

The Future of Assistance for Afghanistan: A Dilemma



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Afghanistan has largely disappeared from the news, but it remains at the center of one of the world's most persistent, severe, and complex humanitarian crises. Almost three years after the Taliban retook power in August 2021, Afghanistan has achieved a moderate degree of stability but remains in a highly precarious position. Taliban leaders inherited tremendous macroeconomic problems when they assumed control of the country. Before the collapse of the Islamic Republic of Afghanistan, foreign aid was equivalent to 40 percent of the nation's GDP and financed over half of the

government's \$6 billion annual budget and 75 to 80 percent of total public expenditures. The sudden regime change was followed by the abrupt withdrawal of all international aid, plunging the country into economic free fall and precipitating a catastrophic humanitarian crisis.

The shock to Afghanistan's economy was compounded by immediate diplomatic and financial isolation. Consistent with long-standing U.S. and UN sanctions against Taliban leaders, many of whom were named to key cabinet positions, the United States and Europe froze nearly \$9.5 billion of Afghanistan's external reserves, leaving the Afghan central bank, Da Afghanistan Bank (DAB), deprived of assets and cut off from the global financial system. This resulted in an acute liquidity crisis, the cessation of normal financial transactions with foreign banks, and the immobilization of the country's commercial banking sector. In order to protect some of the frozen funds from being claimed as damages by family members of September 11 victims, who had won a \$7 billion default judgment against the Taliban in 2011, the Biden administration diverted \$3.5 billion of these assets to establish the Swiss-based Fund for the Afghan People, or Afghan Fund, with the intention of using targeted disbursements to support Afghanistan's macroeconomic and financial stability. As of 2024, however, the fund remains untapped.

The multidimensional crises facing Afghanistan present a dilemma for the international community. An underlying assumption is that the Taliban will remain in power for at least the immediate future, which will require workarounds and tough compromises if the plight of Afghanistan's people is to be alleviated to any degree. The large-scale influx of humanitarian aid since the end of 2021 has come largely in the form of physical shipments of U.S. dollars, delivered under the coordination of the UN Assistance Mission in Afghanistan (UNAMA) to various UN agencies and UN-partnered international nongovernmental organizations (NGOs) operating on the ground. The funds are used to pay staff salaries and procure food and supplies, including covering the costs of imports. As of this year, UN cash shipments remain a critical lifeline for an estimated 23.7 million people at risk in a nation of 41 million. The country's modest degree of economic stabilization since 2021 is in large part owed to the weekly inflow of these donor funds, which have totaled more than \$2.9 billion since the Taliban takeover.

Although international assistance has prevented a further deterioration of conditions and helped stave off an even greater humanitarian disaster, the stability of the Afghan economy and the welfare of the Afghan people remain extremely tenuous.

Afghanistan is one of the poorest and least developed nations in the world, ranked 182 out of 193 countries and territories on the Human Development Index. The initial economic collapse in 2021 has hardened into a state of chronic economic weakness: after weathering a 27 percent contraction in GDP between 2021 and 2023, the Afghan economy is now hovering in “no-growth territory,” propped up by foreign aid and highly vulnerable to shocks. According to the World Bank’s most recent Afghanistan Welfare Monitoring Survey, the unemployment rate among surveyed households was close to 20 percent as of April-June 2023, and there is “no reason to believe that more recent trends will be any better.” The loss of more than 700,000 jobs has been felt most acutely in Afghanistan’s cities, but Afghans in rural areas have been struggling to cope with floods, droughts, and earthquakes, as well as the devastating toll of the Taliban’s 2022 ban on the cultivation of opium poppy, Afghanistan’s most important agricultural product.

