

WEEKLY ANALYSIS

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A TEN BILLION DOLLAR INVESTMENT IN POWER GENERATION: AN ASSESSMENT OF ECONOMIC AND POLITICAL DIMENSIONS



Weekly Analysis is one of the CSRS publications analyzing significant weekly political, social, economic, and security events in Afghanistan and the region. The prime motive behind this is to provide strategic insights and policy solutions to decision-making institutions and individuals in order to help them design better policies. Weekly Analysis is published in Pashto, Dari, English and Arabic languages.

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A TEN BILLION DOLLAR INVESTMENT IN POWER GENERATION: AN ASSESSMENT OF ECONOMIC AND POLITICAL DIMENSIONS

Introduction

Electricity is a fundamental driver of a country's economic strength, industrial and defense growth, social progress, and political stability. Afghanistan, having only recently emerged from decades of war, has seen much of its infrastructure severely weakened by prolonged conflict and political instability. Successive governments have had little opportunity to achieve substantial, lasting progress in the energy sector. As a result, the country continues to face acute economic challenges and an urgent need for large-scale energy production.

Many urban centers and rural areas, including the capital, either lack access to electricity altogether or rely on unreliable and inadequate power supplies. Following the return of the Islamic Emirate to power and the restoration of security and stability in the country, Afghan investor Mirwais Azizi has committed to a \$10 billion investment in electricity generation.

This analysis will examine the economic and political impacts of this major investment. It will also examine the key obstacles to the project's implementation, propose practical solutions to these challenges, and conclude with policy recommendations for relevant authorities to facilitate more effective execution.

PROJECT OVERVIEW

On July 31, 2025 (11 Asad 1404 in the Afghan calendar), at the Government's Information and Media Center, the Ministry of Energy and Water of Afghanistan signed a memorandum of understanding with Azizi Energy, a private power company, for a \$10 billion investment in electricity generation, transmission, and distribution. Under this agreement, Azizi Energy will generate 10,000 megawatts (MW) of electricity from gas, coal, hydropower, wind, and solar sources across different regions of the country.

The project is expected to be completed within 7 to 10 years. Once finished, Afghanistan will not only achieve self-sufficiency in electricity production but will also be able to export surplus power to neighboring countries. Of the total 10,000 MW generated, 4,000 MW will be allocated for public consumption, while 6,000 MW will be dedicated to industrial use.

The technical design of the project will be finalized within the next six months. In its initial phase, electricity production will range from 2,000 to 3,000 MW. Practical work is scheduled



to begin in 2026 and continue until 2032. Power generation will be sourced and distributed as follows:

1. **Coal:** 3,400 MW from Balkh, Bamyān, Herat, and Baghlan provinces.
2. **Gas:** 3,700 MW from Jowzjan, Herat, and the northern region.
3. **Hydropower:** 2,040 MW from Kabul, Kapisa, and Daikundi provinces.
4. **Wind:** 700 MW from Herat and Farah provinces.
5. **Solar:** 200 MW from Kabul, Kandahar, and Ghazni provinces.

ECONOMIC IMPACTS

Domestic electricity generation plays a vital role in the economic and industrial development of any country. The large-scale investment by Azizi Energy is not only a significant step forward for Afghanistan's energy sector, but it also promises several important economic benefits:

1. Achieving Energy Self-Sufficiency:

Under the previous Western-backed government, Afghanistan spent billions of dollars over two decades. Yet, despite this, around 70% of the country's electricity is still imported from Uzbekistan, Tajikistan, Iran, and Turkmenistan. This imported power is insufficient to meet national demand, is prone to frequent outages, and comes at a high cost. With the implementation of this project, Afghanistan will not only be able to meet its own electricity needs but will also gain the capacity to export power to other countries, generating additional national revenue.

2. Attracting Greater Domestic and Foreign Investment:

This multi-billion-dollar project reflects Afghanistan's growing political stability and the Islamic Emirate's firm commitment to supporting investors and investment. As a result, it is expected to encourage other domestic and international investors to commit their capital to Afghanistan. The government will benefit economically through taxes and duties, while the project will directly and indirectly create substantial employment opportunities—potentially up to 150,000 jobs. According to Mirwais Azizi, the company's chairman, 98% of the project's workforce will be Afghan, and a dedicated training center will be established in the country to enhance workforce skills.

3. Modernizing and Expanding Industry, Small Businesses, Agriculture, and Irrigation:



Many Afghan manufacturers have long complained about electricity shortages. By allocating 6,000 MW of power to the industrial sector, this project could resolve a major obstacle for factory owners, boosting both the quality and quantity of industrial output. In addition, greater electricity availability will encourage the growth of small businesses, benefiting entrepreneurs, the government (through increased tax revenues), and the general public (through job creation and improved services). Modern agriculture and irrigation systems also require reliable power. By meeting this need, the project will help farmers modernize their practices, leading to substantial improvements in both the quality and quantity of agricultural production—benefits that will extend to rural livelihoods and the national economy.

