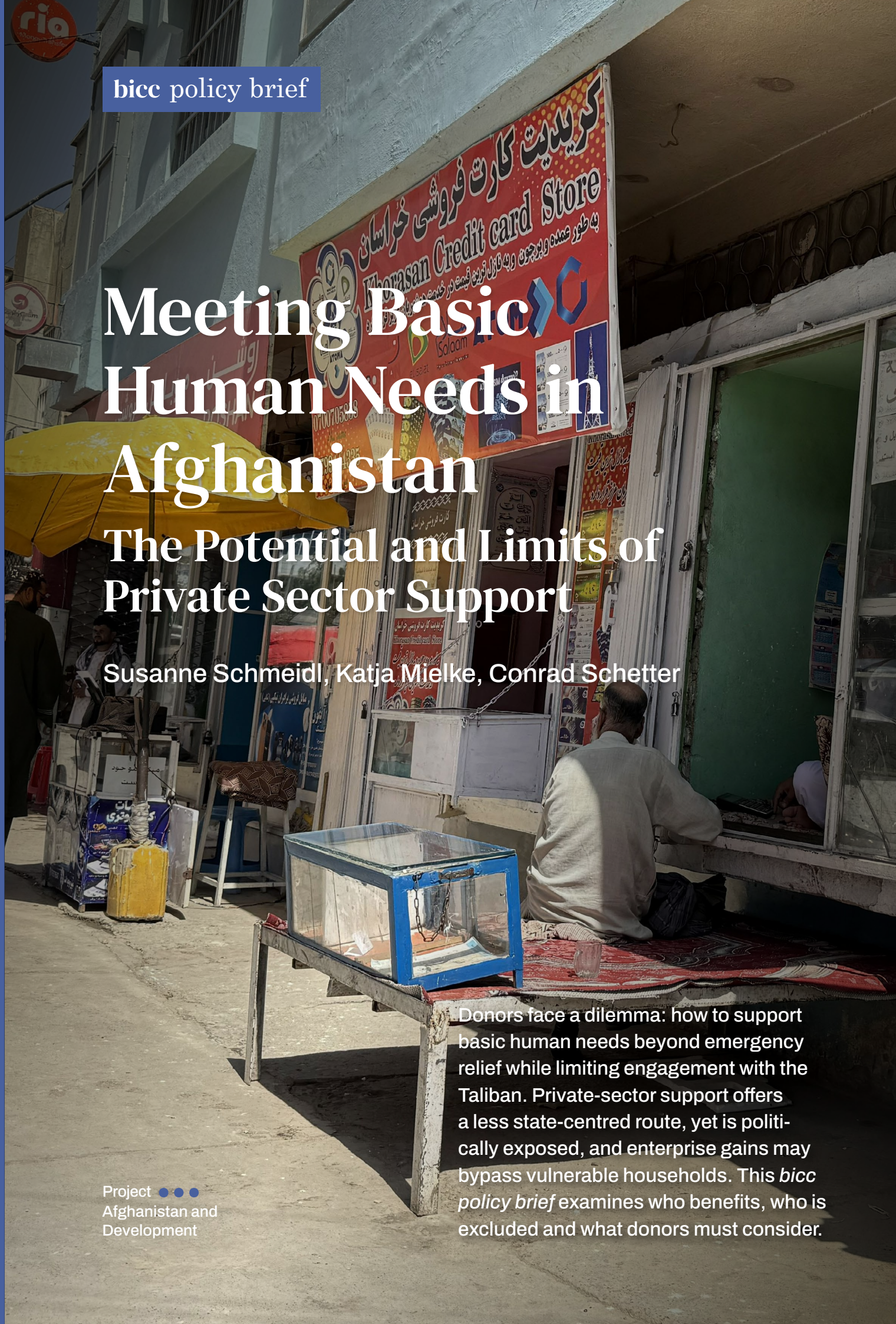


bicc policy brief

Meeting Basic Human Needs in Afghanistan

The Potential and Limits of Private Sector Support

Susanne Schmeidl, Katja Mielke, Conrad Schetter

Donors face a dilemma: how to support basic human needs beyond emergency relief while limiting engagement with the Taliban. Private-sector support offers a less state-centred route, yet is politically exposed, and enterprise gains may bypass vulnerable households. This *bicc policy brief* examines who benefits, who is excluded and what donors must consider.

