

World Bank Regional Hub in Riyadh & Its Impacts on Afghanistan's Economy

Last Monday this week, on September 22, 2025 the World Bank inaugurated a new regional hub in Riyadh to serve the Middle East, North Africa, Afghanistan, and Pakistan (the “MENAAP” region). This hub is co-located with the World Bank’s Gulf Cooperation Council office and brings senior Bank leadership “closer to country teams, clients and regional partners”. Afghan stakeholders and private investors are watching closely; with Afghanistan now explicitly included in the Riyadh hub’s jurisdiction, the move promises closer coordination and potentially faster decision-making on World Bank–supported projects involving Afghanistan.

Looking to the surface of this initiative; yes, it’s a great news for Saudi Arabia. But, the most frequent questions which arise, and absolutely worth to pursue and find out the responses are; whether this expanding move affect Afghanistan or not? If so, what and how shall it impact the country, either it will be positive or negative? What sectors will it affect more? would it be the whole economy of country or will it be just on specific sector? for example private sector and investments area, will the new administration be more cooperative with the Riyadh based office or not? “To what extent, the Riyadh based office leadership push Afghan government to modify its regulations and laws more favorable for foreign investments and bring further reforms which aligns with today’s modern economy standards?”.

Here as a lawyer with a practicing focused on commerce, investments, trade and international arbitration, dispute resolution, and regulatory compliance. I have tried to analyze the article more from point of relationships between economy and current legal system of the Afghanistan, and narrower with the investment, Public Private Partnership PPP and other governing laws and regulations that governs the whole economy system, banking, finance, and private sector and directly affect these banks operations, projects, and strategies for economy growth and investments in the country. Therefore, here I took deep dive into the issue with more scrutiny from legal perspective rather than shedding lights on it from financial expertise point of view.

Economic Context and World Bank Activities in Afghanistan:

Afghanistan’s economy remains fragile. Growth is low but positive; as per the World Bank, GDP is estimated to have grown about 2.5% in 2024, driven mainly by agriculture, mining, construction and trade. However, severe constraints persist: the business environment is “unfavorable,” exports face barriers, and foreign aid remains sharply reduced. Domestic challenges include a fragile banking system, regulatory uncertainty. Poverty, unemployment, and food insecurity are high. In this context the World Bank’s current strategy focuses on humanitarian and basic service delivery (Approach 1.0, 2.0, 3.0) – channeling aid through UN agencies and NGOs and ring-fencing projects like CASA-1000 under its own control. Private-sector investment has been limited, and new foreign direct investment (FDI) has stalled under the severe political and regulatory uncertainty that followed 2021.

The Bank itself notes that Afghanistan's recovery requires urgent policy reforms and a more stable environment. In fact, the Bank's analysis of the MENAAP region (which now includes Afghanistan) emphasizes that government action should foster a "more dynamic private sector" by "promoting competition in markets, improving the business environment, and investing in data collection and access." These are long-standing issues in Afghanistan. For example, the U.S. State Department's 2016 investment climate report warns that overlapping legal systems and uneven enforcement make Afghanistan's legal/regulatory framework "underdeveloped and irregularly implemented," and that corruption and informal payments are commonplace. In short, even as the World Bank enhances its regional presence via Riyadh, Afghanistan must address key domestic challenges in its legal and regulatory regime.

Afghanistan's Legal Framework for Investment

Private Investment Law:

Afghanistan's principal investment statute is the Private Investment Law (PIL), originally enacted in 2005 (Gazette No. 869) and amended by 2016. This law constitutionally guarantees that "qualified domestic or foreign entities may invest in all sectors of the economy" *. It affords foreign investors national treatment (no special restrictions or penalties), and allows 100% foreign ownership in most sectors. Apart from highly sensitive areas (nuclear power, gambling, narcotics, etc.), investment is allowed broadly. In practice the High Commission on Investment (HCI) has never restricted equity shares – foreign investors may own businesses outright. The law also permits common corporate forms (LLCs, JVs, joint ventures, etc.).

Importantly, Afghan law provides strong protections to reassure foreign capital. The PIL and related rules prohibit currency controls and allow full repatriation of profits, dividends, and loan payments in a freely usable currency. Afghanistan "does not maintain a dual-exchange-rate policy, currency controls, capital controls, or any other restrictions on the free flow of funds abroad" *. It also explicitly recognizes investors' right to sue (and arbitrate) in case of expropriation. Expropriation is only permitted for public purposes and must be accompanied by prompt, adequate compensation at fair market value. Furthermore, Afghanistan is a signatory of the New York and ICSID Conventions, so foreign arbitral awards are enforceable here. In sum, the investment law regime is quite liberal – codifying national treatment, free capital flows, property rights (excluding foreign land ownership by constitution) and dispute resolution privileges.

