

AFGHANISTAN PRIVATE SECTOR RAPID SURVEY

A Snapshot of the Business Environment—Round 1



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ACRONYMS

ACBR-IP	Afghanistan Central Business Registry and Intellectual Property
AES	Afghanistan Enterprise Survey
ASYCUDA	Automated System for Customs Data
ACCI	Afghanistan Chamber of Commerce and Investment
AWCCI	Afghanistan Women Chamber of Commerce and Industry
AWMS	Afghanistan Welfare Monitoring Survey
BPS	Business Pulse Survey
COVID-19	Coronavirus disease of 2019
FCI GP	Finance, Competitiveness, and Innovation Global Practice
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ILO	International Labour Organization
NRC	Norwegian Refugee Council
PSRS	Private Sector Rapid Survey
UNDP	United Nations Development Programme
WBG	World Bank Group

EXECUTIVE SUMMARY

BACKGROUND

- i. **The political crisis in Afghanistan in August 2021 brought about rapid and momentous changes to the country's social and economic situation.** It disrupted the normal functioning of both governmental and non-governmental institutions, causing a run on the banks and creating a liquidity crunch. International business transactions ground to a halt, and the increased difficulty of conducting local transactions encouraged a growing use of alternative payment channels. Currency devaluation, inflation, and unemployment lowered purchasing power across the economy, pushing millions of residents below the poverty line and dampening demand for the products and services of local firms.
- ii. **To better understand the impact of these changes on Afghanistan's business community, the World Bank Group's Finance, Competitiveness, and Innovation Global Practice conducted a Private Sector Rapid Survey (PSRS) of 100 formal businesses in October–November 2021.** Owing to the implementation constraints in place in the wake of the Taliban takeover, the PSRS adopted a simplified sampling methodology to obtain a quick “snapshot” of the impact on firms and jobs in Afghanistan. In doing so, the PSRS attempts to gain a sense of how the business enabling environment has changed since August 2021. The next round of the PSRS is envisaged to be concluded by the end of summer 2022.
- iii. **The unexpected and rapid takeover by the Taliban unfolded against a backdrop of persistent political instability and the COVID-19 pandemic.** The private sector was already suffering from weakened business confidence, endemic corruption, uncertainties, and political instability when it was hit by the pandemic in 2020. Several firm surveys conducted in 2020 and 2021¹ highlight the negative impacts of COVID-19 lockdowns and disruptions on demand, revenues, employment, and livelihoods. The current political crisis has amplified the risks to the private sector, exacerbating the depressed economic activity due to business closures, declining sales, and employment reductions while giving rise to new constraints such as sanctions and their impacts on the non-functionality of the banking sector and liquidity shortages.

¹ Business Pulse Survey (2020 and 2022); Business Climate Survey (Harakat and ACCI, June 2020); Socio-economic impact of COVID-19 in Afghanistan (UNDP, November 2020); and COVID-19 in Afghanistan: Knowledge, Attitude, Practice, and Implications (Samuel Hall, July 2020).

KEY FINDINGS

- iv. **On average, surveyed firms laid off about three-fifths of their staff.** One in three surveyed businesses reported having temporarily ceased operations since August 2021, while the rest expressed the need to adjust their operations to cope with declining demand. The reported share of business closures could underestimate the overall impact on the private sector, as the survey's low response rate (approximately 30 percent of the 350 or so firms to which the survey team reached out) points to the possibility that many non-responding firms may already have closed. Surviving firms have been forced to implement coping strategies, such as scaling back operations, laying off employees, and relying more heavily on informal financial institutions.
- v. **Smaller businesses have been hit harder.** All of the small firms interviewed for the survey reported that demand for their goods or services had declined, and most of them anticipated revenue losses over the next six months. Over one-third (38 percent) of surveyed small firms had temporarily shut down, as compared to 25 percent of medium and 35 percent of large firms. The vast majority (82 percent) of small firm respondents stressed an increased need for short-term working capital to keep future operations afloat. These results suggest that Afghanistan's small firms are now even more likely to be pushed into informality or out of business.
- vi. **Women-owned businesses are more vulnerable to the negative impacts of the political crisis.** Of the women-owned firms that responded to the survey, 42 percent had already temporarily closed compared to 26 percent of firms owned by men. The vast majority (83 percent) of surveyed women-owned firms indicated that they expected revenue losses over the next six months, and 60 percent anticipated a need to borrow working capital to sustain operations in the near term.
- vii. **Women were also disproportionately affected by job losses.** Surveyed firms reported a 75 percent drop in women's employment. This finding is corroborated by a 2022 study from the International Labour Organization (ILO), which calculates that women's employment dropped by 16 percent compared to 6 percent for men in the third quarter of 2021, owing to "newly imposed restrictions on women's economic participation in some areas."² The ILO assessment concluded that, if these restrictions were to intensify, the scale of job losses faced by women in Afghanistan could reach 28 percent over the course of 2022.
- viii. **The agribusiness and wholesale and retail trade sectors appear to be more resilient to shocks and in a better position to cope with the new environment.** Only a handful of surveyed firms in these sectors had closed temporarily. Although surveyed agribusiness firms have laid off a considerable share of workers (42 percent), job losses have been significantly higher (over 60 percent) in all other sectors covered by the PSRS. This result might point to steadier demand in agribusiness and wholesale and retail trade compared to other sectors: more than 40 percent of surveyed firms in agribusiness and around 30 percent in wholesale and retail trade reported that consumer demand had remained relatively stable.

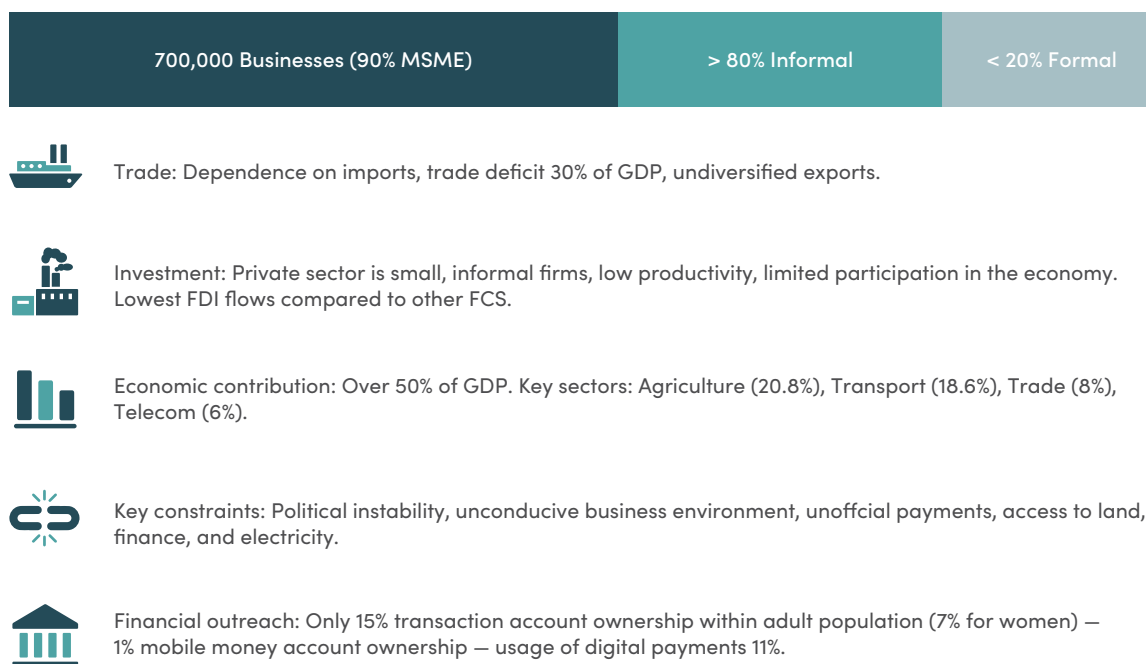
2 International Labour Organization (ILO). 2022. "Employment Prospects in Afghanistan: A Rapid Impact Assessment." ILO Brief (January). Bangkok: ILO, p. 4.

- ix. **Banking sector constraints and liquidity shortages have compounded the challenges faced by Afghan businesses.** Survey respondents indicated that local business transactions had become extremely difficult to complete, owing to restrictions on withdrawals and limitations on domestic and international transfers. In response to these challenges, interviewed firms reported increasing their use of cash (57 percent) and traditional *Hawala* money transfer systems (31 percent). Only 13 percent of surveyed businesses reported using banking services for business transactions since August 2021.
- x. **Importers and exporters are generally better off, but they are struggling with the massive disruptions in international payment systems.** One in four of these firms reported an increase in demand for their goods. Most importing firms have benefited from Afghanistan's continuing dependence on imports of essential food and medicines. Moreover, firms that primarily export fresh and dry fruits have fared relatively well due to demand for their exports abroad and cheap and easy availability of produce in the country. Nonetheless, export/import firms face critical operational hurdles, with a vast majority reporting difficulties in making and receiving payments for both local and international transactions.
- xi. **The impact of recent changes in the security environment differs among men and women business owners.** About three-fifths of surveyed men-owned firms reported that security had improved following the cessation of active fighting in the cities, whereas two-thirds of women-owned firms felt that security had deteriorated. These findings suggest that a critical pre-existing constraint to business activity has eased for businesses owned by men, but not for those owned by women. The new restrictions on women's economic activities after the Taliban takeover appear to have played a significant role in the higher rate of temporary business closures among women-owned firms (paragraph vi).
- xii. **Surveyed businesses reported a reduction in unofficial payments for government services, alleviating one of the key constraints faced by businesses before August 2021.** The majority of survey respondents (76 percent) indicated that unofficial payments had not been requested in the context of filing taxes since August 2021, but had been beforehand. Similarly, only 2 out of 48 respondents who reported having cleared goods through customs since August 2022 reported having made unofficial payments. Two-thirds of all of those clearing goods through customs reported that their goods were cleared on time.
- xiii. **Surveyed businesses listed the limited functionality of the banking sector, uncertainty about the future, and declining consumer demand as the topmost constraints to their operations.** Nearly one-third of surveyed firms cited limited banking sector functionality among the top three constraints to their operations. Uncertainty about the future was a top constraint for about one-third of interviewed firms, and reduced consumer demand for over one-fifth of them. In contrast, respondents to the 2014 Afghanistan Enterprise Survey (AES) most often listed political instability and corruption as key constraints to their business operations.
- xiv. **The high levels of uncertainty among interviewed businesses are affecting their planned future investments.** When asked about future investment prospects, 43 percent of respondents did not have clarity on their future plans. Of the 57 percent that responded, over one-third indicated that they would shrink the size of their business, while about half mentioned that they planned to maintain operations at current levels.

