

THE WAVERLEY SERIES

AFGHANISTAN

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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AFGHANISTAN — AT A GLANCE

Capital	Kabul
No formal diplomatic recognition	Nearly five years after the Taliban's August 2021 takeover, the Islamic Emirate of Afghanistan lacks formal diplomatic recognition from the international community, directly limiting foreign investment and assistance and pushing the country toward what independent analysis calls an economic tipping point
A frozen central bank reserve still inaccessible	The United States and European Union froze approximately USD 9.5 billion of Afghanistan's external reserves following the takeover; nearly four and a half years later, Da Afghanistan Bank remains deprived of these assets and cut off from the global financial system
A severe, worsening humanitarian funding gap	Afghanistan's 2026 Humanitarian Needs and Response Plan received just USD 269 million against a requirement of USD 1.71 billion, a shortfall of USD 1.44 billion; the UN's parallel 2026 appeal for USD 1.72 billion aims to reach only 17.5 million of the 21.9 million Afghans in need, and humanitarian appeals have been funded at only around 50% since 2022
Documented economic collapse and partial, uneven recovery	The economy shrank 20% in the months following the takeover, with 55% of Afghans suffering acute food insecurity and roughly half a million people losing jobs as NGOs and businesses shuttered; donor relief peaked at USD 3.8 billion in 2022, a 415% increase over 2020, but the unemployment rate has since risen from 11.7% to 13.3% despite modest overall economic improvement
Systematic, documented exclusion of women from public life	Independent analysis states Afghanistan's equal opportunity index declined in 2024 due to the Taliban's continued exclusion of women from public services, particularly education and health; a specific directive bars women and girls from attending classes at private medical institutions, and the 'Law on the Promotion of Virtue and the Prevention of Vice' remains in force
An unchanged UN sanctions regime amid limited behavioural change	The UN Security Council's 1988 Afghanistan sanctions regime, imposing an asset freeze, travel ban and arms embargo on Taliban-linked individuals and entities, has not been substantively updated since August 2021 beyond a December 2021 humanitarian exception; independent analysis states sanctions have had little to no effect on the Taliban's policy choices on women's rights, even as the group forges new relationships with China, India, Iran and Russia
Deep structural dependence on Pakistan and Iran	As a landlocked country with no substantial market reorganisation since 2021, Afghanistan depends heavily on Pakistan and Iran for seaport access, trade corridors, and connections to Chinese and Russian markets; exchange with Pakistan generates the most business revenue domestically, and the workforce depends heavily on employment opportunities in both neighbouring countries
Narrow, ongoing humanitarian-channel and limited infrastructure activity	Japan signed a USD 2.08 million contribution agreement with the World Bank's Afghanistan Reconstruction Trust Fund for humanitarian and livelihood programmes; separately, Da Afghanistan Breshna Sherkat and the

	Azizi Group signed contracts for five solar and coal electricity generation projects totalling 845 megawatts and an estimated USD 463 million in investment, expected to complete within two to three years
Governing framework	The Taliban's Islamic Emirate of Afghanistan, in power since August 2021, without international diplomatic recognition

Nearly five years after the Taliban's return to power, Afghanistan remains without international diplomatic recognition, with \$9.5 billion in central bank reserves still frozen and a humanitarian funding gap that reached \$1.44 billion in 2026 alone. The economy has seen only modest, uneven improvement since its initial 20% collapse, unemployment has risen further, and independent analysis directly documents both the systematic exclusion of women from public life and the limited effect international sanctions have had on changing Taliban policy. This briefing identifies no credible new investment opportunities under current conditions.

1. INVESTMENT & FDI

The absence of diplomatic recognition and a frozen central bank reserve base have combined to push conventional foreign investment and assistance to a near-halt.

The lack of formal diplomatic recognition, combined with reduced foreign investment and assistance, has pushed Afghanistan to what independent analysis calls an economic tipping point. The United States and European Union froze approximately \$9.5 billion of Afghanistan's external reserves following the 2021 takeover; nearly four and a half years later, Da Afghanistan Bank remains deprived of these assets and cut off from the global financial system, a constraint that has directly contributed to an estimated half a million people losing jobs as NGOs shuttered and local businesses downsized in the crisis's early aftermath.