Procurement and PPP Laws:

Beyond investment codes, Afghanistan has recently updated other frameworks important to development projects. For donor-funded projects, the Public Procurement Law (2016) is notable; it modernized bidding and contracting to “ensure transparency” and fair competition in public projects. Compliance with this law is a condition on many World Bank–funded projects (as in other countries).

Public-Private Partnership (PPP) Law:

Recognizing fiscal constraints, the Afghan government adopted PPP legislation to attract private financing for infrastructure. The PPP Law was issued by Presidential Decree on September 1, 2016 and published in the Official Gazette (No. 1322) in 2018. It created a Central Partnership Authority (CPA) within the Ministry of Finance (later moved under the President’s Office) to vet and supervise PPP projects. The intent is to enable long-term contracts (e.g., toll roads, power plants, hospitals) where private partners share risks and rewards with government. In 2020 the PPP Law was amended to strengthen oversight – the CPA was shifted out of the Ministry of Finance and placed under the President’s office.

These laws are aligned with international best practices in principle. For example, the PIL’s national treatment and arbitration clauses mirror OECD standards, and the procurement law follows WTO-style transparency rules. Yet implementation gaps persist. In practice, foreign investors report erratic enforcement of tax and commercial laws, and political instability still deters many projects. Moreover, certain constraints remain (e.g., foreigners cannot own land outright, only lease for limited terms). The absence of a general competition law is another shortfall: no authority currently regulates anti-competitive conduct or monopolies, a gap that the World Bank has often noted needs to be filled in emerging economies.

Impact of the Riyadh Hub on Afghanistan:

How will the new Riyadh hub impact Afghanistan on the ground? Several practical and strategic effects can be anticipated; and are as bellow:

Closer Engagement & Faster Response:

With the MENAAP Vice President and practice directors now based in Riyadh, Afghan country teams and the interim government (to the extent they engage) can interact with decision-makers in the region rather than needing Washington-based meetings. In theory this proximity can speed up approvals of project

designs or disbursements for Afghanistan-related initiatives. Coordination on regional projects (like energy grids or trade corridors involving Pakistan, Central Asia and Afghanistan) may improve.

Cost and Time Savings:

For Afghan officials and World Bank staff, travel to Riyadh is shorter and cheaper than trips to Washington, DC. Regional travel arrangements (flights, visas) are generally easier to arrange, providing comfort and logistical efficiency for Bank missions and training programs. Attendance at seminars, workshops or policy dialogues in Riyadh will be more feasible for Afghan private-sector representatives and officials, compared to far-off global venues.

Stronger Regional Synergies:

Placing Afghanistan together with Middle East, North Africa and Pakistan in one “region” might encourage policy learning from nearby countries. For example, if Jordan or Pakistan successfully leverage PPPs, that experience can be more directly shared. The hub aims to be a “knowledge exchange” platform, so Afghan specialists could gain exposure to best practices from Gulf Arab development initiatives (e.g., Saudi Vision 2030 reforms, financing instruments, or KSA’s own new PPP laws). A regional hub also signals stronger ties with Gulf partners, which may lead to Saudi or Emirati engagement in Afghan projects or investments.

Staffing and Management Comfort:

The Riyadh hub will likely be staffed by a mix of international and locally hired professionals. These staffers can provide on-the-ground support for Afghanistan projects – for instance, reviewing bids or conducting oversight. Because Riyadh is a major global city with excellent amenities, the hub can attract highly qualified talent, some of whom may come from the region or even Afghanistan itself. This is in contrast to a hypothetical office in Kabul, which currently lacks international recognition and stability. Thus, Afghan-born professionals working in development could feel more secure and effective being in Riyadh while handling Afghan matters.

Operational Footprint and Cost Cutting:

Co-location with the existing GCC office means shared administration (offices, IT, communications), which saves costs for the Bank. These savings could indirectly free up funds or headcount for country-level operations. For Afghanistan-specific programs, the hub could administer grants or technical assistance contracts regionally, possibly reducing bureaucratic bottlenecks.

In summary, the new hub should enhance efficiency for World Bank operations affecting Afghanistan. By physically situating high-level Bank personnel closer to Afghan issues, the hub aims to reduce delays and make it easier for both Bank staff and Afghan counterparts to cooperate. Of course, many on-the-ground

risks (security, political restrictions) remain unchanged by geography. But any logistical or administrative ease – simpler travel, shared facilities, regional knowledge networks – can help projects move ahead more smoothly than under the previous distant arrangement.