1. INTRODUCTION

1. **The Afghan private sector on the eve of the political crisis was mired in challenges and uncertainties.** In the months leading up to August 2021, the economy faced daunting challenges driven by the impact of the COVID-19 pandemic, persistent insecurity, and declining foreign aid. The private sector was constrained by political instability, a shallow financial sector, an unfavorable investment climate, weak institutions, and inadequate physical infrastructure. Together, these factors had already taken a significant toll on private sector operations and investment confidence in the country.
2. **The political crisis in August 2021 had a significant and immediate impact on the social and economic situation in Afghanistan.** Economic activities were substantially affected, and the private sector was hit hard. In the lead-up to the announcement of an interim Taliban administration on September 9, 2021, most commercial banks, factories, and government offices, and many firms, remained closed or were run by acting leadership. These enduring firm closures, together with the flight of human capital out of the country (“brain drain”), have led to substantial private sector losses.
3. **Prices for basic household goods continued to increase, and wages and demand for labor continued to decline after August 2021.** Year-on-year inflation for basic household goods rose to 42 percent in January 2022. There have been frequent shortages of foreign currency, and a growing number of households and firms are unable to withdraw from bank deposits even up to regulated limits. Imports fell by 66 percent in early 2022, relative to 2021 levels, in line with a contraction in domestic demand. Total revenue collection in the last quarter of 2021 reached only half of the previous four-year average over the same period. Revenue composition also shifted significantly toward collections at the border and non-tax revenues, and away from inland tax collections.³
4. **Given the continually evolving context, it is critical to keep a finger on the pulse of Afghanistan’s private sector to better understand the challenges faced by businesses, the operating constraints they encounter, and the types of support needed as they seek to continue and/or revive operations.** The Afghanistan Private Sector Rapid Survey (PSRS) was designed to gather information on the status and concerns of the country’s private sector firms in the wake of the political crisis. The survey was implemented in a rapidly evolving environment and, therefore, some of the evidence summarized in this report may have since changed. As a brief background, the country’s private sector profile is summarized in Figure 1 and Annex 1.

³ World Bank. 2022. “Afghanistan Economic Monitor,” (February). Washington, DC: World Bank.

Figure 1: Afghanistan's private sector at a glance

Source: Afghanistan Central Statistics Organization (2016, 2018), Afghanistan Enterprise Survey (2014).

5. **The PSRS builds on past and recent surveys and reports.** Respondents to the Afghanistan Enterprise Survey (AES) 2014 reported political instability, corruption, and access to land, finance, and electricity as key constraints to their operations. These constraints were consistently reported as being among the top barriers for the private sector until August 2021. The recent Business Pulse Surveys (BPS) focused on the impact of the COVID-19 pandemic on Afghan businesses.⁴ While the first round of the BPS (administered in June 2020) showed a more severe initial impact of COVID-19 on business operations, the second round (administered between June and August 2021) highlighted signs of a partial recovery in terms of sales, probability of businesses staying open, and employment. The PSRS, while not directly comparable to the BPS, presents a more dire picture of the private sector challenges brought on by the political crisis. This report also makes references, where relevant, to the findings of the Afghanistan Welfare Monitoring Survey (AWMS), implemented during October–December 2021 to assess changes in basic living conditions after the Taliban takeover.⁵ Other recent work conducted by the International Labour Organization (ILO),⁶ the United Nations Development Programme (UNDP),⁷ and the Norwegian Refugee Council (NRC) has been referred to in this report.⁸

4 International Finance Corporation (IFC). 2020. "BPS: The Impact of COVID-19 on Businesses in Afghanistan—Baseline Report. Washington, DC: IFC; International Finance Corporation. 2022. "BPS: The Impact of COVID-19 on Businesses in Afghanistan – Follow-on Report."

5 World Bank. 2021. "Afghanistan Welfare Monitoring Survey: Round 1." Washington, DC: World Bank.

6 ILO. 2022. "Employment Prospects in Afghanistan: A Rapid Impact Assessment." ILO Brief (January). Bangkok: ILO.

7 UNDP. 2021. "Afghanistan: Socio-Economic Outlook 2021-2022." Kabul: UNDP Afghanistan Country Office (November).

8 NRC. 2022. "Life and Death: NGO Access to Financial Services in Afghanistan." Oslo: NRC (January).

6. **In light of the constraints to fielding a survey in the current political context, the PSRS adopted a simplified sampling methodology (Annex 2).** The PSRS used a semi-structured questionnaire that was administered to 100 formal businesses over the phone and online between October 15 and November 15, 2021. The list of surveyed businesses was drawn from established databases of registered firms, which comprise only about 20 percent of the Afghan private sector but serve as the core engine of private sector-driven growth in the country. The sample was derived from a combination of sources, including the Afghanistan Central Business Registry and Intellectual Property (ACBR-IP) database of registered firms and the database of businesses interviewed under the BPS.⁹ There is no ready database of informal enterprises (which are predominantly micro and small in size), and including these in the sample would have required more in-depth survey techniques than were practical at the time of the PSRS.
7. **Efforts were made to reflect a range of perspectives in the sample by including businesses of all sizes and in various sectors, as well as men-owned and women-owned businesses.** The majority of interviewed firms were owned by men, located in Kabul, engaged in exports and/or imports, and of medium size. Annex 2 provides further details on the sample distribution and survey approach.
8. **The PSRS points to a number of adverse impacts on the private sector since August 2021 that could result in a longer-lasting decline in demand for goods and services and have spillover implications for jobs and livelihoods.** These findings echo the results of the AWMS. The AWMS found that urban unemployment had increased and earnings across the country had dropped in comparison to previous national household surveys, reflecting a decline in real purchasing power.

SURVEY LIMITATIONS AND IMPLEMENTATION EXPERIENCE

9. **The PSRS is based on a relatively small number of respondents.** This survey covers only formal businesses and does not therefore address impacts on the informal sector.¹⁰ To enhance the representativeness of the survey, the analysis uses weights based on the number of firms in each economic sector.
10. **The PSRS offers a “snapshot” of the challenges faced by formal businesses and workers in Afghanistan two to three months following the Taliban takeover.** This is the first survey of the private sector to have been conducted since August 2021. While the environment is evolving rapidly, and it is possible that the situation has changed in the months since this snapshot was taken, the results provide an indication of the immediate impact of the political crisis on business operations across sectors in Afghanistan.

⁹ Of the 100 firms interviewed for the PSRS, 20 had also participated in the BPS.

¹⁰ As highlighted by Apedo-Amah et al. (2020), the impact of the pandemic has been more severe for micro and small-sized firms, which generally have lower buffers to cope with economic challenges. This may suggest that the impact of the political crisis could potentially be more severe for micro and small firms in Afghanistan.

11. The survey implementation experience itself can offer insights into the situation on the ground.

A number of firms, especially large ones, were not reachable via phone/email. This could be indicative of broader challenges in Afghanistan's business environment.¹¹ Of the firms that were reached, 30 declined to take part in the survey; this could partly be a result of survey fatigue.¹² In addition, around 40 percent of the women-owned businesses that were contacted for the PSRS initially hesitated to participate, owing to concerns about safety and potential scams; securing their participation required greater efforts to build trust and establish a rapport.

¹¹ For example, of the 350 firms contacted for the survey, 57 had participated in the BPS prior to August 2021 but did not respond when contacted for the PSRS. This might suggest that some of the firms contacted could have closed in the interim.

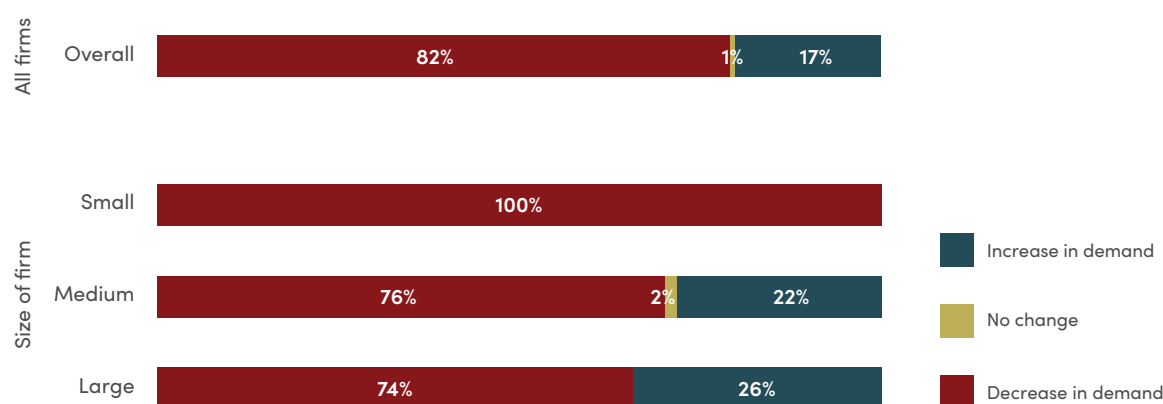
¹² A few firms acknowledged receiving the survey but declined to respond, citing previous participation in surveys and security considerations as the reasons, or without mentioning any reason.

