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PRIVATE SECTOR MAPPING IN AFGHANISTAN

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The *Private Sector Mapping in Afghanistan* report is intended to lay the groundwork for identifying priority sectors and investment areas in Afghanistan which can contribute to building a sustainable and inclusive business ecosystem in the country. The target audiences for the report include international donors and the ambassadors who are involved in the private sector working group (PSWG) technical meetings, established through the Doha III process; de facto authorities; regional and international investors; and the private sector. The report is intended to provide the working group, alongside the public and private sectors, with necessary market intelligence, including investment opportunities and market size information for identified sector-specific areas, transitioning the Afghan private sector from aid dependency to sustainable economic growth, job creation and self-reliance.

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Foreword



Afghanistan is at a critical point in its socioeconomic development. Despite immense challenges, the country's private sector holds significant potential to drive economic recovery, create livelihoods and build resilience for communities across the nation. At a time when Afghanistan faces economic stagnation, rising poverty and over-reliance on humanitarian assistance, the importance of the private sector as an engine of growth and a partner in development cannot be overstated.

This **Private Sector Mapping Report** provides a comprehensive assessment of the opportunities and constraints facing Afghanistan's private sector today. It offers a detailed examination of structural barriers such as limited access to finance, insufficient infrastructure, fragmented value chains, skills shortages and regulatory uncertainty, which continue to undermine business confidence and limit investment. Businesses also face persistent challenges in trade connectivity, with high transport costs, poor border infrastructure and unpredictable customs procedures impeding competitiveness. Added to this are the constraints posed by inadequate energy supply, underdeveloped financial systems, and the absence of inclusive public-private dialogue platforms that could bridge the gap between policymakers and business leaders.

Yet, even within this fragile setting, the report highlights a range of untapped opportunities, from traditional industries such as agriculture, manufacturing and extractives, to emerging sectors including renewable energy, ICT and tourism. The agricultural sector alone, which contributes nearly one-third of Afghanistan's GDP, offers substantial potential through high-value crop exports, if improved agro-processing and modern cold-storage solutions can be implemented. Similarly, the country's textile industry, mineral wealth, renewable energy resources and digital connectivity all present promising avenues for investment, innovation and job creation, if supported by the right enabling environment.

The report further underscores the importance of policy reforms, financial inclusion, women's economic empowerment and regional trade integration as cornerstones of any strategy to unlock private sector growth. Afghanistan's banking penetration remains among the lowest in the region, with only 6 percent of the population holding a bank account, while women-led businesses continue to face disproportionate barriers to participation in the formal economy. Expanding financial inclusion, particularly through Islamic finance, mobile money and digital payments, will be critical to enabling broader access to credit and reducing dependency on informal financial systems.

At the same time, Afghanistan's geographic position offers untapped opportunities for greater trade connectivity. By leveraging transit corridors such as Chabahar transit route and the Lapis Lazuli Corridor, harmonizing customs procedures and reducing logistical bottlenecks, Afghan businesses could better integrate into regional and global value chains. Strengthening skills development through targeted vocational training, and aligning labour force capacities with the needs of high-potential sectors, will also be essential for sustainable growth.

This mapping exercise demonstrates UNDP Afghanistan's commitment to evidence-based programming, to foster inclusive economic growth and mobilize targeted support for Afghanistan's private sector. It builds on UNDP's ongoing engagement to support the broader work of the private sector working group (PSWG) under the Doha III process, ensuring that private sector engagement is integrated into development strategies in a coherent and impactful manner.

UNDP's work in Afghanistan, including support to private sector development, is embedded in our principled engagement approach. This includes our commitment to a rights-based approach, inclusive growth, anti-corruption and ensuring social and environmental safeguards are adhered to at all times. UNDP Afghanistan has robust risk management and safeguard checks and processes in place supporting UNDP to successfully safeguard the independence of our work in Afghanistan, and these will continue to guide all aspects of our private sector development approach. Most importantly, UNDP is committed to addressing women's social and economic exclusion, through adherence to human rights principles and UN mandates governing the participation of women in all aspects of social and economic life.

This report has been developed under a strategic partnership with UNDP's Istanbul International Centre for Private Sector in Development (ICPSD) and would not have been possible without the valuable contributions of Afghan private sector associations, financial institutions and development partners who shared their experiences and insights. Special appreciation goes to the ICPSD research and analytical team for their dedication in compiling and analysing the data.

UNDP remains committed to supporting Afghanistan's transition from fragility to resilience. By fostering an enabling environment for businesses, promoting inclusive dialogue, and leveraging innovation and investment, we aim to ensure that the Afghan private sector can play its full role in building a more prosperous, inclusive and sustainable future.

It is my sincere hope that this report will serve as a practical resource for policymakers, development partners, investors and the private sector itself. May it inform strategies, inspire collaboration and guide targeted investments that unlock the potential of Afghan businesses, enhance market access, and create jobs and opportunities for the people of Afghanistan.



Stephen Rodriques

Resident Representative
UNDP Afghanistan

Executive Summary

This report demonstrates that Afghanistan's private sector holds the key to transitioning from the current state of economic stagnation and fragile subsistence to economic resilience and growth. The economy is over-reliant on humanitarian assistance, is disengaged regionally and internationally, and is lacking the crucial ecosystem necessary to support private sector development. Unlocking the private sector's potential therefore requires addressing critical enabling constraints, overcoming obstacles in key sectors to capitalize on the potential for growth, and enacting the policy reforms necessary for private sector development. These three essential prerequisites are discussed below.

1

Critical enabling constraints to private sector development include a lack of investment, limited access to finance, insufficient trade connectivity, skills shortages, and regulatory gaps and uncertainty. Businesses also face inadequate infrastructure, and fragmented market information and services, all of which undermine investment confidence. The absence of inclusive dialogue platforms further isolates enterprises from policymaking processes.

- **Lack of investment:** The Afghan economy has suffered from a prolonged lack of investment but the situation has worsened since 2021, with external investment in particular falling away. Without significant new investment in aspects of production, the economy will continue to stagnate.

- **Limited access to finance:** Limited liquidity, strict collateral requirements and underdeveloped lending instruments hinder business growth, particularly for micro-, small- and medium-sized enterprises (MSMEs), women-led firms and rural enterprises. Financial inclusion remains limited due to low banking penetration and the lack of tailored credit solutions.

- **Insufficient trade connectivity:** High transport costs, poor border infrastructure and heavy reliance on transit through a few neighbouring countries restrict trade competitiveness. Delays at customs, a lack of harmonized procedures and vulnerability to political disruptions increase operational uncertainty for exporters and importers.

- **Skills shortages and an underutilized workforce:** Decades of conflict have severely impacted education, and Technical and Vocational Education and Training (TVET) services. The workforce consequently lacks the skills and capacity needed to drive a modern, thriving economy. The ban on women's education and the workforce restrictions that are now in place significantly worsen this situation. Afghanistan has a young population that needs to be upskilled and provided with quality employment opportunities to drive economic growth.

- **Regulatory uncertainty:** Businesses face unpredictable licensing, taxation and compliance processes. The inconsistent application of rules, unclear mandates and lengthy procedures discourage formalization, and deter domestic and foreign investment. The private sector's excessive reliance on donor-funded programmes, along with the absence of an operational public-private partnerships (PPPs) framework, creates dependency and weakens sustainability.

- **Inadequate public-private dialogue:** The absence of inclusive and structured dialogue platforms undermines the ability to address challenges effectively. Regional and sectoral imbalances in representation prevent diverse business needs from being understood.

- **Infrastructure deficits:** Insufficient access to electricity, transportation, water and telecommunications limits the productivity and investment potential of firms. Industrial zones and Special Economic Zones (SEZs) remain underutilized due to unreliable service delivery and inadequate connectivity. High operating costs related to energy, logistics and inputs weaken competitiveness and restrict the development potential of value chains.

- **Limited market information:** Many firms operate without access to reliable market intelligence, financial advisory services or business development support, which hinders informed decision-making, particularly for small- and medium-sized enterprises (SMEs) seeking to scale or export.

2

Despite a highly fragile environment and challenges, nine key sectors spanning both traditional and emerging industries offer distinct opportunities for private investment, job creation and export growth. The opportunities which are elaborated on in this report can be summarized as the following:

- **Agriculture:** The agricultural sector contributes nearly one-third of Afghanistan's Gross Domestic Product (GDP) and remains a cornerstone of the economy. However, productivity is constrained by limited processing capacity, inadequate cold storage and fragmented logistics infrastructure. The sector's heavy reliance on high-value exports—such as saffron, dried fruits and nuts—underscores its untapped potential.

  - **High-value crop exports:** Afghanistan exports saffron, dried fruits and nuts primarily to China, India, Pakistan, Türkiye and the United Arab Emirates (UAE). Despite strong demand, minimal domestic value addition limits revenue. Expanding agro-processing and improving product grading, packaging and traceability systems could boost competitiveness and market access.

  - **Cold storage and logistics:** Inadequate post-harvest infrastructure results in significant losses and reduced export quality. Investments in modern cold storage and temperature-controlled logistics would mitigate waste and extend shelf-life, particularly for perishable goods.

  - **Export diversification and trade corridors:** Afghanistan has an untapped agricultural export potential of over $350 million. Enhanced trade connectivity through corridors like the Kabul-Delhi air route and the Lapis Lazuli Corridor could reduce overdependence on Pakistani transit routes, and open new markets in Central Asia and South Asia.

  - **Food processing:** Domestic food processing remains limited in scale and sophistication. Strengthening this segment through technology transfer, access to finance and public-private partnerships (PPPs) could improve rural livelihoods, create jobs and generate higher value-added products for export.

- **Manufacturing:** The sector is dominated by food processing, textiles, pharmaceuticals, chemicals and metals, yet remains underdeveloped due to inadequate infrastructure, energy shortages and financial constraints.

  - **Food and beverage manufacturing:** Afghanistan exported $12.6 million in food and beverage products in 2022, yet an untapped potential of $36.6 million suggests opportunities for investment in advanced processing, packaging and cold storage.

  - **Textiles:** The textile industry, valued at $400–500 million, remains heavily dependent on raw cotton exports (85 percent of total textile exports). Moving towards higher-value production in finished textiles such as denim, sateen and medical-grade fabrics would enhance domestic value creation. The sector has an additional export potential of $28.6 million, particularly in China, Pakistan and the United States.

  - **Chemicals:** The chemicals sector is underdeveloped, with exports concentrated in a few markets. Afghanistan has an export potential of $6.5 million, mainly in fertilizers and industrial chemicals.

  - **Metals:** Metal exports reached $37 million in 2022, but Afghanistan has $1.09 billion in untapped export potential, particularly in gold, precious stones and ferrous scrap. Expanding value-added production could enhance Afghanistan's role in regional markets.

- **Extractive industries**: Afghanistan's extractive sector holds an estimated $1 trillion in natural resource wealth but remains largely undeveloped due to outdated extraction techniques, insufficient regulatory frameworks and limited infrastructure.

  - **Mineral reserves:** Key resources include 30 million tonnes of copper, 1.7 billion tonnes of iron ore, as well as significant deposits of lithium and rare-earth elements. These minerals are increasingly important in global supply chains, particularly for energy transition technologies.

  - **Hydrocarbons:** Proven reserves include 1.6 billion barrels of crude oil and 16 trillion cubic feet of natural gas. These resources remain underutilized due to logistical and technical constraints.

- **Sector potential and constraints:** Development is hindered by gaps in governance, infrastructure and processing capacity. Addressing these challenges would be essential to enable scalable extraction and value addition.

- **Public-private partnerships:** Establishing PPPs and engaging foreign investors could facilitate large-scale development of the sector, improve export capacity and support broader economic growth.

Construction: The construction sector is a key driver of economic development in Afghanistan, with potential to support infrastructure growth, urbanization and employment generation. However, progress has been constrained by persistent challenges, including limited access to financing and bureaucratic inefficiencies.

- **Sector constraints:** Financial barriers and administrative hurdles have delayed project implementation and increased costs across both public and private construction activities.

- **Policy and investment needs:** Strategic reforms aimed at improving regulatory clarity and transparency, combined with targeted investment initiatives, could help unlock growth opportunities in the sector.

- **Public-private partnerships:** Strengthening PPPs and attracting foreign direct investment will be essential to mobilize capital and expertise for large-scale infrastructure and housing projects.

- **International lessons:** Insights from post-conflict reconstruction in other countries offer relevant lessons for infrastructure planning, financial structuring and project execution under complex conditions.

- **Future priorities:** Emphasis on regional connectivity, affordable housing and energy-efficient construction methods can enhance resilience and support long-term economic recovery.

Energy: Afghanistan's energy sector remains limited in reach and capacity, with only 40 percent of the population connected to the national grid. The remaining population depends on decentralized solutions, including solar home systems and diesel generators.

- **Access and supply:** National electricity access is low and domestic generation, primarily hydropower, meets just 25 percent of total demand. The shortfall is covered by imports from neighbouring countries such as Iran, Turkmenistan and Uzbekistan.

- **Renewable energy potential:** Afghanistan has substantial untapped renewable energy resources, including an estimated 222,000 MW of solar, 67,000 MW of wind and 23,000 MW of hydropower capacity.

- **Geographic focus:** Regions such as Herat, Kandahar and Nimroz offer favourable conditions for solar and wind development, supported by high irradiation and wind consistency.

- **Strategic priorities:** Expanding investment in renewable energy infrastructure could improve energy security, reduce dependence on imports and support the growth of industrial activity.

Banking and finance: Afghanistan's banking sector remains underdeveloped, with limited public engagement and a dominant informal financial system. Formal financial inclusion remains low and structural challenges persist across regulatory, technological and institutional dimensions.

- **Access to financial services:** Only 6 percent of the population holds a bank account, while digital financial inclusion remains below 8 percent. Informal financial actors, particularly *Sarrafs*—traditional money exchangers and transfer agents—continue to dominate, but they do not issue loans or offer formal banking products.

- **Islamic finance transition:** The shift to an Islamic banking framework offers new opportunities but requires clear regulatory standards, skilled human resources and increased public awareness to ensure effective implementation.

- **Digital and mobile finance:** Despite low formal inclusion, Afghanistan has a mobile penetration rate of 70 percent, suggesting strong potential for digital financial services, especially in rural and underserved areas.

- **Remittances and informal flows:** Over $5 billion circulates annually through informal Hawala networks. Expanding digital payments, financial literacy programmes and remittance-linked banking products could help formalize these flows and expand banking sector liquidity from the current $2 billion to an estimated $10 billion.

- **Microfinance expansion:** Strengthening microfinance institutions and broadening access to small-scale credit could support entrepreneurship and economic resilience, particularly for women and rural populations.

- **Healthcare:** Afghanistan's healthcare sector remains under-resourced despite accounting for over 76 percent of total expenditures through private funding. The system faces persistent challenges, including reliance on imports, limited infrastructure, and a shortage of trained personnel and medical equipment.

  - **Healthcare capacity:** The country has only four hospital beds and three doctors per 10,000 people. Capacity constraints are especially pronounced in rural areas, where access to care is more limited than in other areas.

  - **Specialized medical facilities:** Establishing specialized centres, such as oncology units and eye hospitals, could expand local treatment options and reduce dependence on costly medical travel abroad.

  - **Pharmaceutical production:** The domestic pharmaceutical industry remains underdeveloped. Expanding local production would reduce reliance on imports and help ensure a more stable supply of essential medicines.

  - **Telemedicine:** Digital healthcare solutions are gaining traction, with initiatives such as Arian Teleheal and the Afghanistan Humanitarian Trust Fund (AHTF) supporting remote diagnostics and consultations. Telemedicine can improve healthcare access, especially in underserved regions.

  - **Digital health infrastructure:** Further investment in digital infrastructure and healthcare worker training is essential to scaling telemedicine and enhancing service delivery across the country.

  - **Medicinal plants:** Afghanistan's medicinal plant sector offers significant potential for export diversification and rural economic development, but remains constrained by structural limitations in processing, market access and entrepreneurship. In 2024, Afghanistan exported $20 million in medicinal plants. Key products include asafoetida, liquorice (Glycyrrhiza glabra), caraway and Nigella sativa, with major markets in China, India, Pakistan, Türkiye and the UAE.

- **Information and communication technology (ICT)**: Afghanistan's ICT sector has made notable progress in expanding digital access and attracting private investment, yet it faces structural challenges that limit its development and regional integration.

  - **Current status and barriers:** While connectivity has improved, the sector continues to face infrastructure gaps, high service costs, regulatory inefficiencies and limited cross-border digital integration.

  - **Infrastructure and inclusion:** Targeted investments in broadband infrastructure, energy reliability and digital literacy are needed to expand access, particularly in rural areas.

  - **Public-private collaboration:** Enhancing PPPs, strengthening cybersecurity regulations, and promoting fintech innovation and digital start-ups through incubators could help scale digital service delivery.

  - **Regional integration:** Afghanistan's geographic position provides an opportunity to act as a regional digital corridor. Engagement in initiatives such as the Digital CASA project and the Digital Silk Road could boost connectivity, e-commerce and digital finance across Central Asia and South Asia.

  - **Strategic priorities:** A comprehensive digital policy framework focusing on investment incentives, affordability and market competition will be essential to unlocking the sector's broader economic impact.

- **Tourism:** Afghanistan's tourism sector holds significant untapped potential, supported by rich cultural heritage, diverse landscapes and religious sites. However, development is constrained by persistent security concerns, infrastructure limitations and low international visibility.

  - **Sector potential:** The country's historical landmarks, natural scenery and cultural diversity present opportunities for growth in cultural, adventure and religious tourism.

  - **Infrastructure and access:** Underdeveloped transport networks, limited accommodation options and inadequate tourism services remain key barriers to scaling the industry.

- **Investment and services:** Targeted investments in road infrastructure, hospitality facilities and professional tourism services are essential to improving visitor experiences and enabling sector expansion.

- **Policy and coordination:** Streamlined visa procedures, regional cooperation and the development of structured tourism policies could enhance international accessibility and promote sustainable industry practices.

- **Sustainable tourism models:** Eco-tourism and heritage preservation initiatives can help generate local benefits, while maintaining cultural and environmental integrity. Digital platforms and marketing tools could further improve global engagement.

2

Practical and well-executed policy interventions are essential to unlock the opportunities identified in various sectors. The following 11 priority areas respond to structural challenges and aim to create the conditions for investment, enterprise growth and inclusive economic participation:

Designing sector-specific incentive mechanisms: Afghanistan's diverse economic landscape necessitates a policymaking capacity that could effectively offer flexible and targeted support based on industry- and region-specific needs, rather than generic schemes and a one-size-fits-all policy approach. For example, in the agriculture sector, incentives should focus on modern farming technologies and value-chain infrastructure, while in the manufacturing sector, subsidies for industrial equipment or tax holidays could enhance growth.

Strengthening Special Economic Zones (SEZs): SEZs offer a viable solution for enabling productivity within an underdeveloped national regulatory framework and infrastructure shortcomings. The report identifies Herat, Kandahar and Mazar-i-Sharif as promising locations where targeted investments could enhance private sector competitiveness and economic inclusion, provided that the inclusive designing standards—such as safe spaces for women and on-site vocational training centres—are integrated into planning.

Expanding financial inclusion and digital tools: Access to finance remains one of the most significant constraints on Afghan enterprises, particularly micro-, small- and medium-sized enterprises (MSMEs), and women-led businesses. The collapse of traditional banking services has opened space for alternative models, including mobile money, Islamic finance and digital wallets. With targeted ecosystem support, innovations such as biometric-based fintech platforms can reach low-literacy users and women without requiring conventional identification or banking literacy.

Rebuilding public-private dialogue platforms: Before 2021, private sector coordination bodies played a role in voicing business concerns and proposing reforms. Their current absence leaves MSMEs without representation. Fostering inclusive dialogue and developing public-private investment models for strategic sectors are factored into the Doha III Private Sector Working Group objectives and could be facilitated through technical working groups, representative business associations and transparent consultations that would strengthen policy design and private sector engagement.

Improving trade facilitation and regional integration: Afghanistan's landlocked position and inadequate trade infrastructure limit its ability to participate in regional and global value chains. To enhance market integration, it is crucial to regulate customs procedures, modernize border infrastructure and utilize regional transit corridors such as Chabahar and the Lapis Lazuli Corridor. Coordination with neighbouring countries on harmonized standards and customs cooperation is also essential to unlock trade potential and diversify Afghanistan's external partnerships.

Promoting skills development for priority sectors, and for women in particular: A significant disparity exists between the skills available in the labour force and the needs of the high-potential sectors analysed in this report. Investments in Technical and Vocational Education and Training (TVET) programmes, gender-sensitive curricula, soft skills training and digital education could enhance inclusivity and long-term productivity.

- **Shifting from humanitarian to investment-oriented financing:** Afghanistan remains heavily reliant on humanitarian assistance and short-term donor support. While such aid remains essential in the current context, there is a clear need for shifting towards long-term, investment-focused development financing. Aligning donor engagement with private sector priorities can improve sustainability and reduce aid dependency over time.

- **Supporting women's enterprise development:** Women-led businesses face disproportionate constraints in Afghanistan, including restricted mobility, limited access to finance, digital exclusion, as well as political barriers for their participation in the formal economy. Establishing women-focused zones within SEZs, ensuring safe and affordable transport, and promoting home-based production models would offer practical solutions.

- **Implementing regulatory reform and administrative simplification:** A burdensome and unpredictable regulatory environment remains a significant obstacle to private sector growth. Business registration, licensing and taxation procedures should be simplified, with greater transparency and digitalization. Property rights, customs systems and commercial dispute resolution processes require clarity and consistency.

- **Strengthening value chain coordination and logistics:** Fragmented value chains limit efficiency and profitability across the key sectors analysed in this report. Better coordination among producers, processors and traders, along with investments in aggregation centres, packaging facilities and certification services, could enhance productivity and value added.

- **Adopting a holistic approach:** A comprehensive and integrated approach combining anti-narcotics efforts and private sector development presents an opportunity to create structured, long-term solutions that move beyond aid dependency and foster self-sustaining economic growth. To achieve this, priority interventions should focus on value chain improvements, access to finance (including the transition to Islamic finance and support to microfinance institutions) and the gradual integration of former poppy cultivation-dependent communities into the formal economy. Several agricultural and industrial value chains could absorb former poppy farmers and provide competitive, profitable alternatives:

  - **Cotton-to-textile:** Afghanistan has a long history of cotton cultivation, and with the right investments in processing, spinning and garment production, the cotton-textile value chain could create employment and substitute textile imports.

  - **Roses for essential oils and soaps:** Rose cultivation for essential oils and natural cosmetics provides an alternative high-value crop for regions previously engaged in poppy cultivation. Given rising global demand for organic and ethically sourced beauty products, this sector holds export potential.

  - **Citrus and fruit processing:** Pomegranates, citrus and dried fruit exports can be further expanded through better processing and branding, linking Afghanistan to premium international markets.

  - **Medicinal and aromatic plants:** Developing processing capabilities for medicinal plants such as saffron, liquorice and asafoetida could allow Afghanistan to move beyond raw exports and capture more value from its agricultural resources.

Introduction



Following the de facto authorities' takeover of power in August 2021, Afghanistan's economy faced profound challenges. Trade and output declined, and there was a sharp contraction across all sectors, which significantly impacted livelihoods and well-being. By 2023–24, there were tentative signs of stabilization, with a return to modest GDP growth. The de facto authorities have increased revenue collection and kept the currency relatively stable, and the improved security situation is an important prerequisite for trade and economic activity. Throughout the difficult past four years, the private sector has played an important stabilizing role for the economy, continuing to generate economic outputs through micro, small and medium enterprises, and remaining a key source of employment and livelihood security for millions of Afghans, including women.

However, significant challenges remain. Domestic production is low and focused on low-value primary products; levels of trade and investment are also low, with Afghanistan continuing to be internationally isolated; the financial sector faces structural barriers; and human capital development is constrained, particularly with women—as half of the population—unable to continue in education beyond the primary level. Critically, the United Nations Development Programme (UNDP) estimates that 75 percent of the population was subsistence insecure in 2024, and heavily dependent upon international assistance to meet basic needs. Addressing Afghanistan's economic challenges requires a strategic approach to reinvigorate private sector activity, enhance trade and investment, foster rapid economic growth and job creation, and strengthen household livelihood resilience.

In this context, the UNDP's Istanbul International Centre for Private Sector in Development (ICPSD) has supported UNDP Afghanistan in assessing Afghanistan's post-August 2021 economic landscape. ICPSD has sought to address critical gaps in private sector engagement and financial inclusion through initiatives such as the Access to Finance and Women Entrepreneurs projects. Building upon these efforts and key studies, such as the World Bank's Private Sector Rapid Survey, ICPSD has conducted a comprehensive Private Sector Landscape Mapping study. This initiative represents an important contribution to the Doha III process, with particular emphasis on strengthening the Private Sector Working Group (PSWG) and its subgroups to promote a more integrated and coordinated approach to private sector development.[1]

This report aims to present the main findings of the Private Sector Landscape Mapping. The objective is to assess Afghanistan's current economic landscape, focusing on identifying key private sector dynamics, performance issues, business climate challenges and, most importantly, opportunities for new private sector investments. The study employed a mixed-methods approach, including qualitative methods such as site visits and interviews (both online and face-to-face), as well as quantitative methods like comprehensive analysis of private-sector data, including sectoral trade, investment and employment patterns. The mapping exercise aimed to engage key stakeholders, including business owners, investors, policymakers and regulatory bodies for a holistic understanding of Afghanistan's private sector landscape.

Wherever possible, the research team endeavoured to engage with women business owners, employees and association representatives, and this was supplemented by reference to UNDP's recent publications on women entrepreneurs' challenges in the private sector in Afghanistan.[2] The restrictions upon women in Afghanistan continue to tighten, and while private sector activity remains somewhat open to women's involvement, significant barriers restrict women's participation in economic activities, as the UNDP publications document.

The study aims to identify the key obstacles hindering business growth, market access and sustainability alongside labour market trends, skills gaps and workforce mobility considerations. As such, the role of industrial parks in fostering private sector development is also explored, focusing on their operationalization as centres of excellence for business support and market access.

Through this initiative, the report aims to provide critical insights into Afghanistan's private sector landscape, setting the stage for a structured and strategic approach to economic revitalization. By identifying sectoral opportunities, addressing key barriers and fostering a more coordinated approach to private sector development, this study is intended to contribute to shaping a resilient and sustainable economic future for Afghanistan.

[1] Two working groups were established during the Doha Meetings of Special Envoys and the de facto authorities on 30 June and 1 July 2024. The first Counter Narcotics Working Group (CNWG) meeting was subsequently held in November 2024, while the first Private Sector Working Group (PSWG) meeting took place in December 2024.

[2] UNDP 2024, UNDP 2025b.

1.
Main Economic Dynamics

Afghanistan is in a crucial geostrategic position at the intersection of Asia's major trade routes. Bordered by Iran to the west, Pakistan to the south and east, and Turkmenistan, Uzbekistan and Tajikistan to the north, it also shares a small border with China in the northeast. Afghanistan serves as a link between Central Asia, South Asia and the Middle East. Its location positions the country as a potential transit corridor for trade and energy pipelines, offering pathways for economic integration and regional connectivity. However, realizing these opportunities depends on tackling ongoing economic vulnerabilities and maintaining security to facilitate cross-border cooperation.

Figure 1: Afghanistan's geostrategic position and regional connectivity [*Source: Encyclopaedia Britannica*]



1.1 Population

Over the past two decades, Afghanistan's population has increased from 21.7 million in 2004 to 33.5 million in 2023, according to National Statistics and Information Authority (NSIA) estimates.[3] This growth reflects a notable rise in both rural and urban populations. The rural population remains dominant, with a 45 percent increase to 24.6 million people between 2004 and 2023. The urban population has increased by 90 percent over the same period, reaching 8.9 million. This demographic shift highlights the growing importance of urban centres in Afghanistan, while recognizing the continued dominance of rural areas. However, the need for essential infrastructure remains challenging in urban and rural regions. Afghanistan's varied geography further complicates development efforts, as numerous rural areas are difficult to access, presenting additional challenges in ensuring equitable resource distribution.

Afghanistan's urban population share remains significantly lower than its neighbouring countries. Only 21.5 percent of Afghanistan's population resided in urban areas in 2004. As of 2023, it has modestly increased to 26.5 percent, whereas neighbouring countries such as Tajikistan, Pakistan, Uzbekistan and Turkmenistan have a considerably higher share of urban

[3] The recent population size estimates for Afghanistan vary significantly depending on the source. For the year 2023, the World Bank estimate is much higher than NSIA estimates, standing at 41.4 million.

population with 28.2 percent, 38 percent, 50 percent and 54 percent, respectively. China's urban population has grown significantly over the past two decades, increasing from approximately 40 percent in 2004 to over 60 percent in 2023. Iran's urban population has also risen notably, from around 65 percent in 2004 to nearly 77 percent in 2023. Accelerating urbanization in Afghanistan offers significant opportunities for private sector growth, particularly in services, industry and construction. Urban expansion drives infrastructure, housing and public services demand, creating investment prospects. Initiatives like the New Kabul City project highlight local private sector involvement opportunities, fostering economic activity, job creation and resilience.

Figure 2: Afghanistan population, 2004–2023 [*Afghanistan's National Statistics Information Authority (NSIA)*]

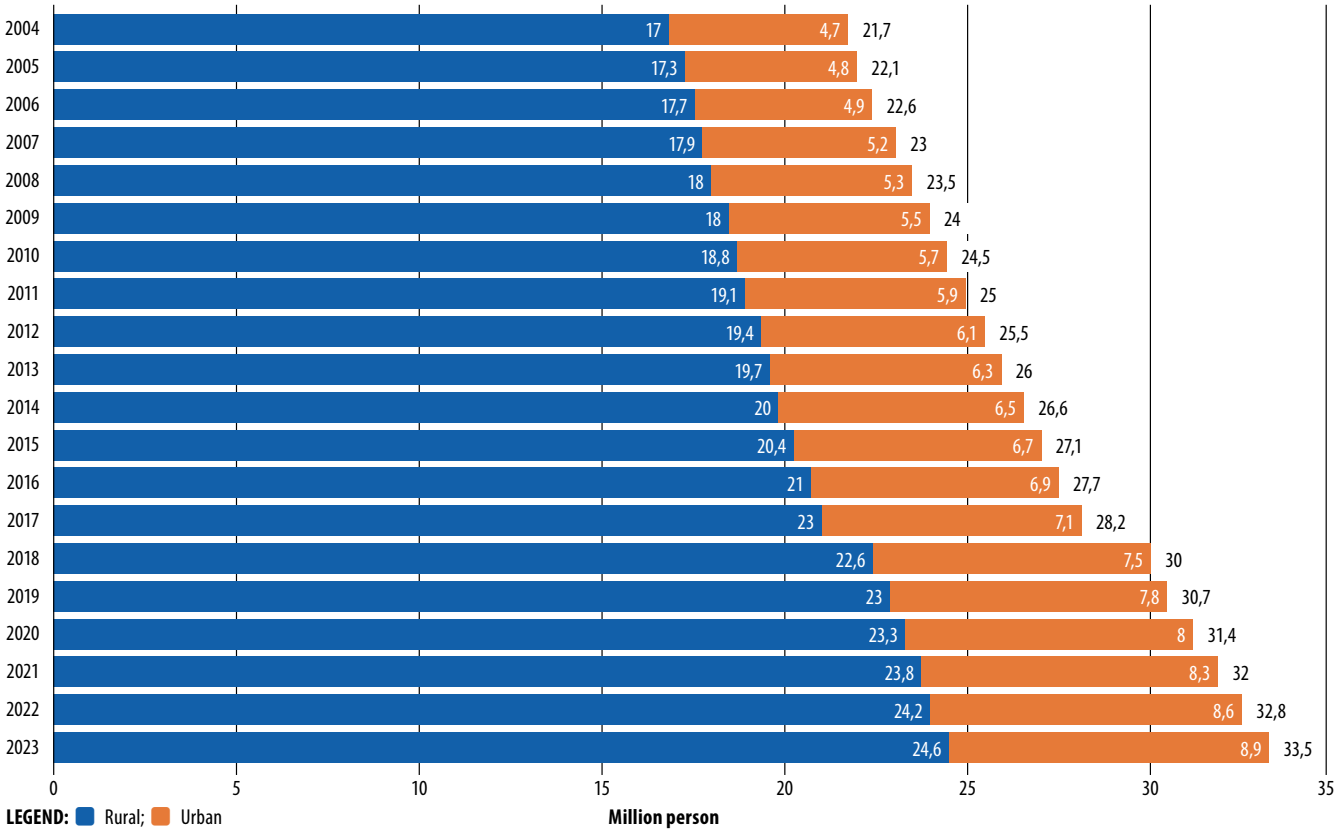


Figure 3: Percentages of urban population, Afghanistan and neighbouring countries, 2004–2023
[*Sources: Afghanistan's National Statistics and Information Authority (NSIA), World Bank World Development Indicators*]

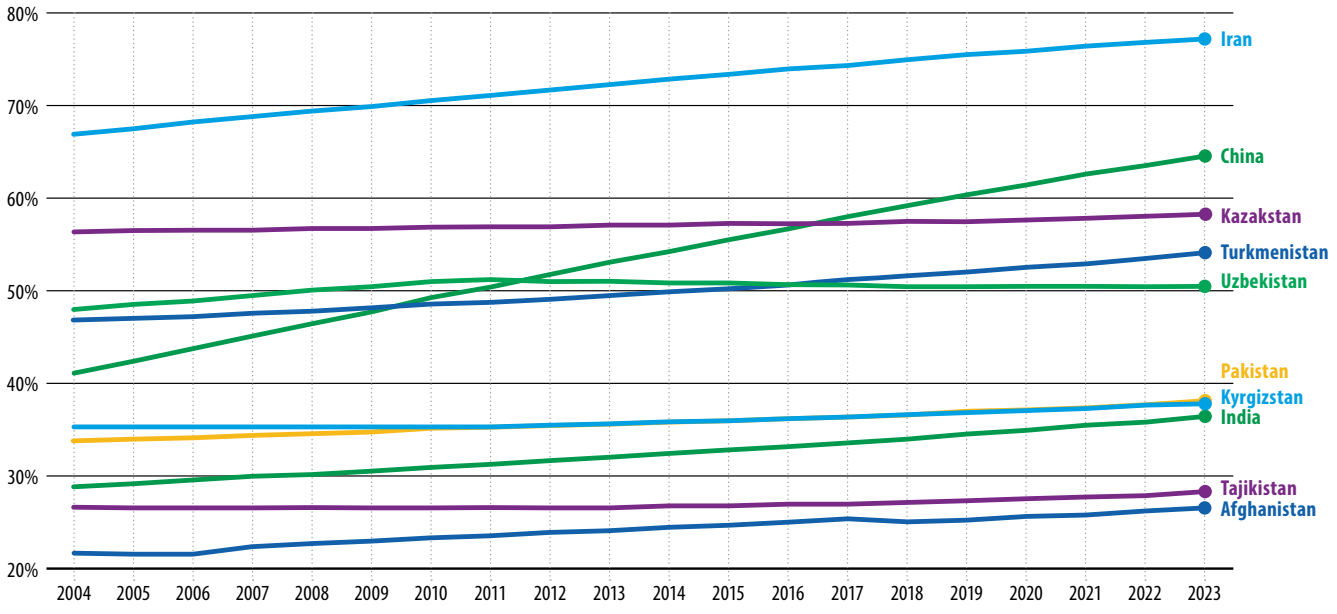


Figure 4: Afghanistan population distribution by provinces [*Sources: Afghanistan's National Statistics and Information Authority (NSIA), World Bank, ICPSD and Policy Analytics Lab (PAL) Analysis*]