Current Challenges and Reform Needs:

Despite these operational improvements, Afghanistan must simultaneously reform its domestic regime to capitalize on the opportunity. Key areas include:

Strengthening Rule of Law:

As the World Bank's own overview notes, "investment confidence" has plummeted due to frozen assets and "widespread disruptions" since 2021. To reassure investors, Afghan authorities (and any future government) should restore consistent legal frameworks. This means applying laws evenly, curbing corruption, and allowing independent dispute resolution. In particular, the Constitutional ban on foreign land ownership should at least be clarified or softened (for example, extending lease terms beyond 25-30 years or granting special exemptions) to remove a major practical hurdle.

Regulatory Clarity and Transparency:

The overlapping presence of traditional law, and some outdated procedures and practices continues to confuse businesses. Eliminating ambiguities – for instance, by consolidating conflicting statutes or issuing authoritative regulations in Dari/Pashto – would improve predictability. Enforcement of contracts should be expedited: while Afghanistan recognizes foreign arbitration, in practice courts are slow. Establishing a high-level arbitration center (as has begun with the ACDR) and ensuring awards are enforced can boost confidence.

Anti-Corruption and Fair Competition:

Both Afghan and foreign entrepreneurs repeatedly cite corruption (bribes, unofficial fees) as a greater obstacle than security. Legal reforms should include stronger anti-corruption statutes and an effective anti-bribery authority. Introducing a competition law to prevent undergrounds mafia and abuse of market power would also align Afghanistan with modern practice. The absence of any competition agency means vital sectors (telecom, transport, banking, mining) may suffer monopolistic practices. Adopting a law like those of OECD or GCC countries would signal commitment to open markets.

Banking and Financial Sector Reform:

The World Bank notes Afghanistan's banking sector is fragile, with regulatory uncertainty. Ensuring banks comply with international AML/CFT norms will be critical to re-establishing correspondent banking links, which are currently disrupted. Moreover, a modern Insolvency and Bankruptcy law (currently outdated) should be enacted to provide clear remedies in case of corporate failure. Such reforms would support investment by ensuring lenders and investors know their rights and can exit safely if needed.

Investment Support and One-Stop Services:

The Afghanistan Investment Support Agency (AISA) and the High Commission on Investment (HCI) exist by law, but they must be empowered to actually promote projects. Streamlining business registration (as noted in the State Dept report) by fully digitizing AISA/ACBR/TIN processes would honor plans to simplify these steps. Investors should be able to complete licensing and tax registration online, minimizing face-to-face hurdles. The AISA mandate should be reinforced to guide investors through the PIL and tax incentives, and to maintain a pipeline of viable PPP projects. A clear "investor charter" could lay out timeframes for approvals and dispute resolution commitments.

Updated Sector Policies:

Aligning with global trends, Afghanistan should periodically update key sector laws. For instance, a modern Mining Law (2018) and Telecom Law (2015) were recent advances, but enforcement is uneven. Ensuring sectors like mining have transparent bidding and revenue-sharing (e.g., via the 2019 Mining Law) will strengthen confidence. Labour and immigration laws could be made more flexible – for example, expanding visas for skilled foreign workers, while also protecting domestic labor. Similarly, accelerating Afghanistan's own WTO accession commitments (even if on hold) would signal openness to trade and investment reforms.

Public-Private Partnerships:

The PPP Law provides a legal basis, but implementation is still nascent. Practically, only a handful of PPP projects have reached financial close. Afghanistan should expedite creating a credible pipeline (roads, energy, telecom) and give the Central Partnership Authority sufficient capacity and independence to evaluate bids quickly. Contracts should allow for currency convertibility and re-negotiation clauses as in other jurisdictions. Transparent procurement for PPPs (consistent with the 2016 Procurement Law) will help avoid the pitfalls of opaque deals that have plagued some developing countries. Learning from comparison cases (for example, how Pakistan and Jordan developed their PPP agencies) could be useful in structuring institutional reforms.

Reassuring Investors; Alignment with International Standards

To attract foreign capital under the new World Bank-backed approach, Afghanistan should emphasize the investor protections already in its law and consider further alignment with global norms. For example:

National Treatment and Non-Discrimination:

The PIL already promises equal treatment for foreigners. Afghanistan can reinforce this by publicizing that there are no limits on foreign ownership (100% is allowed) and no forced joint-venture requirements. Similarly, confirming that BITs and investment agreements (subject to the government's discretion) will be honored can reassure investors of consistency.

Free Flow of Funds:

Afghanistan's assurances of unrestricted remittances are a competitive advantage. The government should restate its commitment to upholding these clauses – for instance by pledging not to reimpose currency or capital controls even under stress and make regulations and financial policy more welcoming. Ensuring the Central Bank (Da Afghanistan Bank) continues a managed floating exchange rate and transparent forex auctions will build confidence that profits can be freely converted and repatriated.