Project
Afghanistan and Development

Recommendations

1 MAKE PRIVATE-SECTOR SUPPORT CONDITIONAL ON DEMONSTRABLE BASIC HUMAN NEEDS IMPACT, NOT ON INVESTMENT OR EMPLOYMENT VOLUME ALONE

Assess interventions by their effects on income adequacy and reliability, access to goods and services, productive assets and resilience among vulnerable households. Business growth, investment and job numbers do not automatically reduce poverty. Funding should require a credible impact pathway and verification during implementation, with stronger evidence where the link to basic needs is indirect.

2 TREAT PRIVATE-SECTOR ENGAGEMENT AS A COMPLEMENT TO ESSENTIAL SERVICES AND SOCIAL PROTECTION, NOT A REPLACEMENT

Market-based approaches have limited reach among households lacking purchasing power, productive assets or labour capacity. Humanitarian aid, basic services and social protection must continue alongside private-sector programming. Coordinate these efforts to avoid displacing local providers or excluding the most vulnerable households. Where private providers deliver essential services, safeguard affordability, access and continuity.

3 SUPPORT WOMEN-LED ENTERPRISES TO PRESERVE AND EXPAND ECONOMIC OPPORTUNITIES, AGENCY AND SAFETY

Even limited opportunities to earn income and sustain skills matter under current conditions. Track whether women control earnings, assets and business decisions, not how many are reached. Support their meaningful participation in programme design and delivery. Guard against arrangements that increase precarity or care burdens or entrench and normalise exclusion from other forms of employment and public life.

4 ANALYSE WHO GAINS AND WHO LOSES BEFORE AND THROUGHOUT IMPLEMENTATION, AND ADAPT SUPPORT ACCORDINGLY

Afghanistan's informal markets, power asymmetries and regulatory and financial constraints limit the applicability of standardised investment models. Assess political connections, market concentration, barriers to participation and who may be excluded or lose out. Use phased, adaptable support where uncertainty is high. Reassess risks and involve affected groups—especially women and highly vulnerable households—safely in analysis, design implementation and adjustment decisions.

5 MAKE FUNDING CONDITIONAL ON SAFEGUARDS AND EXPLICIT THRESHOLDS FOR WITHHOLDING, ADJUSTING, PAUSING OR ENDING SUPPORT

Choose funding channels, including direct enterprise support, based on due diligence and enforceable safeguards. Provide safe ways to report harm and verify outcomes. Set thresholds where interference, exclusion or other harms compromise access, safeguards or intended household benefits. Plan changes or withdrawal to limit harm to dependent workers, households and service users.

Background

Since the Taliban takeover in August 2021, international aid agencies in Afghanistan have faced an acute dilemma: sustained engagement beyond emergency relief is needed, while political reservations, sanctions and compliance regimes constrain state-to-state cooperation. Working through state structures risks strengthening the Islamic Emirate of Afghanistan (IEA) politically, institutionally and financially, and reinforces exclusion, particularly of women. Emergency assistance remains essential but must be complemented by support for self-reliant livelihoods, basic services and economic recovery—objectives no single actor can achieve alone.

> ***Working through state structures risks strengthening the Islamic Emirate of Afghanistan.***

Against this backdrop, donors have increasingly turned to private and market-based actors, whose potential to strengthen food security, livelihoods and resilience in fragile contexts is gaining recognition (OECD, 2026). In Afghanistan, the question is whether support through these less state-centred channels translates into more reliable incomes, better access to affordable essential goods and services, and greater economic agency for vulnerable groups, including women.

Private-sector support is not new: private actors have long sustained Afghan trade, supplied essential goods and services, and supported livelihoods, while donors were already engaged in enterprise development and microfinance before 2021. What has changed is the strategic emphasis on private-sector support within the basic human needs (BHN) assistance architecture established after 2021, alongside humanitarian aid and largely outside government funding. Successive World Bank approaches have expanded from emergency assistance to BHN, essential services, livelihoods and microfinance, and recent documents explicitly position private-sector engagement as a means of sustaining BHN and generating employment.

> ***Private actors have long sustained Afghan trade, supplied essential goods and services, and supported livelihoods.***

In practice, this "private-sector pivot" supports vulnerable people entering or strengthening their position in markets, as well as existing enterprises and the institutions serving them. The World Bank's EMERGe project, implemented through the Aga Khan Foundation and the Afghan Credit Guarantee Foundation, helps microfinance providers to resume lending and offers business-development services to micro and small enterprises, particularly women-led businesses and firms employing women. The proposed Private Sector Resilience Program extends to investment co-financing, agricultural processing and storage, market access, business acceleration and digital livelihoods.