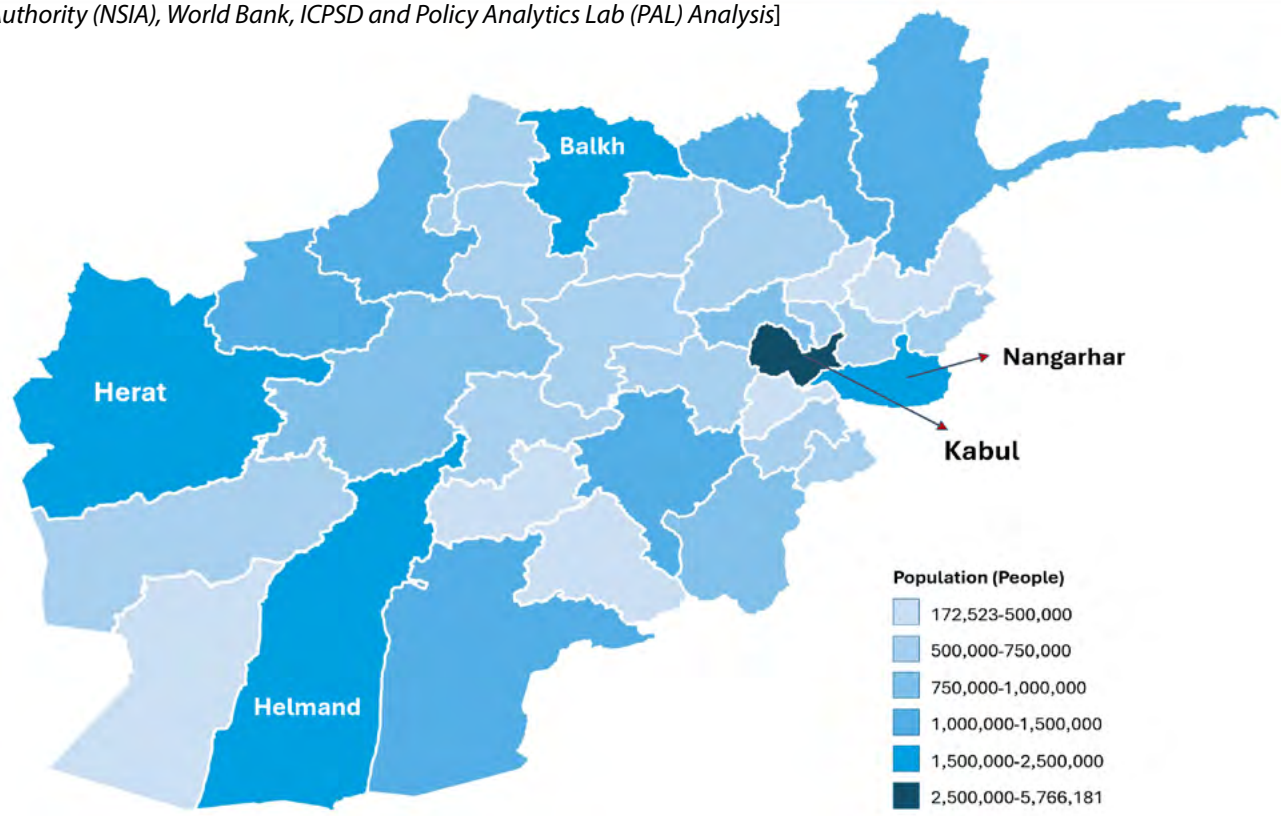


Table 1: The top five provinces in terms of population

Province	Population	Share (of Total Population)	Share (of Total Urban Population)
Kabul	5,766,181	16.5%	56.2%
Herat	2,283,146	6.5%	8%
Nangarhar	1,805,087	5.2%	3.4%
Balkh	1,525,690	4.4%	6.5%
Helmand	1,525,189	4.4%	1.2%

Afghanistan's population distribution reveals significant regional disparities, with Kabul as the largest province, accounting for 16.5 percent of the total population. This demographic density is followed by Herat (6.5 percent), Nangarhar (5.2 percent), Balkh (4.4 percent) and Helmand (4.4 percent), which together account for 20.5 percent of Afghanistan's population (Table 1). The concentration of the population in these provinces highlights the importance of urban development and enhanced connectivity to stimulate private sector growth. Investments in infrastructure, healthcare, education and employment opportunities in these regions are essential to accommodate growing populations, reduce regional disparities and, at the same time, foster balanced national development. Strengthening urban infrastructure and services in these key regions presents opportunities for private sector engagement, including housing, retail and transportation investments, which could serve as catalysts for broader economic growth.

1.2 Gross Domestic Product

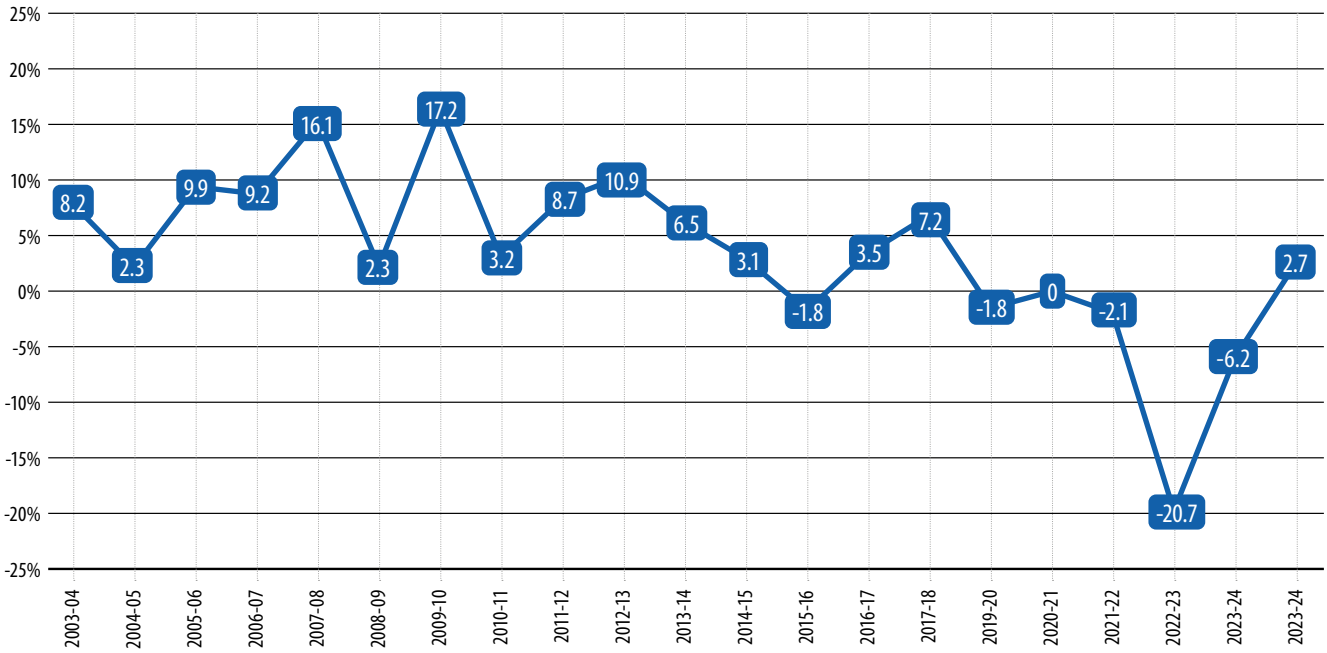
Afghanistan's Gross Domestic Product (GDP) experienced steady but modest growth from 2000 to 2020. However, following the significant political and economic dislocation of 2021, the country's GDP dropped sharply by 27 percent, declining from approximately $20 billion during 2015–2020 to $14.5 billion in 2023. This decline highlights the severe economic challenges Afghanistan faces compared to its regional peers, such as Turkmenistan and Uzbekistan, which have shown more substantial growth trajectories. Meanwhile, Tajikistan experienced steady growth during the same period, although it started from a lower economic base than Afghanistan. While rising global fossil fuel prices since 2021 have improved economic performance in energy-exporting countries across the region, Afghanistan has not fully capitalized on these trends due to structural economic underdevelopment and limited access to external markets.

Over the years, external shocks, political instability and structural challenges have caused significant fluctuations in Afghanistan's real GDP growth. The country has seen sharp fluctuations over the past two decades, peaking with a growth rate of 17.2 percent in 2009/10 during economic expansion. This peak was followed by a period of stagnation. However, between

Table 2: Gross Domestic Product (GDP), Afghanistan and neighbouring countries
[*Sources: World Bank World Development Indicators, Afghanistan's National Statistics and Information Authority (NSIA)*]

Billion USD	2000	2005	2010	2015	2018	2020	2021	2022	2023
Afghanistan	**3.5**	**6.2**	**15.9**	**19.1**	**18.1**	**20.0**	**14.3**	**14.5**	**14.5**
Iran	109.6	226.5	486.8	408.2	329.7	239.7	359.1	413.4	401.5
Pakistan	99.5	145.2	196.7	300.0	356.1	300.4	348.5	374.8	338.4
Kazakhstan	18.3	57.1	148.0	184.4	179.3	171.1	197.1	225.5	261.4
Uzbekistan	13.8	14.3	49.8	86.2	52.9	60.2	69.6	81.1	90.9
Turkmenistan	2.9	8.1	22.6	35.8	40.8	45.8	50.0	56.5	59.9
Kyrgyzstan	1.4	2.5	4.8	6.7	8.3	8.3	9.2	12.1	14.0
Tajikistan	0.9	2.3	5.6	8.3	7.8	8.1	8.9	10.7	12.1

Figure 5: Afghanistan real GDP growth, 2003–2023
[*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



2011 and 2021, the growth rate remained mostly positive until a sharp decline of -20.7 percent in 2021/22. This marked the most significant economic downturn in recent history, following the de facto authorities' takeover of power in August 2021. Despite this, a modest recovery was observed in 2023/24, with real GDP growing by 2.7 percent. This indicates progress; however, Afghanistan's economy remains vulnerable and requires structural reforms and external support to sustain growth and mitigate future risks.[4]

Afghanistan's economy predominantly relies on agriculture and services, contributing 35 percent and 47 percent to GDP, respectively, while the industrial sector accounts for a comparatively small 14 percent. Over the past decade, the economy has witnessed notable shifts in sectoral contributions. The industrial sector has experienced a sharp decline since 2018/2019, with its share in GDP falling from 23 percent to 14 percent by 2023. This decline highlights challenges such as insufficient investment, inadequate infrastructure and limited export opportunities for industrial goods. Conversely, the agricultural sector plays a significant role in Afghanistan's economy with

[4] For contextual knowledge about Afghanistan's persistent structural bottlenecks, please refer to the 'Afghanistan Socio-Economic Review: Fragile gains, deepening subsistence insecurity 2023–2024 (ASER)', (UNDP, 2025a).

Figure 6: Share of economic activity in GDP, Afghanistan, 2002–2023
[*Source: World Bank World Development Indicators*]

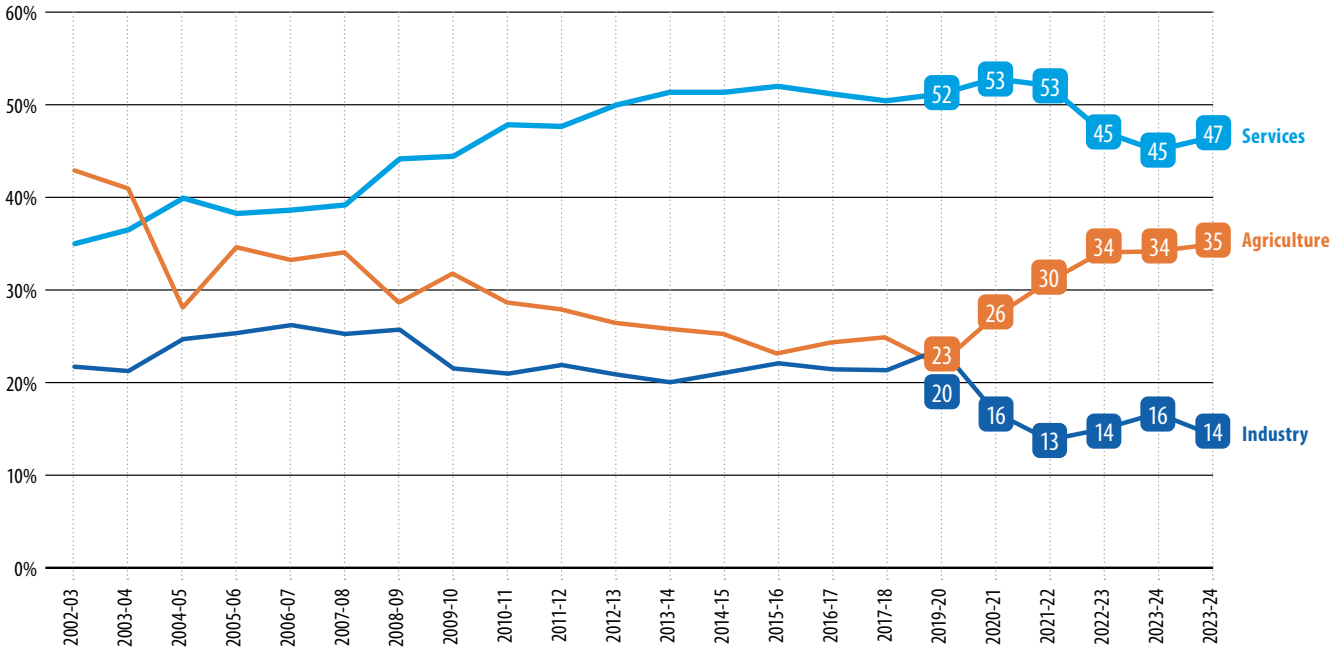
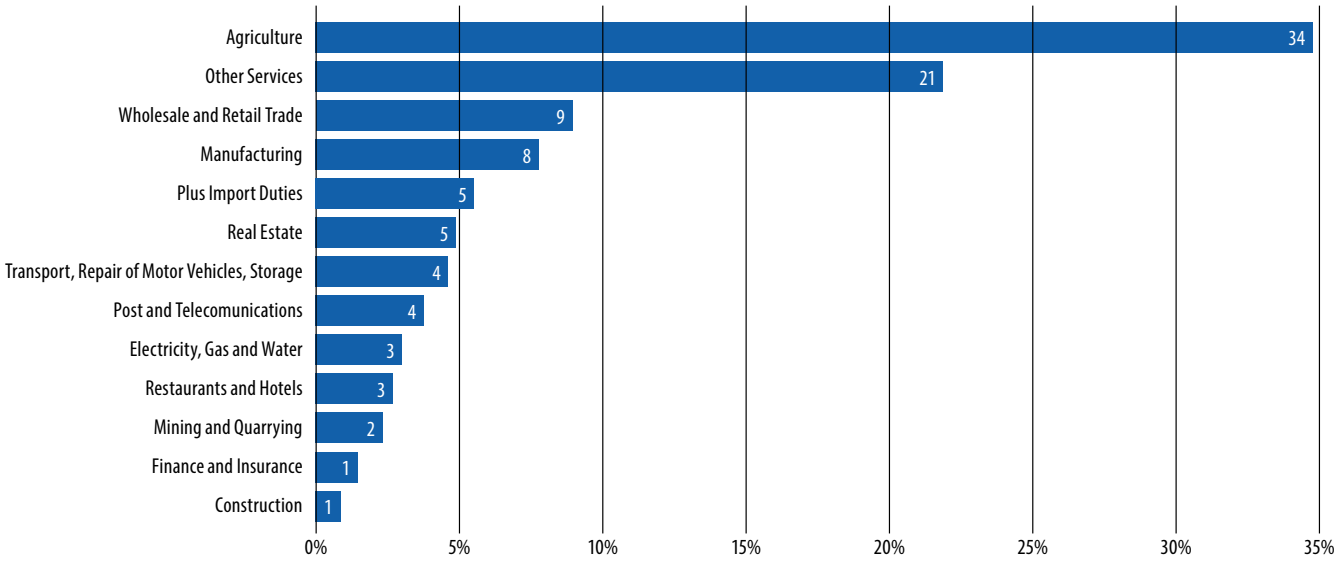


Figure 7: Share of subsectors in GDP, 2023/2024
[*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



its GDP share increasing in the same period from 20 percent to 35 percent, pursuant to the shrinkage of services after the August 2021 takeover of power.[5] The services sector—such as trade, transportation and financial services—has consistently maintained the largest share of GDP, peaking at 53 percent in earlier years and stabilizing at 47 percent in 2023/2024.

The share of subsectors in GDP reflects the agricultural sector's pivotal role in the economic structure. Notably, food manufacturing comprises 6.2 percent of the manufacturing sector's contribution. On the other hand, sectors such as construction, finance and insurance, and mining and quarrying, represent 1 percent, 1 percent and 2 percent of GDP, respectively, underscoring their limited impact on economic development.

[5] UNDP, 2025a.

Table 3: GDP growth for subsectors, 2023/2024 [*Source: Afghanistan's National Statistics and Information Authority*]

	2020/21	2021/22	2022/23	2023/24
Overall GDP Growth Rate	**-2.1%**	**-20.7%**	**-6.2%**	**2.7%**
Agriculture	**4.4%**	**-9.8%**	**-6.6%**	**2.1%**
Industry	**-5.6%**	**-12.8%**	**-5.7%**	**2.6%**
Mining and Quarrying	1.4%	1.7%	4.1%	6.9%
Manufacturing	-7.2%	-10.3%	-10.0%	1.7%
Food and Beverages	2.7%	2.2%	-9.5%	1.7%
Non-Food Manufacturing	-19.2%	-29.4%	-11.1%	1.6%
Electricity, Gas and Water	-3.4%	-5.8%	-3.0%	5.0%
Construction	-6.4%	-35.4%	-0.8%	-0.9%
Service	-4.6%	-30.1%	-6.5%	2.3%
Wholesale and Retail Trade	-2.1%	-14.8%	-8.6%	17.9%
Transport, Repair of Motor Vehicles and Storage	-18.0%	-37.4%	-0.4%	5.9%
Restaurants and Hotels	-38.1%	-42.8%	-4.9%	1.6%
Post and Telecommunications	1.0%	-18.6%	-4.7%	1.4%
Finance and Insurance	-9.0%	-30.0%	-6.6%	1.6%
Real Estate	-0.2%	-12.9%	-5.2%	-5.0%
Other Services including defence and professional services	-2.0%	-37.9%	-7.7%	-0.8%
Plus Import Duties	-5.4%	-16.5%	-3.0%	11.4%

Afghanistan's GDP growth dynamics reflect varying sectoral performances within considerable challenges and uncertain signs of recovery. The overall GDP growth rate in 2023/24 is 2.7 percent. The agriculture sector showed resilience, with a decline of 9.8 percent in 2021/22 and a recovery to 2.1 percent growth in 2023/24. The agriculture sector shrank less than others during the downturn and positively contributed to the broader recovery. In contrast, the industrial sector faced steep declines with -12.8 percent in 2021/22, whereas it has returned to a growth rate of 2.6 percent in 2023/24; this modest recovery highlights ongoing structural weaknesses. Within the industrial sector, subsectors such as non-food manufacturing and construction, which hold the potential to improve the sector's overall contribution to GDP and economic growth, remain underdeveloped. The services sector experienced the deepest contraction, shrinking by -30.1 percent in 2021/22 due to reduced demand, international isolation, and a lack of private sector activity. Although it slightly recovered to 2.3 percent growth in 2023/24, this remains far below the level needed for substantial economic recovery.

1.3 Employment

Since the August 2021 takeover of power, there has been a significant decline in employment levels in Afghanistan's labour market. According to the International Labour Organization (ILO), total employment declined by an estimated 900,000 individuals by the end of 2022, compared to a no-change scenario. .

The employment-to-population ratio (EPR) illustrates the labour market's fragility. Although there was a slight recovery in 2022, with the EPR above 34 percent, it stayed below pre-change levels. This decline intensified due to significant outmigration of the working-age population, hindering the labour force's recovery potential. These trends highlight Afghanistan's labour market's vulnerability to economic and political disruptions, underscored by liabilities such as stagnation in job growth and limited industrial diversification.

Employment trends reveal a pattern similar to that of economic growth: agriculture continues to dominate as the largest sector in employment, and services maintain a significant share. The share of employment in agriculture had gradually declined until 2014. It has remained at about 45 percent since then, and did not experience a significant change in 2021.

Figure 8: Total employment (millions) and employment-to-population ratio (%) in Afghanistan, 2018–2022, ILO estimation [*Sources: International Labour Organization (ILO) estimates based on Afghanistan Labour Force Survey 2020 and ILOstat Database*]

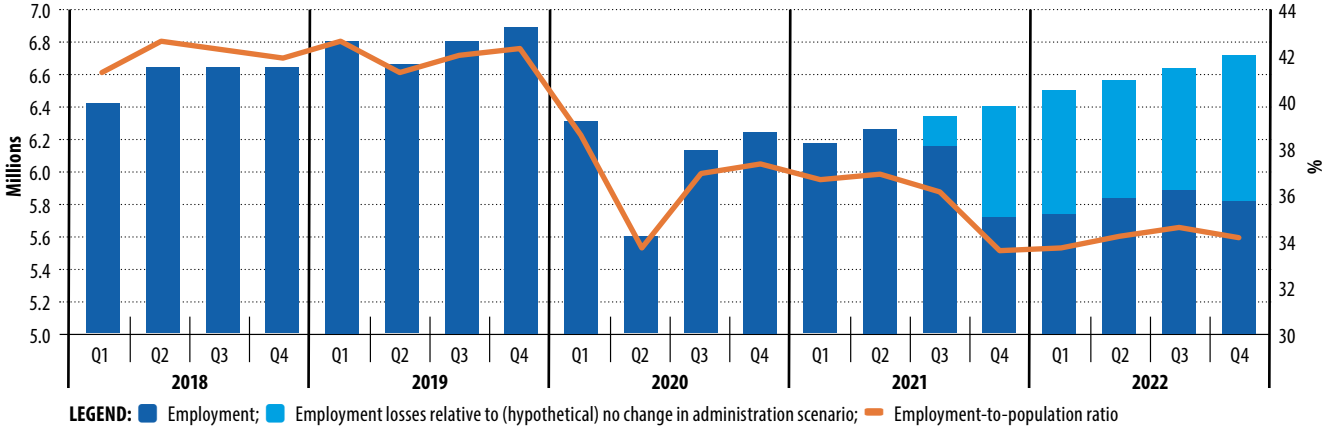


Figure 9: Sectoral share in employment (%) [*Source: World Bank World Development Indicators*]

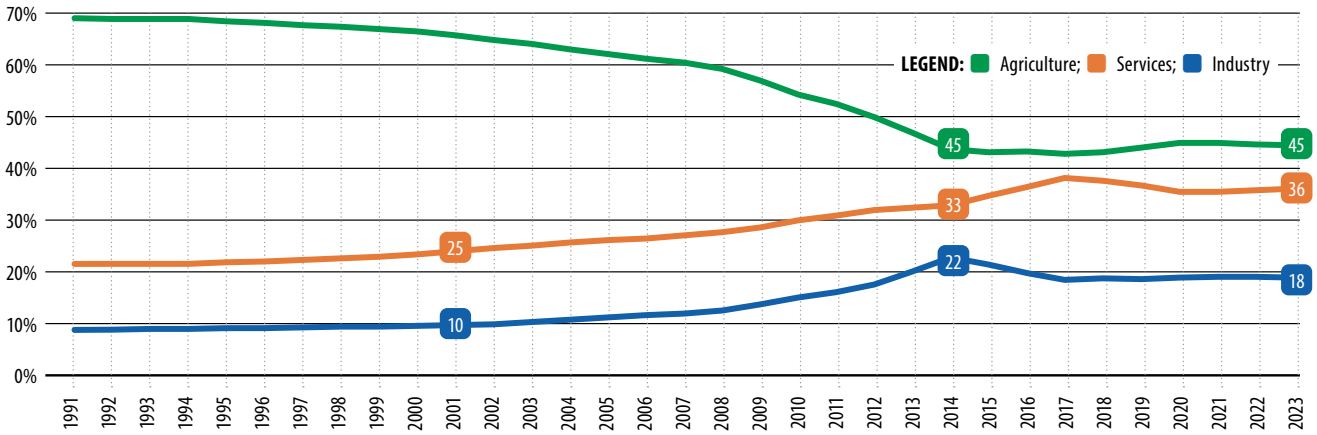


Table 4: Employment and share of subsectors in total employment in Afghanistan, 2008–2021 (thousand people) [*Source: ILOstat, data for 2021 is the year's first quarter*]

	2008	2012	2014	2017	2020	2021
Total Employment	**7,487**	**6,420**	**7,003**	**6,397**	**6,079**	**7,679**
Agriculture	59%	39%	40%	43%	45%	49%
Construction	8%	10%	12%	10%	9%	12%
Manufacturing	5%	7%	7%	8%	8%	6%
Mining and Quarrying; Electricity, Gas and Water Supply	0%	0%	0%	0%	1%	1%
Public Administration, Community, Social, and Other Services and Activities	14%	27%	14%	19%	17%	11%
Trade, Transportation, Accommodation and Food, and Business and Administrative Services	14%	17%	16%	18%	18%	19%
Not Classified	0%	1%	10%	3%	3%	3%

The services sector peaked in employment share at 38 percent in 2017, and has remained stable at 36 percent since 2020. Employment in the industrial sector reached its highest point in 2014 at 22 percent, but by 2023, it had declined to 18 percent.

Share of subsectors in total employment in Afghanistan reveals notable shifts. The agriculture sector, which has historically accounted for the largest share of employment, saw its proportion decline from 59 percent in 2008 to 49 percent in 2021. In contrast, the share of employment in the trade, transportation and services sectors increased from 14 percent in 2008 to 19 percent in 2021, indicating growing importance. The public administration and community services sector demonstrated variability, fluctuating between 11 percent and 27 percent, but accounted for 11 percent in 2021. On the other hand, the construction and manufacturing sectors remained modest, with their combined contribution staying below 20 percent by 2021. Other sectors, such as mining, utilities and unclassified jobs, contributed minimally, highlighting the limited diversification of Afghanistan's economy and reliance on a few dominant sectors for employment.



1.4 Demographics and Socio-Economic Inequalities

Since the August 2021 takeover, Afghanistan has experienced significant population movement, with approximately 1.6 million Afghans relocating to neighbouring countries, notably Iran and Pakistan. This exodus has led to a substantial brain drain, depleting the nation of skilled professionals and educated individuals essential for its development. The departure of these individuals has strained public services, including healthcare and education, and hindered economic growth. Additionally, the loss of a young and dynamic segment of the population has exacerbated demographic challenges, potentially impacting Afghanistan's long-term stability and development prospects.

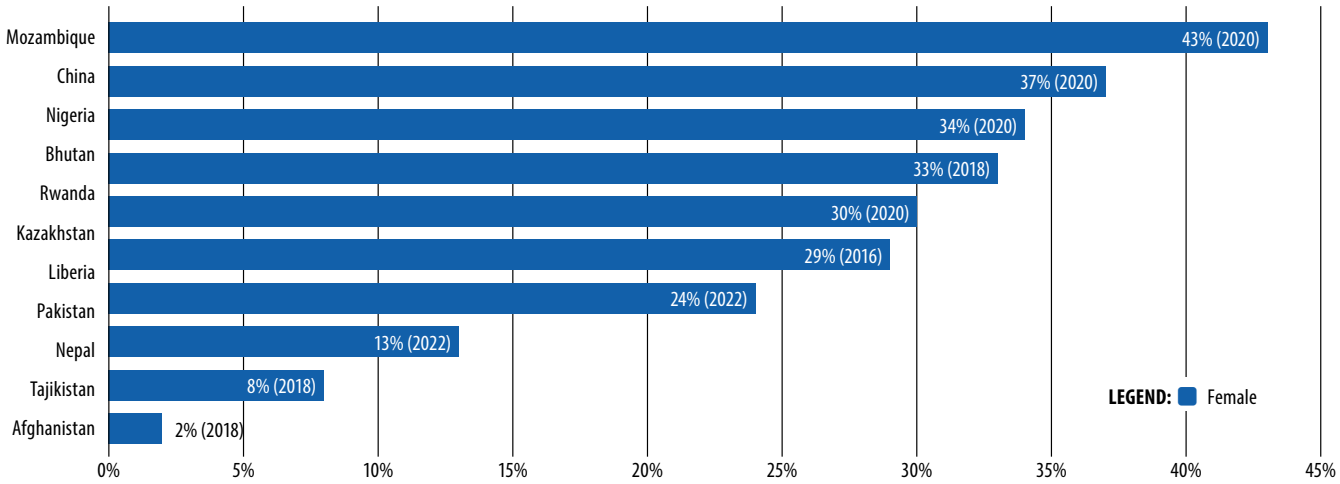
From 2023 onwards, Afghanistan has experienced a major influx of returnees from Iran and Pakistan. In 2025 alone, an estimated 2,840,000 people had returned to Afghanistan from Iran and Pakistan by mid-October 2025.[6] Returns are the result of the 'Illegal Foreigners' Repatriation Plan' issued by the Pakistan Ministry of Interior on 26 September 2023, and a similar return scheme launched by the Government of Iran following the expiry of the Headcount slip in March 2025.

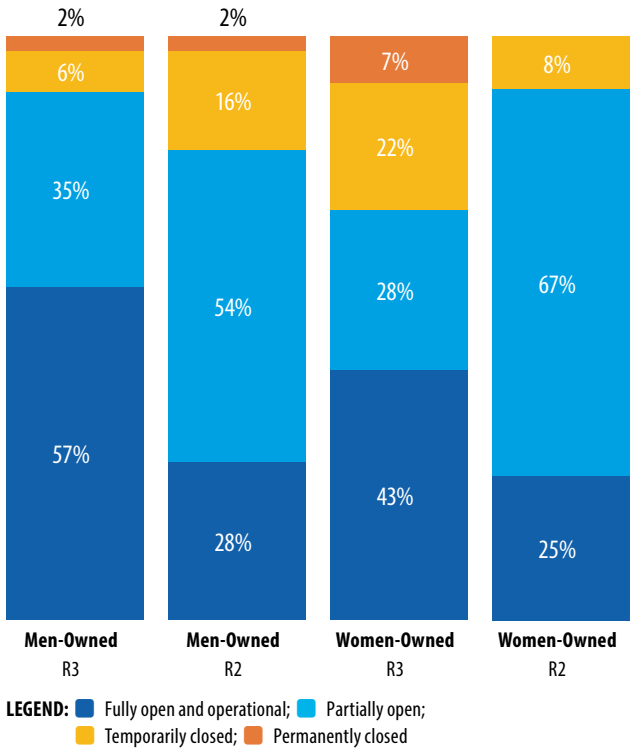
Women and girls have been banned from all secondary and tertiary education, and women face significant restrictions on their ability to participate in the economy. According to World Bank Gender Data, the top priorities for both urban and rural women are the right to education (81 percent urban, 77 percent rural), and the right to work and earn money (56 percent urban, 47 percent rural). Urban respondents prioritize freedoms such as being free in public (40 percent) and participating in government (17 percent) more than rural respondents (27 percent and 10 percent, respectively).

Afghanistan's population is predominantly young, with over 63 percent under the age of 25, yet youth unemployment remains an issue due to limited education, training and job opportunities. The disruption of education systems has left many young people without the skills required for employment, creating education and skills gaps. Economic instability, driven by the contraction of the private sector, has further reduced job prospects, particularly in industries like construction, retail and manufacturing. A growing number of young Afghans emigrate in search of better opportunities abroad, contributing to a brain drain that further diminishes the country's labour force potential.

[6] https://data.unhcr.org/en/situations/afghanistan accessed 17/10/2025.

Figure 10: Share of business owners by gender (% of total business owners) [*Source: World Bank Data*]





Labour force participation has decreased in the post-2021 era. Female labour force participation, which was already low at 22 percent in 2019, dropped to under 5 percent by 2023 due to the restrictive policies.[7] Afghanistan has one of the most significant gender gaps in labour force participation, significantly lower for females compared to South Asia (about 30 percent), low-income countries (above 50 percent) and the world (about 50 percent). Despite being a low-income country, Afghanistan's gender disparity in the labour force is an outlier, underscoring the need for targeted interventions to promote women's participation in the workforce.

Women in Afghanistan face challenges to workforce participation due to restrictive policies, limited resources and safety concerns. Policy restrictions bar women from working in most sectors, with healthcare and education being the few exceptions, though even these opportunities are increasingly constrained. Women-led businesses encounter many barriers, including restricted access to finance, inability to travel and limited access to markets, making entrepreneurship a difficult endeavour. Additionally, harassment and discrimination deter women from entering or remaining in the workforce.

These obstacles and restraints are clearly illustrated in UNDP's 2024 report 'Listening to Women Entrepreneurs in Afghanistan'. For example, the report shows that 52 percent of women stated that access to finance was their main challenge, with only 5 percent of women able to access loans from formal banks. Ninety-three percent sell their products in local markets, with only 4 percent able to export their goods, and 32 percent reported experiencing discrimination in accessing markets.