The Afghan population is also facing economy-wide price deflation, currency shortages, weakened purchasing power, outbreaks of disease, damage to critical infrastructure, and the deterioration of basic public services. Afghans have limited access to shelter, education, healthcare, electricity, food, clean water, and sanitation systems, and roughly 6.3 million are internally displaced—the second-highest number in the world after Syria. Reports for 2024 by the UN Office for the Coordination of Humanitarian Affairs (OCHA) and the U.S. Agency for International Development (USAID) estimate that 15.8 million Afghans are experiencing acute food insecurity, 22.1 million require protection assistance, and 8.7 million children need education support. Pakistan’s decision to expel an estimated 1.3 million Afghan refugees in late 2023 added to the country’s burden, as approximately 515,000 Afghans have reentered the country between September 2023 and February 2024.

The Taliban’s crackdown on individual freedoms—particularly those of women and girls—has worsened the countrywide crisis and interfered with the humanitarian response. The imposition of restrictions on female education, employment, dress, and freedom of movement and the segregation of men and women in public life have

crippled humanitarian operations, obstructing access to essential services while raising the cost of their delivery. According to the 2023 annual U.S. Country Report on Human Rights Practices for Afghanistan, the Taliban regime's restrictions extend to the exercise of free speech, the right to protest, and aspects of the Shia minority's right to religious observance. Moreover, some former members of the Islamic Republic's government and security forces have faced disappearance, imprisonment, and extrajudicial killings. Unmoved by sanctions or international pressure, the Taliban's flagrant disregard for human rights poses a tremendous operational and moral challenge for donors and humanitarian actors, who struggle between providing lifesaving assistance despite the Taliban's edicts or withholding funds and services in protest despite the impact on civilians.

Compounding these challenges is the rapid decline in international support for Afghanistan in the context of growing donor fatigue. As other global crises draw the attention of the donor community, the plight of Afghanistan is fading increasingly into the background despite the country's enormous needs. OCHA's 2023 Humanitarian Needs Response Plan (HNRP) sought an initial budget of \$4.6 billion—its highest-ever humanitarian funding appeal for a single country. This figure was later scaled down to \$3.2 billion, a reduction attributable not to improved conditions but to severe shortfalls in funding. The staggering funding gap for the 2023 HNRP—which fell \$2.96 billion short of the original budget and \$1.59 billion short of the revised budget—does not bode well for the 2024 HNRP's \$3.1 billion funding target. As human rights violations and corruption concerns have become harder to ignore, heavyweight donors including the United States, the United Kingdom, the European Union, and the Asian Development Bank have begun to sour on aid commitments. In 2023, the United Kingdom cut its Afghan aid budget by 76 percent, while Germany slashed its contributions by 93 percent. Even the United States—which appropriated upward of \$2.5 billion for assistance to Afghanistan between October 2021 and September 2023—has reduced its financial support, which dropped from \$1.26 billion in 2022 to \$377 million in 2023. As of May 9, 2024, the 2024 HNRP is only 15.9 percent funded.

Relations with Afghanistan are now at an impasse. The international community continues to resist deeper engagement due to mounting concerns about rights protection, adherence to international law, and financial transparency. Meanwhile,

the Taliban continue to appeal for political, diplomatic, and economic normalization without showing any intention of addressing the issues of concern to foreign donors, instead “framing calls by Western leaders to uphold international norms as the latest episode in a long history of interference and intervention.”

The central challenge is finding a politically palatable middle ground between two bleak alternatives—engaging with the Taliban to assist the Afghan people or isolating Afghanistan and abandoning its vulnerable population. Given that isolation has been tried in the past to little effect, many have urged the West to avoid falling back on old strategies, which are unlikely to move a “pariah regime” that has proved defiant in the face of international condemnation. As the United States and its allies attempt to find the right balance between support for the population and pressure on the regime, they have to temper their economic punishments for the Taliban’s “increasingly flagrant human rights abuses” to mitigate the suffering of the Afghan people and prevent the country from tipping closer to collapse.

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In a situation with no good options or easy decisions, the international community is struggling to find a viable path forward. There is a general consensus that ordinary Afghans should not be forgotten but that the current humanitarian-dominated assistance regime is unsustainable. If international aid is to continue and evolve as needed, there are five interrelated and overlapping issues that stakeholders will need to grapple with as they debate what form that aid should take.