2. SURVEY RESULTS

CONSUMER DEMAND

12. **The current economic environment poses significant challenges for Afghanistan’s private sector, and businesses interviewed for the PSRS reported a drastic drop in consumer demand for their products and services since August 2021 (Figure 2).** Among businesses that participated in the PSRS, 82 percent reported a decline in demand; this complements the finding of the AWMS on reduced household incomes and declining purchasing power. Nearly all of the surveyed small and women-owned firms indicated that demand for their products and/or services had fallen.

Figure 2: Consumer demand, by firm size (% of respondents)



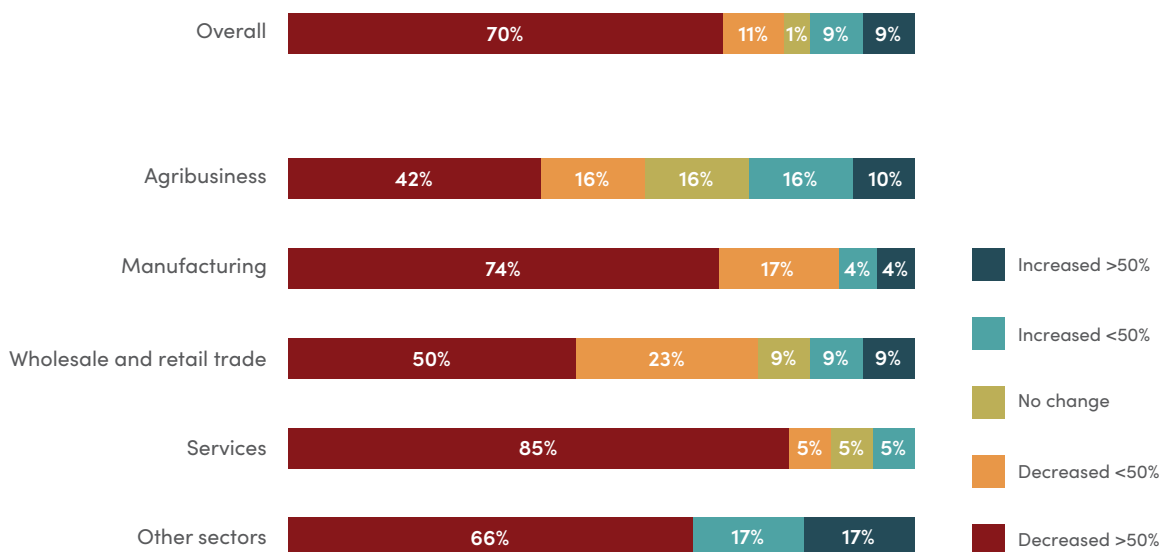
Source: World Bank, Afghanistan PSRS, 2021. Number of observations – N (small) = 23; N (medium) = 63; N (large) = 14.¹³

13. **The survey indicates that the agribusiness sector appears to be more resilient to shocks and in a better position to cope with the new environment (Figure 3).** Survey respondents in this sector reported less severe declines in demand for their outputs. Most of the agribusiness firms that reported an increase in demand are of large and medium size.

“We have our customers inside and outside the country and [face] no reduction in demand. So, we expect to remain operational.”

– Agribusiness Firm, Herat

¹³ Definitions: Small firms: 5–19 employees and physical capital of AFN 2.5–5 million (non-service sectors) and AFN 1–2 million (services sector); medium firms: 20–99 employees and physical capital of AFN 5–10 million (non-service sectors) and AFN 2–5 million (services sector); large: > 100 employees and physical capital of > AFN 10 million (non-service sectors) and > AFN 5 million (services sector).

Figure 3: Consumer demand, by sector of activity (% of respondents)

Source: World Bank, Afghanistan PSRS, 2021. N = 100.

Note: The “other sectors” category comprises 7 firms: all men-owned; 4 medium and 3 large; 6 engaged in trading activities. Sector breakdown: 3 in construction, 2 in energy, 1 in transportation, and 1 in mining and quarrying.

FIRM OPERATIONS AND EMPLOYMENT

Firm operations

14. The reported decline in consumer demand and resulting revenue losses have hit many of the surveyed businesses hard, and one-third of interviewed businesses stated that they had temporarily ceased operations since August 2021 (Figure 4). These findings on firm closure may be an underestimate, as the large number of non-responses to the survey points to the possibility that many of the firms that could not be reached had already closed.

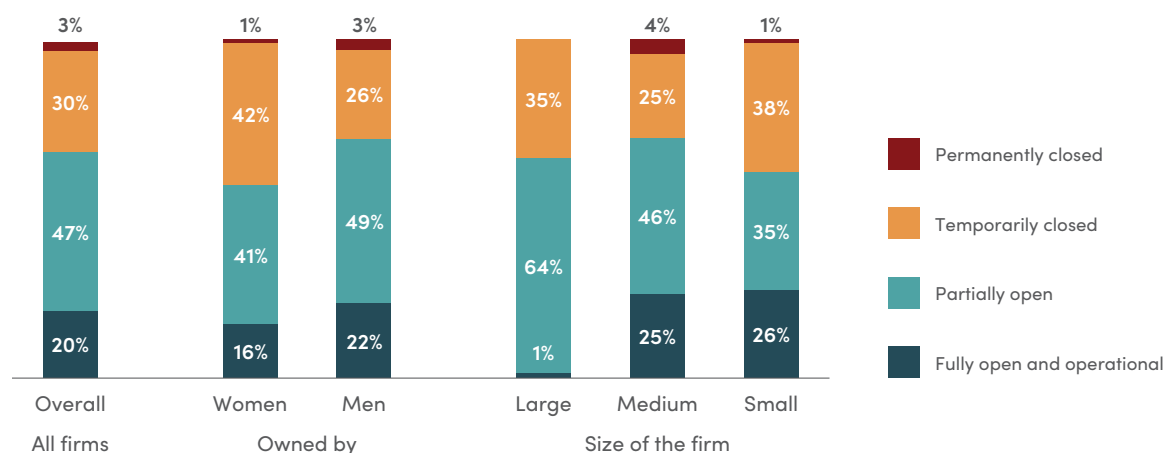
“With [the] economic crisis and lack of access to banks and finance, we do not have the capital to rehire workers, pay salaries, and procure raw materials to restart our operations.”

– Agribusiness Firm, Kabul

15. Surveyed small and women-owned businesses were particularly vulnerable (Figure 4).¹⁴ Of the firms that responded to the survey, around two-fifths of the small firms and two-fifths of the women-owned enterprises had closed temporarily. Small and women-owned firms disproportionately reported having experienced a drop in demand for their output, as described above.¹⁵

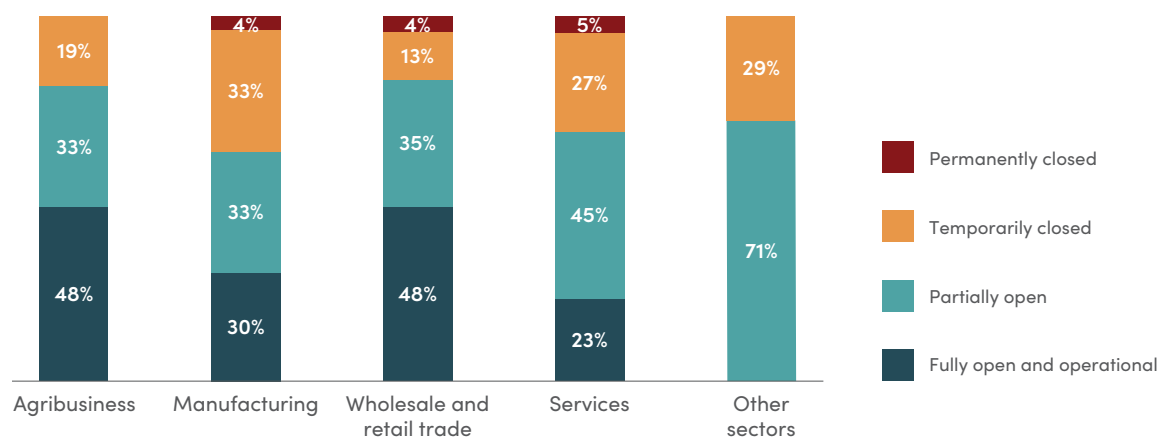
14 Vulnerability to shocks among small and women-owned firms is revealed in other recent surveys undertaken by the World Bank, including the AWMS (November 2021) and the BPS (2022).

15 Women-owned firms and small firms that participated in the survey appear to be facing similar challenges since August 15, 2021. It is noteworthy that, out of 19 women-owned firms in the sample, nine are of medium size and 10 are small. Results for women-owned firms are therefore not driven predominantly by small size.

Figure 4: Operating status, by gender of firm owner and size (% of respondents)

Source: World Bank, Afghanistan PSRS, 2021. N = 100.¹⁶

16. **Surveyed businesses operating in sectors with more consistent demand have been more likely to stay open (Figure 5).** More than 80 percent of survey respondents in the agribusiness and wholesale and retail trade sectors have remained either fully or partially open. In comparison, a higher share of surveyed firms in the manufacturing and services sectors temporarily ceased operations to weather the impacts of the political crisis. Among surveyed firms, only one services sector firm and one manufacturing sector firm have shut down operations permanently. Similar patterns were observed in the BPS (2022), which found that large and well-established firms operating in the agriculture and services sectors had managed to stay open and operational.

Figure 5: Operating status, by sector of activity (% of respondents)

Source: World Bank, Afghanistan PSRS, 2021. N = 100.

¹⁶ Permanently closed firms responded to the survey but answered only those questions that were applicable to them. These firms have closed their operations in Afghanistan with no intention of resuming. Temporarily closed firms have paused operations. They may resume operations if the operating environment becomes conducive; otherwise, they may close permanently. Partially open are those that have reduced operations (lowering production, sales, purchases, and so on). Temporarily closed and partially open firms are mutually exclusive.