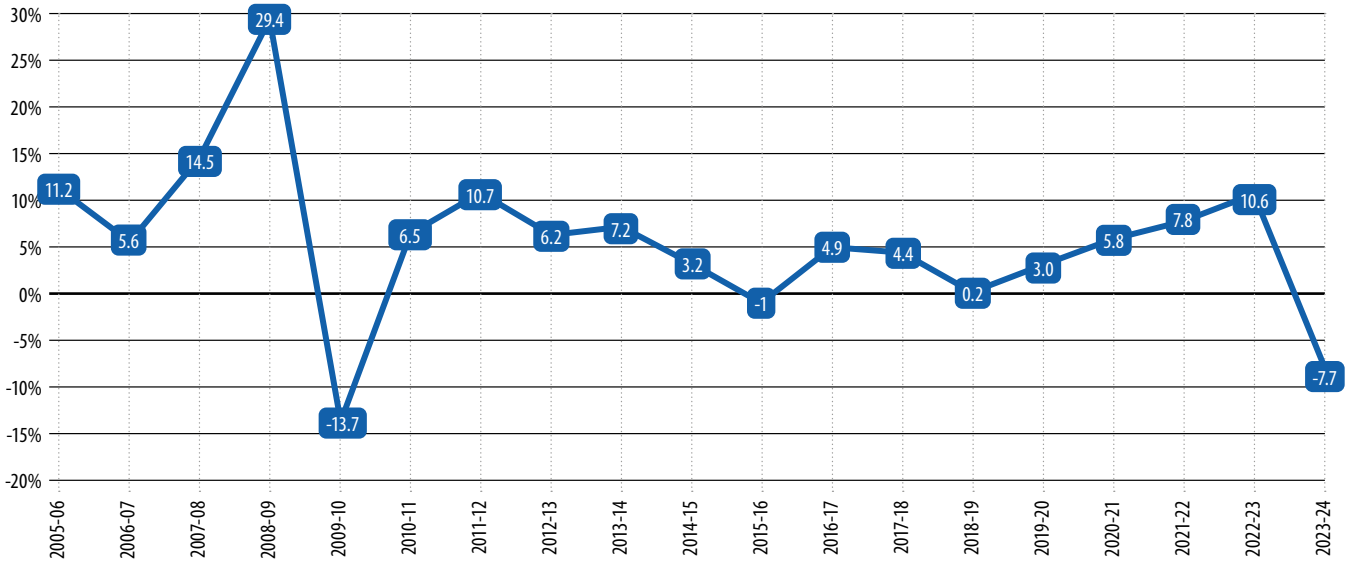
[7] The Global Economy, 2025.

1.5 Inflation and Exchange Rate

Afghanistan's inflation has fluctuated significantly over the years, driven by economic instability, changes in demand and supply-side pressures across various sectors. Triggered by the global financial crisis, inflation in Afghanistan hit 29.4 percent in 2008, while the sharpest deflation occurred at -13.7 percent in 2009/2010. Recent years have seen notable changes, with overall inflation reaching 10.6 percent in 2022/23 before falling sharply to -7.7 percent in 2023/24. A closer look at inflation by category reveals sharp decreases across various sectors, with notable variations in the extent of deflation. For example, food and non-alcoholic beverages account for a considerable portion of household expenditures, with inflation hitting 14 percent in 2022/23 but dropping to -11.7 percent in 2023/24.

Due to Afghanistan's long-term economic challenges, the Afghani (AFN) has depreciated against major global currencies over time. Over the past two decades, the exchange rate between the US dollar (USD) and the Afghan currency (AFN) increased significantly from 50 in 2004 to 88.5 in 2023. This trend accelerated after 2020 with heightened economic instability and reduced foreign aid inflows, though it has been relatively stable in 2024–25. Similarly, the Euro (EUR) and British Pound (GBP) exhibited sharper increases, with EUR/AFN reaching 92.4 and GBP/AFN coming to 107.8 in 2023. These depreciations have led to higher import costs, fuelling inflation for essential goods, reducing consumer purchasing power and deterring foreign direct investment (FDI).

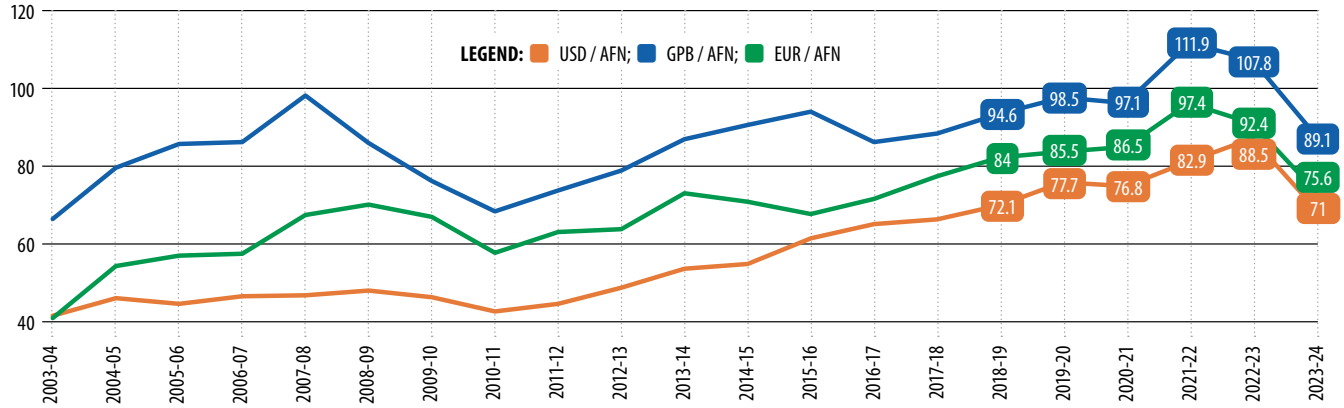
Figure 11: Afghanistan's inflation, 2005–2024 [*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



	2020-21	2021-22	2022-23	2023-24
Overall Inflation	**5,80%**	**7,80%**	**10,60%**	**-7,70%**
Food & Non-Alcoholic Beverages	9,90%	9,40%	14%	-11,70%
Bread and Cereals	12,60%	11,20%	16,20%	-20,40%
Meat	10,60%	5,90%	9,70%	-5,20%
Milk, cheese and eggs	3,40%	4,30%	10,30%	-0,20%
Oils and fats	16,10%	38,70%	6,10%	-22,80%
Fresh and dried fruits	9,50%	2,20%	13,30%	-1%
Vegetables	9,20%	-2%	25,20%	-11,40%
Sugar and sweets	4,30%	11,80%	15,40%	0,70%
Spices	1,30%	3,20%	21,20%	-11,60%
Non-alcoholic beverages	3,70%	4,60%	6,40%	-2,80%

	2020-21	2021-22	2022-23	2023-24
Non-Food Items, Tobacco & Services	1,80%	6,10%	6,90%	-3,10%
Tobacco	3,30%	11,50%	9,80%	0,70%
Clothing	7,40%	7,70%	7,70%	-1,30%
Housing	-0,40%	2%	-2,50%	-4,30%
Furnishing and household goods	3,50%	7,10%	9%	-2%
Health	6,80%	4,20%	12,60%	4,30%
Transportation	-10,50%	27,2	30,10%	-16,20%
Communication	-1,30%	1%	4,50%	0,50%
Information and Culture	1,50%	1,40%	4,60%	-0,10%
Education	4,10%	6,30%	4,27%	-0,70%
Restaurants and Hotels	0,80%	1,50%	0,40%	0,10%
Miscellaneous	10,40%	4,80%	8,20%	-1,80%

Figure 12: Exchange rate of AFN against selected global currencies
[*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]

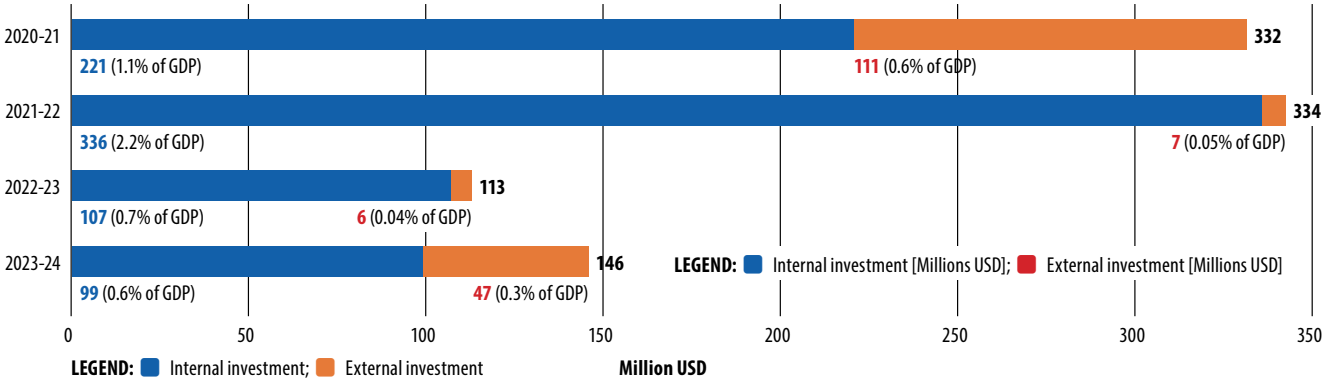


1.6 Investment

In recent years, Afghanistan's private investment landscape has been characterized by internal investments driving total contributions, while external investments have remained relatively constrained. In 2020–2021, total investments amounted to $332 million, 67 percent of which came from internal sources. The following year, total investments rose slightly to $344 million in 2021–2022, with external contributions declining from $111 million to just $7 million. During this period, firms amounted to 8,440, including 106 external investors. However, the trend reversed sharply in 2022–2023, when investments dropped to $113 million—the lowest in four years—accompanied by a decline in the number of firms to 7,755 and only 44 external investors. By 2023–2024, total investments recovered to $146 million, with external contributions increasing to 32 percent. Nevertheless, the number of firms declined further to 6,201, with just 17 external investors. Over this period, investments contributed 2.2 percent of GDP in 2021–2022 but declined to 0.6-0.7 percent in subsequent years, reflecting a downward trend.

The decline in private registered investments in Afghanistan from 2020 to 2024 further underscores the deteriorating investment climate and the country's reliance on international assistance, particularly for basic needs. While NSIA figures indicate an annual average international donor commitment of $3,373 million between 2021–2023, no funds were disbursed for private investments, exacerbating capital flight and investment stagnation. This lack of funding coincides with a sharp decline in external investments. Meanwhile, internal investment also fell drastically from $221 million in 2020–2021 to $99 million in 2023–2024, reflecting heightened economic uncertainty and financial constraints. The declining trend is further exacerbated by the urgent need for financial transparency, regulatory reforms and mechanisms to restore investor confidence in Afghanistan's economic landscape.

Figure 13: Internal and external private registered investments, 2020–2024
[*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



2.
Private Sector Mapping

2.1 Sectoral Economic Performance

Afghanistan's private sector demonstrates potential for driving economic growth and creating employment opportunities. Private sector production grew significantly from AFN 3 billion in 2021/22 to AFN 14.8 billion in 2022/23. Despite existing challenges, this remarkable growth underscores the sector's capacity for recovery and expansion. The production of non-alcoholic beverages emerged as the most significant contributor, accounting for AFN 4.3 billion in 2022/23, followed by the manufacture of food products at AFN 2.9 billion, metal products at AFN 1.5 billion and basic metals at AFN 1.4 billion. These four sectors represent 68 percent of the total private sector production during 2022–2023. Other notable sectors include non-metallic mineral products (AFN 848 million) and printing (AFN 819 million), showcasing diversification within private sector industries.

Figure 14: Total private sector production, 2020–2023 (million AFN) [*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]

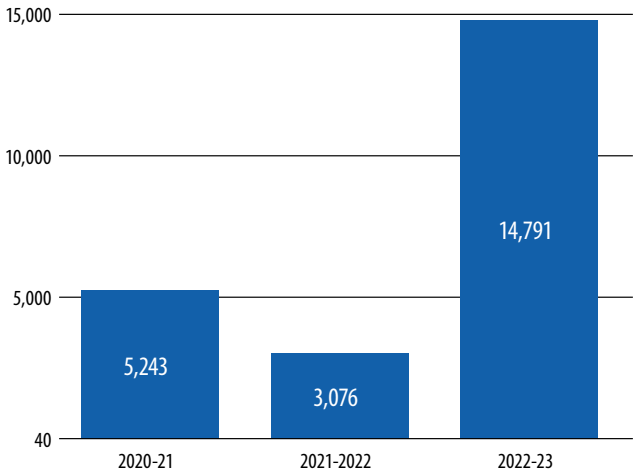
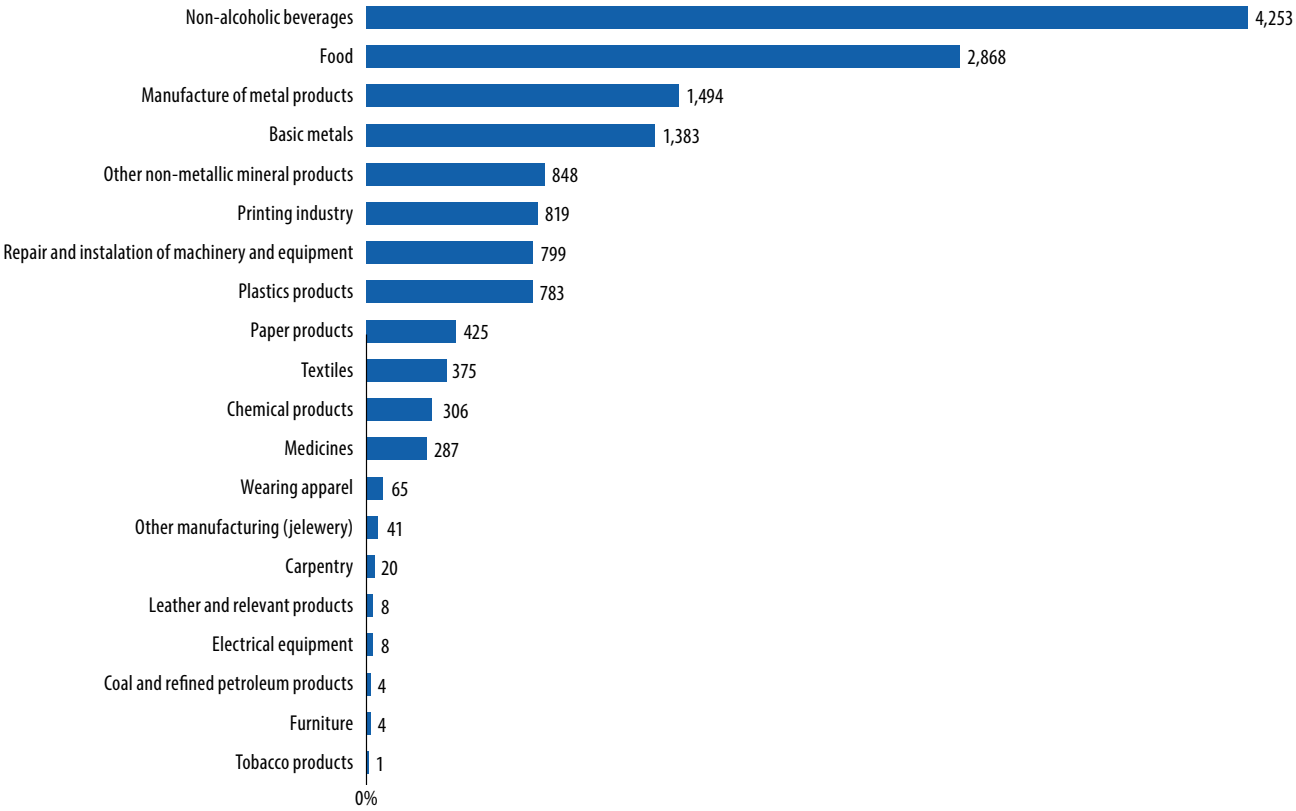


Figure 15: Private sector production by sectors, 2022–2023 period (million AFN) [*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



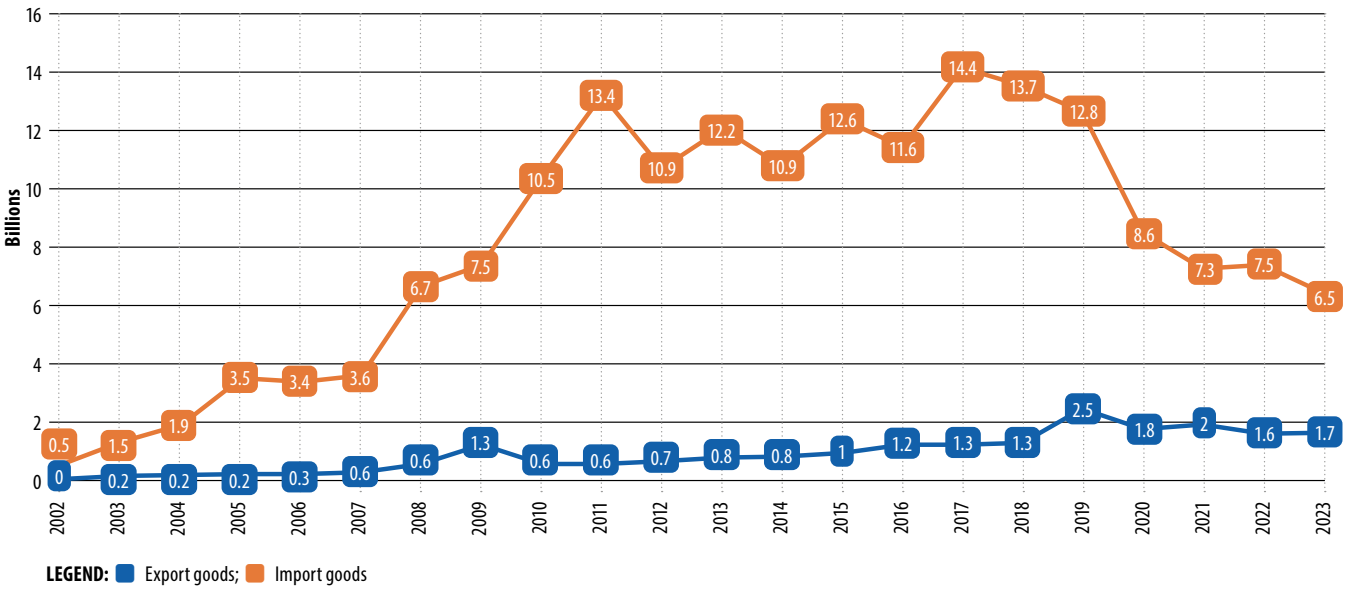


While current data on the number of private sector companies in Afghanistan is unavailable, earlier surveys provide insight into the scale and composition of businesses. According to a 2016 Business Establishment Survey, nearly 700,000 establishments (both formal and informal) were operating in the private sector, employing approximately 1.5 million people, around 20 percent of Afghanistan's total employed labour force. Of these, 90 percent were classified as micro-, small- and medium-sized enterprises, with fewer than 10 employees on average. Formal businesses in Afghanistan are registered with either the Afghanistan Central Business Registry and Intellectual Property (ACBR-IP) database of the de facto Ministry of Industry and Commerce, municipalities or both. According to official ACBR-IP data, roughly 120,000 small, medium and large businesses were formally registered in 34 provinces of Afghanistan as of December 2019.

Table 5: Number of formally registered businesses as of December 2019 [*Source: World Bank, The Private Sector Rapid Survey: An Assessment of the Business Environment – Round 3*]

Sector	Number of Businesses
Manufacturing	64,934
Construction	17,877
Transportation	10,807
Wholesale or Retail Trade	7,389
Services	6,423
Education	3,455
Agriculture, Forestry, Fishing	2,700
Information and Communication	1,817
Human Health	1,039
Mining and Quarrying	942
Energy	407
Agribusiness	302
Telecommunications	60
Petroleum and Natural Gas	13
Others	20

Figure 16: Afghanistan's total exports and imports of goods, 2002–20 [*Source: CEPII BACI*]



Labour and energy intensities vary significantly across Afghanistan's economic sectors, shaping their contributions and resource demands. Agriculture—the most labour-intensive sector—requires a large workforce for tasks like farming and livestock management, which are difficult to automate. In contrast, the industrial sector, while generally less labour-intensive than agriculture, varies by subsector. For instance, apparel, leather and furniture production demand more labour than chemicals, automobiles and metals, which rely heavily on machinery and automation. The services sector also displays variability, with personal services like healthcare and hospitality being labour-intensive, while finance and telecommunications leverage technology to operate efficiently with fewer workers. From an energy perspective, industry is typically the most energy-intensive, particularly in manufacturing, metallurgy and chemical production, which require substantial energy inputs for raw material processing and high-temperature operations. Although subsectoral energy consumption data is unavailable for Afghanistan, global trends indicate that agriculture has moderate energy intensity, primarily for machinery and irrigation, while services are the least energy-intensive, consuming energy mainly for building operations. However, specific subsectors within the services sector—like data centres and transportation services—can exhibit high energy demands. Understanding these dynamics is crucial for targeting investments and policy interventions that align with sectoral needs and resource capacities.

2.2 International Trade Outlook

Merchandise Trade

Afghanistan has experienced a persistent trade deficit over the past two decades, with merchandise imports consistently exceeding exports. In the first three quarters of 2024, trade deficit stood at $6.7 billion according to border trade data from the United Nations Trade and Development (UNCTAD) Automated System for Customs Data (ASYCUDA). This imbalance was most obvious in 2011 and 2017. In 2011, Afghanistan's imports were $13.4 billion, compared to just $0.6 billion in exports, and in 2017, imports were $14.4 billion against $1.3 billion in exports. Although total imports have since declined, reaching $6.5 billion in 2023, the gap between imports and exports continues to be substantial. Export performance has remained modest and relatively stagnant, rising only to $2.5 billion in 2019 before falling slightly back to $1.7 billion in 2023. The consistent trade deficit underscores Afghanistan's structural dependence on foreign goods to meet domestic needs, and highlights the limited scale and diversification of its export sector. Without significant growth in export capacity, this reliance on imports continues to constrain the country's trade balance and broader economic resilience.

In 2023, Afghanistan's exports remained concentrated in regional markets, with Pakistan and India accounting for the majority of outbound trade. Pakistan was the top destination, with $691 million in exports (42 percent of total), largely composed of coal, raw cotton and agricultural products. Afghanistan exported $667 million worth of goods to India, driven by high-value agricultural goods including lac, avocados, grapes, nuts and onions, accounting for 40 percent of its total exports. These two markets alone absorbed 82 percent of Afghanistan's total exports. Other trading partners included China (4 percent), the UAE and Türkiye (2 percent each), primarily importing agricultural and low-processed goods. This continued reliance on a narrow set of commodities and destinations highlights the need for diversification and value addition in Afghanistan's export strategy to strengthen long-term trade resilience.

Table 6: Top 10 export destinations of goods from Afghanistan, 2023 [*Source: CEPII BACI*]

Country	Total Exports (Million USD)	Share in Total Exports
1. Pakistan	691	42%
2. India	667	40%
3. China	63.9	4%
4. UAE	38.6	2%
5. Türkiye	31.2	2%
6. Saudi Arabia	29.8	2%
7. Kazakhstan	21.2	1.3%
8. US	20.6	1.2%
9. Germany	14.5	0.9%
10. Uzbekistan	10.4	0.6%

Afghanistan's export profile from 2002 to 2023 continues to show a strong dependence on agricultural products, which have consistently represented the dominant export category. Agricultural exports grew steadily from 2002, peaking in 2019 at over $1.6 billion before experiencing a modest decline in subsequent years. Minerals gained importance after 2010, showing a significant increase with a visible share after 2017, although they remained lower than agriculture. Textiles, particularly traditional goods such as carpets, also experienced gradual growth over the period. Exports of chemicals, machinery, vehicles and electronics remained negligible in absolute terms. The overall trend emphasizes a lack of diversification, with Afghanistan's exports heavily concentrated in a few primary products.

Afghanistan's total exports reached approximately $1.7 billion in 2023, with agriculture still dominating the export basket. The leading export was fruits and nuts, contributing $624 million, or 37.4 percent of total exports. Other major agricultural exports included vegetables ($226 million, 13.5 percent), and lac and other vegetable extracts ($156 million, 9.4 percent). The presence of coffee, tea, spices, and oilseeds and oleaginous fruits further underscores the sector's importance. Following this, the mineral sector comprised mineral fuels, oils and waxes at $233 million (14 percent) and salt, sulphur, lime and cement at $26.1 million (1.6 percent). Textiles—primarily cotton ($135 million, 8.1 percent) and carpets ($18.7 million, 1.1 percent)—continued to be significant traditional exports in 2023. Notably, manufactured and industrial goods such as machinery, vehicles and electronics were absent among the top exports, indicating limited structural transformation, and ongoing reliance on natural and low-value-added products.

Figure 17: Afghanistan exports of goods by products, 2002–2023 (billion USD)
[*Sources: CEPII BACI, Harvard University Growth Lab Atlas of Economic Complexity classification*]

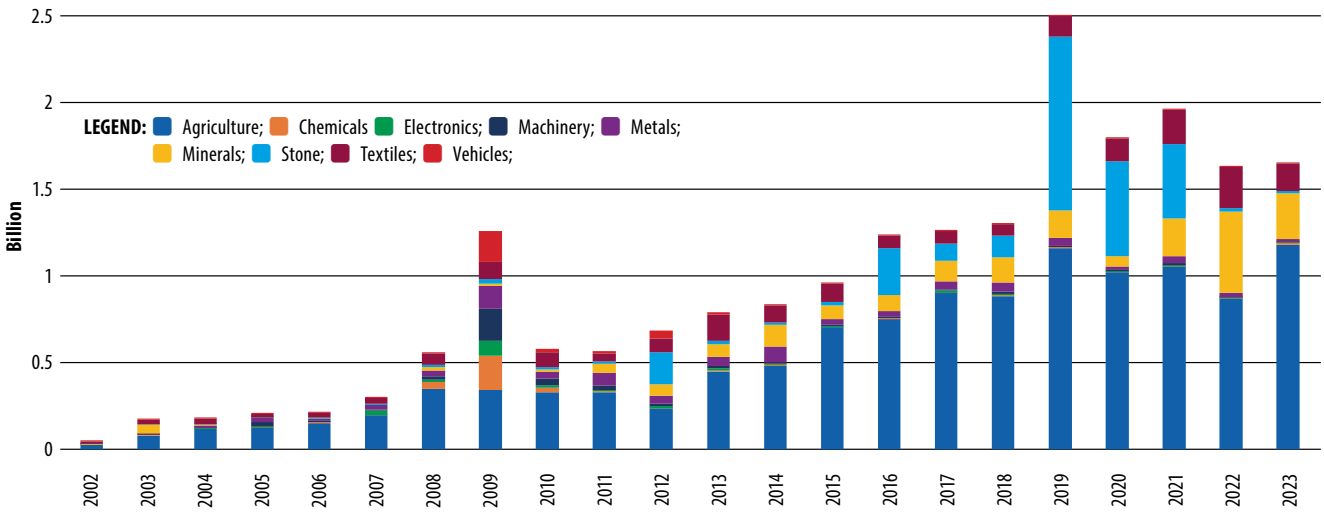


Table 7: Top 10 products in Afghanistan exports, 2023
[*Source: CEPII BACI*]

Sector	Products	Total Exports (Million USD)	Export Share
Agriculture	1. Fruits and Nuts	624	37.4%
Minerals	2. Mineral Fuels, Oils and Waxes	233	14.0%
Agriculture	3. Vegetables	226	13.5%
Agriculture	4. Lac and Other Vegetable Extracts	156	9.4%
Textiles	5. Cotton	135	8.1%
Agriculture	6. Coffee, Tea and Spices	96.0	5.8%
Agriculture	7. Oil Seeds and Oleaginous Fruits	45.0	2.7%
Minerals	8. Salt, Sulphur, Lime, Cement, etc.	26.1	1.6%
Agriculture	9. Beverages	21.7	1.3%
Textiles	10. Carpets	18.7	1.1%

Table 8: Top 10 countries Afghanistan imports, 2023
[*Source: CEPII BACI*]

Country	Total Imports (Million USD)	Import Share
1. UAE	1,840	28%
2. Pakistan	969	15%
3. China	962.4	15%
4. Uzbekistan	766	12%
5. Kazakhstan	615.5	9%
6. India	362.2	6%
7. Malaysia	336.7	5%
8. Türkiye	256.2	4%
9. Belgium	80.2	1.2%
10. US	48.2	0.7%

In 2023, Afghanistan's import landscape was led by the UAE, which supplied goods worth $1.84 billion, equivalent to 28 percent of total imports. Imports from the UAE were primarily high-value consumer and industrial products, including cigars and cigarettes, vehicle transmission components, jewellery, petroleum oils and machinery parts. Pakistan and China followed as the second-largest suppliers, each accounting for 15 percent of total imports ($959 billion and $962 billion, respectively), with a focus on agricultural products, pharmaceuticals and textiles. Uzbekistan and Kazakhstan contributed 12 percent and 9 percent respectively, supplying agricultural products, processed goods and construction materials. India, Malaysia, Türkiye, Belgium and the US comprised the rest of the top 10 import sources, reflecting a broadly diversified import structure concentrated within the region. The data highlights Afghanistan's growing reliance on consumer goods, electronics and industrial inputs from key trading partners in the Gulf, Central Asia and South Asia.

Afghanistan's import trends from 2002 to 2023 reflect a rising reliance on external goods for domestic consumption and production. Imports increased sharply from the early 2000s, reaching around $13.4 billion in 2011 and $14.5 billion in 2017 before gradually declining to around $6.5 billion by 2023. Despite this decline, agricultural products remained a key import category throughout the period. Significant volumes of machinery, chemicals, electronics and textiles were also imported consistently until 2014. Vehicles and metals constituted smaller but stable portions of the import basket. The post-2019 decline likely results from a decrease in international aid and tightening economic conditions.

Figure 18: Afghanistan imports of goods by products, 2002–2023 (billion USD)
[*Sources: CEPII BACI, Harvard University Growth Lab Atlas of Economic Complexity classification*]

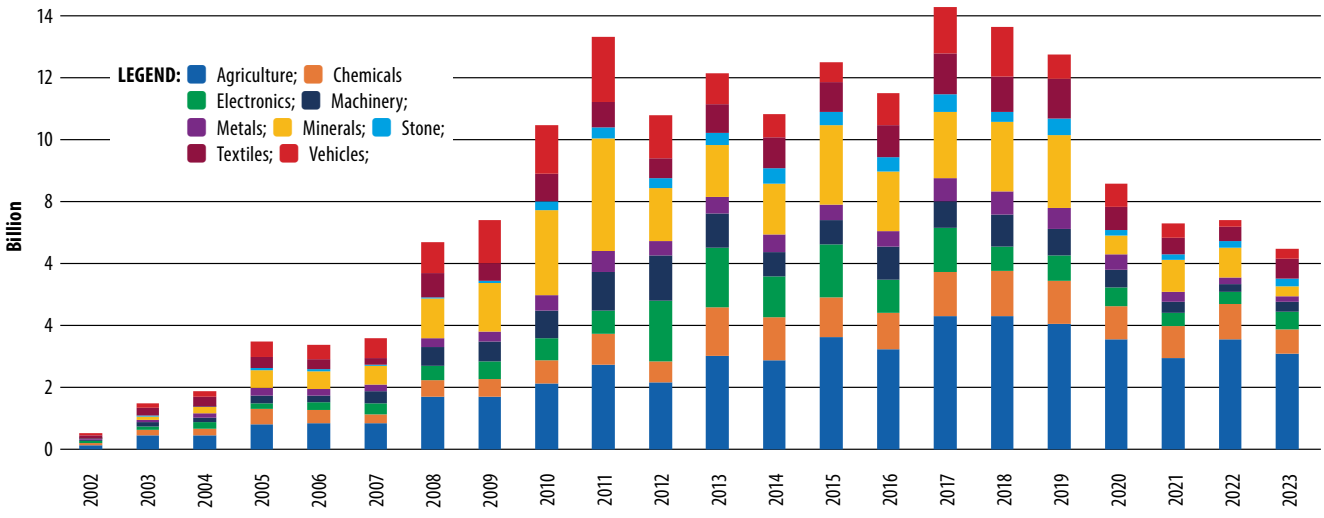


Table 9: Top 10 products in Afghanistan imports, 2023 [*Source: CEPII BACI*]

Sector	Products	Total Imports (Million USD)	Imports Share
Agriculture	1. Flours, Starches and Malts	841	13%
Agriculture	2. Tobacco	635	10%
Electronics	3. Electrical Machinery and Equipment	585	9%
Agriculture	4. Animal or Vegetable Fats, Oils or Waxes	434	7%
Agriculture	5. Cereals	341	5%
Vehicles	6. Vehicles	319	5%
Chemicals	7. Pharmaceutical Products	303	5%
Machinery	8. Industrial Machinery	259	4%
Minerals	9. Mineral Fuels, Oils and Waxes	259	4%
Stone	10. Precious Metals and Stones	247	4%

Afghanistan's imports totalled approximately $6.5 billion in 2023, reflecting rising reliance on external goods for both basic consumption and industrial inputs. The top import was flours, starches and malts ($841 million, 13 percent), followed by tobacco ($635 million, 10 percent), and electrical machinery and equipment ($585 million, 9 percent). Other significant imports included animal or vegetable fats, and oils or waxes ($434 million, 7 percent), cereals ($341 million, 5 percent) and vehicles ($319 million, 5 percent). Pharmaceutical products ($303 million, 5 percent) and industrial machinery ($259 million, 4 percent) highlight the crucial role imports play for both the health and productive sectors. Imports of precious metals and stones, and mineral fuels each represented 4 percent, reflecting a blend of both productive and luxury consumption. Overall, Afghanistan's import structure illustrates its vulnerability to external supply chains across agriculture, health, energy and industry.

Services Trade

The trade of services in Afghanistan has been marked by pronounced fluctuations, particularly in the last two decades. Export of services peaked in 2012 at $2.6 billion but dropped sharply thereafter, with no data after 2020. Similarly, services imports followed a comparable trajectory, peaking at $1.9 billion in 2012 before declining to zero by 2021. The absence of service trade activity after 2020 signals a critical gap in international engagement, highlighting the growing difficulties faced by the country's services sector in maintaining external connections and growth opportunities.

Afghanistan's service export trends show sharp fluctuations over the years, peaking at $2.6 billion in 2011 before gradually declining. During the peak periods, travel and transport services were the primary contributors to service exports, fuelled mainly by international missions and aid-related efforts. However, after 2012, the continued drop in service exports reflects the withdrawal of international forces and a decrease in external involvement. Although ICT services remained relatively limited, they began to show signs of growth after 2010. While official data on service exports has not been reported since 2020, based on historical data, ICT could emerge as a high-potential area for diversification within Afghanistan's service economy, provided adequate investments are made in infrastructure and workforce development.

Service imports in Afghanistan followed a similar trajectory to exports, reaching $1.8 billion in 2012. Exports declined in the following years, with no official data available after 2020 to assess subsequent trends. Transport and travel consistently accounted for the majority of service imports, reflecting Afghanistan's reliance on international logistics and maritime outlets for trade and other activities. Notably, ICT service imports began to rise after 2010, signalling a growing demand for digital infrastructure and capabilities. This trend persisted even as overall service imports declined, highlighting an emerging need for technological development.