4. Contributing to the Stability of the Afghan Currency:

The project's \$10 billion cost represents a significant inflow of U.S. dollars into Afghanistan's currency exchange market, which could help stabilize the value of the Afghani. While a large portion of this investment will be spent abroad on machinery and equipment, the share that enters the domestic economy is still expected to have a positive impact on currency stability.

POLITICAL IMPACTS

Although this project is primarily economic, its political implications are also significant, given the close interdependence between politics and the economy. Its successful implementation will demonstrate the capacity of the Islamic Emirate to undertake large-scale economic programs, sending an indirect but powerful message to the international community that Afghanistan is open for investment. This, in turn, could help pave the way toward the Emirate's international legitimacy. Since political stability is a key condition for formal recognition, such a major infrastructure initiative would serve as tangible proof of governmental stability—potentially influencing recognition efforts in a positive direction.

Domestically, the project is also likely to strengthen public trust and support for the Islamic Emirate. By creating substantial employment opportunities, it can foster social stability, reduce the risk of conflict, and encourage citizens to back the government. Moreover, once electricity shortages are resolved, foreign investors will be more inclined to invest in Afghanistan, opening doors for the country to expand its regional and international partnerships.

CHALLENGES TO IMPLEMENTATION

Afghanistan has only recently emerged from decades of war, and large-scale projects in such a context face numerous obstacles that require proactive and practical solutions. If not properly managed, these challenges could jeopardize or delay the project. Key issues include



a shortage of highly qualified technical and engineering specialists, limited availability of advanced machinery, and the reluctance of foreign experts to work in Afghanistan due to its geographic conditions and language barriers. Other obstacles include complex bureaucratic processes, lack of access to the international banking system, and the absence of a nationwide, reliable power transmission and distribution network capable of handling the high output once generated—a system that would require massive additional investment to establish.

While this project represents a historic economic opportunity, its success will depend on strong institutional measures. The Islamic Emirate should establish a joint committee comprising government officials, private sector representatives, technical experts, and academics to identify emerging challenges and develop evidence-based, practical solutions in coordination with relevant authorities. Special security units should be deployed to protect project sites, personnel, and equipment. In addition, the government should create opportunities for short-term training programs in energy and electrical engineering—both domestically and abroad—to facilitate the transfer of international expertise to Afghan professionals.

To ensure transparency and prevent corruption in all related sectors, a dedicated oversight and evaluation body should be formed. Moreover, bureaucratic and legal processes must be streamlined to facilitate not only this initiative but also future infrastructure projects.

If the project succeeds, Afghanistan's electricity needs will be met, but this may also discourage future domestic and foreign investments in the energy sector. For this reason, some analysts view such a massive single-company investment as monopolistic. Had the project been divided among multiple companies—each focusing on specific sources such as wind, hydro, solar, coal, or gas—healthy competition could have emerged, driving both higher quality and faster completion. This diversified approach might have allowed Afghanistan to achieve its energy goals more efficiently and with broader investor participation.

CONCLUSION

The Azizi Energy private sector project represents a major achievement for the Islamic Emirate in Afghanistan's energy sector. Its implementation will address the country's chronic electricity shortages—both for industrial use and public consumption. By meeting these needs, the project is expected to attract greater investment interest in Afghanistan, contributing significantly to reducing unemployment.

Beyond its economic benefits, such a large-scale initiative can strengthen political stability, enhance security, and expand Afghanistan's regional and international engagement. It may also positively influence both domestic and global perceptions of the Islamic Emirate, boosting its legitimacy and support.



While challenges such as shortages of skilled labor, limited access to international economic and trade institutions, scarcity of advanced equipment, and similar constraints remain, the Islamic Emirate can overcome these obstacles by adopting an effective and well-coordinated plan, ensuring the project's successful completion.

RECOMMENDATIONS

In light of the above analysis, the following recommendations are offered for consideration:

1. **Specialized Oversight and Management:** Relevant institutions of the Islamic Emirate should assign responsibility for the monitoring, management, and evaluation of this project to a qualified and experienced technical team. This will ensure that the project is implemented in line with the agreed terms and that all public-interest benefits outlined in the agreements are secured.
2. **Environmental Safeguards:** During implementation, the Islamic Emirate should give careful attention to potential environmental risks. The project's operators must be required to balance economic benefits with environmental protection, ensuring no long-term harm to natural ecosystems.
3. **Fair and Sustainable Use of Revenues:** The government should allocate revenues from such projects fairly to national development programs, ensuring equal benefit for all citizens while taking the needs of future generations into account.
4. **Investment Promotion Abroad:** Senior officials of the Islamic Emirate should actively encourage Afghan expatriates and foreign investors to invest in Afghanistan during their official visits abroad, highlighting the country's stability and emerging opportunities.

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