Employment

17. **Surveyed businesses of all sizes and sectors have cut jobs, laying off well over half of their employees, on average (Table 1).** The drop in employment is particularly high among large firms. These findings reinforce those of the AWMS, which showed that public and private sector employment has declined in the country's cities. Similarly, the ILO (2022) reports that employment in Afghanistan contracted by more than half a million workers, or 8 percent of the workforce, in the third quarter of 2021.¹⁷

Table 1: Drop in employment since August 2021, absolute numbers, by firm size

FIRM SIZE	AVERAGE NUMBER OF EMPLOYEES		AVERAGE LAYOFFS
	before August 15, 2021	after August 15, 2021	
Large	437	114	-323
Medium	52	20	-31
Small	18	5	-13
OVERALL	98	30	-68

Source: World Bank, Afghanistan PSRS, 2021. N = 100.

18. **Surveyed businesses in the agribusinesses sector, whose products (including essential food items) are still in demand, laid off fewer employees than businesses in other sectors (Table 2).** Results from the BPS (2022) show a similar picture, with firms in the agriculture sector having the lowest probability of firing workers. Moreover, agribusiness firms interviewed for the BPS (2022) reported reducing workers' wages or hours as a means to tackle the impacts of COVID-19.

Table 2: Drop in employment since August 2021, percent change, by sector of activity

SECTOR	AVERAGE CHANGE IN EMPLOYMENT (%)		
	Men	Women	All Employees
Agribusiness	-14	-70	-42
Manufacturing	-60	-66	-63
Services	-51	-77	-64
Wholesale and retail trade	-53	-82	-68
Other sectors, of which:	-82	-100	-91
Construction	-71	-100	-86
Electricity, gas, steam, and air conditioning supply	-96	-100	-98
Mining and quarrying	-74	No women employees	-74
Transport and storage	-93	-100	-97
OVERALL	-48	-75	-61

Source: World Bank, Afghanistan PSRS, 2021. N = 100.

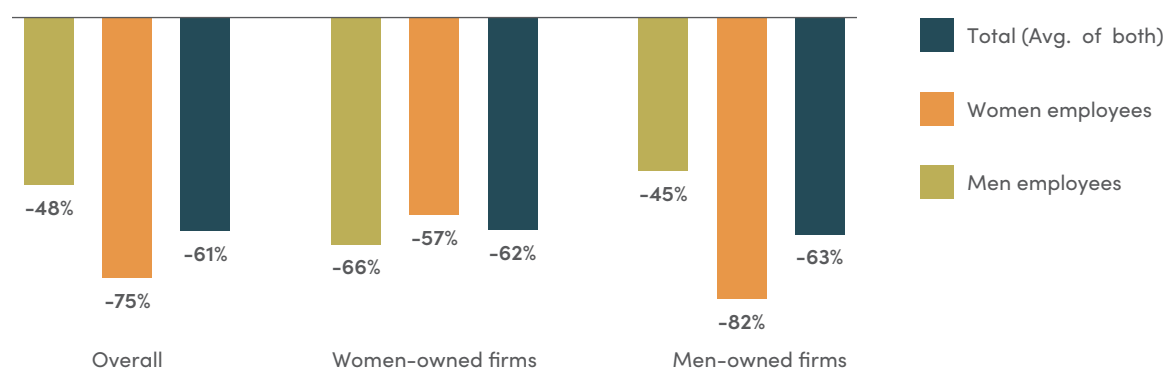
Note: Drop in unemployment includes employee layoffs at firms that have permanently and temporarily stopped operations.

¹⁷ Relative to a hypothetical scenario with no change in administration. See ILO. 2022. "Employment Prospects in Afghanistan: A Rapid Impact Assessment." ILO Brief (January). Bangkok: ILO.

19. **Among employees in surveyed businesses, women faced more severe job losses than men (Figure 6).**

Three-quarters of women workers have been laid off from surveyed firms overall since August 2021. A similar trend was observed by the ILO (2022), which found that women's employment dropped by 16 percent in the third quarter of 2021, compared to 6 percent for men, owing to "newly imposed restrictions on women's economic participation in some areas."¹⁸ The ILO assessment concluded that, if these restrictions were to intensify, the scale of job losses faced by women in Afghanistan could reach 28 percent over the course of 2022.

Figure 6: Average % drop in employment, by gender of the owner



Source: World Bank, Afghanistan PSRS, 2021. N = 100.

20. **To retain women employees, a few surveyed businesses reported adopting new modalities to allow women to work from home.** This strategy was adopted by one-third of surveyed women-owned firms, which are primarily small and operating in the manufacturing sector (including handicrafts, jewelry, and traditional cloth productions), as compared to 4 percent of firms owned by men.

"I have women employees who are currently at home and are too afraid to come out because of fear of insecurity."

– Woman-owned Handicrafts Business, **Kabul**

ACCESS TO INPUTS AND FINANCE

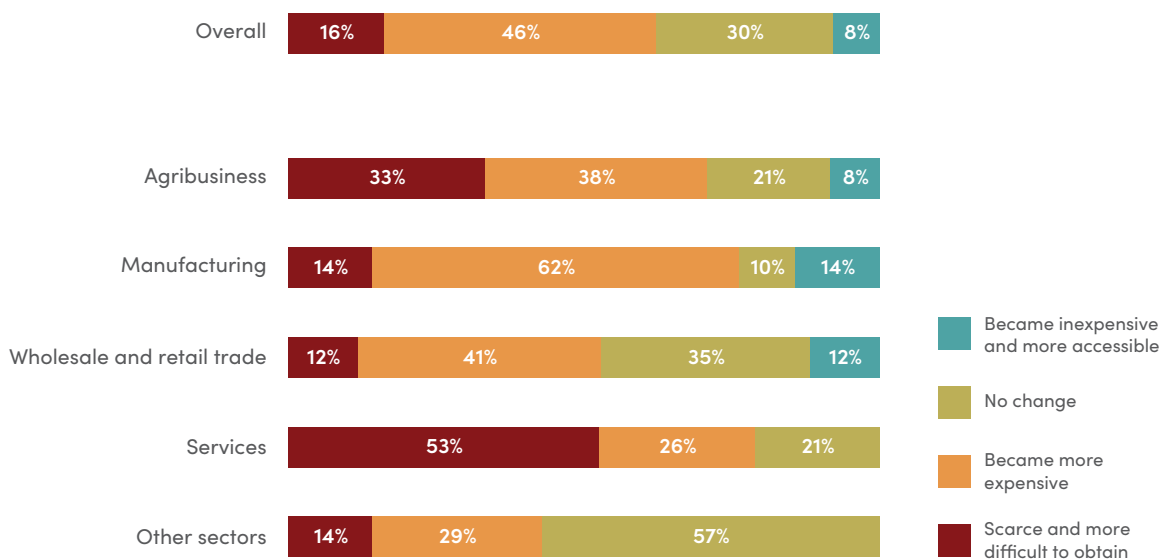
Availability of inputs

21. **Surveyed businesses are finding it more difficult to access domestically produced inputs, which have reportedly become more expensive since August 2021 (Figure 7).** Over three-quarters of surveyed firms use inputs produced in Afghanistan. Of those firms, about two-thirds reported that domestically produced inputs had become more expensive, scarce, and difficult to obtain due to supplier closures, interruptions in transport links, supply chain disruptions, and price inflation.¹⁹ Only seven respondents (five in the agribusiness and wholesale and retail trade sectors and two in steel manufacturing) stated that necessary inputs were cheaper and more accessible than before August 2021.

¹⁸ Ibid, p. 4.

¹⁹ The observed impact of the political crisis on availability of inputs could be due in part to the time period during which the survey was implemented. The situation may have evolved since that time.

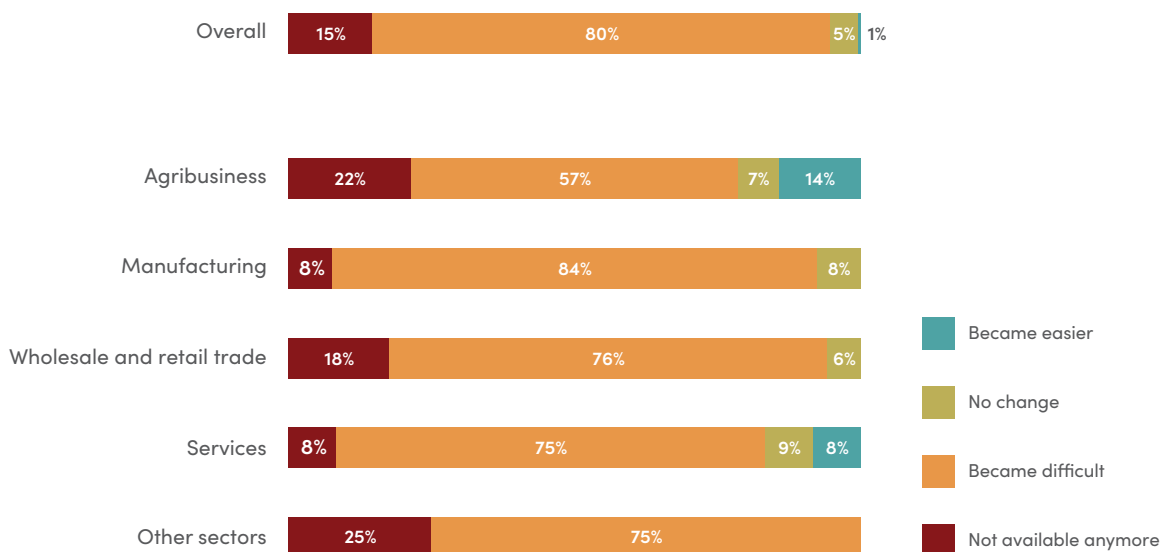
Figure 7: Access to domestically produced inputs, by sector of activity (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 78 (firms that use domestically produced inputs). Multiple responses allowed; results normalized to 100%.

22. **Imported inputs have reportedly become less readily available, more expensive, and more difficult to obtain than in the past (Figure 8).** A number of firms, mostly in the agribusiness and services sectors, mentioned that access to imported inputs had become easier or remained the same after August 15, 2021.