Figure 19: Afghanistan's total exports and imports of services, 2008–2020
[*Source: Harvard University Growth Lab Atlas of Economic Complexity*]

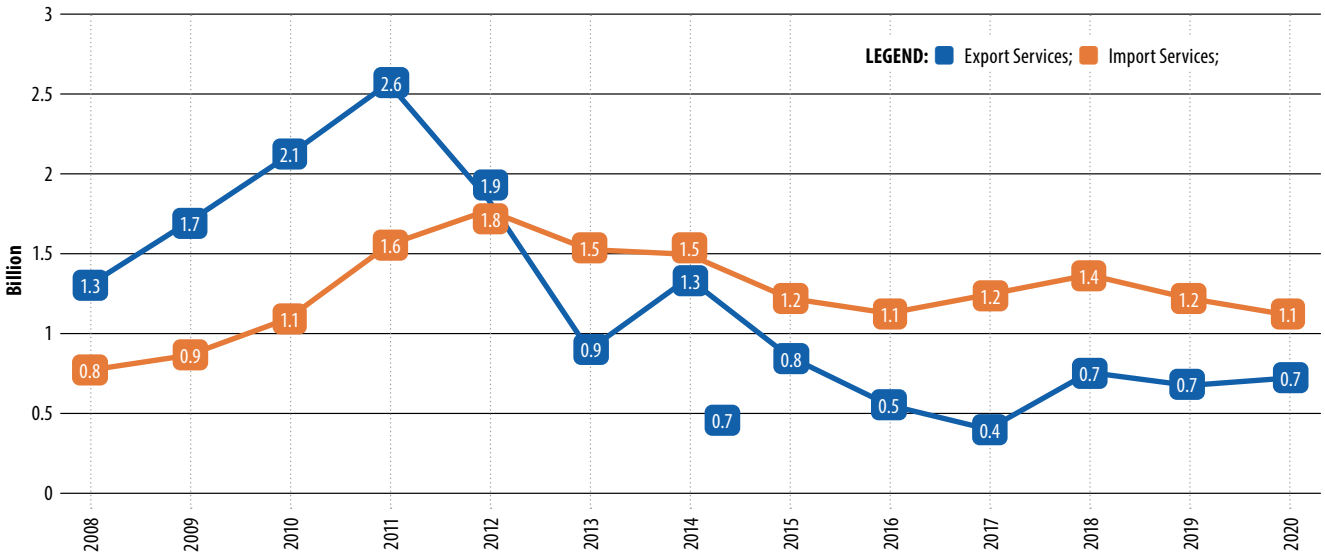


Figure 20: Afghanistan services exports by products, 2002–2020
[*Source: Harvard University Growth Lab Atlas of Economic Complexity*]

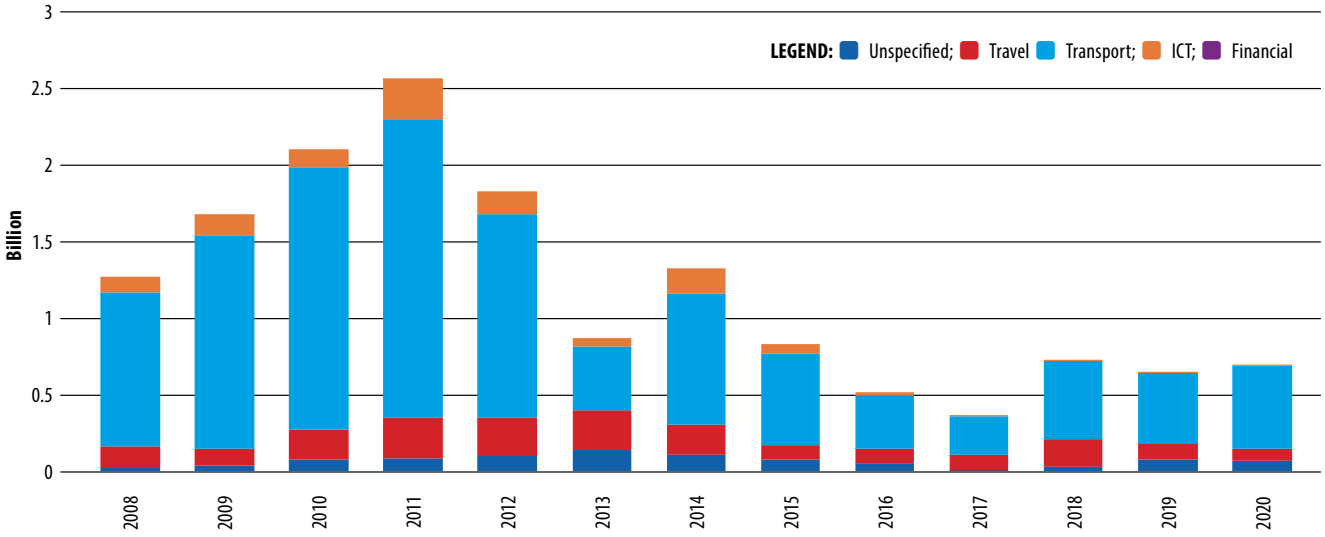
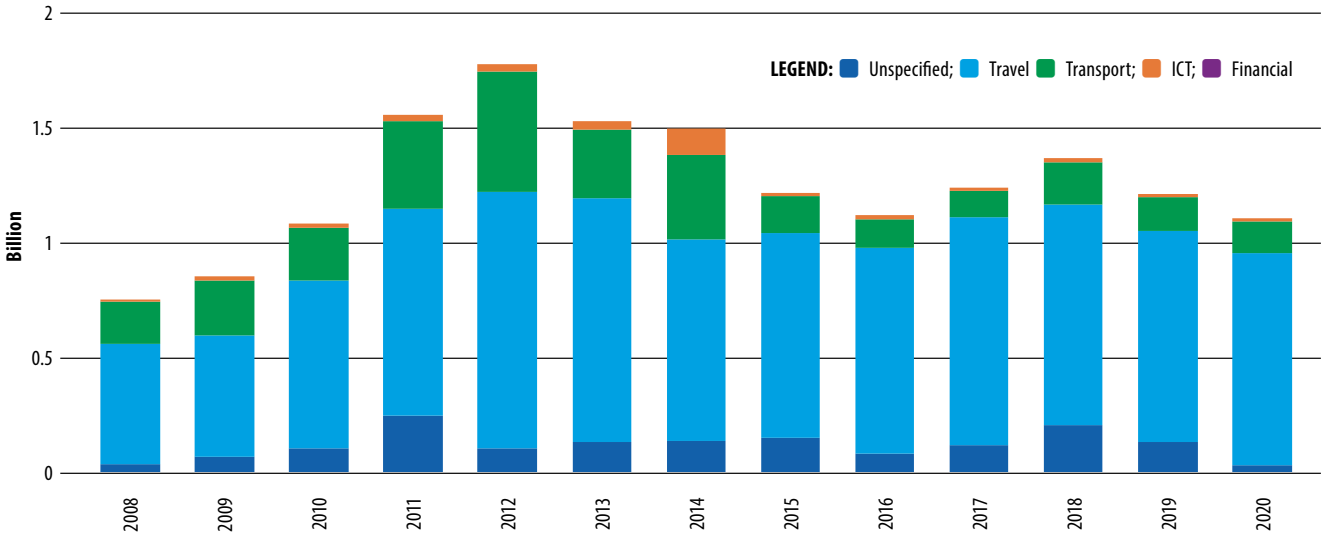


Figure 21: Afghanistan services imports by product, 2002–2020
[*Source: Harvard University Growth Lab Atlas of Economic Complexity*]





2.3 Private Sector Coordination and Advocacy Landscape

Private Sector Coordination and Advocacy Landscape Before August 2021

International aid and governmental support stimulated private sector growth in Afghanistan during most of the 2000s and 2010s. Advocacy organizations—including chambers, associations and unions—emerged to foster private sector development. Initiatives following the 2014 presidential elections further bolstered confidence and supported marginalized business groups. The following government bodies supported the private sector before 2021:

- **High Economic Council (HEC):** Established in 2012, the HEC guided Afghanistan's economic governance by evaluating economic challenges and approving large-scale business proposals. It aimed to increase revenue, resolve bureaucratic issues and facilitate private investment. The council included key government figures and private sector representatives, who proposed and deliberated on policies and strategies.

- **Economic Committee of Council of Ministers:** Chaired by the Chief Executive Officer, this committee oversaw action plans under the National Priority Programme for Private Sector Development (NPP PSD).[8] It focused on agriculture, trade, investment, banking and regulatory reforms. The committee emphasized private sector participation, with organizations like the Afghanistan Chamber of Commerce and Investment (ACCI) and the Afghanistan Women's Chamber of Commerce and Industry (AWCCI) playing significant roles.

- **Executive Committee on Private Sector Development (PriSEC):** In 2017, PriSEC served as a dialogue platform among the government, private sector and international community to implement private sector reforms. PriSEC's work aligned with global initiatives like the World Bank's Doing Business Indicators and the Afghanistan National Trade Policy. Five working groups addressed private sector development issues including:

  - Improving access to finance, insurance, property registration and dispute resolution.
  - Strengthening agri-business value chains, export development and Afghanistan's product market share.
  - Enhancing the investment climate through streamlined public processes and infrastructure improvements.
  - Trade and transit facilitation, industrial development and WTO compliance.
  - Addressing cross-cutting regulatory and procedural reforms.

[8] OECD, 2023.

Despite challenges like economic slowdowns and COVID-19, Business Membership Organizations (BMOs) played a crucial advocacy role. Platforms like HEC, the Economic Committee and PriSEC facilitated policy discussions. BMOs were included in national policies like the Afghanistan National Trade Policy (2017–2022) and National Export Strategy (2018–2023). BMOs also attended sessions of the Committee for Tariff Policy of the Ministry of Finance (MoF) and inter-ministerial committees on Afghanistan's post-accession strategy held in relation to the World Trade Organization (WTO) Trade Facilitation Agreement (2017).

Specialized chambers for women-led businesses and agriculture/livestock enterprises were established, while other unions actively pursued reforms and advocacy. BMOs were also mobilized in bilateral private sector engagements through joint chambers such as Pakistan-Afghanistan and German-Afghan Chambers of Commerce and Industry.

Current Private Sector Coordination and Advocacy Landscape

Following the takeover of power in August 2021, Afghanistan's de facto authorities (DFA) established a committee at the de facto Ministry of Finance to address business and economic challenges. This committee evolved into the Economic Commission, led by the de facto Office of the First Deputy Prime Minister for Economy, which oversees revenue collection, agriculture, infrastructure and private sector projects. The commission collaborates with ministries like the de facto Ministry of Commerce, Ministry of Mining and others to address economic governance, though engagement with the private sector has declined compared to prior years.

Despite reduced influence in policymaking after 2021, BMOs continue to engage in dialogue with the following de facto entities:

- **Association of Afghanistan Freight Forwarding Companies:** Established in 2003 to support freight forwarding companies through dispute resolution, communication and coordination with stakeholders.
- **Afghanistan Banks Association:** Formed in 2004 to represent all commercial banks in Afghanistan. It aims to enhance public awareness, unify banking procedures and advocate for policy improvements.
- **Afghanistan Builders Association:** Afghanistan's largest construction association with over 1,700 members. It offers certifications, legal consultations, capacity-building training and dispute resolution services.
- **Afghanistan Chamber of Agriculture and Livestock Products (ACALP):** Founded in 2019, ACALP promotes investment in agriculture and livestock, with 4,500 members across 12 provinces.
- **Afghanistan Chamber of Commerce and Investment (ACCI):** Established as a voluntary association in 1931, ACCI acquired its chamber status in 2009. It represents 24,000 businesses and 255 unions, and offers services like advocacy, legal assistance and export promotion.
- **Afghanistan Chamber of Craftsmen and Shopkeepers (ACCS):** Established in 2017, ACCS advocates for shopkeepers and craftsmen, representing over 113,000 members in 19 provinces.
- **Afghanistan Chamber of Industries and Mines:** Founded in 2011, the chamber represents Afghanistan's industrial and mining sectors, and supports investment and entrepreneurship.
- **Afghanistan Microfinance Association:** Created in 2005 to support financial inclusion, the association advocates for microfinance institutions, and offers knowledge-sharing and capacity-building programmes.
- **Afghanistan Transport Association:** Established in 2018, the association advocates for transport companies, and facilitates government coordination and dispute resolution.
- **Afghanistan Women's Chamber of Commerce and Industry:** Founded in 2014 and renamed in 2017, the chamber supports women-led businesses through advocacy and training, with branches in major provinces.
- **International Chamber of Commerce (ICC) in Afghanistan:** Established in 2016, ICC-Afghanistan promotes free market values, facilitates international trade, and supports investment and dispute resolution.
- **Kabul Rugs and Carpets Association:** Established in 1967, the association links Afghan rug producers to international markets, focusing on improving quality and removing trade barriers.

- **Private-Sector Advocacy Forum:** Launched in 2024 by HARAKAT[9] in partnership with the International Finance Corporation (IFC), the forum brings together key business representative organizations. It focuses on fostering collaboration among private sector entities to promote policy recommendations and engage in dialogue with the DFA and the international community. The forum is expected to strengthen coordination and promote a more cooperative business environment by uniting businesses across sectors and regions.

Reflections from a consultation with private sector representative bodies in October–December 2022 highlighted limited coordination with the private sector:

- Coordination between the private sector, the DFA and international development agencies (IDAs) remains inadequate and unfocused. Communication gaps have hindered advocacy efforts, and tangible support from IDAs has been minimal. Businesses report that most interactions with IDAs are sporadic and limited to businesses in the capital.
- The lack of clear and effective coordination undermines the sector's ability to address critical issues comprehensively. While some BMOs—such as the Afghanistan Chamber of Industries and Mines (ACIM) and the Afghanistan Builders Association (ABA)—have managed to establish strong relations with DFA offices, the inconsistency in interactions further exacerbates the private sector's inability to present a cohesive front in advancing its priorities. Furthermore, women-led businesses are particularly marginalized within the current advocacy landscape. Mobility restrictions and limited access to public services have left many women entrepreneurs sidelined.
- Although the private sector has organized numerous events, exhibitions and gatherings since August 2021, these efforts lack structure and follow-up mechanisms. While these engagements foster dialogue on common issues, they fail to create sustainable platforms for tracking progress and ensuring accountability. Establishing a sustainable dialogue framework with clear monitoring processes was considered to be essential to bridging these gaps and enhancing the impact of advocacy efforts.[10]

2.4 Key Challenges for Private Sector Development

This section examines the key challenges constraining private sector development in Afghanistan, drawing insights from three main sources. First, site visits and consultations, including structured and semi-structured interviews, as well as online meetings with key experts and stakeholders, provided firsthand perspectives. Second, a comprehensive review of recent analytical and policy documents offered insights into the broader economic landscape. Finally, data analysis and international benchmarking helped assess institutional, infrastructure and performance-related barriers to private sector growth. This also included the analysis of surveys conducted by UNDP and other multilateral parties, such as the World Bank. Together, these sources provide a well-rounded understanding of the obstacles that businesses in Afghanistan face.

Field Visits and Findings from the Literature Review

Access to Finance and Financial Constraints

Afghanistan's financial sector remains underdeveloped, with national banks struggling to meet the needs of businesses and consumers. A lack of capital, inefficiencies in banking operations and minimal financial inclusion have limited the financial sector's ability to support economic growth. Many banks are unable to offer competitive financial products, leaving businesses—especially small- and medium-sized enterprises (SMEs)—without adequate financial services for expansion and investment. The study has identified three major issues with regard to finance:

- **Sanctions and the banking sector:** International sanctions on individuals and the public's general distrust of the banks have compounded Afghanistan's financial challenges, contributing to the shortfall of appetite for correspondent banking

[9] HARAKAT is an Afghan organization dedicated to private sector development through advocacy, capacity building and policy reform. Since its launch in 2009, it has implemented initiatives with international partners to support SMEs, promote women's economic inclusion, and enhance trade and investment facilitation. Key achievements include launching Afghanistan's first national trade policy, establishing platforms for public-private dialogue, supporting legal and regulatory reforms, and empowering women entrepreneurs through grants and training.

[10] HARAKAT, & International Finance Corporation (IFC), 2024.

operations.[11] This has caused many domestic banks and investors to shift their assets abroad, particularly to financial hubs like Dubai.[12] This capital flight has undermined the domestic banking sector, reducing liquidity and investment within Afghanistan. As a result, banks are hesitant to provide long-term loans, and foreign investors remain wary of engaging with Afghan financial institutions, further isolating the country from the global financial system.

- **Frozen assets and restricted transactions:** The freezing of Afghanistan's foreign assets and its exclusion from the international banking system, particularly the SWIFT system, have severely restricted the country's ability to conduct international transactions. These limitations have disrupted trade, delayed payments for imports and hindered investment inflows, creating uncertainty for businesses.[13] Without access to international banking channels, financial operations remain constrained, reducing trust in the formal banking system and driving reliance on informal networks.

- **Inadequate credit access:** The lack of formal credit access has left Afghan MSMEs heavily dependent on informal financing mechanisms, such as Hawala networks, which operate outside regulatory oversight.[14] While these systems provide quick and flexible transactions, they lack the long-term financial stability and protections needed to support sustained business growth. Without structured credit facilities, businesses struggle to expand, invest in new technologies or improve operational efficiency, limiting their competitiveness in both domestic and international markets.

These financial constraints collectively hinder private sector development by restricting business expansion, limiting foreign investment and forcing enterprises to rely on inefficient and informal financial structures. Addressing these challenges will require targeted interventions, including strengthening financial institutions, improving access to credit and finding alternative mechanisms to reconnect Afghanistan's banking sector with global financial markets.

Trust and Investment Climate

The Afghan business environment continues to suffer from a lack of investor confidence, driven by governance concerns and an uncertain regulatory framework. Investors, both domestic and foreign, are hesitant to commit to long-term projects due to the unpredictability of economic policies and the absence of robust legal protections. Additionally, concerns over financial privacy and business security discourage private sector engagement, limiting foreign direct investment inflows and reducing economic diversification. As such two major challenges stand out:

- Regulatory uncertainties and corruption concerns: Despite recent improvements, such as increased customs revenue, Afghanistan's corruption issues persisted, reflected by the deterioration in global rankings since 2022.[15] The perceived level of corruption discourages both local entrepreneurs and foreign investors, who are wary of potential high operational risks and an uneven playing field. Without stronger anti-corruption measures and enforcement mechanisms, these issues will continue to deter long-term economic engagement.

- Lack of long-term vision for business capacity building: Afghanistan lacks a clear and cohesive long-term strategy to support sustainable business growth and capacity building. While some initiatives of the de facto authorities focus on infrastructure development, little attention is given to strengthening institutional frameworks, improving workforce skills and fostering entrepreneurship. The absence of targeted policies for MSME development, industrial innovation and knowledge transfer limits the private sector's ability to scale up and integrate into global value chains. Without a structured approach to business development, the country risks missing opportunities for sustainable economic transformation, including lifting the restrictions on women which is critical to future economic development.

- Addressing these challenges will require a multifaceted approach, including stronger governance reforms related to private sector development, more transparent regulations, and investor-friendly policies that promote long-term stability and economic resilience.

[11] Although there are no legal impediments to carrying out correspondent banking operations in Afghanistan, they remain limited due to reputational and financial risk management concerns.

[12] Tavakoli, A., 2023.

[13] Norwegian Refugee Council, 2023.

[14] *Ibid.*

[15] Transparency International, 2025.

Infrastructure Deficits

Afghanistan's inadequate infrastructure remains one of the most significant barriers to private sector growth, affecting key sectors such as agriculture, manufacturing and logistics. Poor road networks, unreliable electricity supply and limited digital connectivity create high operational costs for businesses and reduce their competitiveness. Industrial zones, agricultural supply chains and export-oriented industries are particularly impacted by insufficient infrastructure, as they struggle with logistical inefficiencies and production delays. Without substantial improvements in physical and digital infrastructure, private sector expansion will remain constrained.

Afghanistan's access to regional and global markets is hindered by inadequate transport and transit infrastructure. Key trade routes—such as the Chabahar Port in Iran and the Herat-Turkmenistan railway—operate below capacity, limiting their potential to facilitate exports and imports. Additionally, poor road conditions and underdeveloped logistics hubs further restrict the movement of goods, raising transportation costs and reducing the country's trade competitiveness. Border crossing inefficiencies, frequent closures and a lack of integrated customs procedures exacerbate the situation, making it difficult for Afghan businesses to establish stable trade relationships. Addressing these infrastructure deficits will require targeted investments in transportation networks, energy supply and distribution, as well as digital connectivity. Enhancing trade corridors and integrating Afghanistan more effectively into regional supply chains could significantly boost economic activity and attract greater private sector investment.

Energy Limitations

Afghanistan's energy limitations remain a critical barrier to economic development and industrial expansion. The absence of a unified national grid, high electricity costs and underutilized renewable energy potential leave businesses and households with unreliable and expensive power options, further increasing operational costs. To overcome these challenges, Afghanistan must prioritize investments in energy infrastructure, expand grid connectivity and leverage renewable energy sources to create a more affordable, reliable and sustainable energy supply for businesses and households.

- **No unified national grid:** Afghanistan lacks a national energy grid, leaving many provinces disconnected from reliable electricity sources. Currently, seven-to-eight provinces remain off-grid, forcing communities and businesses to rely on expensive, localized energy solutions such as diesel generators and small-scale solar installations. The absence of a unified grid significantly hampers industrial growth, as businesses in off-grid areas face high energy costs and inconsistent power supply, limiting productivity and investment opportunities. Establishing an integrated national grid would be a crucial step towards improving energy access and fostering economic development.

- **Cost of electricity:** Electricity remains costly for both businesses and households, with rates at AFN 7 ($0.096) per kWh for industrial use and AFN 15 ($0.20) per kWh in residential areas. These high costs place a financial burden on companies, particularly manufacturing and processing industries that require stable and affordable energy. In comparison to regional competitors,[16] Afghan businesses face significantly higher operational costs due to the high cost of electricity, making it more challenging for local industries to compete in both domestic and international markets.

- **Lack of infrastructure and renewable energy potential:** Afghanistan has significant wind energy potential in the Herat-Farah corridor, but infrastructure deficiencies and environmental challenges limit its development. The region could serve as a key renewable energy hub, yet a lack of transmission lines and grid connectivity prevents large-scale projects from being implemented. Additionally, sandstorms and desert conditions present technical challenges for wind turbine operations, necessitating advanced engineering solutions and substantial investment. Addressing these infrastructure gaps and developing renewable energy projects could help diversify Afghanistan's energy mix and reduce reliance on expensive electricity imports.

Operational Challenges

Afghanistan's private sector faces significant operational challenges that limit business expansion and competitiveness, particularly in high-cost industries, energy access, logistics and value chain efficiency. Elevated production and

[16] Afghanistan imports energy from four of its neighbours, Iran, Tajikistan, Turkmenistan and Uzbekistan. According to the International Energy Agency (2021), retail electricity prices in neighbouring Central Asian countries range from less than USD 0.01 per kWh (Turkmenistan) to about USD 0.05 per kWh (Uzbekistan).

transportation costs, unreliable electricity supply, logistical barriers to trade and fragmented supply chains increase business risks and reduce export competitiveness, making it difficult for industries such as mining, agriculture and manufacturing to scale and integrate into global markets. The study identified four major barriers in this area:

- **High costs in key sectors:** The cost of doing business in Afghanistan remains high, particularly in critical sectors such as mining and agriculture. Elevated production, labour and transportation costs reduce the competitiveness of Afghan exports in international markets. Despite the country's rich resource potential, mining operations are burdened by inefficient extraction methods, security concerns and high operational expenses. Similarly, agriculture faces challenges due to outdated farming techniques, lack of mechanization and expensive post-harvest handling, making it difficult to scale production and meet international quality standards.

- **Energy limitations:** Afghanistan's energy sector struggles with high costs and inconsistent supply, hindering industrial expansion and discouraging large-scale investments. The country relies heavily on imported electricity from neighbouring nations. However, this covers only 40 percent of demand, leading to frequent power shortages. While solar and hydro energy solutions hold potential, the absence of large-scale infrastructure projects and limited private sector participation restricts energy access. Due to these limitations, industrial parks and manufacturing zones—which require stable and affordable power—face significant operational difficulties.

- **Logistics and trade barriers:** Small- and medium-sized enterprises (SMEs) encounter substantial logistical challenges when accessing international markets. Participation in global trade fairs and exhibitions is hindered by high costs, with space allocation fees alone ranging from $15,000 to $20,000, excluding transport and other operational expenses. Limited access to affordable logistics services further inhibits Afghan businesses' ability to establish and maintain export relationships. Poor border infrastructure and complex customs procedures exacerbate these issues, making cross-border trade slow and inefficient.

- **Value chain disruptions:** Disruptions in value chains across agriculture, manufacturing and other key industries hinder productivity and economic growth. Underdeveloped integration between producers, processors and exporters results in inefficiencies, quality loss and missed market opportunities. In agriculture, inadequate storage, processing and packaging infrastructure result in significant post-harvest losses, while in manufacturing, fragmented supply chains limit the scalability of local industries. Without strategic supply chain investments, Afghanistan's private sector will struggle to fully capitalize on its economic potential.

Regulatory and Institutional Dependence

Afghanistan's regulatory and institutional challenges create significant obstacles to private sector growth, with insufficient legal frameworks, high tax burdens and heavy reliance on international assistance limiting business confidence, investment and long-term sustainability. The findings of the study are outlined below:

- **Underdeveloped regulatory framework:** A lack of well-defined regulations and enforcement mechanisms creates uncertainty for businesses and investors, limiting economic development. The absence of a fully operational public-private partnership (PPP) framework is a key example, as it prevents effective collaboration between the de facto authorities and private sector in infrastructure and service delivery projects. Inconsistent enforcement of business regulations and bureaucratic inefficiencies make it difficult for investors to navigate the Afghan market. Strengthening legal frameworks, improving transparency and ensuring regulatory consistency will be crucial in creating a more investor-friendly business environment.

- **High tax burden:** Although recent improvements have been made in tax collection efficiency,[17] the overall tax regime remains a significant burden on businesses. High tax rates and complex compliance requirements create financial strain for private enterprises, particularly small- and medium-sized businesses. While the de facto authorities have expressed support for the private sector, the lack of targeted tax incentives and the absence of a

[17] Afghanistan's recent tax reforms, including the adoption of electronic filing systems and reduction of tax rates for small businesses in 2024, have improved compliance and boosted domestic revenue collection (UNDP, 2025a; World Bank Group, 2021b & IMF, 2018).

structured tax relief system for struggling businesses continue to discourage investment and formal business registration. Simplifying tax procedures and ensuring a more predictable tax environment could help foster private sector growth.

- **Grant dependency:** Afghanistan's private sector relies heavily on grants and international assistance, undermining its long-term sustainability and independence. Many businesses—particularly in the agriculture, manufacturing and infrastructure sectors—rely on donor-supported projects rather than market-driven investments. While these grants provide short-term financial support, they often fail to create self-sustaining business models. The lack of a structured approach to transitioning from over-reliance on international assistance to private investment makes it difficult for businesses to develop long-term strategies for growth and competitiveness.

Barriers to International Trade

Afghanistan's export and trade challenges stem from limited international market access, inefficient trade agreements and reliance on costly informal payment systems. These factors hinder the country's ability to compete in global markets and attract foreign investment.

- **Limited international market access and disrupted trade routes:** Export-oriented businesses in Afghanistan face significant barriers in accessing international markets due to geopolitical instability, unreliable border crossings and limited trade infrastructure. Key trade routes—such as those through Central Asia, Iran and Pakistan—frequently experience disruptions, leading to delays, increased costs and product spoilage, particularly with respect to perishable goods like fresh fruits and vegetables. The lack of diversified trade corridors and alternative logistics solutions restricts Afghanistan's ability to integrate into global markets and reduces export competitiveness.

- **Trade agreements and transit issues:** Existing trade agreements, such as the Afghanistan-Pakistan Transit Trade Agreement (APTTA), require urgent renegotiation to address longstanding barriers in transit and customs procedures. Frequent border closures and bureaucratic inefficiencies at key checkpoints, such as the Torkham and Spin Boldak crossings, create uncertainties for exporters and traders. Additionally, limited access to ports like Karachi and Chabahar restricts Afghanistan's ability to export efficiently to South Asian and global markets. A revised trade framework that ensures predictable, transparent and efficient transit routes is crucial for supporting Afghan exporters.

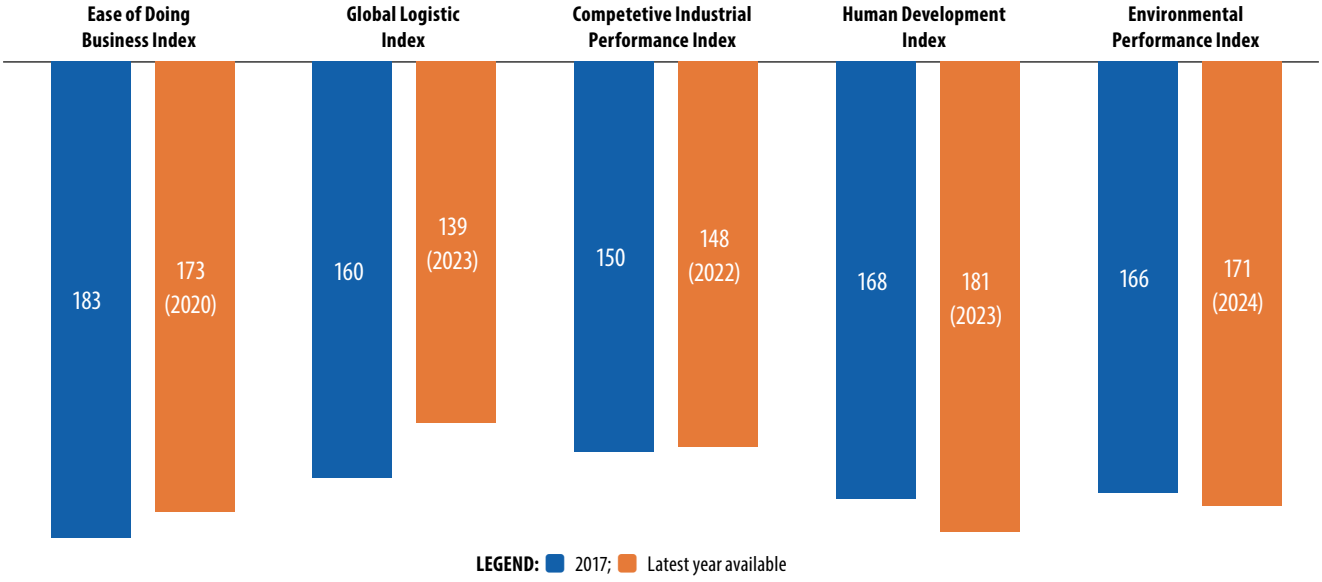
- **Costly informal payment systems:** Due to the absence of functional correspondent banking and the exclusion of Afghan banks from the SWIFT system, exporters are forced to rely on Hawala networks for cross-border transactions. While Hawala provides a fast and flexible alternative, it comes with higher transaction costs, limited financial protections and a lack of transparency, making trade more expensive and riskier. This reliance on informal financial systems also restricts Afghanistan's ability to build a formal trade finance ecosystem, discouraging foreign investors and limiting export growth.

Challenges Outlined in Key Global Indices

Afghanistan's performance across key global indices reflects ongoing challenges. The country did see some modest improvement in the Ease of Doing Business Index before 2021: the index improved from 183rd in 2017 to 173rd in 2020, among 190 countries. No data is available, however, for the period after 2020. Rankings in other indices, such as the Human Development Index (181st among 193 countries in 2023) and the Environmental Performance Index (171st among 180 countries in 2024), underscore persistent developmental hurdles. Similarly, Afghanistan's position in the Competitive Industrial Performance Index, ranked 148th among 153 countries in 2022, reflects limited industrial capacity. Afghanistan's Global Logistics Index ranking shifted from 160th to 139th, primarily due to changes in the number of countries included, with Afghanistan remaining the lowest-ranked country. These rankings indicate that substantial efforts are required to address structural challenges and unlock the country's economic potential.

The 2023 Global Logistics Index highlights variations among sub-indices relative to Afghanistan's overall rank of 139. Customs ranks highest at 120, indicating improved border efficiency and trade facilitation (Table 10). Infrastructure and international shipments rank at 138, aligning with the overall rank and reflecting moderate transport and trade logistics advancements. Timeliness shows a slight improvement with a rank of 133, emphasizing delivery reliability, while logistics competence (135), and tracking and tracing (135) suggest ongoing capacity and supply chain visibility challenges. While Afghanistan has made noteworthy progress in sub-indices, further reforms are needed to enhance efficiency, modernize trade processes and improve international connectivity. Strengthening public-private partnerships, investing in

Figure 22: Afghanistan's position in key global indices [*Sources: World Bank, Doing Business Index; World Bank, Trade Logistics Index; Yale Center for Environmental Law and Policy Environmental Performance Index; United Nations Industrial Development Organization (UNIDO) Competitive Industrial Performance Index.*]



digital logistics solutions and expanding regional trade linkages will be key to unlocking Afghanistan's full trade potential.

Table 10: Global Logistic Index sub-indices [*Source: World Bank Trade Logistics Index*]

Sub-indicators	2023
Total	139
Customs	120
Infrastructure	138
International Shipments	138
Logistics Competence	135
Tracking & Tracing	139
Timeliness	133

Afghanistan's industrial competitiveness has continued to decline in recent years, as reflected in worsening rankings across key sub-indicators of the Competitive Industrial Performance Index. The country faces systemic barriers to growth, including low productivity, a low contribution of manufacturing to GDP and minimal technological adoption in industrial processes (Table 11). These challenges highlight the structural insufficiencies of Afghanistan's industrial sector, which struggles to integrate into global value chains and remains heavily dependent on traditional, low-tech production methods.

Key Challenges based on the Competitive Industrial Performance Index:

- **Manufacturing value-added per capita:** From 2017 to 2023, Afghanistan's ranking dropped from 129th to 152nd, indicating persistently low productivity in the manufacturing sector. The lack of modern production techniques, limited investment in industrial capacity, and inadequate access to capital and energy infrastructure continue to constrain manufacturing efficiency and output.

- **Share of manufacturing in GDP:** The country's ranking fell from 93rd to 125th, reflecting a shrinking contribution of manufacturing to overall economic growth. Afghanistan's industrial base remains narrow and underdeveloped, with limited value added to key industries such as textiles, food processing and construction materials. This decline signals a need for targeted industrial policies and investment incentives to stimulate growth.

- **High-tech manufacturing activities:** The ranking declined to 148th, demonstrating the absence of technological integration in Afghan industries. Limited access to advanced machinery, automation, and research and development (R&D) prevents local manufacturers from transitioning to high-value production. Afghanistan will struggle to compete in global and regional markets without strategic investments in technology and innovation.

- **Manufacturing export quality:** In 2023, rankings for manufacturing export per capita and industrial export quality fell to 151st and 152nd, respectively, underlining Afghanistan's weak position in global trade. The country is yet to produce competitive, high-quality manufactured goods, with most exports being low-value, unprocessed raw materials, or traditional products such as carpets and dried fruits. Improving export quality, branding and market diversification will be essential for strengthening industrial competitiveness.