Legal Remedies and Arbitration:

The recognition of international arbitration under PIL and the 2007 Arbitration Law gives foreign investors comfort. Afghanistan should highlight its adherence to the New York Convention and emphasize that foreign legal counsel may be engaged. The government could even consider joining additional investment treaties to create avenues for investor-state dispute settlement (bearing in mind budgetary implications).

Competition and Fair Markets:

While a competition law is lacking, Afghanistan can at least commit to ensure state procurement is competitive (as per the 2016 law), modify it to be more providing competing opportunities and that no special trade barriers are erected. Considering a multi-donor technical assistance program to draft a Competition Act would put Afghanistan in line with many regional neighbors that have adopted such legislation in recent decades.

Transparency and Anti-Corruption:

As part of best practice, Afghanistan could invite independent oversight of major projects (for example, via open contracting data portals) and empower civil-society monitors. The World Bank itself emphasizes data and openness as keys to private sector growth. Publishing contracts and PPPs online (as some countries do) would demonstrate a commitment to modern standards. Even if enforcement remains a challenge, the signal of transparency is important.

Recommendations:

Based on the above, from a lawyer view, I would make the following recommendations to the government and stakeholders, to fully leverage the Riyadh hub opportunity:

1. Publicize Legal Protections:

Launch an international outreach campaign (through embassies and trade missions) highlighting Afghanistan's investor-friendly statutes – national treatment, free capital movement, property and arbitration rights. Provide English translations of key laws on a government portal to reduce uncertainty.

2. Strengthen Regulatory Institutions:

Accelerate the capacity-building of entities like AISA, HCI, the Public Procurement Regulatory Authority (PPRA), and the Central Partnership Authority. Ensure they have clear mandates, sufficient staffing, and independence from undue political influence.

3. Fast-track Pending Reforms:

Pursue delayed or pending laws that bolster investor confidence, such as a modern Competition Law, a revised Bankruptcy and Insolvency Law, and updated Tax legislation to remove overlapping tax requirements. Fast-track the issuance of implementing regulations under existing laws (e.g. detailed PPP regulations or insurance sector regulations).

4. Capacity Building and Training:

Work with the World Bank and knowledge partners (now more accessible via Riyadh) to train Afghan officials in PPP project assessment, procurement best practices, and regulatory impact

analysis. Conduct workshops on international commercial law to bridge gaps between Sharia, customary practices and statutory law.

5. Engage Regional Expertise:

Leverage the Riyadh hub's network by organizing regional conferences on investment and PPPs. Bring in experts from MENA countries with successful privatization or PPP track records (for example, lessons from Abu Dhabi's utilities privatization, or Oman's PPP model) as comparators.

6. Improve Business Environment:

Simplify doing-business procedures. For instance, digitize the business registry, create an online one-stop shop for investors (including work permits, registration, tax IDs), and reduce the number of licenses needed. Given the World Bank's emphasis on doing-business reforms, ensuring the 2020 Doing Business score improves would be a visible goal.

7. Legal Stability:

Provide assurances (perhaps through legislation or executive orders) that core investment laws will not be arbitrarily repealed or suspended. As happened in the past, uncertainty about legal continuity (for example, unilateral amendments to the investment law) is a top deterrent. Ensuring stability and predictability in the legal regime is key to long-term investment.

8. Monitor and Adapt:

Establish a private-sector advisory council (with Afghan business leaders, expatriate investors, and civil society) to give feedback on new regulations. As the Riyadh hub facilitates more projects, use that on-the-ground perspective to adjust policies quickly – for instance, by identifying which sectors need better laws (mining, telecommunications, agriculture, etc.).

Conclusion:

The opening of a World Bank hub in Riyadh is good news for Afghanistan. It signals continued international engagement and should improve coordination for development projects across the region. From an Afghan commercial lawyer's viewpoint, the hub's real value will be in how effectively Kabul can align its own legal and regulatory framework with what the Bank and private investors expect. Afghanistan's existing Investment Law and PPP Law provide a foundation for foreign participation, and the country boasts strong nominal protections (national treatment, free profit repatriation, arbitration rights). Yet the "unfavorable business environment" noted by the World Bank will only be overcome if serious reforms follow: transparency, rule of law, and modern competition standards must be enforced.

On the ground, the Riyadh hub should lower transaction costs and speed up project work – but only if Afghan stakeholders meet the Bank halfway. The government should heed the World Bank's counsel to foster a competitive private sector and take practical steps (legal reforms, institutional strengthening, digitalization) to reassure and protect investors. By doing so, Afghanistan can maximize the benefits of the Bank's renewed regional presence, translating that "knowledge exchange and policy innovation" into tangible growth, jobs and development at home.

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