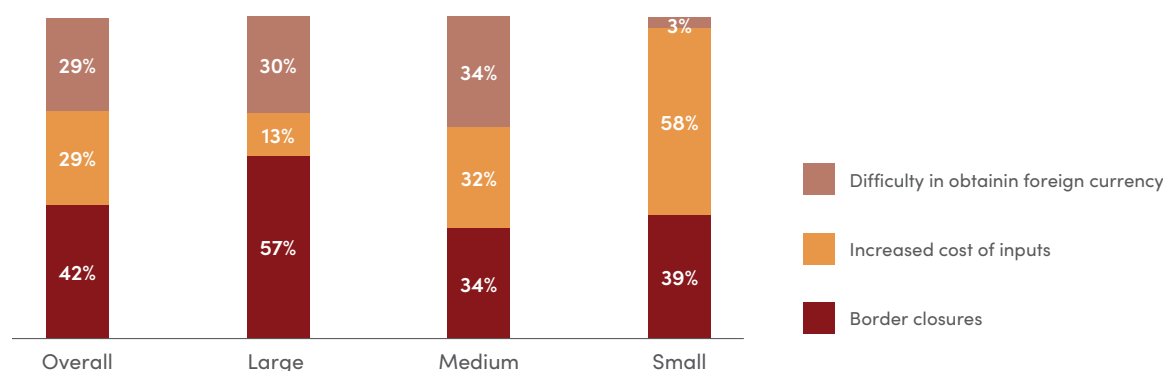
Figure 8: Access to imported inputs, by sector of activity (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 55 (firms that imported inputs). Multiple responses allowed; results normalized to 100%.

23. **Border closures are the main driver of difficulties in accessing imported inputs.** Almost half of the interviewed firms use imported inputs. Of those firms, the majority stated that obtaining those inputs had become more difficult due to border closures, constraints to making wire transfers,²⁰ challenges in obtaining foreign currency, and increased cost of inputs (Figure 9). Abrupt border closures, which were also identified as a key challenge in the BPS (2020), appear to have become more of a binding constraint after August 2021.

Figure 9: Reasons for difficulty in obtaining imported inputs (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 51 (only those firms that face difficulty in obtaining imported inputs). Multiple responses allowed; results normalized to 100%.

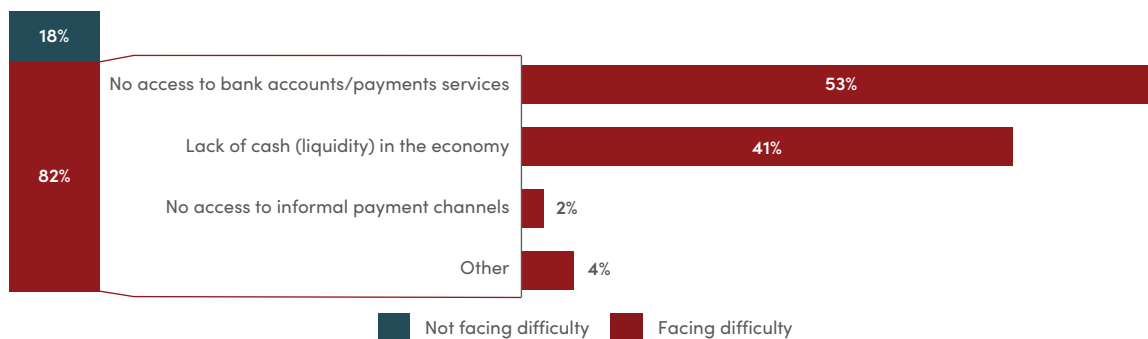
Payments and transfers

24. **The severe liquidity crunch and the loss of functionality in Afghanistan's banking sector since August 2021 have significantly affected the operations of the vast majority of surveyed businesses (Figure 10).** In response to an international freeze on central bank assets in August 2021, banks have imposed tight restrictions on withdrawals and business transactions.²¹ As a result, most respondents (82 percent) reported facing acute challenges in making business transactions. Since August 2021, bank branches have often been subject to long queues, overcrowding, and mounting tensions, which has posed a range of security risks and may, therefore, have discouraged surveyed firms from approaching them.²²

²⁰ Afghan banks cannot access international financial systems owing to a lack of correspondent banking relations, access to nostro accounts, and remittances, making wire transfers virtually impossible.

²¹ NRC (2022, p. 6, 12) highlights payment system challenges resulting from several factors, including a halt in most international funding, paralysis of the Afghan Central Bank, and capital controls.

²² Ibid.

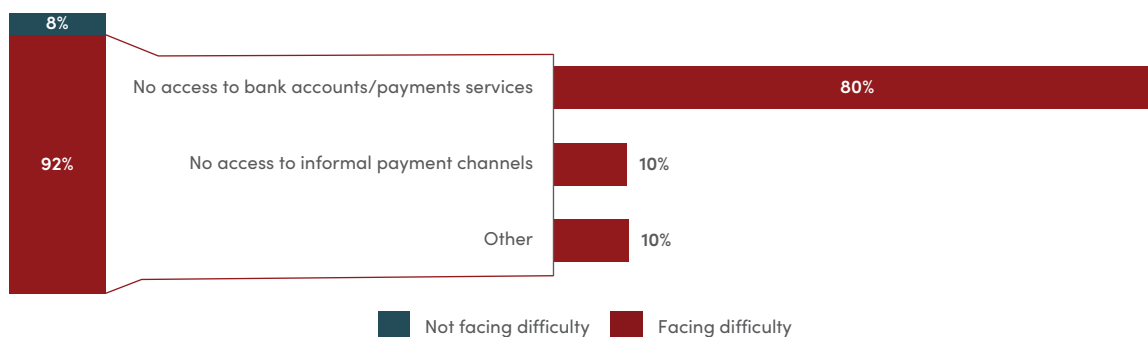
Figure 10: Challenges in local business transactions (% of respondents)

Source: World Bank, Afghanistan PSRS, 2021. N = 100. N = 82. Multiple responses allowed; results are normalized to 100%.

Note: 'Other' option includes limited access to bank accounts and limited access to Hawala system.

25. **Survey results suggest that domestic transactions are hampered by banking sector constraints (Figure 10).** Surveyed firms reported that domestic transactions were adversely affected by a lack of access to bank accounts and/or payment services and by constrained liquidity in the banking sector. Survey results showed some variations in the challenges faced by men- and women-owned firms in making business-related payments. Most interviewed men-owned firms (92 percent) reported difficulties in conducting transactions, as compared to just over half of firms owned by women. Surveyed men-owned firms report having been more directly affected by ongoing banking sector constraints. Most surveyed women-owned firms, in contrast, use cash payments and/or the *Hawala* system of informal money transfers.²³

26. **International transactions, in particular, are reportedly severely affected by a lack of access to banking services (Figure 11).** The vast majority of interviewed firms that deal with international transactions indicated that they had encountered difficulties in conducting those transactions, primarily due to lack of access to banking services.

Figure 11: Challenges in international business transactions (% of respondents)

Source: World Bank, Afghanistan PSRS, 2021. N = 63 (firms engaged in international transactions). N = 59 (firms facing difficulty in international transactions). Multiple responses allowed; results are normalized to 100%.

Note: 'Other' option includes sanctions, suspension of international institutions' activities, and *Hawala* system limitations.

23 According to the AES (2014), only 11 percent of women-owned businesses reported having a bank account.

27. **Informal payment methods have not experienced the same degree of disruption faced by the banking sector, and more businesses are relying on cash transactions and *Hawala* (Figure 12).** Of the firms interviewed, one-fifth reported a preference for *Hawala* transfers and more than one-third for cash transactions. This finding suggests that the private sector may have (at least temporarily) lost access to, and/or confidence in, Afghanistan's banking sector. NRC (2022) points out that many non-governmental organizations often must rely on informal systems, including *Hawala*, due to recent payment system challenges.²⁴

28. **At the same time, businesses that rely on *Hawala* acknowledged some limitations.** A few respondents expressed that *Hawala* transfers now face significant delays and have become more expensive. Moreover, they indicated that *Hawala* providers can only transfer funds to limited destinations. Finally, some large firms reported feeling hesitant to use the services of *Hawala* providers due to money laundering concerns raised by their international trading partners.²⁵

"The Hawala system is traditional, much more effective, and cheaper. Monitoring and audit mechanisms should be put in place to keep an eye on its activities."

– Transportation and storage firm, **Kabul**

"Bank payments are restricted, better to have and use our own cash."

– Manufacturing firm, **Kabul**

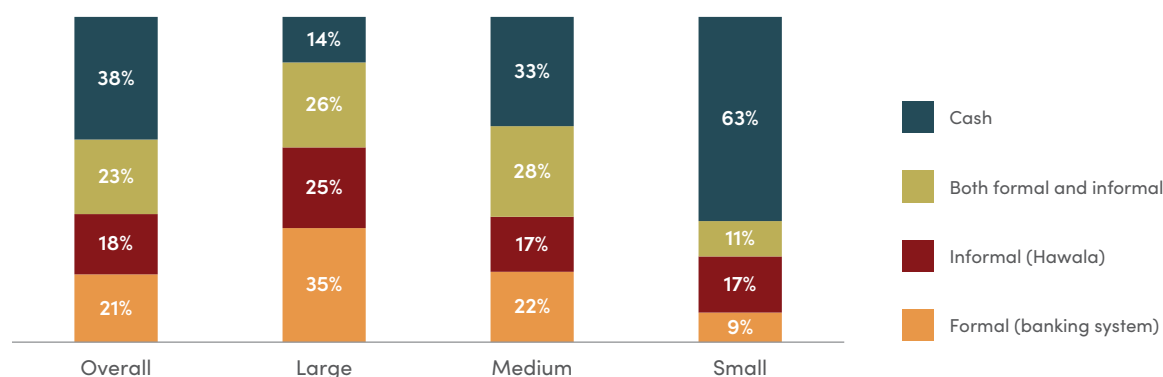
"[The] banking sector is not stable, and they have new rules every day. So, it is always good to have a second option."