Afghanistan's declining industrial performance highlights urgent policy gaps in infrastructure, technology and skills development. To reverse this trend and build a more competitive and resilient industrial sector, greater investment in manufacturing innovation, stronger regulatory frameworks and improved access to industrial financing is necessary.

Insights from Other Surveys

The Private Sector Rapid Survey carried out by the World Bank provides a regular business environment assessment. According to the latest data (Round 3, published in February 2024), the business environment in Afghanistan continues to be constrained by low consumer demand, banking system instability and uncertainty about the future (Figure 23). According to the top constraints faced by businesses, 47 percent of respondents cited low demand as the most significant issue, reflecting the broader economic challenges and reduced purchasing power of consumers. Banking system issues (27 percent) and uncertainty about the future (20 percent) were also major concerns, indicating a lack of financial stability and predictability in the market. Additional constraints—including public service deficiencies, brain drain and restrictions on women's economic activities—further highlight the structural barriers facing businesses.

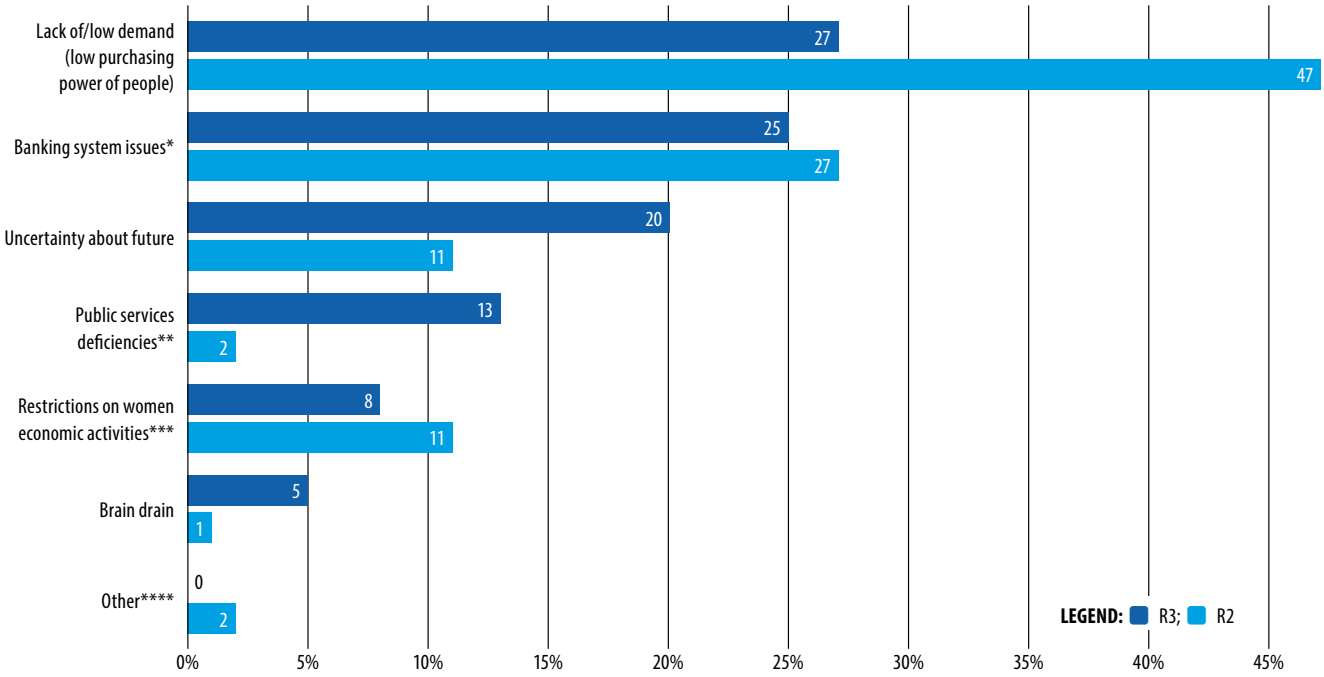
Figures on consumer demand for goods and services show a notable decline in demand, with a higher percentage of businesses (79 percent) reporting decreased demand in April 2023 compared to previous rounds.[18] When analysed by firm size, SMEs appear to be the most affected, with 80 percent of small businesses reporting decreased demand. Larger firms also faced demand reductions, though to a slightly lesser extent. These trends underscore the widespread economic slowdown affecting Afghan businesses, emphasizing the urgent need for policies that restore consumer confidence, stabilize the financial system and improve market conditions.

Table 11: Competitive Industrial Performance Index sub-indices [*Source: United Nations Industrial Development Organization (UNIDO) Competitive Industrial Performance Index*]

Sub-indicators	2017	2023
Total	**138**	**↓ 148**
Manufacturing Value Added per Capita Index	129	↓ 152
Share of Manufacturing Value Added in GDP Index	93	↓ 125
Share of Medium and High-Tech Activities in Total Manufacturing Value Added Index	109	↓ 119
Industrialization Intensity Index	111	↓ 132
Share of World Manufacturing Value Added Index	96	↓ 127
Manufacturing Export per Capita Index	142	↓ 151
Share of Manufacturing Exports in Total Exports Index	135	↓ 151
Share of Medium and High-Tech Activities in Total Manufacturing Export Index	144	↓ 148
Index Industrial Export Quality Index	142	↓ 152
Share in World Manufacturing Export Index	136	144

[18] OECD, 2023.

Figure 23: Top constraints faced by businesses (% respondents listing top three constraints) – R2 and R3
[*Source: World Bank, The Private Sector Rapid Survey – Round 3*]



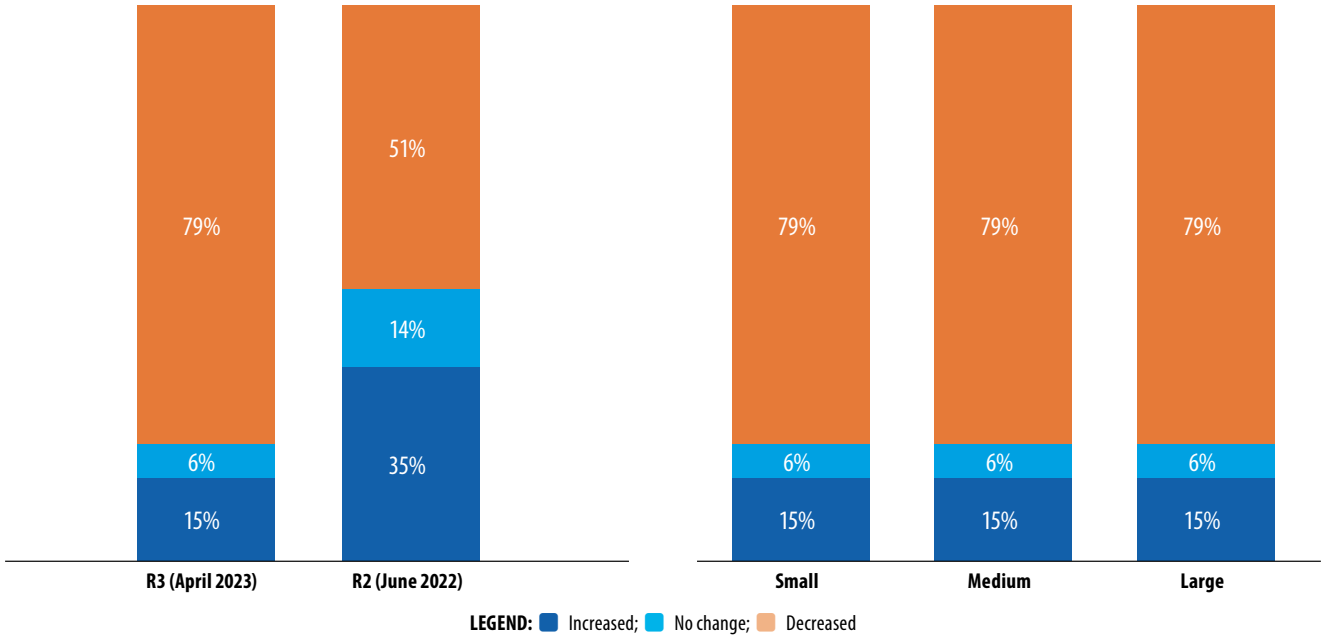
* "Banking system issues" includes: (i) limited functionality of the banking system; (ii) lack of liquidity/cash; (iii) constraints in access to bank loans or additional funding; (iv) limited functionality of the Hawala system; and (v) lack of funds/grants (e.g., from international community).

** "Public services deficiencies" include: (i) electricity blackouts; (ii) higher unofficial payments; (iii) too many taxes on businesses; (iv) low capacity of authorities; (v) restrictions on business license renewal; (vi) lack of enforcement of existing regulations; (vii) lack of caretaker institutions to tackle irregularities; and (viii) lack of policies to support and promote investments.

*** "Restrictions on women's economic activities" include: (i) restrictions on economic activities of women; (ii) restrictions on women's employment; and (iii) restrictions on women's movements and appearances in public.

**** "Other" includes: (i) limited internet access, (ii) lack of information technology (IT) capacity, skills, or technology within the business; and (iii) high prices charged by online platforms, marketplaces, or sellers.

Figure 24: Consumer demand for goods and services by total and firm size (% of respondents)
[*Source: World Bank, The Private Sector Rapid Survey – Round 3*]



3. Opportunities

This section of the report provides a comprehensive analysis of potential growth areas for Afghanistan's economy, focusing on various key sectors and strategic initiatives. This analysis evaluates Afghanistan's export performance over a given period, such as the five years between 2017–2023, by examining its exports across all products and countries. It calculates the maximum share of imports from Afghanistan in each partner country during this period. Further to this, it estimates the country's potential export value, had it reached its peak share in those countries' imports. For the sectors where trade analysis is not applicable, the study draws upon various reports and research to identify opportunities, relying on sector-specific data and insights to understand potential areas of development. This section examines sectoral opportunities across agriculture, manufacturing, extractive industries, construction, energy, banking, health, ICT and tourism. In addition to sectoral analyses, it explores opportunities within Afghanistan's logistics sector, the representation and engagement of the private sector, the potential for special economic zones and the role of transformative infrastructure projects in driving development.

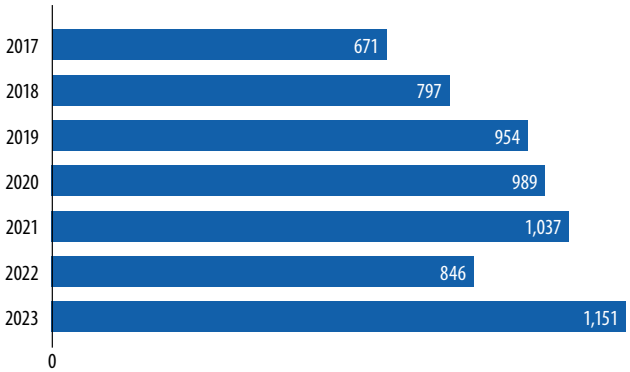
3.1 Sectoral Opportunities

Agriculture

Afghanistan's total agricultural exports amounted to $1.15 billion in 2023. The value of agricultural product exports has increased from $671 million to over $1 billion between 2017 and 2023, and its share of total exports has grown from 53 percent in 2017 to 69 percent in 2023.

Afghanistan's agricultural production is predominantly driven by smallholder farmers who rely on traditional farming methods. These farmers frequently lack access to modern equipment and infrastructure, constraining productivity and efficiency. Most agricultural products are sold at local bazaars and wholesale markets, which serve as the main distribution hubs. Additionally, informal trade prevails in the sector, with limited integration into formal supply chains or processing facilities. Despite these factors, Afghanistan produces several high-value agricultural products such as saffron, dried fruits and nuts. These products are particularly well-suited for export due to their low weight, long shelf life, and high demand in international markets like India and China. Among these, saffron from Herat stands out as a competitive export, benefiting from the region's relatively better infrastructure.

Figure 25: Afghanistan's exports of agricultural products, 2017–2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*] *Note: These values do not include processed foods and beverages. They are analysed under the Manufacturing section that follows.*



The recent ban on poppy cultivation, implemented by the de facto authorities in April 2022, has had a significant impact on the agricultural sector. Historically, poppy cultivation was a major contributor to Afghanistan's rural economy, with poppy cultivation-derived products forming a significant share of the country's agricultural exports and farm incomes, accounting for 29 percent of Afghanistan's total agricultural sector value in 2022, with some households relying on it for up to 50 percent of their total income, according to United Nations Office on Drugs and Crime (UNODC).[19] The ban led to a 95 percent decline in opium production by 2023, forcing many farmers to transition to alternative crops such as nuts, saffron and dried fruits. This shift, while reducing illicit agricultural trade, has created challenges for rural livelihoods, as many farmers depended on the high profitability of poppy cultivation.

[19] United Nations Office on Drugs and Crime (UNODC), 2023.



The shift away from poppy cultivation presents an opportunity to diversify Afghanistan's agricultural sector and transition towards sustainable, high-value crops such as saffron, medicinal herbs and orchard-based farming. However, this transition must be carefully managed to ensure long-term economic viability. Farmers face significant barriers, including a lack of market linkages, limited financial support, and inadequate business enablers such as storage and processing facilities. Compounding these challenges, Afghanistan's agricultural sector is highly vulnerable to environmental shocks. Persistent droughts, desertification and locust infestations have strained crop yields, while reduced rainfall has increased the need for irrigation, making wheat and other staple crops more costly to cultivate. Additionally, the continuous drop in underground water table levels has necessitated deeper wells, driving up the cost of water extraction and infrastructure. These factors create an increasingly precarious environment for farmers attempting to shift to legal agricultural activities. Without targeted interventions, many rural households may struggle to sustain their livelihoods, increasing food insecurity and exacerbating rural poverty.

Given these challenges, a structured intervention strategy is needed to provide farmers with the necessary resources, training and financial support to transition to sustainable livelihoods. Key priorities include improving irrigation infrastructure, introducing climate-resilient agricultural techniques, and expanding access to financing through microfinance programmes and Islamic-compliant lending. Strengthening market linkages by developing cold storage facilities, investing in transport networks and fostering regional trade partnerships will be critical in ensuring the profitability of alternative crops. Additionally, vocational training and employment programmes can support displaced agricultural workers by linking them to major infrastructure projects such as the Qosh Tepa Canal, TAPI Pipeline and CASA-1000 energy initiative. Women's participation in agriculture, which accounts for 65 percent of the sector's labour force, should also be reinforced through targeted programmes that enable their economic inclusion despite existing restrictions.[20]

[20] Stakeholder interviews.

United Nations Office on Drugs and Crime (UNODC) estimates that funding requirements for alternative livelihood interventions targeting 190,700 households could amount to $481.6 million over five years.[21] However, several obstacles remain, including the persistent economic appeal of poppy cultivation, underdeveloped agricultural value chains and continued international sanctions limiting Afghanistan's access to development funding. Additionally, shifting global priorities, particularly with increased attention on Middle Eastern reconstruction efforts, risk diverting donor assistance away from Afghanistan. To ensure the sustainability of the poppy ban, a comprehensive and well-funded intervention plan is essential. By addressing these structural challenges, Afghanistan can work towards a more diversified and resilient agricultural sector, reducing dependency on illicit crops while fostering long-term economic growth and rural development.

Afghanistan's agricultural sector also presents opportunities for economic growth through high-value crops like pine nuts, saffron and oil seed crops. Pine nuts are in high demand, particularly in China, where this product represents more than $7.7 million in export value in 2024, the highest result of any export item from Afghanistan to China.[22] However, the sector faces challenges due to unsustainable harvesting practices, inadequate processing infrastructure and a reliance on informal exports to Pakistan.[23] Strengthening processing, branding and export logistics could improve profitability and sustainability. Mainly cultivated in Herat, saffron requires minimal water, resists pests and generates seasonal employment, particularly for women. Afghanistan has the potential to reach 50–70 metric tonnes with improved cultivation, certification and market access.[24] The National Saffron Development Program (NSDP) aims to expand production, enhance processing and boost exports in global markets.

Oil seed crops—including safflower, sunflower, sesame and cotton—offer diversification, food security and import substitution, particularly in northern Afghanistan. Once nearly self-sufficient in edible oil production, Afghanistan's imports underscore the need for investment in irrigation, processing and mechanized extraction. Expanding drought-resistant varieties and structured supply chains could reduce import dependence while supporting rural livelihoods. Additionally, Afghanistan has the potential to develop a high-value essential oil industry, particularly through Damask roses which are cultivated for rose oil, a prized ingredient in perfumery, cosmetics and pharmaceuticals. Other aromatic plants—such as lavender and peppermint—could further diversify the sector, leveraging Afghanistan's climate and traditional knowledge of herbal medicine. Investments in distillation facilities, certification and branding could enable Afghanistan to tap into the growing global demand for organic and ethically sourced essential oils, positioning the country as a competitive supplier in niche markets. Targeted interventions in these sectors can strengthen Afghanistan's agricultural resilience, export potential and economic stability.

The export of Afghanistan's agricultural products faces several barriers, considering its heavy reliance on border crossings with Pakistan to access the ports of Karachi and Port Qasim. Frequent border closures cause delays and increase the risk of spoilage for perishable agricultural products. Developing alternative export routes, such as the formerly subsidized Kabul-Delhi air corridor, could mitigate these risks and facilitate the movement of high-quality exports. Moreover, productivity in agricultural production is low due to farmers' limited access to modern equipment and infrastructure. Insufficient cold storage and packaging facilities worsen the situation, causing post-harvest losses and diminished product quality. Investing in cooling storage, such as natural solutions in Salang and Parwan Province, and advanced packaging is crucial for extending product shelf-life quality. Another challenge is the country's unreliable energy infrastructure, which is essential for agricultural processing and storage. Addressing these issues is crucial for unlocking the potential of Afghanistan's agricultural sector and supporting sustainable export growth.

As the largest contributor to Afghanistan's GDP, agricultural production presents significant opportunities for private sector growth. Afghanistan's agricultural exports to the world totalled $1.15 billion in 2023. The top five export destinations were India ($662 million, 58 percent), Pakistan ($283 million, 25 percent), China ($61 million, 5 percent), the UAE ($31 million, 3 percent) and Saudi Arabia ($29 million, 2 percent). Collectively, this accounts for 93 percent of agricultural exports as well as 64 percent of total exports. In 2023, fruits and nuts were the key export products, accounting for over 50 percent of Afghanistan's total agricultural exports, and vegetables accounted for 20 percent, reflecting strong global demand and the country's comparative advantage.

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[21] *Ibid.*

[22] Stakeholder interviews and UNCTAD data.

[23] Rahmani, N., 2021.

[24] Xinhua, 2024a.

Figure 26: Afghanistan's top five export destinations in agricultural products, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]

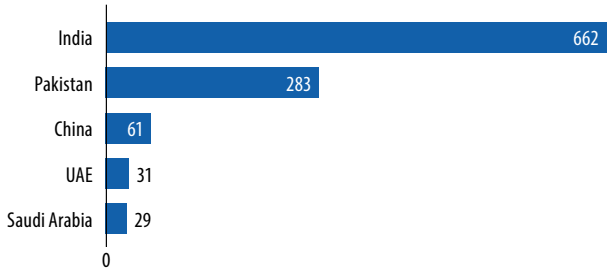


Figure 27: Afghanistan's top five export products in agricultural products, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]

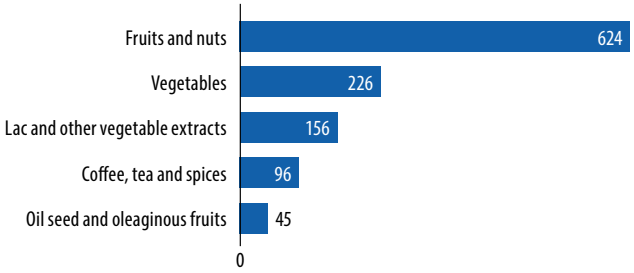
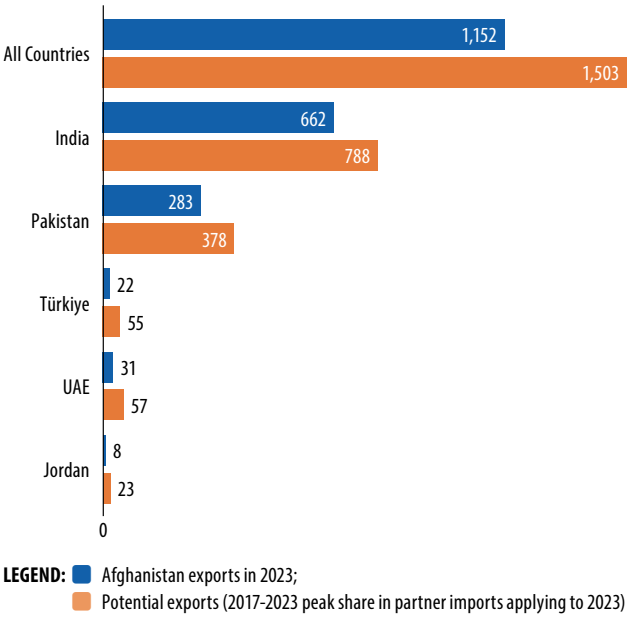


Figure 28: Potential exports and top five destinations for agricultural products exports, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]



Afghanistan's agricultural exports were valued at $1.15 billion in 2023; however, if the country had reached its highest total share of all partners' imports in 2017–2023, it could have risen to $1.5 billion. This highlights over $350 million in untapped trade opportunity that Afghanistan could unlock through improved infrastructure, market access and targeted export strategies. Here, the untapped opportunity is a gap between actual exports in 2023 and the potential exports that Afghanistan could have achieved, based on its historical peak market shares in partner countries' agricultural imports. Eighty-four percent of Afghanistan's untapped trade is with five countries: India, Pakistan, the UAE, Türkiye and Jordan. India represents the largest potential, with exports valued at $662 million in 2023 and peak potential of $788 million. Exports to Pakistan have the potential to increase from $283 million to $378 million. The other three markets—Türkiye, the UAE and Jordan—also show promise, with potential growth ranging from $61 million to $136 million. Capturing this untapped potential will require Afghanistan to improve access to these markets by strengthening trade relationships, enhancing production capacity and tackling logistical barriers.

There remains significant room for improvement in Afghanistan's agricultural sector, particularly in terms of productivity and its contribution to the broader economy. As of 2019, the sector employed approximately 4.55 million people, yet the annual value added per worker was only $1,284, substantially lower than in neighbouring Tajikistan, where it stood at $2,300. Given the similarities in climate and agricultural conditions, Afghanistan has the potential to largely increase efficiency. Reaching Tajikistan's productivity levels could generate up to $4.6 billion in additional value added, underscoring the potential benefits of increased efficiency and investment in modern agricultural practices. However, realizing this potential now depends more heavily on private sector engagement, regional cooperation and localized development efforts, given the current constraints on international aid and formal technical assistance.

A related opportunity lies in expanding value-added production by supporting Afghan micro-businesses, those with fewer than 10 employees, in processing and branding local agricultural goods. Products such as jams, juices and beverages made from apples, pomegranates, pears and grapes hold strong market potential both regionally and domestically. Achieving this requires targeted support in areas such as packaging, quality assurance and brand development to improve competitiveness. In the current context, where access to global markets and certifications may be limited, a focus on neighbouring countries and

informal trade networks offers a more practical route for market expansion. Investment in cold storage and modern packaging infrastructure remains essential for reducing post-harvest losses and maintaining product quality along these channels.

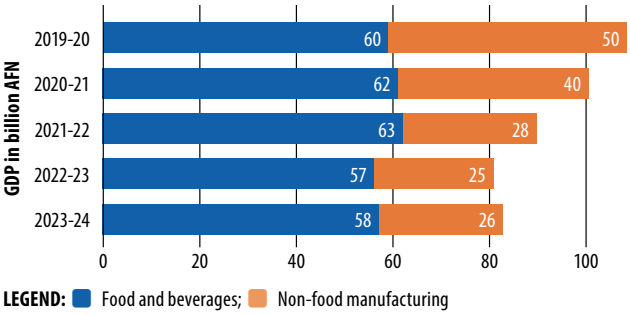
Efforts to expand Afghanistan's agricultural trade continue to centre around improving regional connectivity. While initiatives such as the Kabul-Delhi air corridor are no longer active due to the breakdown in diplomatic relations, overland routes have gained importance. Rail linkages with Uzbekistan and the Lapis Lazuli Corridor—which connects Afghanistan to Azerbaijan, Europe, Iran and Türkiye—remain critical for facilitating exports of saffron, dried fruits and other high-value goods. Enhancing the infrastructure and security of these corridors can help stabilize supply chains and connect rural producers to broader markets. In the absence of formal trade frameworks with many global partners, regional trade integration and corridor development have become essential tools for supporting Afghanistan's agricultural growth.

Manufacturing

In 2019–2020, manufacturing GDP was AFN 110 billion ($1.5 billion), with AFN 60 billion ($800 million) generated by food and beverage manufacturing. By 2023–2024, this figure decreased to AFN 84 billion ($1.2 billion), with most of the decline arising from the non-food manufacturing sector.

The production value of private-sector manufacturing has declined since 2019 but recovered rapidly in 2022–2023. In this period, the value of produced goods increased fivefold. The largest segment of the private sector was the manufacturing of non-alcoholic beverages, followed by the manufacturing of food, metal products and basic metals. These four sectors constitute 68 percent of total private sector production in 2022–2023. In addition to these four, the textiles and pharmaceutical sectors are dominant. The textile sector is predominantly characterized by the production of raw cotton and carpets. However, as the former is classified under agriculture, it is not reflected in the private-sector manufacturing data. Pharmaceutical production is currently low, but data suggest that current production is below capacity, indicating potential for growth.

Figure 29: Manufacturing sector GDP by food and beverages, and non-food manufacturing, 2019–2024 [*Source: Afghanistan's National Statistics and Information Authority (NSIA)*]



Food and Beverage Manufacturing

As the largest manufacturing subsector, food and beverage production offers significant opportunities for private sector development in Afghanistan. Between 2021 and 2023, Afghanistan's exports of food and beverage products have increased from $11.3 million to $30.8 million globally. The top five countries with the highest exports of food and beverages are Kazakhstan, with $16.5 million; Pakistan, with $4.2 million; the US, with $2.9 million; the UAE, with $2.2 million; and Uzbekistan, with $1.8 million. Combined, these five countries amount to 89 percent of all food and beverage exports in 2023. The most exported products are water (including mineral water), with $21.5 million, followed by solid soybean residues with $3.6 million, fruits and nuts with $1.7 million, and confectionery sugar with $0.7 million.

If Afghanistan could perform as well in exports as it did at its peak in the last five years,[25] it would earn $16.4 million more in exports than it did in 2023. Pakistan would become the largest importer of Afghanistan's food and beverage exports, potentially reaching $9.7 million, despite actual exports being $4.2 million in 2023. Here, 'potential' refers to the estimated export value Afghanistan could achieve if it matched its five-year high historical market share in each partner country's agricultural imports. The countries that would have the highest difference between the potential exports and actual exports in 2023 are Pakistan ($5.5 million additional exports), India ($5 million additional exports), the UAE ($1.3 million additional exports), Uzbekistan ($825,000 additional exports) and the US ($757,000 additional exports). Additional exports to these five countries amount to 82 percent of total additional exports.

[25] Measured in terms of the share of the Afghan export item in the imports of the destination country.

Figure 30: Afghanistan's top five export destinations in food and beverages products, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]

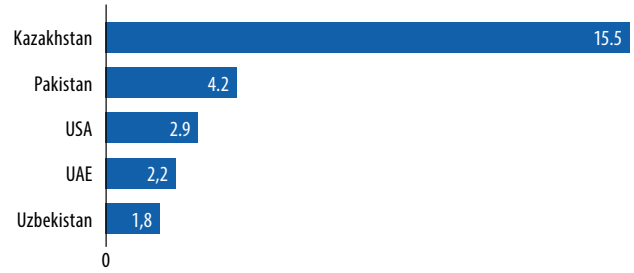


Figure 31: Afghanistan's top five export products in food and beverages, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]

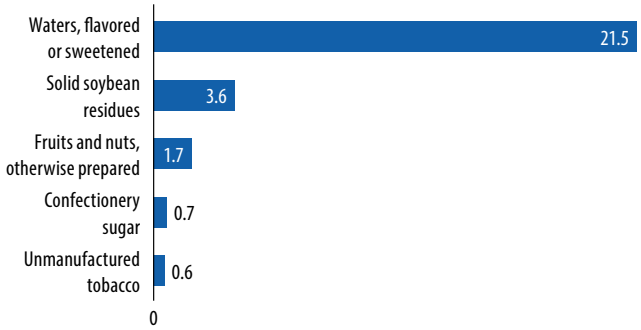
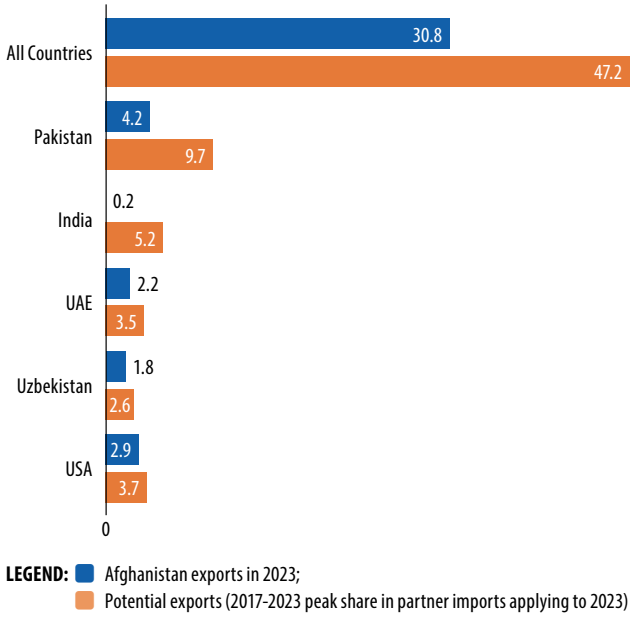


Figure 32: Potential exports for food and beverages, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]



Afghanistan's food and beverage manufacturing sector has potential for growth, particularly in products such as confectionery, pickles, tomato paste, dried fruits and juices. With its agricultural resources and demand in export markets, the sector can expand by focusing on processing, packaging and storage infrastructure. Investments in food processing facilities can help convert raw agricultural products into processed goods, increasing their market value. Improving cold storage networks can reduce post-harvest losses and ensure consistent raw material supply. By developing value-added products, Afghanistan can increase export revenue and create economic opportunities in food manufacturing.

Textiles

Afghanistan's textile industry holds significant potential for growth, supported by abundant local raw materials and strong domestic demand. In 2021, textile exports were $198 million and increased to $241 million, before moderating to $162 million in 2023. Pakistan remained the dominant destination for Afghan textile exports, absorbing $136 million in 2023, by far the largest share, followed distantly by the US ($5.2 million), Türkiye ($2.8 million), Italy ($2.7 million) and Germany ($2.5 million). The leading export product was raw cotton, accounting for $135 million, followed by knotted carpets ($14.3 million), woven carpets and rugs ($4 million), animal hair ($2.9 million) and yarn of carded wool ($1 million).

Afghanistan's textile exports reached $162 million in 2023, while potential exports, based on peak historical share in partner imports, are estimated at $182 million. The most significant additional opportunity lies with the US, where exports could increase from $5.2 million to $10.6 million. Other notable markets include the Netherlands ($1.0 million to $2.9 million), Türkiye ($2.8 million to $4.7 million), Germany ($2.5 million to $4.4 million) and Italy ($2.7 million to $4.6 million). While these margins are relatively narrow, they highlight room for market deepening with selected partners. However, given that the majority of Afghanistan's textile exports consist of raw cotton, a low value-added commodity, there is significant potential to move up the value chain. Developing processing capabilities for products such as denim, sateen, medical-grade cotton or technical textile products could help unlock greater export value and sectoral growth.

Figure 33: Afghanistan's top five export destinations in textile products, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]



Figure 34: Afghanistan's top five export products in textile, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]

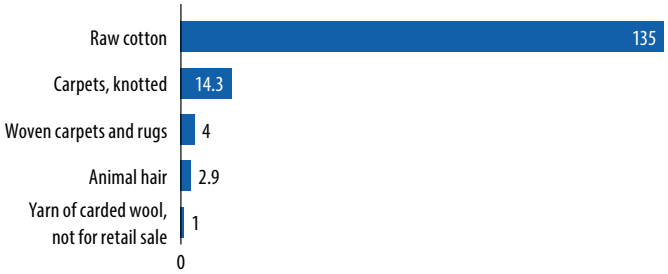
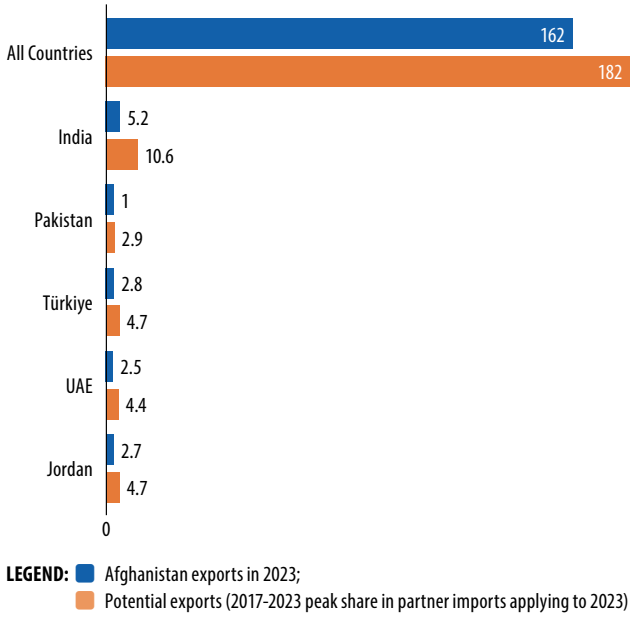


Figure 35: Potential exports and top five destinations for textiles, 2023 (millions) [*Sources: CEPII BACI Database, ICPSD Analysis*]



Chemicals

Afghanistan's chemicals sector is currently underdeveloped, with limited domestic production capacity. The country relies heavily on imports to meet its chemical needs, sourcing products from nations such as China, India, Iran, Pakistan and Uzbekistan.[26] Despite this, Afghanistan possesses significant natural resources, including vast mineral deposits, which could serve as raw materials for the chemical production of goods such as fertilizers, pigments, pharmaceutical intermediates, etc. In 2023, total exports in this sector reached $8.1 million, a significant increase from previous years when exports consistently ranged between $1–2 million. However, there is still an estimated $300,000 in untapped export potential with different countries. The top export destinations are Senegal, with $4.5 million and 56 percent of total chemical exports in 2023, followed by Germany ($2.3 million), India ($354,000), Canada ($193,000) and Mozambique ($178,000). Furthermore, in 2023, Afghanistan's chemical exports were led by nitrogenous fertilizers ($2.9 million) and essential oils ($2.2 million), followed by potassic fertilizers ($1.1 million), mixed fertilizers ($0.7 million) and carbonates ($0.4 million).