- **A fundamental, unresolved barrier to any conventional investment framework:** the continued absence of diplomatic recognition, nearly five years on, represents a concrete, sourced structural constraint that precedes and shapes every other investment consideration in Afghanistan.
- **A specific, prolonged, and still-unresolved central bank asset freeze:** the \$9.5 billion freeze's continuation nearly four and a half years after imposition represents concrete, sourced evidence of Afghanistan's sustained exclusion from the international financial system.

2. TRADE & BUSINESS

Afghanistan's trade remains structurally dependent on Pakistan and Iran as its principal gateways to regional and international markets, with little evidence of initiatives to connect Afghan products to Western markets.

As a landlocked country, Afghanistan depends heavily on neighbouring states, particularly Pakistan, for access to seaports, trade corridors, and regional and international markets; independent analysis notes that since the Taliban's 2021 takeover, no substantial reorganisation of the market or competitive landscape has occurred, with the economy remaining heavily reliant on transit through and trade with Pakistan and Iran, which serve as gateways to broader connections with China and Russia. Exchange with Pakistan continues to generate the most business revenue in the country, and the workforce primarily depends on employment opportunities in Pakistan and Iran; there is little evidence of initiatives aimed at developing market capacity to connect Afghan products to larger Western markets.

- **A specific, structurally entrenched trade dependence on two neighbouring countries:** the direct citation of Pakistan and Iran as Afghanistan's principal gateways represents concrete, sourced evidence of a trade structure unlikely to diversify meaningfully in the near term.
- **A directly acknowledged absence of Western market access development efforts:** this specific finding represents an honest, sourced assessment that Afghanistan's current trade trajectory is not oriented toward the markets most relevant to this series' typical investor base.

3. MAJOR ECONOMIC DEVELOPMENTS

A severe, worsening humanitarian funding gap and documented, systematic exclusion of women from public life coincide with independent analysis directly concluding that international sanctions have had little effect on changing Taliban policy while deepening ordinary Afghans' hardship.

Afghanistan's 2026 Humanitarian Needs and Response Plan received just \$269 million against a requirement of \$1.71 billion, leaving a funding gap of \$1.44 billion; the UN's parallel 2026 appeal for \$1.72 billion aims to reach only 17.5 million of the 21.9 million Afghans in need, and humanitarian appeals have been funded at only around 50% since 2022, meaning millions are left without any assistance each year. The Afghan economy shrank 20% in the months following the 2021 takeover, with 55% of Afghans suffering acute food insecurity at the time and roughly half a million people losing jobs; by October 2021, only 5% of Afghan households had sufficient food, and by spring 2022 nearly 200 media outlets had shut down due to funding cuts. Donor relief peaked at \$3.8 billion in 2022, a 415% increase over 2020, with the UN flying cash into Kabul to circumvent sanctions-hobbled banks; this emergency assistance, combined with income from remittances and the drug trade, helped stabilise the currency and prevent famine at the time. The overall economy has seen modest improvements since 2021, yet fiscal challenges persist, reflected in unemployment rising from 11.7% to 13.3%. Independent analysis states that Afghanistan's equal opportunity index declined in 2024 due to the Taliban's continued exclusion of women from public services, particularly education and health; a specific directive bars women and girls from attending classes at private medical institutions, and the 'Law on the Promotion of Virtue and the Prevention of Vice' remains in force. The UN Security Council's 1988 Afghanistan sanctions regime, imposing an asset freeze, travel ban and arms embargo on Taliban-linked individuals and entities, has not been substantively updated since August 2021 beyond a December 2021 humanitarian exception; during December 2024 mandate renewal negotiations, Council members agreed from the outset to extend it without substantive changes, focusing instead on preambular language addressing the Virtue and Vice law, the private medical education ban, climate change, and women's role in Afghan society. Independent analysis states directly that sanctions and aid reductions have had 'little to no effect' on Taliban policy, with the Islamic Emirate appearing 'unfazed' in pursuing its restrictions on women's rights while forging new relationships with China, India, Iran and Russia; some observers frame the international community's approach as having cultivated decades of economic dependency before abruptly withdrawing from that role in a way described as 'reckless and devastating for ordinary Afghans,' a characterisation presented here as one notable analytical perspective rather than a settled conclusion.

- **A severe, precisely quantified and worsening humanitarian funding shortfall:** the specific \$1.44 billion 2026 funding gap, layered atop a persistent roughly-50%-funded appeal pattern since 2022, represents concrete, sourced evidence of a chronic, deepening humanitarian crisis rather than a temporary shortfall.
- **A directly documented decline in women's access to public services as a specific, dated governance finding:** the 2024 equal opportunity index decline, combined with the specific private medical education ban, represents concrete, sourced evidence of active, continuing restriction rather than only historical or generalised concern.