– Services firm, **Kabul**

"Informal channels are more reliable than formal channels [banks]. I will never put my money in banks anymore."

– Services firm, **Kabul**

Figure 12: Preferred payment modalities, by firm size (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 100.

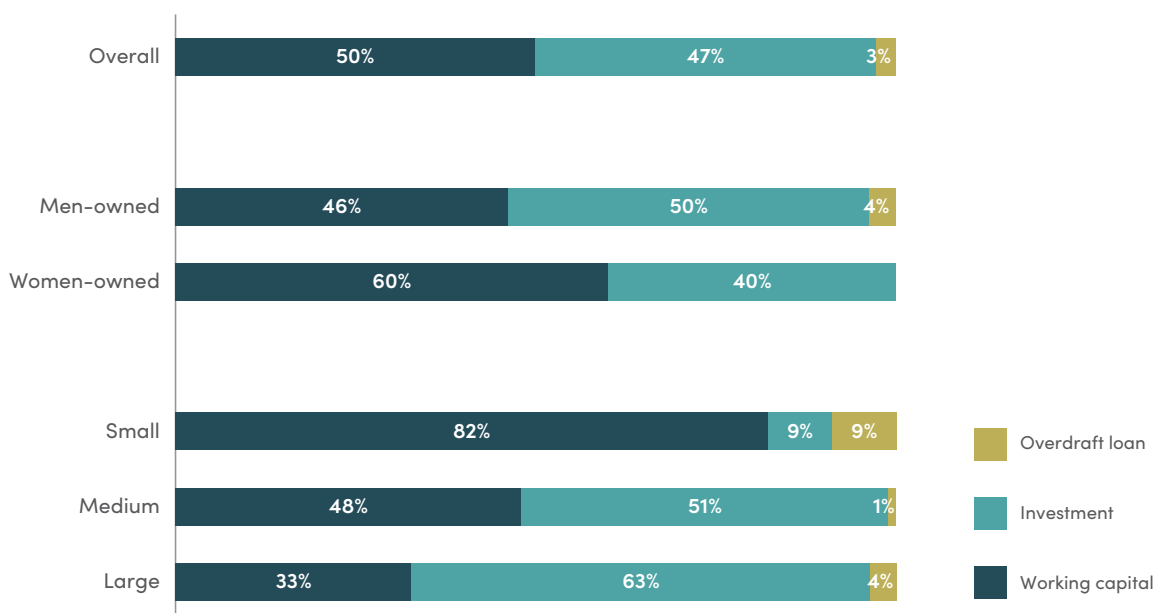
24 NRC. 2022. "Life and Death: NGO Access to Financial Services in Afghanistan." Oslo: NRC, p. 8.

25 NRC (2022) points out that users of informal payment systems are finding it more difficult to access *hawaladars* due to increased competition since August 2021; limited capacity due to the ongoing liquidity crunch, the decline in trade, and the resulting drop in access to physical bank notes; and a sharp increase in transfer fees charged by *Hawala* operators.

Access to finance

29. **A considerable share (around one-third) of surveyed businesses indicated that they would require financing in the next six months, but access to finance reportedly remains a challenge.** Only 16 percent of surveyed firms indicated that they had borrowed from banks over the last 12 months. Of those that anticipated a need for financing in the next six months, four out of five indicated that they had not taken loans in the past and would, therefore, be first-time borrowers. This finding points to the potentially low usage of, and limited access to, formal financial services among the broader private sector.
30. **Of those interviewed businesses that expressed the need for short-term financing, half indicated that financing would be needed to cover day-to-day operations (Figure 13).** Whereas less than half of surveyed men-owned firms expressed a need to finance short-term working capital, three out of five surveyed women-owned firms expressed a similar need. Interviewed small firms were more likely to report a need for working capital than medium firms and more than twice as likely as large firms. The growing need for bank loans to finance surveyed firms' everyday operations could suggest that Afghan businesses may struggle to stay afloat without immediate access to working capital.

Figure 13: Type of loan sought in next six months, by gender of firm owner and size (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 38 (firms requiring a loan).

31. **Large and medium-sized surveyed businesses were more likely to seek loans for investment purposes (Figure 13).** Surveyed small firms were less likely to apply for an investment loan than medium and

large firms, which could reflect their lower growth aspirations and higher degree of vulnerability in the current business environment.

32. **Two of every five businesses that reported currently servicing a bank loan indicated that they had missed at least one loan payment.** Among survey participants, small firms were more likely to report difficulties in repaying loans than those of medium size, highlighting their comparatively vulnerable situation. This finding is complemented by the BPS (2020, 2022), which shows that small firms have a higher probability of falling into arrears than medium and large firms.

SECURITY CONTEXT

33. **Security, a key business constraint prior to the Taliban takeover, has reportedly eased for a large proportion of surveyed men-owned businesses (Figure 14).** PSRS results indicate some improvement in the impact of the security environment on business operations and overhead costs since August 2021.

"Things will change for the better, I am sure. We could not invest more due to insecurity. Once there is security and there is no corruption, we will invest a lot more."

– Energy firm, Kabul

34. **Surveyed women business owners tend to have a different perspective (Figure 14).** About three-fifths of surveyed men-owned firms reported that security had improved following the cessation of active fighting in the cities, while a larger proportion of women-owned firms felt that security had deteriorated. Women's safety concerns might be a key factor in the higher rate of closures among surveyed women-owned firms.

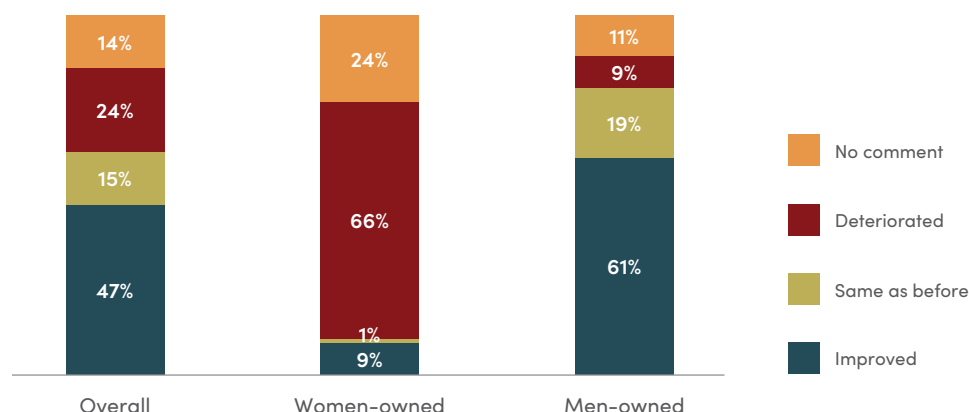
"We have good business and demand. Security has also improved, so we have no problem. We will stay operational."

– Agribusiness firm, Kabul

"It is a difficult situation for my female employees. I requested them to come to the office, [but] they are too afraid to come out of their homes."

– Woman-owned manufacturing firm, Herat

Figure 14: Perceptions of the security environment, by gender of the owner (% of businesses)



Source: World Bank, Afghanistan PSRS, 2021. N = 100.

GOVERNMENT SERVICES

Paying taxes

35. **Close to a quarter of interviewed businesses reported having filed taxes since the Taliban takeover.** Of these, the majority (88 percent) were men-owned firms and nearly two-thirds were of medium size. The political turmoil, combined with the resultant uncertainties in the business environment, could have affected the filing rate.

36. **Surveyed businesses reported a reduction in requests for unofficial payments at taxpayers' offices (Figure 15).**²⁶

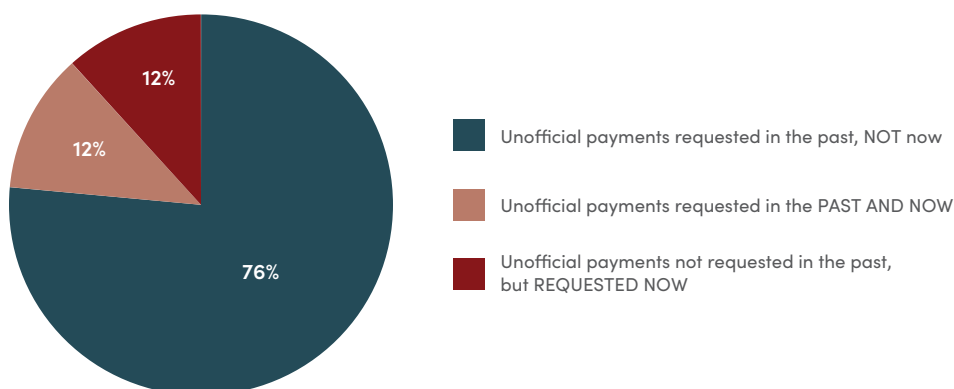
Among those respondents that reported having dealt with government revenue departments, around 24 percent mentioned having made unofficial payments in the course of paying their taxes. The majority of respondents

who had interacted with the revenue department indicated that, whereas unofficial payments had been requested of them in the past, they were not now. This is an improvement from the AES (2014), in which one-third of firms reported an expectation to give gifts in meetings with tax officials.

"We went to the tax office to pay our taxes. There is no one there who understands the procedures and can provide needed information."

– Services firm, Kabul

Figure 15: Unofficial payments at revenue department (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 37 (firms that dealt with revenue department and knew the process).

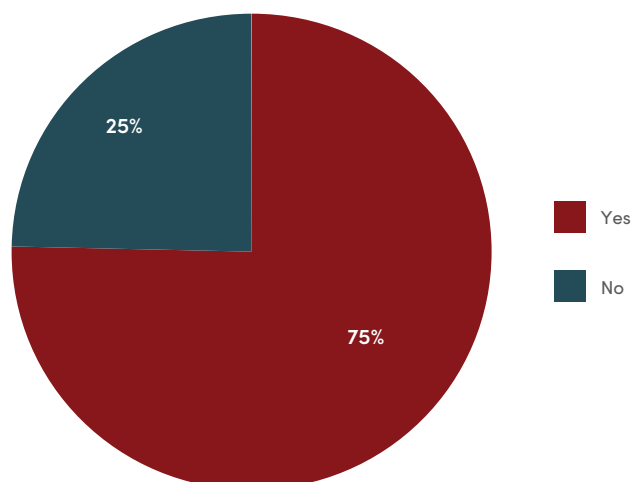
Note: No respondents indicated that unofficial payments were neither requested in the past, nor requested now.