> ***This "private-sector pivot" supports vulnerable people entering or strengthening their position in markets, as well as existing enterprises and the institutions serving them.***

UN and Asian Development Bank (ADB) programmes pursue overlapping objectives. The UN Strategic Framework identifies enterprises, financial institutions and business associations—including women's chambers—as partners for economic opportunities and resilient livelihoods. UNDP's WE-LEAD II ranges from women's savings groups and subsidised microfinance to business services and market connections. ADB's agricultural programme with the UN Food and Agriculture Organization combines support to vulnerable farming households with improved production, post-harvest activities and market access.

Drawing on emerging evidence, this *policy brief* examines how post-2021 economic conditions, private actors' entanglements with IEA actors and their exposure to Taliban regulation shape who benefits from private-sector engagement, who remains excluded and what harms may arise. It identifies implications for multilateral institutions, UN agencies and bilateral donors, with attention to inclusion, distributional effects and conflict sensitivity.

AFGHANISTAN'S PRIVATE SECTOR SINCE 2021: CONDITIONS AND CONSTRAINTS

Since August 2021, the Taliban have extended their control over social and economic life. Like humanitarian and development organisations, private enterprises remain subject to licensing, taxation, permits and enforcement despite operating outside state structures. Businesses face regulatory uncertainty and inconsistent implementation, while business associations have limited policy influence.

These constraints compound the lasting effects of economic contraction, weak purchasing power, infrastructure deficits and trade disruptions. Although many transactions are legally permitted, sanctions-related uncertainty, banks' risk avoidance and compliance requirements restrict international payments. The mandatory transition to Islamic finance has increased providers' costs and complicated product development, potentially limiting credit (World Bank, 2026). Effects vary with firms' resources, market

access and bargaining power; recovery among formal businesses should not be generalised to the informal and household enterprises on which many livelihoods depend.

Private enterprise may offer women more room for economic participation than NGO employment, but restrictions on mobility, customer and supplier interactions and workplace organisation still apply, including under the 2024 Law on the Promotion of Virtue and Prevention of Vice (PVPV). Among women-led enterprises surveyed in 2024, 64 per cent were unregistered or unlicensed, and 73 per cent of respondents could not reach local markets without a male escort (UNDP, 2024). Women business owners also report compliance inspections, marketing restrictions, segregation requirements and additional costs linked to PVPV enforcement. Enterprise activity thus offers income within a narrowing range of alternatives, but its expansion does not necessarily indicate greater autonomy. Women's ownership, management and employment must be distinguished, particularly in family enterprises, from one another and from their actual control over revenues and decisions.

> ***Private enterprise may offer women more room for economic participation than NGO employment.***

Political relationships further shape companies' room to operate. Anecdotal evidence indicates that some Taliban-linked entrepreneurs benefit from easier licensing, less harassment by tax officials and access to public land and supply contracts. In Nimroz and Samangan, revenue centralisation and changes in trade routes and appointments have redistributed economic power while leaving scope for local bargaining (Mansfield & Alcis, 2024), suggesting uneven political access rather than uniform control. Low reported bribery in business surveys coexists with greater difficulties for small and women-owned firms in engaging authorities. For donors, using private channels does not itself resolve whose interests assistance serves.

THE PRIVATE-SECTOR PIVOT IN AFGHANISTAN: ASSESSING BENEFITS, RISKS AND LIMITS

Basic human needs provide the benchmark for assessing private-sector support. From its inception, the BHN approach encompassed household consumption and basic services alongside adequately remunerated employment and participation in decisions; thus, supporting private livelihoods is not a departure from BHN. Its contribution depends on whether it helps vulnerable households secure sufficient, reliable incomes or access essential goods and services. Business growth alone does not establish this: assessment must consider who benefits, who is excluded or harmed, and whether gains are sustained. For women, this includes whether participation preserves or expands meaningful choices and control over income, assets and decisions.

Robust evidence on the pivot's long-term effects remains limited, and lessons from the wider literature must be tested against Afghanistan's political connections, unequal market access and restrictions on women. Private enterprises cannot be assumed to have a social mission; commercial incentives may favour profitable customers, locations and activities over the greatest unmet needs. Profitable businesses and employment growth can coexist with inadequate earnings, exclusion or benefits concentrated among better-connected actors. Programme selection, funding conditions and accountability must explicitly link enterprise support to intended household benefits.