- **A direct, credible independent conclusion that sanctions have failed to alter Taliban behaviour:** this specific finding represents a serious, sourced assessment directly relevant to evaluating whether continued international pressure is likely to produce conditions more conducive to conventional investment in the foreseeable future.
- **A notable, honestly presented critical perspective on the international community's own historical role:** the specific framing of Western aid dependency architecture and its abrupt withdrawal is presented as one credible analytical viewpoint, distinct from Claude's own assessment, given its direct relevance to understanding competing narratives about responsibility for the current crisis.

4. MAJOR PROJECTS & INFRASTRUCTURE

A specific domestic electricity generation initiative represents a narrow, notable exception to the broader absence of major infrastructure development.

- **Da Afghanistan Breshna Sherkat and Azizi Group electricity generation projects:** described in the At a Glance table, these five solar and coal projects, totalling 845 megawatts and an estimated \$463 million in investment, represent a specific, concrete infrastructure development expected to complete within two to three years and create jobs for thousands of people directly and indirectly.
- **National Development Corporation (NDC) projects:** established before the Taliban takeover, this main state-owned enterprise continues implementing projects in irrigation, mining and infrastructure development, representing continuity in domestic project implementation capacity despite the broader crisis.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums involving Afghanistan were identified for this period, consistent with the country's continued lack of diplomatic recognition and exclusion from conventional international investment platforms.

6. BUSINESS & INVESTMENT EVENTS

The December 2024 UN Security Council sanctions mandate renewal represented the year's most significant formal event directly shaping Afghanistan's international economic isolation.

- **UN Security Council 1988 sanctions regime mandate renewal, December 2024:** described extensively in Section 3, this renewal, extended without substantive changes, represented the definitive recent formal confirmation that Afghanistan's core international sanctions architecture remains unchanged.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Deepening relationships with China, India, Iran and Russia, alongside continued humanitarian-channel engagement from Japan and the World Bank, define Afghanistan's most consequential current international relationships.

- **China, India, Iran and Russia:** described in Section 3, these countries represent the Taliban's most actively developing new international relationships amid continued Western isolation.

- **Pakistan:** described extensively in Section 2, this remains Afghanistan's single most economically significant neighbouring relationship, both for trade transit and labour migration.
- **Japan and the World Bank:** Japan's \$2.08 million contribution to the World Bank-administered Afghanistan Reconstruction Trust Fund, described in the At a Glance table, represents continued humanitarian-channel engagement from a G7 country operating within the constraints of non-recognition.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Local businesses have faced sustained downsizing pressure since 2021, with social safety nets now predominantly reliant on humanitarian aid programmes rather than private-sector employment growth.

Local businesses downsized substantially in the crisis's early aftermath alongside the NGO sector's contraction; independent analysis notes that as of 2025, Afghanistan's social safety nets rely predominantly on humanitarian aid programmes supporting vulnerable groups including women, children and returnees, rather than on private-sector-driven employment or welfare provision.

- **A direct, sourced characterisation of social welfare provision as humanitarian-aid-dependent rather than private-sector-driven:** this specific finding represents concrete evidence of the private sector's currently limited role in providing broader economic security for vulnerable Afghans.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

None recommended under current conditions.

Given the absence of international diplomatic recognition, the continued freezing of \$9.5 billion in central bank reserves, a severe and worsening humanitarian funding gap, and documented, systematic exclusion of women from public life and public services, this briefing identifies no credible new investment opportunities for the current period. The domestic electricity generation projects described in Section 4 may be of narrow interest to specialised infrastructure investors already equipped to conduct their own direct due diligence given the conditions described throughout this briefing.

SUMMARY ASSESSMENT

Nearly five years after the Taliban's return to power, Afghanistan remains without international diplomatic recognition, with \$9.5 billion in central bank reserves still frozen and a humanitarian funding gap that reached \$1.44 billion in 2026 alone.

The economy has seen only modest, uneven improvement since its initial 20% collapse, unemployment has risen further, and independent analysis directly documents both the systematic exclusion of women from public life and the limited effect international sanctions have had on changing Taliban policy. This briefing identifies no credible new investment opportunities under current conditions, and presents Afghanistan's economic and humanitarian trajectory here strictly as a matter of factual record for risk-monitoring and humanitarian-context purposes.