Afghanistan's chemicals sector offers significant opportunities for growth, particularly in reducing reliance on imports through domestic production. The country can focus on producing basic chemicals such as fertilizers, pesticides and construction materials, which are essential for its agriculture and infrastructure needs. On the other hand, medium- and high-value-added products—including industrial paints, adhesives and specialty chemicals used in manufacturing—would require technical cost and profit analysis to be explored as further opportunities for local production. These products cater to both domestic demand and potential export markets. By developing local manufacturing capacities, Afghanistan can substitute a portion of its chemical imports, supporting industrial growth while improving trade balance.

[26] World Integrated Trade Solution (WITS).

Figure 36: Afghanistan's top five export destinations in chemical products, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*]

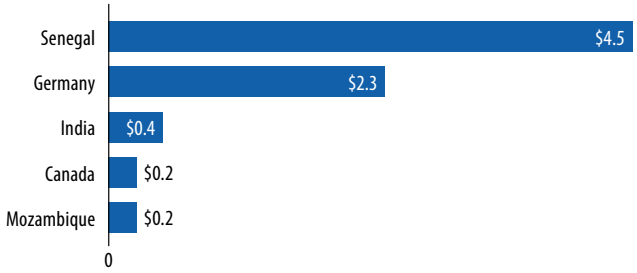
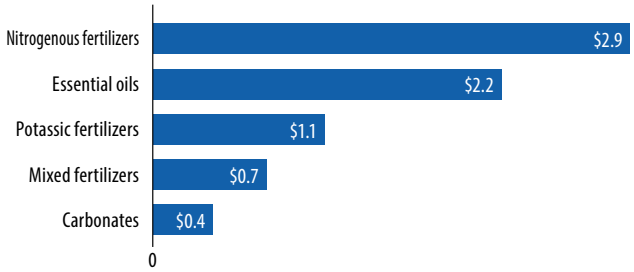


Figure 37: Afghanistan's top five export products in chemicals, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*]



Note: These values do not include pharmaceutical products. They are analysed under the Healthcare section.

Figure 38: Afghanistan's top five export destinations in metal products, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*]

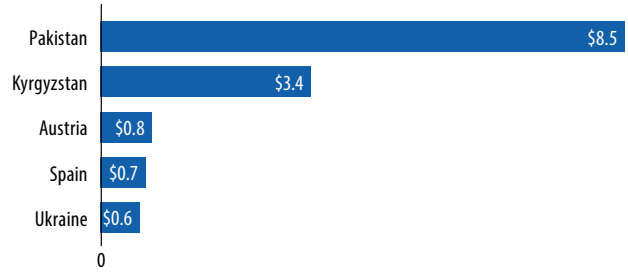
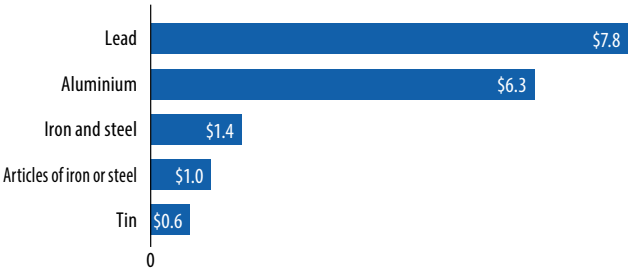


Figure 39: Afghanistan's top five export products in metals, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*]

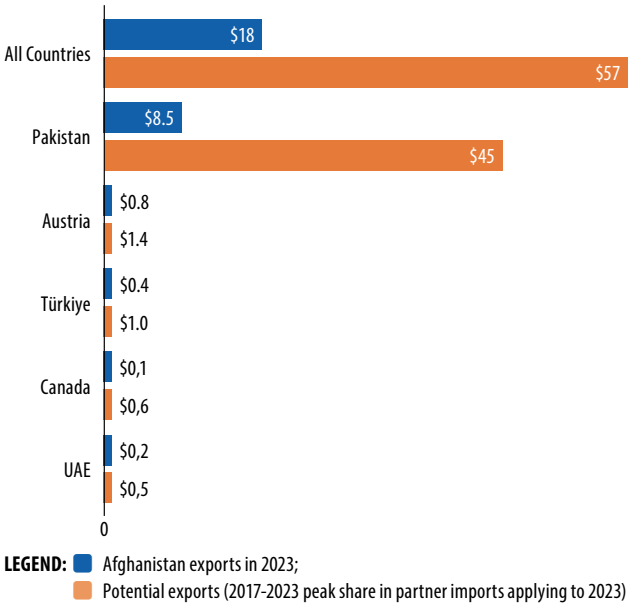


Metals

Afghanistan's metal exports showed considerable fluctuation over the past several years. Exports' value had reached $47 million in 2018, before a sharp drop in 2020. After a brief recovery in 2021, reaching $39 million, exports declined again to $18 million in 2023. Afghanistan's metal exports destinations in 2023 were highly concentrated, with Pakistan alone accounting for over $8.5 million. It was followed by Kyrgyzstan ($3.4 million), Austria ($778,000), Spain ($651,000) and Ukraine ($632,000). The concentration of trade in regional markets reflects logistical constraints favouring geopolitical proximity. In Afghanistan, lead and aluminium constitute the majority of metals exported, accounting for 44 percent and 35 percent of total metal exports, respectively, while iron and steel comprise 8 percent.

Potential exports in the metals sector are estimated at $57 million for 2023, compared to actual exports of $18 million, highlighting an unrealized export opportunity of nearly $39 million. The largest potential lies with Pakistan, where exports could increase from $8.5 million to $45 million, followed by more moderate opportunities in Austria ($1.4 million), Türkiye ($962,000), Canada ($587,000) and the UAE ($532,000).

Figure 40: Potential exports and top five destinations for metals, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*



Extractive Industries

Afghanistan's extractive industries possess significant potential due to the country's vast reserves of minerals and hydrocarbons, including copper, iron, lithium, gold and rare-earth elements. Estimates suggest Afghanistan has untapped natural resources worth over $1 trillion, with key deposits in regions such as the Hajigak Iron Mine and the Mes Aynak Copper Mine. Major hydrocarbon reserves have been identified in the northern regions, including approximately 1.6 billion barrels of crude oil and 16 trillion cubic feet of natural gas, primarily in the Amu Darya and Afghan-Tajik basins.

Despite this wealth, the sector remains underdeveloped due to a lack of modern infrastructure, limited financing and the reliance on outdated extraction techniques, which hinder productivity and value addition. Many operations are conducted by small-scale local firms that lack access to advanced equipment, resulting in inefficient resource utilization. Furthermore, challenges such as insufficient regulatory frameworks and the absence of a comprehensive exploration effort exacerbate the sector's limitations.

Recent investments in Afghanistan's mining sector have included a $6.2 million contract with a Turkish firm for the extraction of marble from the Dara-e-Noor Mine in Kandahar. The agreement, which grants a 30-year lease, is expected to create hundreds of jobs and provide social services to local communities. The Turkish company has committed to operating the mine according to international standards, ensuring better resource utilization and positioning Afghan marble in global markets.

After the August 2021 takeover efforts were made to enhance security and incentivize investment by offering rights to operate mines in exchange for contributions to infrastructure projects. However, barriers such as limited energy supply and inadequate transport networks continue to impede large-scale operations. Nevertheless, the extractive industries are seen as a key driver of economic growth and a critical source of revenue generation, underscoring the need for strategic investments and partnerships to unlock their full potential.

Mineral exports amounted to $264.5 million in 2023, with an estimated potential of $278 million, representing a moderate unrealized opportunity of $13.5 million. Potential refers to the estimated export value Afghanistan could achieve if it matched its peak historical market share in each partner country's agricultural imports. Furthermore, the stone sector recorded $9.3 million in exports but has a remarkable potential of nearly $59.9 million, resulting in an export gap exceeding $50 million. This substantial gap highlights the underutilization of Afghanistan's rich stone reserves, including marble, granite, and other decorative and construction stones. Unlocking this potential would require investment in quarrying technologies, cutting and polishing facilities, and logistics infrastructure to meet international quality and delivery standards.

Afghanistan has extensive and largely untapped mineral and natural resource wealth, offering a wide array of investment opportunities for the private sector. Key extractive industries—spanning metals, hydrocarbons and building materials—hold the potential to drive economic development, generate employment and contribute to export diversification:

- **Copper:** Afghanistan's copper deposits, such as the Mes Aynak Mine, represent significant opportunities for private sector investment. With an estimated 30 million tonnes of copper ore reserves, this resource is critical for global industries, particularly in construction, energy and electronics.[27] Private companies can focus on developing advanced extraction and processing facilities to increase value addition domestically. Exporting processed copper could open new markets and reduce reliance on raw material exports.

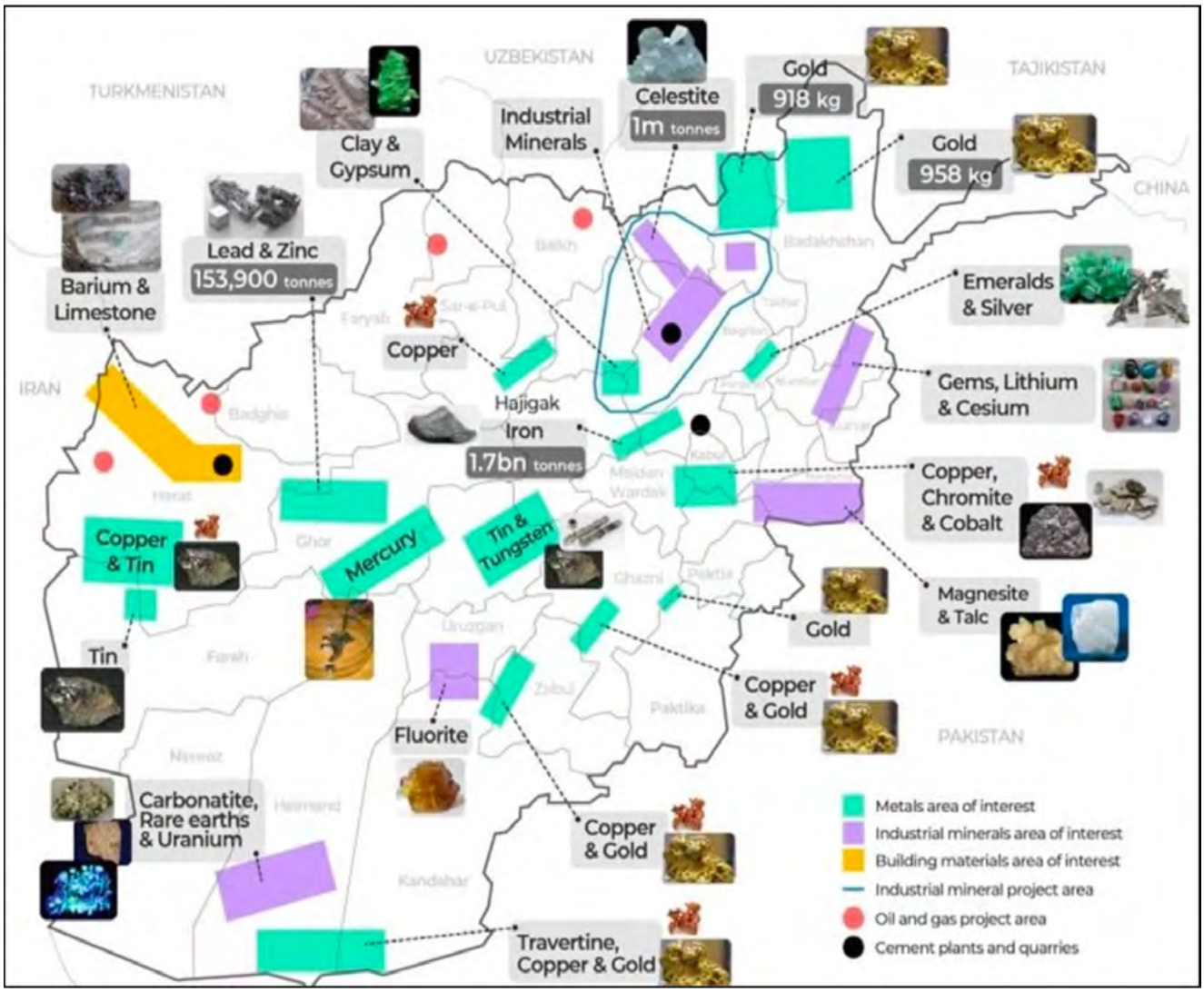
- **Iron:** The Hajigak Iron Mine, one of the largest untapped iron ore deposits globally, holds an estimated 1.7 billion tonnes of reserves.[28] This presents opportunities for private companies to engage in extraction and develop iron ore into direct reduced iron (DRI) or steel. Investment in infrastructure, such as transportation for bulk materials, could also facilitate exports to nearby industrial markets like India and Pakistan.

- **Gold:** Gold mining offers significant opportunities, particularly in Badakhshan and Takhar Provinces. With proven reserves of over 2,700 kilograms (and reports suggesting much higher potential), private

[27] Interview with Turkish Office of the Commercial Counsellor in Afghanistan.

[28] Ministry of Mines and Petroleum, Mineral Resources in Afghanistan.

Figure 41: Map of minerals and ores in Afghanistan [*Source: Turkish Office of the Commercial Counsellor in Afghanistan]*



sector players can develop small- and medium-scale gold mining projects. Establishing environmentally compliant operations could attract both domestic and international investors.

- **Lithium and rare-earth elements:** Afghanistan's lithium resources, particularly concentrated in Herat, Nimroz and the northeastern provinces, present a high-potential opportunity for private sector investment. Lithium, a critical component in batteries and renewable energy technologies, has seen increasing global demand. With an estimated 1.4 million tonnes of rare-earth elements and untapped lithium reserves, Afghanistan could position itself as a supplier for the global clean energy transition. Investments in exploration, extraction and refining facilities for lithium and rare-earth elements could yield significant returns.

- **Hydrocarbons:** Afghanistan's northern regions, including the Amu Darya and Afghan-Tajik basins, hold approximately 1.6 billion barrels of crude oil and 16 trillion cubic feet of natural gas.[29] The development of these hydrocarbon reserves could meet domestic energy needs and create export opportunities to neighbouring countries. Private sector companies can collaborate with the de facto authorities to establish oil and gas extraction, and processing infrastructure. Public-private partnerships (PPPs) could also focus on reviving past production levels, particularly for natural gas exports.

- **Marble and building materials:** The Kandahar region, which houses the Dara-e-Noor Marble Mine, has recently attracted foreign investment. A Turkish firm has secured a long-term lease, marking

[29] Interview with Turkish Office of the Commercial Counsellor in Afghanistan.

one of the country's latest mining agreements. Afghanistan holds an estimated 1.3 billion tonnes of marble reserves, with over 400 varieties available.[30] Marble processing and export opportunities are significant, particularly as demand for high-quality stone increases globally. Building materials such as limestone, gypsum and cement clinker also present investment potential. Companies can invest in modern processing facilities, and target both domestic construction needs and international export markets.

- **Precious stones:** Afghanistan is home to significant deposits of gemstones such as emeralds, rubies, sapphires and lapis lazuli. Concentrated in provinces like Badakhshan and Panjshir, these resources offer potential for private firms to establish value-added industries for cutting, polishing and exporting finished products. Expanding into certified and ethical gemstone markets could attract international buyers.
- **Coal:** With an estimated 70 million tonnes of coal reserves, particularly in northern provinces, coal mining offers opportunities for energy generation and industrial applications.[31] The private sector can play a role in enhancing extraction efficiency and developing domestic markets for coal-based energy, given the country's limited electricity infrastructure.

Construction

Afghanistan's construction sector has been pivotal in the nation's reconstruction and economic development, particularly after decades of conflict. The industry includes various activities, from large-scale infrastructure projects to housing developments. Afghanistan's construction sector has experienced a sustained downturn over the past five years, influenced by economic uncertainty and declining infrastructure investments. The construction sector fluctuated between 7.3 percent and 11.7 percent of GDP from 2009 to 2018, reflecting its role as a key contributor to economic activity. However, the sector has since entered a prolonged phase of contraction, with consecutive declines of 6.4 percent in 2020–21, 35.3 percent in 2021–22, 0.8 percent in 2022–23 and 0.9 percent in 2023–24. Occurring in 2021–22, the sharpest drop was likely due to economic disruptions leading up to and during the August 2021 takeover. While the slowdown in 2022–23 suggested a period of relative stabilization, the sector continued to contract in 2023–24.[32] The persistent contraction in Afghanistan's construction sector highlights ongoing challenges, particularly reduced public and private sector investments, financial constraints and broader economic instability.

The construction sector continues to face significant challenges, leading to delays. A study analysing road construction projects in Afghanistan identified political instability, conflict and insecurity as the most significant factors contributing to project delays, with an average impact value of 4.29 out of 5.[33] A recent study indicates that approximately 79 percent of construction projects in Afghanistan experience delays, affecting project completion timelines and contributing to economic inefficiencies.[34] These conditions have been reported to disrupt project schedules, inflate costs and discourage investment. Bureaucratic hurdles further exacerbate delays. Research indicates that ineffective planning and scheduling by contractors, along with delays in progress payments by clients, significantly impede project timelines. Poor site management and supervision by contractors and consultants also contribute to these setbacks. Financial difficulties among contractors, including challenges in securing necessary funding and delays in client payments, are critical factors leading to project postponements. These financial issues often result in work stoppages and extended completion times. Logistical challenges, such as delays in the delivery of materials to construction sites, further contribute to project delays. These issues are compounded by Afghanistan's rugged terrain and inadequate transportation infrastructure, which further hinder the timely delivery of materials, impacting the efficiency of construction projects.

Despite economic challenges, significant infrastructure projects have been undertaken to bolster the country's connectivity and economic growth. For instance, the national Ring Road project aims to link Afghanistan's major cities, facilitating trade and movement. Additionally, the Salma Dam in Herat Province, completed in 2016, generates 42 MW of electricity and provides irrigation for thousands of hectares of land.[35] Moreover, despite economic challenges, several significant infrastructure projects are underway. The Trans-Afghan Railway is set to begin construction in 2025, aiming to connect Afghanistan, Pakistan and Uzbekistan through a 573-kilometre railway, enhancing regional trade and economic

[30] *Ibid.*

[31] Interview with Turkish Office of the Commercial Counsellor in Afghanistan.

[32] National Statistics and Information Authority (NSIA).

[33] Moore Global Afghanistan, 2017.

[34] Ahmadzai, M. B., & Ye, K., 2025.

[35] SchoolTube, 2024.

integration. The Pashdan Dam in Herat Province remains under construction and is expected to be operational by 2025. Once completed, it will provide irrigation for over 27,000 hectares of agricultural land and generate up to 2 MW of electricity. Lastly, the Qosh Tepa Canal was initiated in early 2022. This canal project in northern Afghanistan aims to convert 550,000 hectares of desert into farmland by diverting water from the Amu Darya River. As of December 2024, the canal's second construction phase was reported to be 81 percent complete, marking substantial progress towards its completion.

The demand for infrastructure improvements remains high among the Afghan population. A national survey of household priorities indicates that approximately 10.4 percent of all households' view construction and the repair of roads and bridges as a key government responsibility.[36] This demonstrates that infrastructure projects are essential beyond economic growth to improving daily living conditions and facilitating access to services, particularly in rural and underdeveloped areas. The demand is even higher among households living below the poverty line, where 12.2 percent prioritize infrastructure development, further underscoring the importance of targeted investments in transportation networks.[37] In recent years, there has been a surge in luxury housing developments in Kabul, driven by returning Afghans investing in the real estate market. Property prices have increased by nearly 40 percent over the past three years,[38] reflecting a growing demand for high-end residential properties. Despite these advancements, the construction sector continues to grapple with challenges such as security concerns, financial constraints and the need for improved regulatory frameworks to ensure sustainable growth.

Afghanistan's construction sector exhibits notable regional variations shaped by traditional building practices, the availability of materials and security conditions. In many rural areas, vernacular architecture prevails, utilizing local materials like earth, straw, mudbrick and stone masonry. These methods have been integral to Afghan culture for centuries, offering sustainability and resilience. However, while these traditional structures are well-suited to the local climate, they often lack resistance to seismic activities, posing challenges in earthquake-prone regions.[39] Moreover, security concerns significantly impact construction activities across various regions. The study analysing construction delays in Afghanistan identified insecurity as a primary cause, leading to project postponements and increased costs. Large-scale projects, such as the Mes Aynak Copper Mine and the Turkmenistan–Afghanistan–Pakistan–India (TAPI) Gas Pipeline, have faced significant delays due to security concerns, underscoring the continued impact of instability on the sector's growth.

The development of the construction sector in Afghanistan is intrinsically linked to reconstruction planning to determine financial needs and the allocation of resources. Afghanistan could adopt the approach of assessing damages across key sectors, including housing, transport, energy and public services. This process would involve gathering data from local authorities, infrastructure reports and available field surveys to develop an informed estimate of reconstruction costs. The assessment could account for immediate rebuilding expenses and long-term infrastructure sustainability. A phased approach may help prioritize urgent projects, while allowing for more comprehensive evaluations over time. Ensuring that cost assessments align with national development objectives and donor expectations could enhance financial planning and resource coordination at both domestic and international levels.

Afghanistan's construction GDP per person stands at $3.97, indicating the sector's modest contribution to economic activity and infrastructure development while highlighting its broader challenges, such as investment constraints, security concerns and limited financial resources. In the short term, Afghanistan can work towards achieving a construction GDP per capita of $14.97, aligning itself with the low-income country average by tripling its investment in the sector while ensuring stability and improved financial accessibility. Achieving this trajectory would necessitate comprehensive policy reforms.

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[36] International Policy Centre for Inclusive Growth (IPC-IG), 2022.

[37] *Ibid.*

[38] Gannon, K., 2023.

[39] United Nations Development Programme, 2023a.

Figure 42: Share of population with access to electricity, 2000–2022 [*Sources: World Bank]*

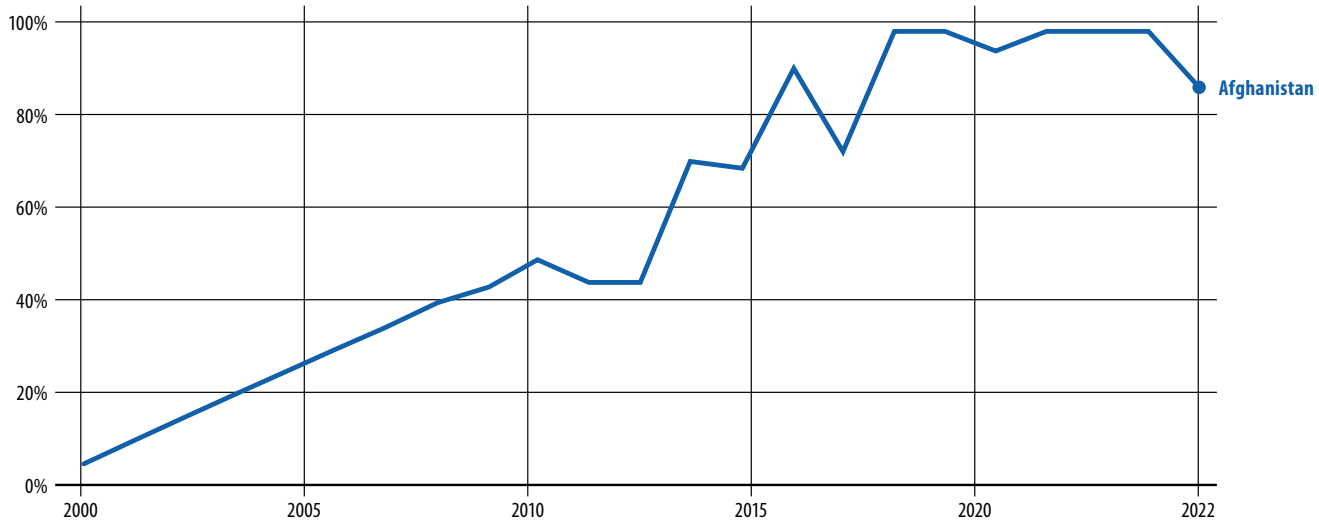


Table 12: Construction GDP per capita—Afghanistan vs. low-income/middle low-income countries [*Sources: Afghanistan's National Statistics Institute Authority (NSIA), World Bank World Development Indicators, Trading Economics*]

Country	Construction GDP Per Person (USD)
Afghanistan	3.97
Average of Low-Income Countries	14.97
Average of Middle Low-Income Countries	44.30

This comparison highlights the potential for development in Afghanistan's construction sector if key constraints are addressed and greater investment is attracted. Countries with higher construction output per capita typically benefit from increased infrastructure spending, stable governance and improved financial access, all of which contribute to sectoral growth. To bridge this gap, Afghanistan would require long-term strategies focused on expanding infrastructure investment, strengthening investor confidence and enhancing project governance. By fostering a more predictable investment climate, ensuring transparency in project execution and addressing structural challenges, Afghanistan could gradually strengthen its construction sector and move towards broader economic development goals.

Energy

Afghanistan's energy sector is marked by significant gaps in supply and demand, reliance on imports and underdeveloped infrastructure. While 89 percent of the population reportedly had access to some form of electricity as of 2014, only 30 percent received electricity through the grid, with the remainder relying on off-grid solutions such as solar home systems and community generators.[40] Although by 2021, the share of population with access to electricity reached 98 percent, receiving electricity through the grid is still an issue with the figure only increasing to 40 percent.[41] After 2021, the overall access rate began to decline. Current domestic generation capacity, primarily hydropower, accounts for less than 25 percent of the total energy supply, with imports from neighbouring countries like Iran, Tajikistan, Turkmenistan and Uzbekistan meeting the rest. Renewable energy resources—including 23,000 MW of hydroelectric potential, 67,000 MW of wind energy and 222,000 MW of solar energy—remain largely untapped due to challenges in security, financing and regulatory frameworks. Key initiatives, such as the CASA-1000 and TAPI Pipeline projects, aim to integrate regional energy markets but have faced delays due to political and logistical issues. Addressing these issues and leveraging renewable energy resources are critical measures to improving energy security and supporting Afghanistan's economic development.

[40] World Bank Group, 2018.

[41] Ritchie, H. et al., 2019.

Solar Energy

Afghanistan has significant potential for solar energy development, with an estimated capacity of 222,000 MW across the country.[42] The solar resource potential is particularly high in provinces such as Helmand, Herat and Kandahar, where annual solar radiation levels are among the highest in the region. This creates opportunities for the private sector to establish solar farms for electricity generation and distribution. Furthermore, the limited access to electricity in rural areas provides an additional market for small-scale, off-grid solar solutions, such as solar home systems and microgrids. These initiatives can cater to underserved populations and help reduce dependence on imported electricity.

Wind Energy

The wind energy potential in Afghanistan is estimated at 67,000 MW, concentrated in regions such as Herat, Farah and Nimroz.[43] These areas experience consistent and high wind speeds, making them suitable for large-scale wind farms. Opportunities for private sector investment include developing wind energy projects to supplement domestic electricity production and reduce reliance on imports. Additionally, wind energy offers potential for hybrid systems that combine solar and wind power, further enhancing energy reliability in off-grid areas. These projects could also align with regional energy integration initiatives, such as exports to neighbouring countries, given Afghanistan's strategic location.

Hydropower

Afghanistan's hydropower capacity is estimated at 23,000 MW, with only a fraction currently utilized. The existing river basins, such as the Helmand and Kabul basins, provide substantial opportunities for developing mini- and micro-hydropower projects. These projects can support localized energy demands, particularly in rural and mountainous regions. The private sector can engage in building, operating and maintaining hydropower plants through models such as public-private partnerships (PPPs). Additionally, there are opportunities to rehabilitate and modernize existing hydropower infrastructure, which is critical to increasing efficiency and output.

Biomass

Biomass energy presents opportunities for the private sector to utilize agricultural residues, animal manure and municipal waste to generate electricity. Provinces with high agricultural output, such as Balkh and Kunduz, are particularly suitable for biomass projects. The establishment of biogas plants and waste-to-energy facilities can provide a sustainable energy source, while addressing waste management challenges in urban areas. These projects can also serve as decentralized energy solutions for remote communities, reducing reliance on imported energy.

Banking, Finance and Fintech

Afghanistan's banking and financial sector holds significant transformative potential for private sector development. This potential is driven by increasing digital adoption, the growth of microfinance and a largely untapped banking market. Despite having 12 banks and 357 branches, only 6 percent of the population currently holds a bank account. Digital financial inclusion remains low, with only 8 percent of adults making or receiving digital payments and less than 3 percent owning a debit card. These figures highlight the vast opportunities for expanding financial services and modernizing the country's banking system.

Afghanistan's financial sector is experiencing significant changes as all banks transition to Islamic finance, following the regime change. Some of the major banks have adapted quickly, leveraging pre-existing Islamic finance frameworks to aid the transition. However, this shift poses challenges such as the need for trained personnel, standardized regulations, and public awareness to foster trust and understanding of Islamic banking principles. On the other hand, *Sarrafs*—traditional money exchangers and transfer agents—play a dominant role in informal financial services, particularly in money transfers across the country. The population widely trusts them; however, their inability to issue loans or hold deposits limits their contribution to financial inclusion.

[42] World Bank Group, 2018.

[43] World Bank Group, 2018.

Cross-border banking faces significant restraints, limiting the provision of clearing and payment services for imports and exports, as well as the flow of remittances. Afghan banks, particularly the 11 active institutions, primarily channel deposits for investments into Dubai. However, regulatory uncertainties, logistical hurdles and a lack of financial infrastructure have limited the growth of these operations. Corresponding banks de-risking Afghan transactions remains a significant obstacle to normalizing banking relations, as a result of anti-money laundering and combating the financing of terrorism (AML-CMT) concerns, and international banks' unwillingness to deal with Afghanistan because of sanctions and the lack of international recognition of the de facto authorities. Addressing all of these issues will be vital to unlock greater opportunities for regional financial integration and economic growth.

Capacity-building remains a critical challenge for Afghanistan's financial institutions. The Central Bank must enhance its oversight mechanisms to regulate microfinance institutions (MFIs). De facto authorities bodies also require specialized treasury departments to handle financial operations more efficiently. Skill shortages further exacerbate these challenges, with a reliance on foreign experts, such as Afghanistan International Bank's chief credit officer, highlighting the necessity for local talent development. Training programmes and initiatives aimed at building a skilled workforce are essential for the sustainable growth of the financial sector.

Afghanistan's banking sector should focus on providing loans to micro-, small- and medium-sized enterprises (MSMEs), prioritizing opportunities that offer positive returns to investment in the short term. Some international initiatives aim to support MSMEs based on workforce size and capital investment. However, it is critical to develop this further within Afghanistan's banking system, to ensure sustainable growth and widespread impact.

Brief History of the National Development Finance Institutions in Afghanistan

Historically, Afghanistan had sector-specific development banks that played a significant role in supporting key industries such as agriculture, industry, foreign trade and housing finance. These institutions were central to economic development but experienced a severe decline due to decades of conflict and instability. Bank-e-Millie Afghan (BMA), established in 1933 and nationalized in 1974, was among the earliest financial institutions, supporting industrial and infrastructure projects. Alongside BMA, the Industrial Development Bank of Afghanistan (IDBA) was founded in 1973 as a private institution aimed at financing industrial growth. However, it was nationalized in 1977 and, like many other financial institutions, struggled through years of instability before ceasing operations in 1996.

Agriculture also had dedicated financial support through the Agricultural Development Bank of Afghanistan (AgBank), established in 1954 and later restructured in 1968 with assistance from the Afghan government, UNDP and the World Bank. During its peak years (1968–1979), AgBank played a critical role in financing agricultural production, equipment and processing, and was responsible for importing and distributing farm machinery from the Soviet Union, India and Japan. However, its operations declined following the military intervention by the Soviet Union in Afghanistan in 1979, and by 2002, it had become nearly inactive. The Export Promotion Bank (EPB), created in 1975, was designed to support trade financing but primarily focused on import facilitation rather than export promotion. It remained operational until 1992 but became largely dormant under the DFA with only limited banking activities resuming in 2002.

The Mortgage and Construction Bank (MCB), founded in 1948, was instrumental in financing housing and commercial construction, offering loans for land, building materials and real estate development. However, its operations were significantly affected by conflict, and a fire in 1995 destroyed much of its facilities and records, leaving the bank largely non-operational. By the early 2000s, Afghanistan's financial sector had contracted considerably. According to the International Monetary Fund (IMF), by the end of 2001, the country's financial system was comprised of only the Da Afghanistan Bank (DAB), which functioned as both a central and commercial bank; two state-owned commercial banks; and four state-owned special-purpose development banks. Despite their historical significance, these institutions were unable to recover from prolonged instability, leaving Afghanistan without sector-specific development banks in the modern financial landscape.[44]

[44] World Bank Group, 2007.

Afghanistan's microfinance sector has the potential to expand financial services to over 90 percent of adults currently without access to a bank account or credit. With 70 percent of the population owning mobile phones, digital financial solutions—such as artificial intelligence (AI), blockchain and mobile payments—could enhance access to finance. Remittances and digital payments offer further opportunities, as Afghanistan's Hawala network tends to be more expensive than traditional banking systems. The country's young population (63 percent of the population is under 25), along with the 5–6 million expatriates who actively demand money transfer services, vouch for a strong foundation for growth in fintech.

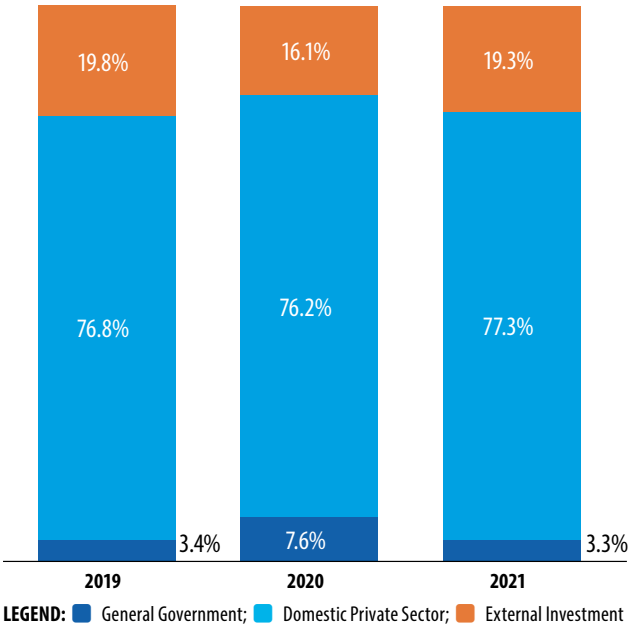
The banking sector's liquidity, currently valued at $2 billion,[45] has the potential to grow to $10 billion[46] if micro deposits, savings and credit are effectively integrated into the formal economy. Digital solutions could also stabilize broader liquidity by encouraging savings and formalizing the Hawala economy—estimated at over $5 billion.[47] Afghanistan's banking and fintech sectors have the potential to create significant improvements in financial inclusion and promote sustainable economic growth.