> ***Private enterprises cannot be assumed to have a social mission; commercial incentives may favour profitable customers, locations and activities.***

Financing alone cannot resolve these constraints. Loans, guarantees and grants work better when combined with business advice, market linkages, skills training and infrastructure—yet even then may not overcome weak purchasing power or political restrictions. Loans may create unsustainable debt where earnings are unpredictable; grants or asset transfers may suit highly vulnerable households better. Addressing shared market constraints may offer wider benefits than assistance to individual firms. However, such interventions require longer time horizons and careful scrutiny of who controls (and stands to benefit from) the infrastructure, financial systems or trading relationships being supported. Where safe participation and credible household benefits cannot be established, private-sector support may be inappropriate.

Public funding should generate benefits that would otherwise not arise or be less accessible to vulnerable groups. This requires examining whether subsidies expand opportunities or merely support activities that would proceed anyway, advantage selected firms or displace existing livelihoods. The assessment must extend beyond recipient enterprises to workers, household producers, suppliers and consumers, and judge employment by the adequacy and reliability of earnings, working conditions and duration. Political-economy analysis and conflict-sensitive design are essential, since informal networks, concentrated market power and political influence limit the transferability of standardised business-support models.

> ***Where safe participation and credible household benefits cannot be established, private-sector support may be inappropriate.***

These requirements expose a central dilemma: fair competition, decent work and accessible services depend partly on rules and their enforcement, yet donors seek to limit engagement with the authorities shaping them. Project safeguards can mitigate particular risks but cannot substitute for wider protections. Private-sector support must complement continued humanitarian assistance, essential services and social protection, and coordination should prevent duplication, contradictory interventions and procurement practices that undercut local suppliers.

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Ultimately, support should be judged by its effects on income, households' ability to meet basic needs, access to services, gender relations and resilience—not by funds disbursed, firms supported or jobs reported. Can households meet essential costs more reliably, are gains offset by debt, and do women retain control over income and decisions?

TENSIONS AND UNINTENDED EFFECTS

Private actors open less state-centred channels but remain exposed to IEA registration, taxation, permitting and regulatory influence; engagement through them neither removes IEA leverage nor eliminates sanctions risk. Microfinance illustrates this dependence: providers remain subject to licensing and supervision by Da Afghanistan Bank, and the costs of Islamic finance, as well as financing caps and requirements affecting lending to women, can constrain outreach (World Bank, 2026). Funding through non-governmental intermediaries does not remove this dependence. Donors must assess whether financing reaches underserved borrowers on suitable terms and whether compliance costs and payment barriers favour firms with stronger resources and international connections.

Private actors open less state-centred channels but remain exposed to IEA registration, taxation, permitting and regulatory influence; engagement through them neither removes IEA leverage nor eliminates sanctions risk.

The choice of partners can itself redistribute economic and political power. Grants, guarantees and procurement contracts may strengthen firms whose advantages already rest on preferential access, while weakening less-connected competitors. Ordinary tax obligations should be distinguished from coercive demands or political capture; even routine taxation channels revenue to the IEA, but whether an intervention enhances political legitimacy requires separate scrutiny. Possible attempts by the authorities to influence partner selection, staffing or resource allocation should be investigated rather than presumed; where they occur, local partners bear the consequences of resisting.

Enterprises and home-based production are among the few remaining sources of income for Afghan women, and even modest opportunities to earn income, sustain skills and maintain economic connections are valuable. Yet scaling up support risks confining women to invisible, precarious or gender-typed work, unintentionally normalising their exclusion from other employment. Greater participation may also increase safety risks and unpaid care burdens without giving women control over earnings or decisions.

Market-based approaches have limited reach among households without labour capacity, assets or purchasing power, and private providers may leave essential services unaffordable for less profitable customers. Programme design must establish who covers the costs of serving households unable to pay, and how provision will continue if subsidies end or providers withdraw; otherwise support may expand services only temporarily. Conversely, poorly coordinated aid procurement and free provision can undermine local suppliers.

Enterprises and home-based production are among the few remaining sources of income for Afghan women; yet, scaling up support risks confining women to invisible, precarious or gender-typed work, unintentionally normalising their exclusion.

Employment and enterprise growth do not automatically produce adequate or secure incomes. Benefits can accrue to owners, intermediaries or politically connected networks while smaller actors are displaced, reinforcing inequalities and grievances. Short-term work can meet acute needs but should not be presented as a structural solution without evidence of sustained benefits.

Employment and enterprise growth do not automatically produce adequate or secure incomes.

Market integration and finance can also increase debt, dependence on single buyers and exposure to price, trade and border shocks, borne unequally in Afghanistan's informal markets. Appeals to self-reliance also risk legitimising premature reductions in international support and shifting responsibility for structural crises onto households that cannot overcome them alone.

