission of ending financial crime through the provision of anti-money laundering/counterterrorism-financing and sanctions knowledge-sharing, thought leadership, risk-mitigation services, ESG initiatives, and platforms for public-private dialogue. The association’s CAMS certification is the gold-standard qualification for AFC professionals, while the CGSS certification is its premier specialist qualification for sanctions professionals. ACAMS’ 60 Chapters globally further amplify the association’s mission through training and networking initiatives. Visit [acams.org/sanctions](https://acams.org/sanctions) for more information.