Promoting the Rights of Women and Girls

One of the most significant barriers to large-scale international donor assistance for Afghanistan—and to shifting from humanitarian aid to development aid in particular—is the deteriorating circumstances of Afghan women and girls. To the extent that Afghanistan does appear in the news, it is because of the Taliban’s draconian applications of sharia law—which include barbaric punishments for “moral crimes,”

such as public stoning for adultery—and the enactment of a harsh set of measures that oppress women and girls to a degree tolerated nowhere else on earth. Since 2021, the Taliban’s repressive policies have included prohibiting female education beyond the sixth grade, barring women from civil service and NGO work, mandating the wearing of burkas, and requiring that women be accompanied by a *mahram* (a male relative guardian) in public. These edicts are not only egregious human rights violations but also major hindrances to the country’s long-term socioeconomic development. Estimates suggest that the de facto exclusion of women from public life will exacerbate the country’s “brain drain”—the flight of educated Afghans—and cost Afghanistan’s economy up to 5 percent of its GDP.

Although the international community is in unanimous agreement that Afghanistan’s economic development hinges on the reinstatement of women’s rights, donors and stakeholders have been divided over the implications of human rights concerns for the continuation and expansion of international assistance programs in the country. Women and girls have been disproportionately affected by Afghanistan’s economic collapse and Taliban rule in virtually every dimension, making women and girls especially reliant on the continued delivery of direct humanitarian assistance and small-scale, private-sector development projects. Significant numbers of Western donors and humanitarian actors temporarily ceased, paused, or scaled down their operations as a mark of outrage, and some continue to advocate stricter conditionalities for any future or additional aid. Others have argued that the threat of further isolation is not a pragmatic or moral approach to alleviating the humanitarian crisis and reducing the burden on Afghanistan’s women. As the Taliban have doubled down on gender-based discrimination, donor strategies have sought to prioritize women and girls in the provision of essential services and development assistance.

As foreign cash flows decline and assistance programs begin to emphasize the mobilization of the local private sector to meet humanitarian needs, targeted development assistance could be a more crucial lifeline for women, who experience higher rates of unemployment, face greater operational challenges as business owners, and have more difficulty accessing humanitarian relief. Ongoing World Bank and USAID programs have centered women in many project activities, rolling out educational courses, skills development programs, and targeted microfinance plans

for women. Donors have also supported efforts to leverage the digital economy to provide women with alternative means of economic empowerment, the scaling up of which will depend on investments in digital public infrastructure and digital literacy programs. All these initiatives risk running afoul of the Taliban authorities, who have reportedly refused to renew business licenses for female entrepreneurs and may yet impose new policy restrictions on women's participation in economic activities. Humanitarian actors are ultimately forced to walk a fine line between flouting the regime's policies and attempting to work within them. Although more defiant approaches may be too out of touch with political reality to be effective, more pragmatic proposals, such as incentivizing the employment of women in the private sector by providing funds for segregated office spaces, are controversial for their perceived accommodation of the Taliban's restrictions.

There are no perfect options for protecting the rights and opportunities of women and girls in a context of humanitarian crisis and oppressive policies that UN officials have equated with "gender apartheid." The international community must remain committed to supporting Afghan women and girls while recognizing that meaningful assistance will require a delicate balance of engagement, pressure, and humanitarian aid. Without progress on women's rights and inclusion, the Taliban risk jeopardizing Western donors' willingness to provide development assistance or eventual diplomatic recognition, both of which will be vital to Afghanistan's ability to secure large-scale investment.



People wait to receive a food donation in Kandahar on April 27, 2022.