Healthcare

Although Afghanistan's health sector expenditure increased significantly from 12.6 percent of GDP in 2017 to 21.8 percent in 2021, the state's capacity to provide universal and equitable access to healthcare is undermined by chronic underinvestment. The share of health expenditure in Afghanistan from 2019 to 2021 highlights the dominant role of the private sector in funding healthcare, consistently accounting for over 76 percent of total expenditure during this period. In contrast, the de facto authorities' contribution remained minimal, with only 3.4 percent in 2019, decreasing slightly to 3.3 percent in 2021. External investment in the healthcare sector varied, rising to 19.8 percent in 2019 but dropping to 16.1 percent in 2020, before rising again to 19.3 percent in 2021.

As of 2023/2024, the country operates 768 hospitals, comprising 204 public and 564 private facilities. Notably, 25 percent of these are situated in Kabul, with an additional 23 percent concentrated in key provinces such as Balkh, Helmand, Herat and Nangarhar. Furthermore, the 2023/2024 data show a total of 3,417 laboratories nationwide, with 1,269 in public hospitals and 2,148 in private hospitals. The health infrastructure also includes 456 comprehensive health centres, 1,070 basic health centres and 1,316 health sub-centres, providing essential services across the country.[48] However, healthcare capacity remains limited, with only four beds and three medical doctors available per 10,000 people, underscoring the urgent need for improved accessibility and quality. Two years after the regime change, 7 out of 10 Afghans lack access to the most basic necessities, such as fundamental healthcare and the coping strategies essential for basic survival.

Figure 43: Afghanistan's share of health expenditure, 2019–2021
[*Sources: World Bank World Development Indicators*



Afghanistan's healthcare landscape highlights significant gaps in accessibility and quality, with women in particular facing significant obstacles to accessing essential health care services. Middle- and upper-income individuals often travel abroad for advanced medical services, reflecting the inadequacy of domestic healthcare infrastructure. Lower income households do not have this option, and services for women in particular remain rudimentary and challenging to access. The sector is heavily reliant on private investment, with minimal public investment

[45] United Nations Development Programme, 2021.
[46] Stakeholder interviews.
[47] *Ibid.*
[48] Afghanistan National Statistics Institution Authority (NSIA).

leading to high out-of-pocket costs for patients. Most cities only have one highly equipped hospital, leaving the majority of the population underserved. This problem is compounded by a severe shortage of skilled health personnel, modern medical equipment and adequately equipped hospitals. Regional disparities are further exacerbated by the absence of rotational healthcare services, limiting access for rural and remote communities.

Despite these challenges, the private health sector in Afghanistan has grown steadily, particularly in urban areas where private hospitals and clinics have increased in number, though access remains unequal across regions. Rural healthcare has also seen some improvement with the expansion of new comprehensive and basic health centres, which have enhanced access to primary care services. International organizations and non-governmental organizations (NGOs) continue to play a pivotal role, providing support for immunization programmes, maternal health services and emergency care. Additionally, telemedicine initiatives have emerged as an innovative solution to address healthcare gaps in rural areas, although these programmes are still in their infancy and require further development.

Afghanistan's health sector faces several systemic challenges that hinder its long-term development. The sector relies heavily on international assistance, making it vulnerable to international priorities and funding fluctuations. Increasing restrictions on the ability of women and girls to access public spaces means their access to health services is often also restricted. A shortage of skilled professionals, caused by limited training opportunities and brain drain, further constrains healthcare delivery. The ban on women's education will dramatically impact the provision of women's health services in the future, through a lack of trained female staff. A lack of effective governance and policies also exacerbates inefficiencies, making it difficult to allocate resources effectively or maintain consistent quality standards. Economic instability and the absence of incentives for private investors also limit the potential for sustainable growth in the sector, further restricting access to essential healthcare services.

Afghanistan's healthcare sector presents significant opportunities for investment in specialized healthcare facilities, catering to the rising demand for advanced medical services. The establishment of oncology centres in regions like Khost Province, and eye hospitals in areas such as Herat, could address specific medical needs that are currently underserved. These facilities would not only improve local access to critical care but also reduce the dependency on international travel for treatment.

Telemedicine presents a transformative opportunity to bridge the gap in healthcare access for Afghanistan's remote and underserved regions, and perhaps for women too. With many areas lacking well-equipped hospitals and sufficient medical personnel, telemedicine services can connect patients to specialists through digital platforms, thereby enhancing diagnosis and treatment outcomes. Telemedicine may also broaden access for women who struggle to consult with female specialist staff. Initiatives such as Arian Teleheal, which links Afghan doctors with specialists in Canada, the United Kingdom and the US via smartphones and social media, have demonstrated notable success, enhancing local healthcare capacity. Similarly, the Afghanistan Humanitarian Trust Fund (AHTF), in collaboration with eduCAST, is expanding telehealth services to 14 provinces, training 3,500 doctors and benefiting over 11 million people. By leveraging these existing models, further investment in remote health applications, training and digital infrastructure is particularly relevant to geographical challenges and healthcare accessibility.

To address the gaps in Afghanistan's healthcare infrastructure, the required investment was estimated using global benchmarks for hospital bed costs and healthcare accessibility standards. Afghanistan currently has 4.2 hospital beds per 10,000 people,[49] significantly below the global benchmarks of seven beds per 10,000 for low-income countries, 14 for lower middle-income countries and 15 for South Asian countries.[50] Based on Afghanistan's population of 33.5 million, meeting these benchmarks would require an additional 8,889 beds (low-income), 32,319 beds (lower middle-income) and 35,666 beds (South Asia). The average cost estimate for constructing a hospital in India and Iran is $18,000 to $27,000 per bed.[51] The cost to bridge Afghanistan's healthcare infrastructure gap varies significantly depending on the benchmark used. Achieving the South Asia average would require $642–$963 million, while meeting the lower middle-income

[49] Afghanistan National Statistics Institution Authority (NSIA).

[50] The World Bank World Development Indicators databank.

[51] Abbasi, A., Hosseini, S. M., Mahdavi, I. & Shirazi, F., 2018.

Table 13: Estimated additional hospital beds and associated costs for Afghanistan relative to benchmark averages [*Sources: The World Bank; National Statistics Institution Authority (NSIA); Abbasi, Anis, et al.; and torex.in*]

	Additional Beds for Afghanistan to Catch-Up Average	Lower Cost Estimate	Upper Cost Estimate
Low Income (7 beds per 10,000)	8,889	$160 million	$239 million
Lower Middle-Income (14 beds per 10,000)	32,319	$581 million	$873 million
South Asia (15 beds per 10,000)	35,666	$642 million	$963 million

benchmark would require $581–$873 million and the low-income country average would cost between $160–$239 million.

Investments aimed at addressing healthcare deficiencies in Afghanistan can be directed towards building new facilities, upgrading existing hospitals and procuring essential medical equipment. For example, 564 private hospitals already play a significant role in improving healthcare access, and over 77 percent of health expenditure comes from the domestic private sector. Efforts can be refined by enhancing infrastructure and increasing bed capacity in private hospitals. These initiatives underscore the essential nature of collaborative investment, involving local stakeholders, international donors and private sector participants, to bridge infrastructure gaps and foster sustainability within Afghanistan's healthcare system. Instead of concentrating solely on new construction, modernizing and expanding current facilities can also offer an effective solution to meet the increasing healthcare demands while ensuring cost efficiency and long-term resilience. Focusing upon the provision of women's health services too is a critical priority, if equity and access challenges are to be effectively addressed.

Pharmaceuticals

The pharmaceutical sector in Afghanistan has seen considerable growth, marked by a significant investment of $300 million and the production of around 980 types of medicines domestically.[52] These achievements indicate the sector's potential to contribute to the country's healthcare infrastructure and economic self-reliance. However, despite these advancements, Afghanistan remains heavily dependent on imports for a substantial portion of its pharmaceutical needs. Medicines are predominantly imported from neighbouring countries like Bangladesh, India, Iran and Pakistan, as well as from European suppliers. This reliance on foreign sources reflects gaps in the domestic industry's capacity, particularly in meeting the full spectrum of healthcare demands.

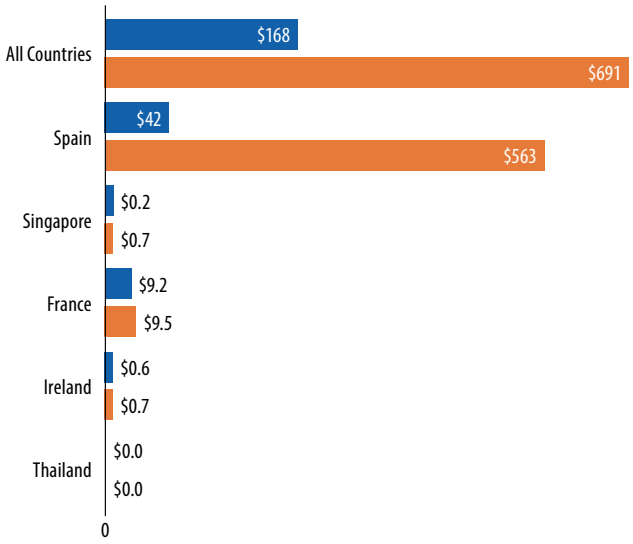
Afghanistan had minimal pharmaceutical exports in 2023, totalling only $168,000. This represents a slight improvement from the steep drop in 2022 ($96,000), yet it still falls significantly short of the 2021 high of $934,000 and the $400,000–500,000 range seen prior to 2021. This underscores the sector's limited contribution to the country's export portfolio. In 2023, Saudi Arabia emerged as the top destination, accounting for over 62 percent of Afghanistan's pharmaceutical exports. Other notable destinations included Spain (25 percent), France (5.5 percent), Australia (3 percent) and the Philippines (1.7 percent). The highly concentrated nature of these exports underscores the limited reach and scale of Afghanistan's pharmaceutical industry in international markets.

An analysis of potential exports shows that Afghanistan's total pharmaceutical exports could have reached $691,000 in 2023, more than four times the actual exports of $168,000. The largest untapped opportunity exists in Spain, where exports could have reached $563,000, compared to just $42,000 in actual exports. While the sector remains underdeveloped in terms of production capacity, conducting feasibility studies to devise targeted strategies could unlock market access, particularly in Spain, thereby closing the export gap and creating a path for growth in pharmaceutical trade.

Afghanistan's pharmaceutical sector presents diverse growth opportunities; it has a high demand for medicines and existing manufacturing facilities, such as those in Kandahar, demonstrate the feasibility of local production. Export potential analysis suggests that current production levels could be expanded to match previous higher outputs. Carrying out feasibility studies in this sector could be instrumental in attracting investments and reducing Afghanistan's reliance on imports to meet domestic healthcare needs.

[52] Ariana News, 2023.

Figure 44: Potential exports and top five destinations for pharmaceuticals, 2023
[*Sources: CEPII BACI Database, ICPSD Analysis*



Medicinal Plants

Afghanistan's medicinal plant sector holds significant potential for economic growth, yet it remains largely untapped due to structural challenges, limited market access and underdeveloped value chains. The country's diverse climate and rich biodiversity support the cultivation of high-value medicinal plants such as asafoetida, Glycyrrhiza glabra (liquorice), caraway and nigella sativa, which are traditionally used in pharmaceuticals, herbal medicine and the food industry. In 2024, Afghanistan exported 15,200 tonnes of medicinal plants worth $20 million to major trade partners, including China, India, Iran, Pakistan, Türkiye, the UAE and the US.[53] These exports reflect strong global demand for Afghan medicinal plants. However, most of these products are exported in raw form, missing out on higher-value processing opportunities such as essential oil extraction, pharmaceutical-grade refinement and branded herbal supplements. While Afghanistan exports a variety of medicinal plants, it has yet to explore the potential of regulated opium cultivation for pharmaceutical purposes, as practised in countries like Australia and India, where opium is legally processed into essential pain-relief medications.

Historically, Afghanistan's rural communities have relied on wild harvesting and small-scale farming of medicinal plants, yet a lack of processing facilities, certification mechanisms and research institutions limits the sector's potential for expansion. In countries like China and India, medicinal plants are integrated into structured pharmaceutical supply chains, benefiting from government incentives, R&D investments and market linkages. In contrast, Afghan farmers face logistical bottlenecks, high transportation costs and insufficient quality control, reducing their ability to compete in premium international markets. Establishing Special Economic Zones (SEZs) dedicated to medicinal plant processing, similar to those supporting the pharmaceutical industry in India, could significantly enhance Afghanistan's value-added production and attract investment in high-margin herbal products.

Beyond economic gains, the medicinal plant sector offers an opportunity for women's economic inclusion, as small-scale herb cultivation and processing can be conducted within community-based enterprises that align with Afghanistan's cultural norms. Women's cooperatives, particularly in provinces like Herat and Nangarhar, have already engaged in saffron and medicinal plant harvesting, demonstrating a viable model for expanding female-led businesses in this space. However, financial constraints and limited training in agribusiness management hinder the sector's scalability. Expanding microfinance initiatives and technical training programmes for medicinal plant entrepreneurs could empower rural producers, enabling them to meet international standards and enter high-value export markets.

While demand for natural remedies and herbal medicine is rising globally, Afghanistan must address several challenges to fully capitalize on this opportunity. Infrastructure constraints, particularly the lack of storage and drying facilities, contribute to post-harvest losses and product degradation. The absence of an internationally recognized certification system further limits access to regulated markets such as the European Union and North America, where strict phytosanitary and organic labelling requirements apply.[54] Establishing a national regulatory framework for medicinal plant certification, in coordination with trade partners, could unlock new market segments and enhance Afghanistan's reputation as a quality supplier.

[53] Xinhua, 2024b.
[54] Zahirian, G. A., 2022.

Expanding digital trade infrastructure, facilitating online payment mechanisms and integrating blockchain-based supply chain transparency could further elevate Afghanistan's agriculture industry in global markets. Digital transformation and e-commerce present new avenues for direct-to-consumer sales of Afghan medicinal plants. Platforms such as Here Here Market and warfair have begun selling Afghan-sourced caraway and liquorice to international buyers, signalling a growing interest in ethically sourced, high-quality herbal products.

Regional cooperation also plays a crucial role in unlocking the full potential of Afghanistan's medicinal plant sector. Neighbouring countries such as India and Iran have well-established herbal medicine industries and could serve as both trade partners and sources of technical expertise. Collaborative research initiatives, joint ventures in herbal extraction and cross-border processing zones could create a more structured and competitive regional value chain.[55]

Other Prospective Sectors

This section explores two key prospective sectors for Afghanistan's economic growth: information and communication technology (ICT) and tourism. These sectors are differentiated by the previously explored potential sectors in terms of smaller market size, and the need for strong policy momentum and improvements in the enabling environment to drive growth in these areas. Each sector is examined in terms of its historical development, current contributions to the economy and existing infrastructure. The analysis also identifies sector-specific challenges and opportunities, highlighting how these industries can support economic diversification. The investigation incorporates assessments of investment trends, export potential and regional integration possibilities, providing a structured overview of how each sector can be leveraged for sustainable development.

ICT

Since 2002, Afghanistan's ICT sector has seen significant growth and has become a crucial contributor to the country's economy and development. As of 2020, the sector attracted approximately $3 billion in private investments, created 185,000 jobs and generated $11 million annually in government revenue.[56] Major advancements include the rapid expansion of telecommunications, the introduction of mobile networks, and diversification of services into the internet, satellite communications, IT and e-services. Telecommunications are led by major operators such as Afghan Wireless, Roshan, MTN, Salaam and Etisalat. Additionally, Afghanistan has 64 Internet Service Providers (ISPs), such as Rahanet, Netlinks and Afghan Cyber ISP. These ISPs face challenges regarding affordability and reliability. The country also relies on satellite infrastructure, such as AfghanSAT 1, Afghanistan's first satellite launched in 2014, which is crucial for bridging connectivity gaps across the country.[57]

Key actors, including the Afghanistan Telecom Regulatory Authority (ATRA) and the de facto Ministry of Communications and Information Technology (MCIT), play a central role in regulating the sector, developing ICT policies and managing national telecom infrastructure. Established in 1955, the MCIT is the primary body responsible for Afghanistan's ICT development, focusing on expanding connectivity and digital infrastructure. The ATRA, created in 2006 under the Telecom Law of 2005, serves as an independent regulatory agency responsible for licensing telecommunications operators, promoting competition and ensuring the provision of quality telecom services. These institutions have been instrumental in fostering ICT growth, encouraging private sector investment and promoting digital inclusion across the country.

Table 14: Growth in broadband subscriptions and internet usage in Afghanistan, 2010–2023
[*Sources: International Telecommunication Union (ITU), retrieved from ITU DataHub*]

Indicators	2010	2015	2020	2023
Fixed-Broadband Subscriptions (per 100 people)	0.0053	0.0209	0.068	0.0801
Mobile-Cellular Subscriptions (per 100 people)	36.1	58.3	58	55.5
Active Mobile-Broadband Subscriptions (per 100 people)	0	5.65	19	55.5
Individuals Using the Internet (%)	4%	8.3%	17%	17.7%

[55] Xinhua, 2024b.

[56] Afghanistan-American Chamber of Commerce (AACC) ICT Working Group Meeting Summaries; AACC ICT Working Group Memo on Afghanistan's ICT Sector Development. These are from the AACC interviews.

[57] *Ibid.*

The E-Afghanistan National Priority Program (NPP), launched in 2010, is a transformative initiative aimed at digitizing public services and enhancing governance through ICT. This programme seeks to modernize Afghanistan's administrative systems by promoting e-government services and streamlining public service delivery. A key achievement under the NPP has been the e-Tazkira electronic ID system. This system streamlines critical public services, such as voter registration and driving licences, and facilitates financial transactions, increasing transparency and efficiency. The NPP also emphasizes digital inclusion by expanding broadband infrastructure and fostering ICT-based solutions in critical sectors such as healthcare, education and agriculture. Additionally, mobile money platforms like M-PAiSA enable secure salary disbursements and digital payments, significantly improving financial inclusion and reducing corruption. ICT innovations extend further into vital sectors, supporting education through e-learning platforms and healthcare via telemedicine services.

Afghanistan effectively leveraged the public-private partnership (PPP) model to support these efforts to mobilize investments and drive ICT growth back in 2005. Notably, two telecom projects reached financial closure in 2005 and 2006, prior to the enactment of PPP legislation.[58] These early initiatives laid the groundwork for Afghanistan's ICT development. Moreover, collaborations with major telecom operators like Roshan and Afghan Wireless significantly expanded mobile network coverage. Similarly, partnerships with companies such as Netlinks enhanced internet accessibility. However, challenges such as affordability and limited connectivity in rural areas remain significant obstacles to achieving nationwide digital inclusion.

Access to mobile and broadband services in Afghanistan has increased steadily over the past decade, although significant gaps remain, especially in rural areas where infrastructure and affordability continue to pose persistent barriers. Before the August 2021 takeover, the country saw marked improvements in connectivity. Mobile-cellular subscriptions climbed from 36.1 per 100 people in 2010 to 58.3 in 2015, and mobile broadband subscriptions rose from zero to 19 per 100 people by 2020, reflecting the increasing reliance on mobile-based internet access due to its broader reach and lower infrastructure demands. Internet usage also grew during this period, from just 4 percent in 2010 to 17.1 percent in 2020.

Since 2021, progress in digital connectivity has slowed and even slightly reversed in some areas. Mobile-cellular subscriptions declined to 55.5 per 100 people in 2023, and internet usage rose marginally to 17.7 percent. While mobile broadband continues to show expansion, reaching 55.5 subscriptions per 100 people in 2023, fixed broadband remains limited, having increased only slightly from 0.0053 in 2010 to 0.0801 in 2023. Mobile phone access for women also lags significantly behind males, particularly in rural areas. These trends suggest that while basic connectivity infrastructure has expanded, deeper challenges related to affordability, service reliability, digital literacy and uneven regional development continue to limit internet access, particularly in underserved and rural communities.

The ICT sector in Afghanistan faces several critical challenges that hinder its growth and modernization. Addressing these issues is essential for unlocking the sector's potential and ensuring its contribution to the country's economic development and regional integration. A significant obstacle is the infrastructure and technology deficit, as a large rural population lacks access to reliable internet and mobile connectivity. This digital divide is exacerbated by outdated and poorly maintained ICT infrastructure, which restricts service quality and hampers the expansion of telecommunications services. Energy infrastructure limitations also pose a significant constraint, as a reliable energy supply is essential for ICT services. Afghanistan's energy infrastructure remains insufficient and unreliable, particularly in rural areas, adding significant operational costs for service providers relying on alternative energy sources such as generators. Investment in upgrading infrastructure remains a pressing need to ensure nationwide access.

The affordability of ICT services remains a significant challenge in Afghanistan, impacting digital inclusion and economic participation. In 2024, the cost of a mobile data and voice low-consumption basket accounted for 11.1 percent of GNI per capita, while a data-only mobile broadband basket represented 8.4 percent of the Gross National Income (GNI) per capita.[59] These figures indicate that ICT services remain expensive compared to global standards, particularly for lower-income households. The high costs contribute to limited adoption rates, especially in rural areas where affordability is a greater barrier than network availability. A comparison with Yemen in 2024, another conflict-affected country,

[58] World Bank Group, 2020.

[59] International Telecommunication Union (ITU) DataHub, retrieved July 14, 2025.

highlights differences in ICT affordability. In Yemen, the cost of a mobile data and voice low-consumption basket is 6.49 percent of GNI per capita, significantly lower than Afghanistan's 11.1 percent. Similarly, a data-only mobile broadband basket in Yemen costs 6.49 percent of GNI per capita, compared to Afghanistan's 8.44 percent. However, Yemen's fixed-broadband internet basket is more expensive at 5.11 percent of GNI per capita, whereas Afghanistan's stands at 2.97 percent. These differences suggest that while mobile services are relatively more affordable in Yemen, fixed-broadband services are more accessible in Afghanistan. Despite these variations, both countries face challenges in ensuring affordable access to ICT services, which remains a critical factor in digital inclusion and economic growth.

Another challenge is the sector's heavy reliance on imported equipment, with foreign companies such as Huawei and ZTE dominating the market. This reliance on foreign technology restricts domestic innovation and raises concerns about a lack of a competitive local industry and therefore market fairness. Furthermore, economic and security issues present serious risks to ICT operations, deter investment and disrupt service delivery. Private operators also report difficulties due to high government taxes and fees, which limit profitability and discourage further expansion. Although opportunities for private investment exist, regulatory barriers, insufficient incentives and challenges in forming public-private partnerships restrict the participation of private entities, stifling innovation and constraining expansion efforts. Compounding these issues is Afghanistan's underdeveloped regional connectivity infrastructure. Despite its strategic position as a potential ICT hub, significant investment in cross-border connectivity is needed, however, infrastructure and agreements with neighbouring countries remain inadequate, delaying regional integration efforts. Lastly, cybersecurity risks are becoming an increasing concern.[60]

Afghanistan's ICT sector has limited human resources, with a low proportion of graduates from ICT-related faculties compared to the total number of graduates. In the academic year 2023–24, graduates from ICT-related faculties (science, engineering, electromechanics, computer science, communication and information technology) represented only 1.4 percent of the total graduates from universities. This percentage was slightly higher in 2022–23 at 3.5 percent but declined again to 1.5 percent in 2021–22. Despite the increasing demand for skilled professionals in ICT fields, graduates remain disproportionately low, particularly in key areas such as electromechanics, and communication and information technology. Given tightening restrictions upon women's involvement in the economy and limited employment opportunities, the ICT sector may offer significant opportunities for women's employment, if education and training opportunities can be developed (including online) and women-only ICT business hubs developed.

Afghanistan's ICT sector holds immense potential for investments in bridging the digital divide. The expansion of 4G networks and the planned introduction of 5G technology represent transformative opportunities to enhance connectivity across Afghanistan. According to the de facto Ministry of Communications and Information Technology (MCIT), a national fibre optic system requires an estimated $380 million investment, while expanding 4G infrastructure is projected to cost $450 million.[61] These investments are critical for bridging connectivity gaps, particularly in rural areas, and enabling greater digital inclusion.

Regional integration offers another significant opportunity for Afghanistan's ICT sector. Strategically located between Central Asia and South Asia, Afghanistan is poised to become a vital ICT transit hub. Initiatives like the Digital Silk Road and Digital CASA project can enhance regional connectivity, foster international collaborations and position Afghanistan as an integral part of the global digital economy. These projects, coupled with investments in cross-border infrastructure, can improve infrastructure and strengthen Afghanistan's role in facilitating digital trade and economic cooperation across the region.

E-commerce and digital trade, supported by advancements in ICT, present substantial opportunities to drive Afghanistan's economic growth. Digital platforms can connect Afghan businesses to both domestic and international markets, enabling small- and medium-sized enterprises (SMEs) to expand their operations and reach new customers. Improved internet penetration and logistics infrastructure can further accelerate the growth of e-commerce, unlocking new economic opportunities and nurturing entrepreneurship.[62] Beyond trade, ICT can act as a transformative enabler for other sectors of the economy. Mobile banking platforms, e-learning

[60] Miller, L. E., 2017.

[61] Business News, 2020.

[62] United Nations Conference on Trade and Development (UNCTAD).

tools, telemedicine services and e-government initiatives possess the potential to modernize industries, enhance service delivery and improve quality of life.[63] In agriculture, for instance, e-agriculture platforms and ICT-driven trade solutions can streamline operations, boost productivity and strengthen supply chain integration. By integrating ICT across various sectors, Afghanistan can tackle critical challenges in healthcare, education and rural areas, while simultaneously promoting sustainable economic development.

The private sector has a crucial role in driving ICT expansion, yet its potential can only be fully realized by addressing challenges within the regulatory framework. Streamlining licensing processes, promoting competition and enforcing transparency in official policies are critical steps to creating a more business-friendly environment. Investments in call centres, data processing, IT outsourcing and broadband development can help grow the sector while generating employment opportunities. Public-private partnerships (PPPs) can accelerate infrastructure development, enhance service delivery and foster innovation. Furthermore, establishing innovation hubs and incubation centres can support start-ups and entrepreneurs, encouraging the creation of localized ICT solutions tailored to Afghanistan's unique needs. Overcoming regulatory barriers and providing incentives for private sector involvement will not only strengthen the ICT ecosystem but will also unlock sustainable growth opportunities, positioning Afghanistan as a competitive player in the regional digital landscape economy.

Tourism

Afghanistan possesses a rich cultural and historical heritage, but decades of conflict and security concerns have hindered its tourism industry. The country's diverse landscapes, ancient historical sites and unique cultural experiences make it a potentially attractive destination for travellers seeking unusual experiences.[64] Recent efforts have been made to promote safe tourism, particularly through niche markets like cultural heritage, adventure and religious tourism.[65] But international tourism at any scale is unlikely to develop any time soon, with the non-recognition of the de facto authorities, limited air routes, international payment restrictions, ongoing political and safety concerns and under developed infrastructure all making tourism an unlikely growth sector in the medium term. For the moment, domestic tourism will drive the sector, with some regional visitors, diaspora tourists and niche international travellers supplementing the domestic market.

Afghanistan had a modest but growing tourism industry, particularly in the 1960s and 1970s, when it was part of the overland 'Hippie Trail' that attracted Western travellers. Cities such as Bamiyan, Herat and Kabul were known for their vibrant cultural scenes, historical sites and hospitality. Tourists explored the breathtaking landscapes of the Hindu Kush, visited the towering Buddhas of Bamiyan, and engaged with Afghanistan's rich artistic and culinary traditions. Notable attractions included the National Museum of Afghanistan in Kabul, which housed many artefacts from Afghanistan's diverse history, and the Herat Citadel, a well-preserved fortress that showcases Afghanistan's medieval past. Popular hotels such as the Intercontinental Hotel Kabul and the Serena Hotel accommodated international visitors. While infrastructure was still developing, relative stability allowed for international visits, contributing to a nascent tourism economy that showcased Afghanistan's diverse heritage and natural beauty. However, subsequent decades of war and political instability gradually eroded the industry, culminating in the near-total collapse of tourism during periods of conflict and with the takeover of power in August 2021.

Afghanistan is still home to several UNESCO World Heritage Sites, including the cultural landscape of the Bamiyan Valley and Minaret of Jam.[66] These sites, alongside ancient Silk Road trading centres, offer immense potential for eco- and cultural tourism. The Bamiyan Province has already become a domestic tourism hub, owing to its natural value and being the host province of the Band-e-Amir National Park. The preservation and promotion of these locations may attract regional and international tourists interested in history and archaeology. Moreover, the country's rugged terrain, including the Hindu Kush mountains and Wakhan Corridor, provides opportunities for trekking, mountaineering and wildlife tourism. Adventure tourism can be a key sector for development, particularly for travellers seeking remote and untouched landscapes. Furthermore, Afghanistan hosts several important Islamic and Buddhist religious sites. Cities such as Mazar-i-Sharif, home to the Blue

[63] University of Central Asia, 2018.

[64] Clammer, P., 2007.

[65] Huang, R., 2021.

[66] Hayashi, N., 2024.

Mosque, can attract pilgrims and religious tourists[67]. The country's Buddhist heritage, including ancient relics and monasteries, can also appeal to a global audience interested in spiritual tourism. .

The market potential for Afghanistan's tourism would derive mainly from the target audience of domestic tourists with some regional travellers, diaspora and heritage tourists, adventure enthusiasts and religious tourists. Different marketing strategies can be implemented with local and global travel partnerships to reach these groups more effectively. In the short term, potential tourism offerings directed at domestic tourists could benefit from improved mobility within the country, and include recreational activities based on natural and riparian tourism, such as camping and picnicking. In the longer term, regional tourists could be targeted by cultural tourism packages, integrating with the wider region in terms of similar cultural heritage (e.g. remains from the Timurid period) in Uzbekistan and Afghanistan (Bukhara, Khiva and Samarkand in Uzbekistan, and Balkh and Herat in Afghanistan) and including, for instance, combining religious tourism tours and packages around Islamic shrines of Sufi dervishes in Bukhara, Uzbekistan with similar sites in Herat, Afghanistan. Moreover, it would also be beneficial and feasible to market tours to Afghan diaspora seeking to reconnect with their roots.

Perceived security risks and international reputation are twin challenges that must be taken into account with regard to the opportunities of the tourism sector in Afghanistan. To address this, a strategic approach involving designated safe zones and guided tours can help build traveller confidence. Moreover, limited road access, accommodation and tourism services hinder visitor experience. Investments in transport networks, eco-lodges and tourism-friendly policies could facilitate sustainable tourism growth, shifting perceptions and attracting early adopters.

Encouraging investment from both local and international entities in tourism infrastructure—such as eco-friendly hotels, heritage site conservation and guided tour operations—may offer opportunities for industry development in the future.[68] Eco-tourism initiatives, community-based tourism and heritage preservation efforts can ensure long-term benefits for both visitors and local communities. Developing responsible tourism frameworks will be essential to prevent over-commercialization and environmental degradation. Digital platforms for travel booking, virtual tours and mobile applications providing travel advisories can improve accessibility and information dissemination[69]. Leveraging AI-driven tourism recommendations and AR/VR experiences can also enhance visitor engagement.

Regional coordination and integration with the travel circuits of neighbouring countries could enhance Afghanistan's tourism potential. Many of Afghanistan's key cities share cultural and historical ties with major tourism hubs in Iran, Pakistan and Uzbekistan, presenting an opportunity for cross-border tourism packages. For instance, Mazar-i-Sharif could be included in Uzbekistan-focused itineraries, given its historical connections to Bukhara and Samarkand, while Herat may be linked with Iran's Isfahan and Mashhad, creating a seamless cultural tourism route. Expanding these connections could also support religious and heritage tourism, attracting both pilgrims and cultural travellers. Afghanistan can entice travellers already visiting these neighbouring destinations by streamlining border-crossing procedures, improving accommodation and visitor services, and promoting joint marketing campaigns. Investment in multilingual signage, standardized tourism infrastructure and coordinated visa facilitation programmes would further enhance accessibility. Moreover, such initiatives would encourage greater regional economic collaboration, benefiting local businesses and strengthening Afghanistan's tourism sector despite existing infrastructure and security challenges. To ensure long-term success, collaboration with regional tourism boards, travel agencies and cultural preservation organizations will be essential in developing sustainable and well-managed cross-border tourism experiences.

Afghanistan's tourism sector remains in its infancy but holds potential if security and reputational concerns are addressed and infrastructure investments are made. The country can position itself as a unique travel destination by strategically developing niche tourism markets and leveraging partnerships. A structured approach emphasizing safety, cultural heritage and sustainability will be key to unlocking Afghanistan's tourism potential, alongside of course the ending of restrictions on women and girls, which does immense harm to Afghanistan's international reputation.

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[67] Clammer, P., 2007.

[68] OECD, 2023.

[69] Sun, J., 2023.

Figure 45: Routes of the Chabahar Transit Project [*Source: Eurasia Daily Monitor*]



3.2 Logistics

Afghanistan's strategic location at the crossroads of Central Asia and South Asia positions it as a potential hub for regional trade and transit. Bordering six countries—China, Iran, Pakistan, Tajikistan, Turkmenistan and Uzbekistan—the nation offers critical land routes that could facilitate commerce between these regions. However, Afghanistan's landlocked nature necessitates reliance on neighbouring countries' ports, such as Pakistan's Karachi and Port Qasim, and Iran's Bandar Abbas and Chabahar, to access international markets. Despite its geographic advantages, the country faces challenges such as underdeveloped infrastructure, mountainous terrain and security concerns, which hinder efficient transportation and supply chain stability. Several key projects and agreements have been initiated to address these challenges and enhance Afghanistan's logistics capabilities. The Lapis Lazuli Corridor, in partnership with Azerbaijan, Georgia, Türkiye and Turkmenistan, connects Afghanistan to European markets through Central Asia and the Caucasus. The Chabahar Agreement, involving Afghanistan, India and Iran, provides alternative trade routes, reducing dependency on Pakistan's ports. Domestically, the Khaf-Herat railway, linking Iran and Afghanistan, is expected to lower transportation costs and improve connectivity. Afghanistan is also included in China's Belt and Road Initiative (BRI), which involves infrastructure development plans to integrate Afghan provinces with regional trade networks. These projects highlight opportunities to modernize Afghanistan's logistics sector; however, security issues, bureaucratic inefficiencies and funding constraints remain barriers to fully realizing their potential.

The development of dry ports and warehousing facilities offers key opportunities for private sector investment. Dry ports such as Aqina, Hairatan and Torkham require modernization to address infrastructure and operational challenges. Investments in cold chain logistics, increased storage capacity and facility upgrades could improve trade efficiency and support regional commerce.