Clearing customs

37. **Customs processes appear to be working relatively smoothly (Figure 16).** Of the 48 surveyed businesses that had cleared goods through customs since the Taliban takeover, three-quarters reported that their goods were released on time. Only four firms reported facing problems in clearing goods through customs in a neighboring country.

²⁶ Taxes are collected by the Afghanistan Revenue Department (ARD) under Ministry of Finance. The ARD encompasses offices focusing on large, medium, and small taxpayers.

Figure 16: Traded goods cleared and released on time (% of respondents)



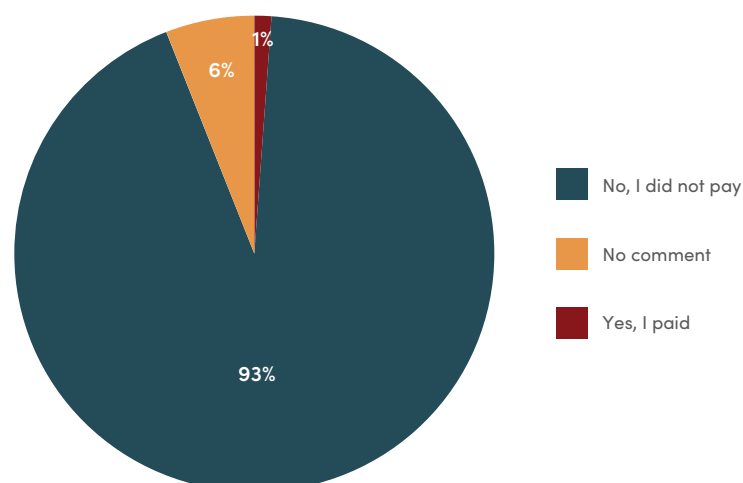
Source: World Bank, Afghanistan PSRS, 2021. N = 48 (firms that dealt with customs department).

38. **The number of unofficial payments at customs has reportedly declined (Figure 17).** Only a small number of surveyed businesses that cleared goods through customs since August 2021 reported making unofficial payments during customs clearance and inspection.

"There is no corruption in customs, no extra charges, and no extra payments."

– Wholesale and retail trade firm, **Kabul**

Figure 17: Unofficial payments at customs department (% of respondents)

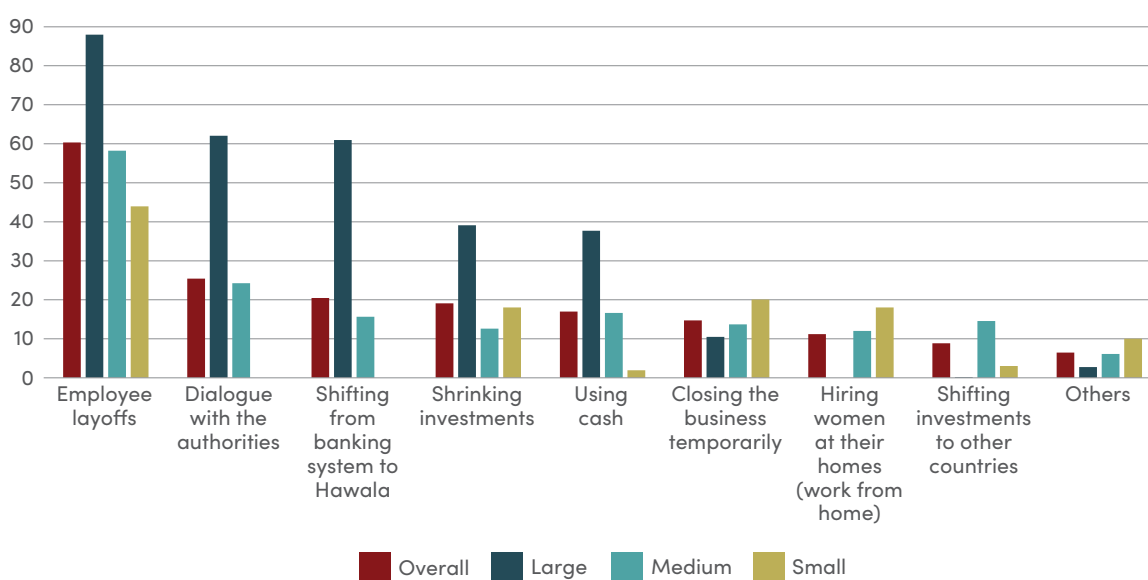


Source: World Bank, Afghanistan PSRS, 2021. N = 48 (firms that dealt with customs department).

BUSINESS COPING STRATEGIES

39. Interviewed businesses have coped with the impact of the political and economic crises by resorting to employee layoffs, entering into dialogue with the interim Taliban administration,²⁷ and shifting to cash transactions and the *Hawala* system (Figure 18). Other coping strategies include shrinking investments, shutting down operations temporarily, hiring women to work from home, and shifting investments overseas.
40. Survey results suggest that coping strategies vary to some degree between businesses owned by men and those owned by women. Both men- and women-owned firms participating in the survey reported laying off employees as their main coping strategy. Regarding other coping strategies, men-owned firms were more likely to engage in dialogue with the interim administration, switch to the *Hawala* system, and/or shrink investments, whereas women-owned firms were more likely to hire women to work from home and/or close their business temporarily or permanently.
41. Surveyed small businesses reported employing a limited range of strategies to cope with the effects of the political crisis (Figure 18). Small firms' coping strategies were more likely to include laying off employees, shutting down the business temporarily, shrinking investments, and/or hiring women to work from home. Medium and large firms, by contrast, employed a wider array of coping strategies, encompassing layoffs, increased use of cash and *Hawala*, shrinking investments or shifting them overseas, and communicating with the interim administration. Large firms were least likely among surveyed businesses to close down (temporarily or permanently) or to hire women to work from home.

Figure 18: Coping strategies, by firm size (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021.

Note: Respondents (N = 100) provided multiple responses, and results are not normalized.

27 Of the interviewed firms, 17 reported being in discussions with the interim administration to resolve issues they are facing.

42. **One-fourth of survey respondents, primarily large businesses, indicated cautious optimism with regard to holding dialogue with the interim administration to address investors' binding constraints.** Overall, a temporary reduction of tariffs on imports of essential food and medicine (in place between around August 15 and November 30, 2021) and reconnecting ports to the Automated System for Customs Data (ASYCUDA) are seen as positive steps taken by the interim administration.

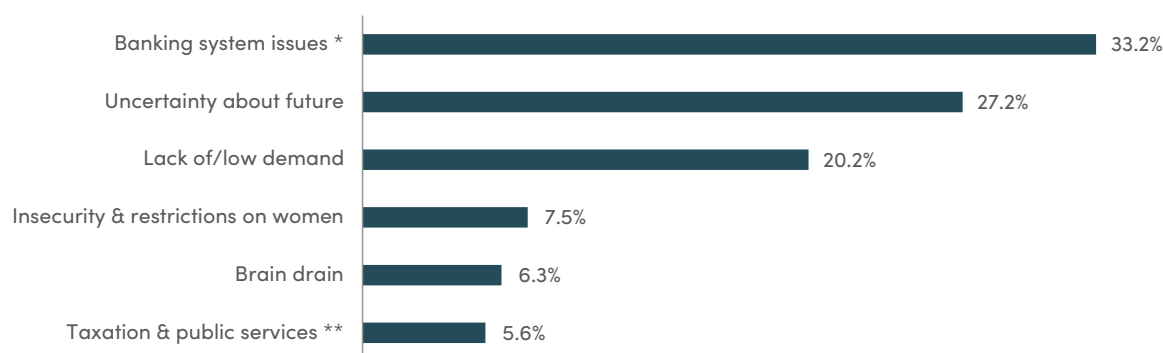
"I have been in constant dialogue with the government (through Afghanistan Women Chamber of Commerce and Industry). The [authorities] are not against women's work, but want them to be in Islamic hijab".

– Woman-owned manufacturing firm, Kabul

BUSINESS CONFIDENCE

43. **When asked to list their top three business constraints, surveyed businesses most often referenced the limited functionality of the banking sector, uncertainty about the future, and lack of demand (Figure 19).** One-third of surveyed firms cited limited banking sector functionality among the top constraints to their operations. This finding is reinforced by the NRC (2022), which noted that many banks are facing acute liquidity shortages as well as widespread closures of bank branches. Uncertainty about the future and declining demand for products also emerged prominently among surveyed firms' top constraints, given their potentially critical impact on firms' risk calculations and future decision making.