Photo: JAVED TANVEER/AFP via Getty Images

Right-Sizing UN Cash Shipments and Humanitarian Aid

With donor funds drying up, two particularly urgent, related concerns are (1) Afghanistan's extreme reliance on foreign aid, which long predates the current humanitarian crisis, and (2) the issues associated with UN cash shipments, which were introduced as a temporary expedient but have persisted for well over two years. Worldwide, most humanitarian aid is intended as a temporary stopgap, allowing humanitarian actors to address the immediate needs of the population while buying time for more meaningful, long-term stabilization. Likewise, emergency cash shipments are not a lasting substitute for a functional banking sector and sustainable economic growth, and this form of aid financing is not normally allocated in ways that promote the development of effective governing institutions or the construction of the basic infrastructure needed to deliver healthcare, education, and vital human services.

In the case of Afghanistan, the problems associated with long-term foreign aid dependence are particularly acute—and given the severity of the present humanitarian crisis and the country’s enormous structural problems, the risk of inertia is inordinately high. Humanitarian interventions alone cannot improve the situation for affected Afghans, leaving the population stuck in a cycle of repeated, protracted crises. The constraints related to the sanctions regime and international isolation have only exacerbated the Afghan economy’s weakness and the population’s reliance on international assistance. At the same time, large-scale humanitarian aid has allowed the Taliban to abdicate their responsibility to meet the needs of the Afghan people, effectively outsourcing the country’s social safety net to UN agencies and a handful of other international NGOs. With respect to the use of cash shipments, the weekly inflow of \$40 million may have initially relieved pressure on Afghanistan’s moribund banking sector, but the money now stands in the way of the financial system’s revival. Although cash shipments have helped stabilize the local currency, an additional consequence is the Taliban regime’s accumulation of a large supply of U.S. dollars. The ban on the use of U.S. dollars in local transactions has required humanitarian agencies to exchange dollars for afghanis to fund their operations; because the local currency is in short supply, this has resulted in many private banks using UN-supplied dollars to purchase afghanis from the Taliban-controlled DAB.

For donors, the risks, costs, and inefficiencies associated with regular cash shipments have become intolerable as a long-term assistance strategy—not least because the shipments can give the problematic appearance of “paying the Taliban,” undermining international statements of principles. This approach to aid financing incurs “substantial costs at every stage of the process,” including the conversion of European currencies into U.S. dollars, air shipment costs, security costs, bank fees, administrative overheads, and so on. Donors also have limited visibility over the administration and deployment of UN funds; with no reliable government structures in place, UN estimates of humanitarian needs have been issued without sufficient public accounting of the sources of data or the effectiveness, reliability, or presence of third-party monitoring and verification. Most UN assessments “grossly oversimplify” the population’s needs and the allocation of donor funds, providing an aggregate figure for the entire nation that fails to capture the enormous variations in need by area, demographic, and economic sector.

Although UN agencies may be inclined to maintain the status quo for reasons of convenience, stakeholders are beginning to disfavor the use of cash shipments as the primary mode of aid financing. All donors have an interest in mitigating risks, countering waste, and avoiding the negative optics associated with the Taliban regime indirectly benefiting from foreign aid flows. However, while many are beginning to endorse the use of digital cash transfers and monitored private bank transactions, wariness of the sanctions regime and long-standing concerns about the security of the Afghan banking sector, notably the risk of money laundering and terrorism financing, may still obstruct more practical approaches to delivering aid funds. As donors become more opposed to cash shipments and less generous in their aid commitments, the failure to find alternative financing may grind humanitarian operations to a halt at great expense to the population. Despite reasonable concerns about foreign assistance relieving pressure on the state to the Taliban's benefit, that group's reliance on aid to avoid its duties does not mean that it would prioritize the welfare of the Afghan people if the money were withdrawn. Meanwhile, UN and NGO officials have emphasized that the population's needs have reached a scale beyond what aid agencies alone are capable of managing.