Figure 46: Lapis Lazuli Corridor [*Source: AzerNews*]



Customs and supply chain optimization also present potential for private sector involvement. Companies can contribute by introducing digital platforms and automated clearance systems to streamline customs procedures. These innovations could enhance transparency, reduce delays and lower costs. Key opportunities include expanding air cargo facilities at international airports such as Herat, Kabul and Kandahar, establishing multimodal transport links between air, rail and road networks, and supporting the efficient movement of goods for export and regional trade. Technology integration is another area for growth. Tools such as GPS tracking, digital payment systems and route optimization software can improve logistics efficiency and reduce operational costs.

3.3 Improving Private Sector Representation

Consultations carried out in the period 2022–2025 by HARAKAT on behalf of UNDP, International Finance Corporation (IFC) and other international organisations, along with major private sector representative organizations, have underscored the importance of a unified and inclusive coordination and advocacy platform that engages all chambers, associations, and key national and international stakeholders to address economic challenges effectively.[70] The support of international organizations is essential in capacity-building initiatives for private sector bodies to enhance their organizational strength. Setting up a formal public-private dialogue mechanism that will focus on the investment climate reform agenda is critical to this end. After the consultations, HARAKAT has launched a private-sector advocacy forum to improve coordination and advocacy within the private sector, and help foster an enabling business environment in Afghanistan. The forum focuses on facilitating collaboration among private sector entities to promote policy recommendations and engage in dialogue with the DFA and the international community. It aims to work with business leaders, investors and associations to identify challenges and develop solutions that support private sector sustainability.

The process and methodologies to design an agenda engaging stakeholders are equally important as establishing a solid mechanism for public and private sector dialogue. The National Program for Enhancing Economic Diversification launched by Oman in 2016 provides another good practice example for Afghanistan. The national programme, known as Tanfeedh, aimed to reduce the country's reliance on oil revenues and stimulate growth

[70] The role of dialogue among the private sector, public authorities and international partners has been continuously stressed as an imperative to address the key challenges of private sector development in Afghanistan. As an example, in early February 2025, HARAKAT and UNDP held a private sector consultation event as preparation for the first Doha Private Sector Working Group meeting. The event brought together representatives from the international community and private sector to identify key issues for discussion at the private sector working group (PSWG) meeting.

Türkiye's Coordination Council for the Improvement of the Investment Environment

Türkiye's Coordination Council for the Improvement of the Investment Environment (YOIKK) serves as a learning model for fostering public-private collaboration to enhance the investment climate.* Established in 2001, YOIKK was designed to streamline investment processes and address systemic barriers to private sector growth. Its framework features a robust public-private dialogue (PPD) mechanism, ensuring high-level participation from relevant ministries, private sector representatives and international stakeholders. Key features of the YOIKK process include the following pillars:

- **Public-Private Dialogue Mechanism:** YOIKK brings together government ministries and private sector actors to collaborate on priority reform areas. The council's structure ensures policy alignment and shared accountability for implementation outcomes.
- **Technical Committees and Task Forces:** The council is supported by multiple task forces focused on critical reform areas, such as streamlining licensing processes, reducing administrative burdens and improving digital infrastructure for business operations. These committees identify, prioritize and implement actionable reforms, often leveraging global best practices.
- **International Advisory Committee:** A unique element of YOIKK is its International Advisory Committee, which engages CEOs of multinational companies already operating in Türkiye or considering investments. This advisory body provides a global perspective, highlights investor concerns and strengthens Türkiye's competitiveness on the international stage.

YOIKK has successfully implemented significant reforms, including reducing the time and cost to start a business, facilitating land acquisition and streamlining tax registration. These efforts have improved Türkiye's rankings in global indices like the World Bank's Ease of Doing Business report. More importantly, YOIKK's inclusive and collaborative approach has created a platform for sustained dialogue and trust between the public and private sectors.

Adopting a similar structure in Afghanistan could significantly improve the effectiveness of investment climate reforms, and this has been called for by UNDP and the United Nations Assistance Mission in Afghanistan (UNAMA) under the Doha PSWG process. A similar council, with task forces addressing specific issues and an advisory body for international investors, can enhance coordination, promote transparency and align reforms with private sector needs. The inclusion of a high-level public-private dialogue mechanism ensures buy-in from key stakeholders, while targeted technical committees can provide the analytical rigor necessary to drive impactful reforms.

* *Republic of Türkiye, Presidency of Strategy and Budget.*

in other sectors.[71] The programme focused on five key areas: manufacturing, tourism, logistics, fisheries and mining. It aimed to accelerate the execution of economic diversification plans, assist the government in utilizing best economic and social planning practices, and allocate budgets to projects with significant economic returns and added value.

A central feature of Tanfeedh was the establishment of 'labs', intensive workshops that brought together stakeholders from the public and private sectors, academia and civil society. These labs facilitated open dialogue to identify challenges, propose solutions and develop detailed implementation plans with clear Key Performance Indicators (KPIs). This collaborative approach ensured that all parties were engaged in the decision-making process, fostering a sense of shared responsibility and transparency.

The programme also emphasized the importance of community engagement. Public exhibitions and online surveys were conducted to gather feedback on proposed initiatives, ensuring that the broader population had a voice in shaping the nation's economic future. This not only enhanced the legitimacy of the initiatives but also built public trust in the diversification efforts. Tanfeedh's structured methodology—which included setting clear objectives, engaging diverse stakeholders and maintaining transparency—offers valuable insights for similar initiatives in other countries. By fostering collaboration and accountability, such programmes can effectively drive economic diversification and sustainable development.

[71] Pemandu Associates, 2017.

3.4 Special Economic Zones (SEZs)

Industrial parks are designated by the de facto Ministry of Commerce and Industry as economic zones integrated into urban strategic plans for growth and development. These parks are equipped with critical infrastructure—including internal roads, highways access, electricity networks, water supply, sewage systems and communication facilities—to support industrial and manufacturing activities. The development of industrial parks is prioritized to stimulate industrial growth, attract investment and generate employment. A dedicated General Directorate for Industrial Parks, under the de facto Deputy Ministry for Private Sector and Industries Development, oversees the establishment, maintenance and management of these parks. As of 2024, Afghanistan hosts 34 industrial parks across 14 provinces. Among these, 11 are operating within major provinces: Balkh, Harat, Kabul, Kandahar and Nangarhar. While 11 are planned or under construction, 12 are undergoing needs assessments. Back in 2017, the total number of industrial parks was 24, with nine operational, 10 under construction and six planned.

Industrial parks are located in key provinces, including Balkh, Daykundi, Faryab, Ghazni, Helmand, Herat, Kabul, Kandahar, Khost, Logar, Maidan Wardak, Nangarhar, Paktia and Parwan. However, provinces across Afghanistan continue to face challenges such as unreliable electricity, insufficient infrastructure, limited access to modern technology and financial constraints. See Box below for an overview of findings from the Herat Industrial Park site visit in December 2024.

Herat Industrial Park and Findings from the Site Visit to Herat in December 2024

The Herat Industrial Park—comprising three completed phases, a fourth under construction and a planned fifth phase—demonstrates the sustained interest in industrial park development. Spanning 52,000 jareeb (approximately 104 million m^2), Herat benefits from relatively better grid access and proximity to international borders, which facilitates trade.

Key manufacturing sectors include confectionery, agro-processing, marble (14 factories exporting to China, Iran and the UAE), construction materials, steel, bricks, cement, dairy processing, plastics, pharmaceuticals, disposable medical clothing, solar panels and motorcycle assembly. Notable firms include Kabul Folad Steel, the Herat Ice Cream Company and SuperCola, a leading beverage producer in Afghanistan.

Challenges in the park include unreliable electricity supply (3 MW/month capacity needs) and high energy costs ($0.096/kWh for industrial use). Visa difficulties in enabling international travel for trade, inadequate drainage, limited access to finance and the lack of machinery further hinder progress. Despite these issues, opportunities exist, such as the potential TAPI substation, revitalization of the Soviet-era textiles factory, and expansion in saffron, dried fruit and corrugated steel sheet production—a $1 billion market in Afghanistan.

Figure 47: Active industrial parks in Afghanistan [*Source: Afghanistan's Ministry of Industry and Commerce*]

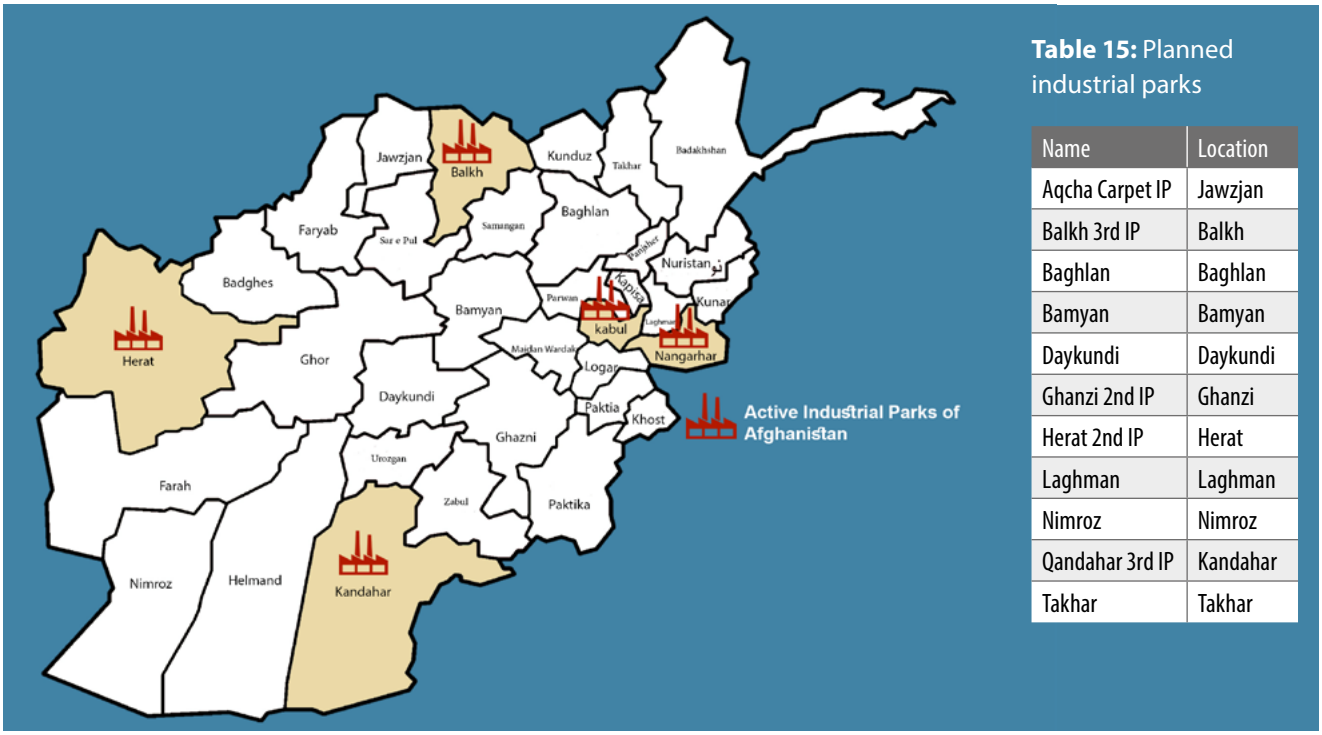

Table 15: Planned industrial parks

Name	Location
Aqcha Carpet IP	Jawzjan
Balkh 3rd IP	Balkh
Baghlan	Baghlan
Bamyan	Bamyan
Daykundi	Daykundi
Ghanzi 2nd IP	Ghanzi
Herat 2nd IP	Herat
Laghman	Laghman
Nimroz	Nimroz
Qandahar 3rd IP	Kandahar
Takhar	Takhar

Intervention Rationale: How an improved industrial park regime could contribute to private sector development in Afghanistan

An improved industrial park regime can address critical constraints to business growth within targeted, high-potential areas. Both these constraints, as well as the opportunities, have been systematically identified as part of the private sector mapping study. Industrial parks serve as hubs of concentrated infrastructure, services and streamlined regulations, fostering an enabling environment for enterprises to thrive. By reducing operational costs and enhancing productivity, these parks can catalyse industrial diversification, create employment opportunities and promote regional economic development.

In a context where nationwide investment climate reforms may be costly and unfeasible in the short term, industrial parks offer a second-best solution. These 'pockets of excellence' strategically address the most binding constraints, such as inadequate infrastructure, unreliable electricity and limited trade facilitation, within delimited areas. At the same time, these mechanisms can also provide creative solutions towards women's participation in the industrial labour force. The study highlights key challenges in Afghanistan's business environment, including operational challenges, infrastructure and energy deficits, policy uncertainty and insufficient regulatory framework, and financial constraints. The so-called 'Special Economic Zones (SEZs)' integrated into the industrial park regime can respond effectively by prioritizing solutions to these constraints, creating a replicable model for broader economic reforms.

The identified constraints and possible solutions are elaborated on in the below table.

Table 16: Constraints and possible responses by the industrial park regime

Constraints as identified by the private sector mapping study	Possible responses that could be developed by the industrial park regime
Electricity	Ensure connectivity to the national grid, establish dedicated renewable and non-renewable energy production, and develop an effective internal distribution network to ensure consistent and affordable energy supply.
Environment and Social Management Standards	Implement standardized environmental and social safeguards across parks, with clear monitoring, reporting mechanisms, and incentives for eco-friendly and socially responsible practices.
Transport Connectivity and Road Infrastructure	Develop industrial parks near major transport corridors, borders and ports, with improved internal logistics infrastructure and connections to key trade routes. This could also entail establishing multimodal logistics hubs within—or in close proximity to—parks. The industrial park administration could also coordinate with national and provincial authorities, to prioritize and maintain road infrastructure critical to park accessibility and cargo movement.
Skills	Establish on-site vocational training centres, partnerships with educational institutions and targeted programmes for skills development tailored to park industries.
Women's Economic Participation	Create women-only zones, provide transportation support and enable access to finance for women-led enterprises.
Policy Uncertainty and Insufficient Regulatory Framework	Provide clear governance structures, long-term investment incentives and transparent regulations for businesses operating within parks, ensuring consistency and predictability.
Trade Facilitation and Customs	Incorporate customs offices and bonded warehouses within parks, streamline import/export processes and leverage parks as hubs for efficient trade operations. Solutions could also entail declaring selected zones as free trade zones with zero duties and effective customs processes.
Corruption	Introduce digitalized and automated systems for park administration, licensing and payments, to reduce human interaction and increase transparency.
Access to Finance	Facilitate partnerships with financial institutions, offer credit support schemes and encourage innovative financing solutions, like leasing or investment funds within the parks. Land ownership or long-term leases could also contribute to finance through their use as collateral.
High Tax Burden	Create tax incentive packages for park investors and businesses, including reduced corporate tax rates, duty exemptions and subsidies for strategic industries within parks.

Tackling Women's Labour Force Participation through SEZs

SEZs present a remaining opportunity to foster women's economic empowerment in Afghanistan, by creating environments where women can participate in business and employment. SEZs can serve as pockets of excellence, designed to accommodate cultural and mobility constraints while enabling women to access economic opportunities safely and sustainably. By implementing targeted interventions such as women-only zones, decentralized marketplaces and digital commerce solutions, SEZs can become catalysts for inclusive growth, providing Afghan women with the resources and infrastructure needed to thrive in the workforce and in entrepreneurship. Strategies to achieve this include:

1. **Women-Only Special Economic Zones (W-SEZs):** Establishing dedicated SEZs designed for women entrepreneurs, workers and customers within an accessible range that complies with mobility restrictions can support women's participation in economic activity. These zones can include production facilities, retail shops, financial services and training centres, ensuring that women have access to economic opportunities without requiring long-distance travel. These could be fenced areas within larger SEZs, with easy and direct access to residential, educational and health facilities. These enabling actions will ensure women are able to actively participate in economic activities freely and safely and ensure facilities and work environment are appropriate and women friendly.

2. **Transportation support:** Implementing secure and women-friendly transportation services that align with religious guidelines can facilitate safe and acceptable mobility. Dedicated shuttle services for women workers and entrepreneurs between SEZs and nearby urban centres can provide safe access while addressing social constraints.

3. **Vocational training and home-based enterprises:** Establishing training centres within SEZs to equip women with skills in textiles, handicrafts, food processing and digital work while integrating home-based production into SEZ supply chains can facilitate access to skills acquisition. This can be done through cooperative models where women can work from home and contribute to larger SEZ-linked enterprises.

4. **Satellite hubs and decentralized marketplaces:** Developing satellite business hubs near residential areas can minimize the need for women to travel far from their homes. These micro-SEZs can be set up within permissible distances and connected to larger SEZs via logistics networks, allowing women to work and manage businesses remotely while ensuring access to raw materials and markets.

Immediate Areas of Engagement for Improving Industrial Parks

Through reviewing existing assessments and the current situation, while considering global good practices on park regulation, governance, development and management, several steps can be undertaken to provide a comprehensive framework to guide policy and operational interventions for industrial parks. These steps include:

- **Infrastructure review:** Analyse findings from existing and ongoing assessments, with a focus on critical infrastructure needs, particularly electricity, to address gaps and enhance operational efficiency within industrial parks.

- **Institutional assessment and functional review:** Conduct a functional review of the institutional set-up, identifying current roles, potential new functions, gaps and capacity-building requirements to improve governance and implementation effectiveness.

- **Regulatory review:** Evaluate the current regulatory framework against global SEZ good practices, focusing on infrastructure development, streamlined business processes, fiscal and trade incentives, environmental and labour standards, and skill development policies.

- **Development of recommendations:** Formulate actionable recommendations to inform the draft SEZ law, guide the infrastructural needs assessment by UNDP and integrate lessons learned from global practices, to ensure the alignment of industrial park development with national priorities.

3.5 Transformative Infrastructure Projects

Afghanistan's economic future is increasingly tied to large-scale infrastructure and connectivity projects that have the potential to reshape private sector activity. These mega-projects—spanning transport, logistics, agriculture and urban development—could offer new opportunities for investment, job creation and market expansion.

By improving trade routes, enhancing regional connectivity and increasing domestic production capacity, these initiatives reduce Afghanistan's reliance on traditional trade partners and create a more resilient economic foundation. The table below highlights key projects, outlining their scope, strategic significance and implications for private sector growth.

Table 17: Transformative infrastructure projects related to Afghanistan

Table 17: Transformative infrastructure projects related to Afghanistan

Project Name	Project Type	Description	Private Sector Development Implications
Chabahar Port Development	Port, Road and Rail Connections	• Chabahar Port offers Afghanistan a planned future export route that could reduce reliance on Pakistan's trade routes amid complex bilateral relations. • This development supports Afghan exports by creating more resilient trade channels, especially significant given Afghanistan's current export dependency on Pakistani ports.	• Attracts investments in logistics, warehousing and transport, while enabling Afghan companies to mitigate risks associated with Pakistan's trade exit. • Chabahar serves as a strategic route for regional and global trade.
Khaf-Herat Railway	Rail Corridor	• The Khaf-Herat Railway is part of a broader connectivity framework extending towards Turkmenistan, providing a vital cross-border link for Afghanistan. • This railway facilitates Afghan trade with Central Asia and supports export diversification. • It complements planned expansions towards Turkmenistan, enhancing Afghan connectivity through the Five Nations Railway Corridor.	• Supports private sector expansion in logistics and freight services; provides Afghan exporters with improved stability and multiple routes, crucial for trade resilience and regional integration.
The Qosh Tepa Canal	Water Canal for Irrigation	• The main canal is expected to be 285 km long and the overall initiative seeks to convert 550,000 hectares of desert into farmland. • The Qosh Tepa Canal begins in Balkh Province and is expected to end in Faryab while passing through Jowzjan. • Concerns about the project's feasibility, and cross-border tensions over riparian rights and the long-term management of the Amu Darya River.	• Increased agro-food opportunities. • Logistics operations for agriculture and food industry. • Increased demand for agriculture equipment.
Kabul New City	Urban Development and Regeneration, Real Estate	• Initiated by the Afghan government in 2006 and approved in 2009, the Kabul New City project aims to develop a modern urban area covering 722 square kilometres northeast of Kabul. • The project is planned to unfold in two main stages over approximately 30 years, ultimately accommodating around 3 million inhabitants with comprehensive facilities and infrastructure.	• Construction and Real Estate Development: The project offers extensive opportunities for private investment in residential, commercial and industrial construction, as well as real estate development. • Service Industry Expansion: The establishment of a new urban centre is expected to stimulate growth in various service sectors, including retail, healthcare, education and entertainment, creating diverse business opportunities.

Project Name	Project Type	Description	Private Sector Development Implications
Turkmenistan–Afghanistan–Pakistan–India Pipeline (TAPI Project)	Natural Gas Pipeline	• The 1,814 km pipeline is designed to transport natural gas from Turkmenistan's Galkynysh Gas Field through Afghanistan to Pakistan and India, ensuring energy security for the region. • Afghanistan stands to benefit from transit fees and job creation, while improved energy access could support industrial development. • The project fosters economic interdependence among participating countries, promoting regional integration despite security and political challenges.	• The project attracts private sector participation in gas distribution, power generation and energy-related services, fostering new business opportunities. • Improved gas availability can lower energy costs for Afghan industries, enhancing competitiveness in manufacturing, logistics and agro-processing. • Increased demand for construction, pipeline maintenance and security services creates business opportunities for local firms and employment in related sectors.
China-Kyrgyzstan-Uzbekistan (CKU) Railway Project	Railway Infrastructure	• A 523 km railway project designed to enhance trade and connectivity between China, Kyrgyzstan and Uzbekistan. • Expected to reduce transportation distances by 900 km, improving logistics efficiency and lowering freight costs. • Strengthens trade corridors and regional economic integration, facilitating smoother trade flows. • Potential benefits for Afghanistan if future extensions connect its infrastructure to the CKU network, improving access to Central Asian and global markets.	• Creates opportunities for private sector involvement in railway construction, logistics and supply chain management. • Stimulates investment in transport services, warehousing and customs operations due to increased trade efficiency. • Encourages foreign direct investment (FDI) in regional trade hubs, boosting economic activity. • If Afghanistan integrates with the CKU Railway, private firms could benefit from improved market access and reduced transport costs.
Afghanistan Ring Road	Highway Infrastructure	• A 2,200 km highway network intended to connect Afghanistan's major cities, including Herat, Kabul, Kandahar and Mazar-i-Sharif. • Designed to improve national connectivity, facilitate trade and reduce transportation costs. • Some sections of the road remain unfinished or in need of repair due to funding constraints and security challenges. • Expected to support economic activity by enhancing access to markets, reducing transportation costs and supporting commerce across provinces.	• Creates opportunities for private sector involvement in road construction, maintenance and associated infrastructure development. • Improves transport and logistics efficiency, benefiting businesses engaged in trade and distribution. • Facilitates investment in various sectors, including agriculture, commerce and tourism, by enhancing regional accessibility.

4.
Conclusion



Afghanistan's economy has experienced considerable structural shifts characterized by shrinking economic activity, declining investments and an increasingly constrained labour market. The services sector continues to be the most significant contributor to GDP; however, reduced consumer demand and financial instability have undermined its role. Agriculture's share of GDP has increased, yet low productivity and supply chain inefficiencies hinder its potential. Industrial production faces infrastructure deficits, financing limitations, lack of investment and trade disruptions, preventing sustained growth. Employment has shifted away from agriculture, yet job creation remains inadequate, particularly for youth and women.

Demographic changes present essential opportunities and challenges from the private sector development perspective. Afghanistan's growing population and increasing urbanization have driven infrastructure, housing and services demand, particularly in cities such as Herat, Kabul and Nangarhar. However, regional disparities persist, and much of the population remains in rural areas with limited economic opportunities. Urbanization has accelerated, but Afghanistan remains less urbanized than its regional peers, limiting the benefits of regional development, agglomeration economies and productivity gains for the private sector.

Despite the challenges, the private sector remains a key and resilient pillar of economic activity. Private sector production has grown recently, particularly in food products, beverages and metal production. Agriculture generates nearly one-third of GDP, followed by other services, retail trade and manufacturing. Food and beverage manufacturing dominates the industry, while construction, finance and mining contribute modestly. Afghanistan's export base is defined by limited diversification, reliance on a few key partners and limited product composition. Exports depend heavily on India and Pakistan as primary partners. They mainly consist of commodities such as coal, dried fruits and raw cotton, illustrating an economy that remains dependent on natural resources and agricultural output with minimal value-added production. Despite attempts to expand processed food exports and refined minerals, infrastructure gaps and regulatory barriers have hindered progress. Service exports, particularly in ICT and logistics, have demonstrated growth potential in the past, but financial transaction barriers and banking restrictions inhibit integration into the global digital economy markets.

Improving Afghanistan's business environment is critical for sustainable economic development, particularly if the country transitions away from informal financial systems. One of the most pressing challenges is financing for farmers, who in some areas of the country have historically relied on profits from opium cultivation or unofficial credit networks to purchase equipment and agricultural inputs. The absence of structured financing alternatives has left many struggling to sustain legal farming activities. Expanding access to microfinance, government-backed credit programmes or cooperative banking models could help bridge this gap. Additionally, Afghanistan's high illiteracy rates coupled with exclusion of women and girls in education and economic participation pose significant barriers to financial inclusion, limiting the population's ability to engage with traditional banking services. Implementing fingerprint-based fintech solutions would allow illiterate business operators to securely access loans, savings and digital payments without requiring literacy, following successful models in countries like India and Kenya. Since the August 2021 takeover, there has been reduced engagement between the private sector and de facto authorities, and business membership organizations now have less influence in economic decision-making.

Another key constraint is the lack of correspondent banking relationships, which restricts Afghanistan's ability to engage in international trade and financial transactions. Establishing partnerships between Afghan banks and global financial institutions could facilitate cross-border payments, remittances and foreign investment, easing the liquidity crisis. In parallel, reforms aimed at improving Afghanistan's 'ease of doing business' rankings may help attract international attention and technical support. However, international rankings alone are not sufficient to drive real economic transformation. Afghanistan should therefore design and sequence reforms in a way that tackles structural barriers directly, such as credit constraints, regulatory uncertainty and infrastructure gaps. Improvements in indicators can and should follow from such substantive changes, but prioritizing cosmetic or narrowly targeted reforms risks diverting attention from the deeper foundations of private sector development. To be effective, policy efforts must translate into tangible progress for businesses and citizens alike, including greater investment, employment generation and financial inclusion. Progress in addressing correspondent banking issues will also depend on the de facto authorities easing restrictions on women and girls, and Afghanistan consequently being seen as less of a reputational risk for banks and foreign businesses.

This report has provided an overview of Afghanistan's economic landscape, focusing on key challenges and opportunities.

However, structural constraints need to be addressed to unlock the private sector's full potential and translate these findings into practical action. The recommendations below aim to enhance investment conditions, foster enterprise growth and promote economic inclusion across various sectors and regions, while also contributing to broader macroeconomic goals such as job creation, export diversification and long-term economic resilience:

Designing sector-specific incentive mechanisms:

Considering Afghanistan's diverse economic sectors, a one-size-fits-all policy approach is unlikely to be effective. For example, the agriculture sector requires investment in cold storage, logistics and post-harvest processing. Conversely, manufacturing sectors like textiles or food processing require better access to finance, technology upgrades and export facilitation. Incentives should focus on modern farming technologies and value-chain infrastructure for agriculture, while subsidies for industrial equipment or tax holidays could enhance growth in manufacturing.

Flexible and targeted support based on industry- and region-specific needs is more effective than generic schemes.

Strengthening Special Economic Zones (SEZs):

SEZs offer a viable solution for enabling productivity within an insufficient national regulatory framework and infrastructure shortcomings. The report identifies Herat, Kandahar and Mazar-i-Sharif as promising locations where targeted investment could enhance private sector competitiveness. However, many of these areas face challenges such as unreliable utilities, especially electricity, limited logistics and unclear governance. In this difficult context, SEZs could provide access to stable electricity, water and transport infrastructure, along with streamlined administrative processes. This could also attract investment and foster clustering. Moreover, inclusive design such as safe spaces for women, on-site vocational training centres and connections to export markets could play a vital role in maximizing employment, particularly among youth and marginalized groups.

Expanding financial inclusion and digital tools:

Access to finance remains one of the most significant constraints on Afghan enterprises, particularly small- and medium-sized enterprises (SMEs), and women-led businesses. The collapse of traditional banking services has opened space for alternative models, including mobile money, Islamic finance and digital wallets. Promising innovations such as biometric-based fintech platforms can reach low-literacy users and women without requiring conventional identification or banking literacy. However, these solutions need ecosystem support: digital literacy programmes, regulatory sandboxes and interoperability frameworks. Donor and public sector engagement is crucial to scale inclusive financial solutions.

Rebuilding public-private dialogue platforms:

The lack of structured mechanisms for policy dialogue between the government and the private sector is a liability in Afghanistan's business environment. Before 2021, private sector coordination bodies played a role in voicing business concerns and proposing reforms. Their current absence leaves SMEs and regional actors without representation. Re-establishing inclusive dialogue through technical working groups, representative business associations and transparent consultation would strengthen policy design and private sector engagement.

Strengthen environmental, social and governance safeguards for the private sector:

Dialogue platforms could also play an important role in this regard too. Identifying opportunities to expand private sector growth to boost productivity and income in critical, but UNDP is also fully committed to ensuring business practices are responsible and ethical, and include environmental, social and governance (ESG) standards. Expanding industries and boosting private sector investment, in the extractive industries sector for example, needs to be enabled through the right principles and used as an opportunity to address inequality, including gender inequality.

Improving trade facilitation and regional integration:

Afghanistan's landlocked position and underdeveloped trade infrastructure limit its ability to participate in regional and global value chains. To reduce costs and enhance market access, it is crucial to regulate customs procedures, modernize border infrastructure and utilize regional transit corridors, such as Chabahar and the Lapis Lazuli Corridor. Investments in dry ports, integrated border posts and digital trade platforms could also reduce transaction costs and increase export competitiveness. Coordination with neighbouring countries on harmonized standards and customs cooperation is essential to unlock trade potential and diversify Afghanistan's external partnerships.

Promoting skills development for priority sectors:

A significant mismatch exists between the skills available in the labour force and the needs of high-potential sectors, including agro-processing, construction, ICT and renewable energy. Investment in Technical and Vocational Education and Training (TVET) programmes could be tailored to meet the demands of the private sector. Embedding vocational centres within industrial parks, supporting on-the-job training and linking education with employer needs can enhance workforce readiness. Gender-sensitive curricula, soft skills training and digital education pathways are also essential to ensure inclusivity and long-term productivity.

Shifting from humanitarian to investment-oriented financing:

Afghanistan remains heavily reliant on humanitarian assistance and short-term donor support. Although essential in the current context, the need for shifting towards long-term, investment-focused development financing is also evident. This includes support for commercially viable ventures through grant-to-loan models, exit plans from subsidies and performance-based funding. Aligning donor efforts with private sector priorities can improve sustainability and reduce aid dependency over time.

Supporting women's enterprise development:

As UNDP's 'Listening to Women Entrepreneurs in Afghanistan' report clearly shows, women-led businesses face disproportionate constraints in Afghanistan, including restricted mobility, limited access to finance and digital exclusion, as well as political barriers to participation in the formal economy. Establishing women-focused zones within SEZs, ensuring safe and affordable transport, promoting home-based production models and integrating women-owned enterprises into supply chains would offer practical solutions. Furthermore, women-led businesses could be better integrated into supply chains, while simplified digital platforms and e-commerce channels can expand access to markets. These should be included in a gender-sensitive private sector strategy, rather than treated as marginal efforts.

Implementing regulatory reform and administrative simplification:

An overly complex and unpredictable regulatory environment remains a significant obstacle to private sector growth. Business registration, licensing and taxation procedures should be simplified, with greater transparency and digitalization. Property rights, customs systems and commercial dispute resolution processes require clarity and consistency. In the absence of national-level reform, local and de facto authorities can implement pragmatic solutions in high-potential areas.

Strengthening value chain coordination and logistics:

Fragmented value chains limit efficiency and profitability across sectors such as agriculture, manufacturing and medicinal plants. Better coordination among producers, processors and traders, along with investments in aggregation centres, packaging facilities and certification services, could enhance productivity and value-added. Moreover, enhancing logistics through roads, storage infrastructure and digital tracking systems could also support domestic and export competitiveness. Public support in these areas, combined with private participation, can contribute to scale and competitiveness for Afghan producers, in both domestic and export markets.

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List of Stakeholders Interviewed

(From October 2024 to May 2025)

United Nations Special Political Mission, Agencies and international financial institutions (IFI) including:

- **United Nations Assistance Mission in Afghanistan (UNAMA)**
- UN Capital Development Fund (UNCDF)
- UN Trade and Development (UNCTAD)
- World Bank
- International Finance Corporation (IFC)

- **De facto Ministries Departments, and Agencies (MDAs) including:**
- Ministry of Industry and Commerce
- Ministry of Economy
- Ministry of Finance
- Ministry of Information and Culture – Directorate of Tourism, Herat

- **International Community and Doha Ambassadors including:**
- Embassy of the Republic of Azerbaijan in Afghanistan
- Embassy of the People's Republic of China in Afghanistan
- Embassy of the Republic of Türkiye in Afghanistan
- Turkish Cooperation and Coordination Agency (TIKA)
- Herat-based diplomatic corps from Iran, Kazakhstan, Pakistan and Turkmenistan (as part of a meeting on promotion of women's business in the Western Region)

- **The de facto Central Bank (Da Afghanistan Bank) and financial institutions including:**
- Afghanistan International Bank (AIB)
- Ghazanfar Bank
- First Microfinance Bank (FMFB)
- Credit Guarantee Fund Afghanistan (ACGF)

- **Private Sector Agencies including:**
- Afghanistan Chamber of Commerce and Investment (ACCI)
- Herat Chamber of Commerce and Investment (HCCI)
- Afghan Chamber of Industries and Mines (CIM) in Herat
- Afghan American Chamber of Commerce
- Afghan Canadian Chamber of Commerce

- **Enterprises including:**
- 77 Construction
- TVC United
- Afghanistan Holding Group
- Regal Group Renewables
- Zasu Group
- Kabul Folad Steel Mill Co. Ltd
- Avison Pharma
- ZTE Afghanistan
- Kam Air

- **Databases:**
- Afghanistan National Statistics Institution Authority (NSIA)
- CEPII BACI Database
- Harvard University Growth Lab Atlas of Economic Complexity
- International Telecommunication Union (ITU). DataHub query tool. ITU.
- Ministry of Mines and Petroleum, Mineral Resources in Afghanistan
- World Integrated Trade Solution (WITS). Afghanistan import profile by country for chemicals (HS codes 28–38). World Bank Group.
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