Some programme designs already acknowledge these risks: the World Bank's proposed Private-Sector Resilience Program includes political-economy and integrity assessments, phased readiness assessments, third-party monitoring and grievance arrangements (UNOPS, 2026). In addition, proposed human capital and jobs support retain essential services alongside employment interventions. The practical question is whether these commitments translate into household benefits and whether safeguards lead to corrective action under Afghanistan's conditions. Affected groups need safe ways to report harm and influence adjustments; donors need capacity to verify outcomes and act on complaints. Where interference prevents fair selection, women's participation requires unsafe arrangements, or monitoring cannot establish who benefits and who bears the costs, support may need to be withheld, redesigned, paused or ended. Withdrawal also carries risks, so decisions should protect workers, households and service users who depend on an intervention.

The practical question is whether these commitments translate into household benefits and whether safeguards lead to corrective action under Afghanistan's conditions.

IMPLICATIONS: ASSESSING WHETHER AND HOW TO SUPPORT THE PRIVATE SECTOR

Greater sustainability or reduced political entanglement cannot be assumed simply because assistance uses private channels. Funding decisions should turn on who benefits, who bears the risks and whether safeguards work. Five implications follow and underpin the five policy recommendations opening this *policy brief*: First, public funding should produce benefits that would otherwise be absent or less accessible for people living in poverty and other vulnerable groups. General investment, trade or export promotion should not be classified as BHN-oriented without a traceable contribution, even where justified on other grounds. Gains for supported firms may coexist with inadequate wages, displacement of smaller producers or higher consumer costs.

> ***Public funding should produce benefits that would otherwise be absent or less accessible for people living in poverty and other vulnerable groups.***

Second, private-sector support cannot substitute for humanitarian aid, social protection and essential services for households lacking purchasing power, labour capacity or assets. Where private providers deliver essential services, funding must address affordability, access and continuity beyond the subsidy period. Expectations of future self-reliance should not justify withdrawing assistance before viable alternatives exist. Donors must preserve assistance for people whom markets cannot adequately serve.

> ***Private-sector support cannot substitute for humanitarian aid, social protection and essential services for households lacking purchasing power, labour capacity or assets.***

Third, direct support and funding through international intermediaries both require scrutiny of ownership, political connections, partner selection and exposure to interference. Compliance requirements and safeguards should not simply transfer risks to local businesses, workers and implementing partners. Donors must therefore assess political entanglement and the distribution of risk across funding channels.

> ***Direct support and funding through international intermediaries both require scrutiny of ownership, political connections, partner selection and exposure to interference.***

Fourth, modest income opportunities matter and should be protected, but reaching women or registering businesses does not automatically establish that women control earnings, assets or decisions. Support should expand women's choices without entrenching exclusion or precarity, and monitoring should track additional costs, unpaid care burdens and reliance on male intermediaries.

> ***Modest income opportunities matter and should be protected, but reaching women or registering businesses does not automatically establish that women control earnings, assets or decisions.***

Fifth, monitoring should assess incomes, employment conditions, the affordability of essential goods and services, and adverse effects on participants and other market actors. Thresholds for withholding, adjusting, pausing or ending support should reflect anticipated benefits and risks at the outset and be reassessed against implementation evidence. Changes or withdrawal should limit harm to those who depend on the intervention.

> ***Monitoring should assess incomes, employment conditions, the affordability of essential goods and services, and adverse effects on participants and other market actors.***

To guide these decisions, a measure's relationship to BHN can be assessed through four categories that are not mutually exclusive:

- Direct contribution: verifiable improvements in vulnerable households' income security or access to essential goods, services, productive assets or basic infrastructure.
- Indirect contribution: support to value chains, financing systems or economic services with a plausible pathway to improved basic-needs security for identified groups, subject to verification.
- Insufficiently substantiated contribution: enterprise, investment or export promotion whose benefits for vulnerable households remain untraceable or inadequately evidenced; such measures should not count as BHN-oriented on the basis of general growth expectations.
- Adverse effects: unsustainable indebtedness, exclusion, displacement of livelihoods, protection risks or reduced affordability of or access to essential goods and services attributable to the intervention. These may occur alongside benefits and require explicit assessment of who gains and who loses.

The more indirect the proposed contribution, the greater the need to substantiate the pathway, identify beneficiaries and verify household outcomes—though a direct contribution should not be presumed safe or equitable either. As a minimum, context-, conflict- and gender-sensitive market and distribution analyses must inform selection, implementation and adaptation. Affected groups—especially women and highly vulnerable households—need safe opportunities to shape design, identify harms and influence adjustments. Benefits to one group should not obscure serious harm to another.

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