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In response to these issues, some have urged a move away from “humanitarian business as usual,” with the goal of phasing out cash shipments on a gradual and predictable basis, retooling large-scale foreign humanitarian aid, and replacing the current model of foreign support with more traditional development assistance geared to increase the Afghan economy's self-sufficiency. Humanitarian aid funds are dwindling at an alarming rate, falling from \$3.8 billion in 2022 to \$1.9 billion in 2023, “with further declines expected in 2024.” Moving forward, international assistance strategies must find a way to both smooth the macroeconomic impact of declining aid and deploy increasingly limited resources in a more targeted and cost-effective way. This could include improving coordination between agencies, reducing the size of UN

administrative overheads, making more use of the Afghan private sector for aid delivery, and prioritizing basic healthcare and food assistance.

Promoting Financial Transparency

As Western donors assess how to gradually scale down cash shipments and shift to more basic development aid, a related consideration is the problem of financial transparency, which pertains to both suspected “leakages” of foreign aid funds and the black box of the Taliban budget.

Considering the scope of humanitarian needs and the level of foreign aid being channeled into the country, the misappropriation of aid funds has been a consistent concern among donor governments. Humanitarian operations have not been exempt from Taliban interference, as is the case in any country receiving large amounts of such aid. According to a January 2024 report from the Special Inspector General for Afghanistan Reconstruction (SIGAR), the Taliban have siphoned or benefited from a considerable amount of humanitarian aid. Reported tactics include infiltrating UN-partnered NGOs to access their aid budgets; imposing taxes and “security” fees on humanitarian workers; directing aid agencies to serve Taliban officials and family members; and taxing Afghan aid recipients at high rates, in some cases amounting to 60 to 100 percent of the aid received.

Although the Taliban regime exaggerates the success of its anticorruption measures, its high-profile campaign claiming to eliminate the corruption that plagued the Islamic Republic government has resulted in some notable improvements. The tightening of border and customs controls has allowed for more aggressive taxation of imports and stricter regulation of the country’s vast informal economy. These measures and the dismantling of many unofficial road checkpoints—notorious sites of extortion in the Islamic Republic, used by both insurgents and state police—are “consistent with reports from Afghan traders” about the decline in corruption. Nonetheless, other reports have highlighted the persistence of illicit economies, including drug and arms trafficking, the regime’s financial linkages with al Qaeda affiliates, and the capture of state resources by Taliban leaders, who have continued previous governments’ practices of relying on patronage networks to maintain their authority. According to a February 2024 study, the Taliban regime can be termed a theocratic authoritarian

“kleptocracy” due to its use of public funds, diverted humanitarian assistance, informal and illicit profits, and extensive taxation network to consolidate control over the country’s resources for the use of Taliban leaders and their cadres.

Despite recent efforts to demonstrate fiscal responsibility, the Taliban regime ultimately lacks any meaningful or structural financial transparency—particularly in the area of expenditures. There is no public accounting of what the regime spends on its security forces, intelligence apparatus, and prisons vis-à-vis public services such as food, healthcare, and education. Nor are there criteria for awarding government contracts, property sales, or licenses, and the lack of external accountability mechanisms prevents transparency in procurement. The World Bank reported that the government raised \$2.2 billion in revenue in 2022, 60 percent of which is estimated to have been generated through aggressive tax and customs collection, achieved in part through violence, harassment, and the threat of license suspensions and asset seizures. The World Bank’s Afghanistan Development Update reported that the government raised \$2.9 billion in revenue in 2023—a 9 percent increase from the previous year but not necessarily indicative of long-term fiscal sustainability. The primary sources of revenue growth were increases in import volume and associated border tax revenues, which may only exacerbate Afghanistan’s dependence on imports at the expense of domestic economic growth, as well as one-time nontax revenues, such as vehicle registration fees, passport issuances, and royalties, which are not reliable sources of recurring incomes.

Alongside more pressing concerns about Taliban gender policies and human rights violations, reports of state kleptocracy and concerns about fiscal transparency are also threats to both the continued flow of international humanitarian aid and the prospect of future development projects. Major stakeholders need assurances against the duplication of spending and the misappropriation of funds, which depend on oversight mechanisms including audits and impact assessments. The reputational risks associated with documented aid leakages to the Taliban—particularly alongside evidence of Taliban linkages with terrorist organizations—also jeopardize foreign cash inflows. Allegations of aid diversion in various SIGAR reports prompted U.S. senator Marco Rubio (R-FL) to introduce a bill in March to withhold all U.S. funding for

UNAMA pending assurances that U.S. taxpayer dollars are not funding the Taliban and –by extension–terrorism.

Short of suspending aid funding for Afghanistan, the international community has few options for resolving either issue. Some current forms of aid embezzlement can be mitigated with more secure financial transfers and more robust third-party monitoring, but Western donors' ability to pressure Kabul on its fiscal transparency is more limited. The scale of tax revenues and the regime's evident disregard for the well-being of Afghan citizens have helped insulate the Taliban from the traditional methods by which rogue regimes are subjected to international pressure, namely sanctions and isolation. Given the shortcomings of the current approach, stakeholders must get more creative and pragmatic. A certain level of contact with governing authorities is unavoidable—rather than making aid flows contingent on total insulation from the Taliban, donors have to assess what level of “spillage” can be tolerated in exchange for economic and humanitarian progress while also tightening the delivery, allocation, and management of aid. In terms of exploring economic development strategies, donors must incentivize the Taliban authorities to be more transparent, particularly about the proportion of spending on their security apparatus versus on the social and humanitarian needs of the population. The Taliban administration's demonstrated interest in pursuing infrastructure projects and attracting foreign investment indicates that the regime is committed to developing the Afghan economy. But ambitious development projects are unlikely to come to fruition through opaque deals that circumvent international standards and bear hidden risks.

Import Substitution and Private-Sector Development

As direct cash transfers and humanitarian aid are scaled down, complementary engagement and investment in Afghanistan's economy must be scaled up. Reviving Afghanistan's private sector and enhancing local economic resilience will be critical for the country's economic stability and long-term recovery in the absence of regular cash flows and humanitarian assistance.

Afghanistan's current economic state is the result of a lethal combination of long-term dysfunction and acute crisis. Decades of conflict and large international aid inflows have trapped the country in a state of chronic underdevelopment, leaving the

economy heavily dependent on a huge basket of imports that are affordable only through external support. The Afghan financial system never fully recovered from the 2010-11 near collapse of the Kabul Bank—“at the time a critically important institution in Afghanistan’s banking system”—following revelations of massive fraud and embezzlement. Endemic corruption and persistent instability have also made for a hostile business climate and a weak private sector, made even weaker by the recent liquidity crunch. According to the World Bank’s 2023 Private Sector Rapid Survey, roughly half of Afghanistan’s businesses are struggling to operate at full capacity, and most cite disruptions in financial services as their main constraint. The country’s financial paralysis stems in part from widespread misconceptions about the scope of the sanctions regime, resulting in overcompliance and other de-risking measures at the expense of business activity, commercial financing, and cross-border trade. Barriers to economic growth have been exacerbated by the Taliban’s regressive policies and economic missteps, which include prohibitive restrictions on women in the workforce, an “unguided and mandatory shift to Islamic banking,” a burdensome taxation regime that stifles entrepreneurial incentives, and the ban on opium poppies, costing rural households over \$1 billion in annual income.

Circumstances are unlikely to change significantly in the short term, but there are several things that donors can do to mitigate the severity of the economic crisis while minimizing contact with the Taliban. One recommendation is for donors to promote import substitution, which would entail revving up domestic production to capture key import markets, with the ultimate objective of creating jobs, increasing economic resilience, and improving Afghanistan’s balance of trade in areas where competitive advantages exist. Afghanistan currently relies on foreign aid to import a wide range of goods—worth approximately \$6 billion to \$8 billion per year—that can instead be produced domestically, including food, textiles, cement, and hydrocarbons. By emphasizing local procurement, the United Nations and donor aid agencies can reduce aid costs and reorient a core aspect of the humanitarian response around the development of Afghanistan’s own resources and private sector. Significantly, the Taliban regime appears to recognize the importance of import substitution, having contracted three sizable cement projects—two with Afghan companies and one with a Qatari investor—to break Afghanistan’s costly reliance on neighboring countries for a product that may ultimately have export potential.

Jump-starting private-sector development will require more concerted efforts to clarify the parameters of the sanctions regime. There are no comprehensive sanctions in place against the country of Afghanistan—instead, the United Nations and the United States have imposed targeted sanctions against a number of individuals and organizations. The UN Security Council Resolution [2615](#) and the [U.S. General License 20](#), which were issued in order to facilitate normal aid-related and commercial financial transactions, explicitly state that current sanctions exempt humanitarian activities and permit most commercial and financial transactions. These include the payment of taxes and fees to government agencies, which are not sanctioned as institutions even if they are led by sanctioned individuals. Despite this, the attitudes of most U.S. and other Western banks toward financial transactions involving Afghanistan have not changed. Clearer sanctions guidance from the [U.S. Treasury Department](#) in areas in which confusion persists can help ensure that the Afghan private sector as well as Western and regional firms and banks are aware of the exemptions and safeguards that allow for continued trade and commercial activities.

Supporting the revival of Afghanistan’s banking sector is equally critical for ensuring smooth payments to facilitate trade, aid, remittances, and financing. Moving away from UN cash shipments will offer an opportunity to further develop and expand alternative payment methods as well as strengthen Afghan banks and their international connections, but this shift will depend on fostering greater trust in Afghanistan’s financial system. The resumption of normal financial transactions will require increases in third-party monitoring to [ensure compliance with internationally recognized Anti-Money Laundering and Countering the Financing of Terrorism \(AML/CFT\)](#) standards and policies. Given that DAB lacks the institutional capacity and political autonomy necessary to credibly monitor financial transactions, either the World Bank or a qualified private accounting firm commissioned by the Afghan Fund could provide AML/CFT oversight in the interim.

With the help of increased engagement from the World Bank, the revival of the banking sector could also enable more direct support to vetted Afghan businesses through microfinancing plans and other innovative financing tools, which can be used to promote import substitution and increase exports. The Afghan Fund [might also be mobilized](#) to that end—a portion of its funds could be diverted to some of

Afghanistan's private commercial banks to provide liquidity for private-sector lending and financing.

The World Bank and Development Assistance

In February 2024, the World Bank Board of Executive Directors endorsed a revision of the bank's approach to assisting the people of Afghanistan, taking the first significant steps toward a development-based international assistance strategy since the 2022 suspension of previous projects. The bank's "Approach 3.0" will deploy funds from the International Development Association through grants to UN agencies and NGOs to finance private-sector activities, boost employment opportunities, and facilitate private-sector participation in aid delivery. The board also gave the green light for direct engagement with senior officials at Afghan economic institutions, enhancing the bank's ability to produce technical assessments, provide rigorous third-party monitoring, engage in knowledge sharing, and potentially open dialogues on macroeconomic policy and fiscal management. Most notable is the revival of the Central Asia-South Asia Electricity Transmission and Trade Project (CASA-1000) after a two-year suspension. The \$1.2 billion regional infrastructure project, undertaken in collaboration with the publicly owned Da Afghanistan Breshna Sherikat (DABS), will transport clean energy "between Tajikistan and Kyrgyzstan and from Tajikistan to Pakistan and Afghanistan." The project's "ring-fenced" funding will ensure that payments and revenues are managed beyond the control of Taliban authorities. Although there were many reasons why this particular project was the first to be revived, CASA-1000 could be a trial balloon for future Western-backed development projects. Given the enormous gaps in Afghanistan's critical infrastructure and the total paralysis of its financial system, the direct involvement of a credible, trusted international financial institution such as the World Bank is essential to restoring trust in the banking sector and removing barriers to development financing.

The erosion of foreign aid has underscored the urgency of resuming development assistance, and there has been a growing international consensus on the necessity of increased engagement. Nonetheless, the bank's decision to engage in development projects without attaching political conditionalities on Taliban authorities—a consequence of barring direct technical assistance or support to sanctioned individuals and entities—may raise political concerns about inadvertently legitimizing

or strengthening the Taliban's rule and reducing the international community's leverage to push for reforms. A number of international actors and former Afghan officials supported the previous suspension of development projects as a way to hold the regime accountable for its objectionable policies. Some, including politicians in donor countries wary of the optics of "working with the Taliban," may be similarly apprehensive that the resumption of development assistance in the context of recent Taliban policies against women could convey a message of impunity, making the regime less receptive to concessions on human rights, political reforms, and financial transparency. In light of the Taliban's current human rights record, which has withstood immense international pressure, those in favor of increasing engagement have argued that the welfare of the population cannot be held hostage to an unlikely moderation in Taliban policies.

Approach 3.0 represents a carefully calibrated strategy that reckons with the challenges of the current political reality and balances the pressing needs of the Afghan people with the long-term goal of promoting inclusive growth and social change in Afghanistan. Circumstances in Afghanistan call for greater nuance than is typically possible at the international level; navigating this difficult landscape requires the international community to leverage the flexibility of the sanctions regime to promote sustainable economic development through a policy of principled, limited engagement. This approach must prioritize initiatives that directly benefit the Afghan population while maintaining pressure on the Taliban to improve their human rights record, embrace political reforms, and enhance financial transparency. By undertaking projects such as CASA-1000, which has the potential to enhance regional connectivity and stimulate economic growth, the international community can demonstrate its commitment to the welfare of the Afghan people while avoiding actions that would signal a normalization of diplomatic and economic relations.

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Against the backdrop of Approach 3.0, there is ongoing interest by China and other regional nations in investment in the country. Afghanistan possesses a wealth of largely untapped petroleum deposits and mineral reserves that have become the focus of Taliban aspirations for economic self-sufficiency. Taliban leaders have been courting foreign investors for a variety of mining, irrigation, and infrastructure projects, recently announcing their intention to join China's Belt and Road Initiative. Deepening ties with China include a \$540 million contract with the Xinjiang Central Asia Petroleum and Gas Company for oil and gas exploration, in addition to interest from other Chinese firms in mineral extraction, power generation, cement production, and digital public infrastructure projects. Although any prospective foreign investments would help address cash flow shortages, the intervention of authoritarian actors raises serious concerns about the country's development trajectory. Given the Taliban's pursuit of economic growth through raw mineral exports, the absence of accountability, supervision, community engagement, and independent oversight could result in asymmetric development that primarily advantages Taliban leaders, prevents the broader society from benefiting from the country's natural resources, and further insulates the regime from human rights-related pressures.

Conclusion

Foreign donors, civil society actors, Afghanistan stakeholders, UN officials, and Afghanistan's neighbors have found themselves at odds over how to move forward in Afghanistan. Some are urging the international community to hold a firm, consistent line on human rights and refuse to engage with the Taliban on moral grounds. Others are emphasizing the severity of the humanitarian crisis and calling for a pragmatic, phased approach to engagement in order to ensure the continued delivery of essential services and remove some of the obstacles preventing progress on sustainable socioeconomic development.

Afghanistan's long-term economic development will ultimately require political and policy choices that the Taliban appear unwilling to make. No country can move up the development ladder if 50 percent of the population is categorically excluded from public life—but the Taliban's track record and ideological zeal suggest that the regime is unlikely to moderate its policies against women in the near term. Enhancing

Afghanistan's economic self-sufficiency, then, will hinge on the question of when and how international actors can better address the needs of the population without providing an impermissible level of support—however indirectly—to the Taliban.

The Afghan people need long-term sustainable solutions that include not only increased humanitarian assistance but also greater economic stability, the resumption of international development assistance, and a viable private sector-led economy. With the welfare of ordinary Afghans on the line, stakeholders will have to reckon with what imperfect options remain if both engagement and disengagement are deemed unacceptable.

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