Figure 19: Top business constraints faced by businesses (% of respondents listing top 3 constraints)



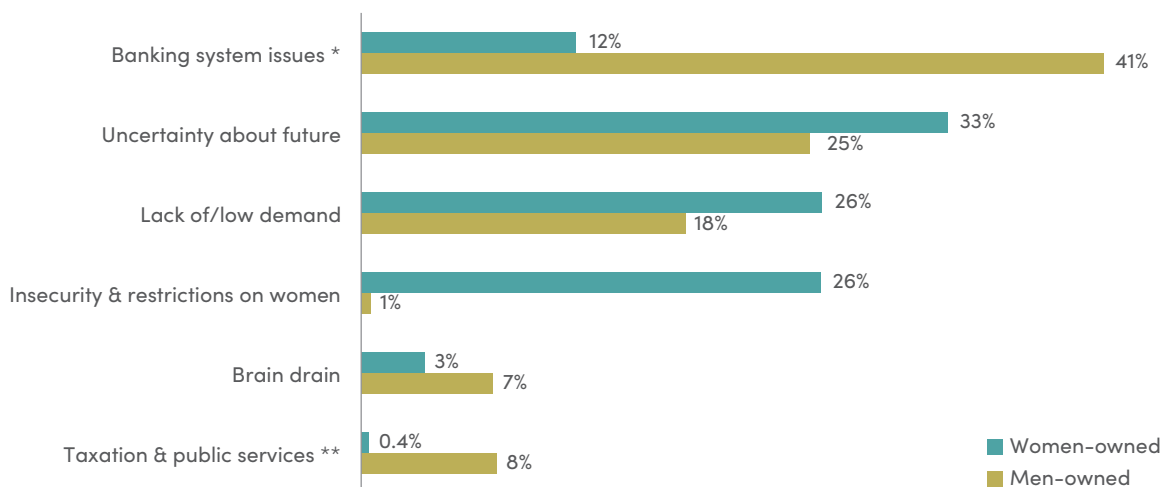
Source: World Bank, Afghanistan PSRS, 2021.

Note: N = 100. Multiple responses allowed, and results are normalized to add up to 100%.²⁸

44. **There are variations in the top constraints cited by surveyed businesses owned by men and those owned by women (Figure 20).** Two in five men-owned firms reported feeling constrained by the absence of a fully functional banking sector, while most women-owned firms identified uncertainty about the future as a top constraint. A larger proportion of women-owned firms also reported lack of demand as their top constraints when compared to men-owned firms.

²⁸ *Banking sector issues include: (i) limited banking sector functionality, (ii) lack of liquidity/cash, (iii) difficulties accessing bank loans or additional funding, (iv) limited functionality of the *Hawala* system, and (v) issues with formal payments for imports and exports. **Taxation & public services includes: (i) higher tax rates, (ii) higher unofficial payments, and (iii) low capacity of authorities.

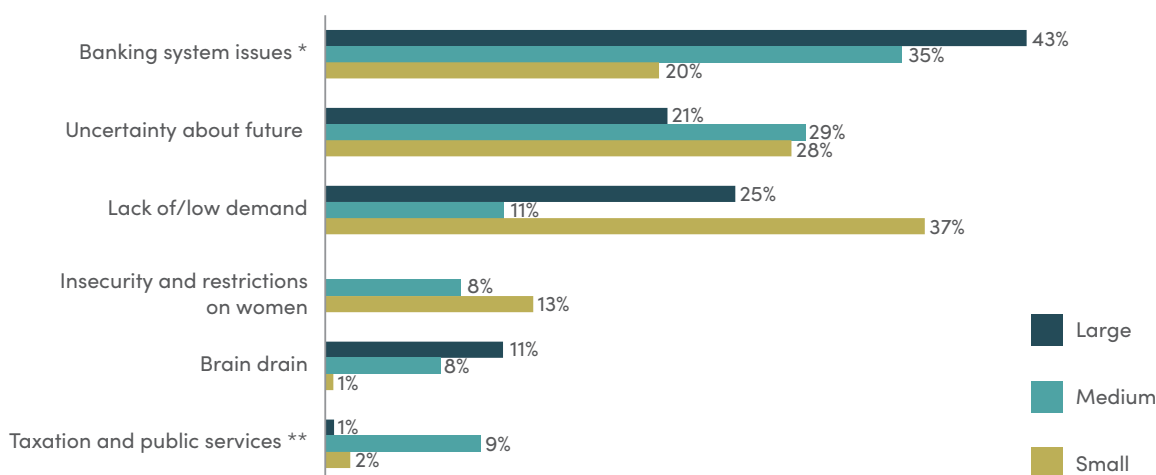
Figure 20: Top business constraints, by gender of firm owner
(% of respondents listing top 3 constraints)



Source: World Bank, Afghanistan PSRS, 2021. N (men) = 81. N (women) = 19. Multiple responses allowed, and results are normalized to add up to 100%.²⁸

45. **A quarter of women-owned businesses indicated that insecurity and restrictions on women's commercial and economic activities were among their top three concerns (Figure 20).** The broader implication of this finding is also referred to in the AWMS, which found that 38 percent of households have not been sending their school-aged girls to school since August 2021.
46. **Variations are observed in the top constraints reported by different sizes of businesses (Figure 21).** Limited functionality of the banking sector is the top constraint for many of the interviewed large and medium firms. Large firms are also more affected by brain drain. On the other hand, small firms report being constrained more severely by lack of demand, and insecurity and restrictions on women's economic activities.

Figure 21: Top business constraints, by firm size (% of respondents listing top 3 constraints)



Source: World Bank, Afghanistan PSRS, 2021. N (small) = 23; N (medium) = 63; N (large) = 14. Multiple responses allowed, and results are normalized to add up to 100%.²⁸

47. **With reference to an earlier business survey (Figure 22), PSRS findings reflect a few changes in the top constraints identified by businesses over time.** As a “historical” benchmark, the key findings of the World Bank’s AES (2014) are presented in Figure 22. The objectives and methodology of the PSRS and AES are fundamentally different, and their results are not directly comparable. However, some related findings stand out: for instance, uncertainty stemming from political instability was the top constraint identified by firms in the AES, and uncertainty about the future remains a key constraint in the PSRS. In contrast, whereas corruption was identified as a key business constraint in the AES, unofficial payments do not emerge as a major issue reported by firms in the PSRS. Similarly, three of five AES respondents reported crime, theft, and disorder as a major constraint, with 7 percent indicating it to be their top constraint; in contrast, PSRS results indicate some improvement in the impact of the security environment for men-owned firms.

“Demand for our services has shrunk to almost zero. With the current pace of progress by the new government, we do not see an opportunity to expand.”

– Services firm, Kabul

“There [are] no projects and no demand, we will go bankrupt.”

– Energy firm, Balkh

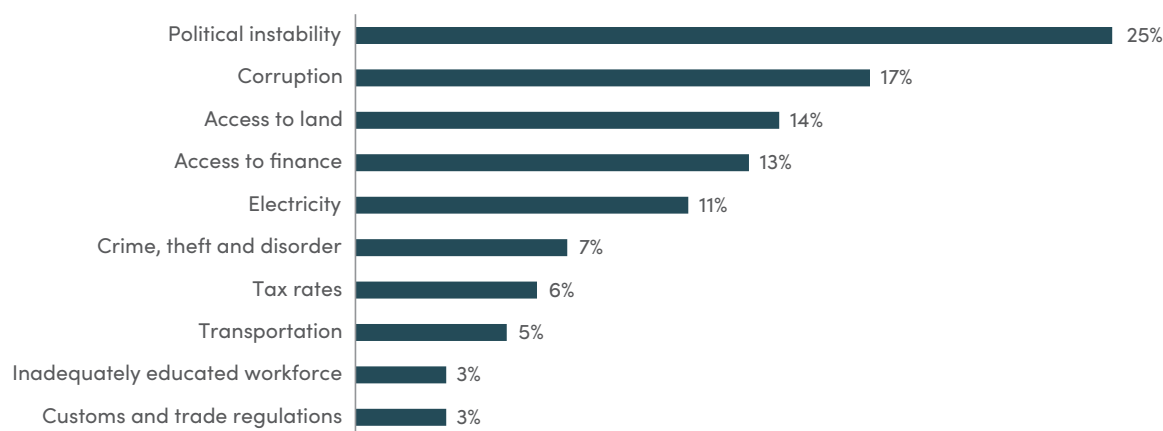
“There is no cash, no demand, and no business activities. Many rich and middle-class people left the country. Our goods were demanded by this class.”

– Manufacturing firm, Kabul

“We are currently working on plans to diversify our business... Things will evolve for [the] better... We could not invest more so far due to insecurity. Once security is there and there is no corruption, we will invest a lot more.”

– Energy firm, Kabul

Figure 22: Private sector constraints, 2014 (% of respondents)



Source: World Bank, Afghanistan Enterprise Survey (2014). N = 410.

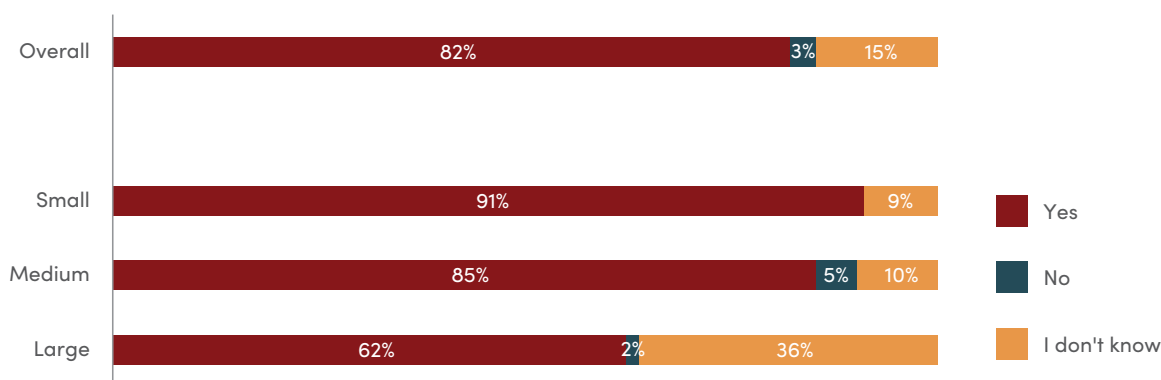
BUSINESS OUTLOOK

48. **Results of the PSRS suggest that the short-term business outlook is shaped by the expectation of further revenue losses (Figure 23).** Four of five surveyed firms reported anticipating revenue losses over the next six months.²⁹ These concerns were particularly acute for small firms, 91 percent of which indicated that they expected to incur revenue losses in the near term. Similar proportions of both

29 Of the 11 firms that did not report expecting revenue losses: all are owned by men; seven experienced an increase in demand, three no change in demand, and one a decline in demand; seven operate in the agribusiness sector, three in trade of food and medicine, and one in consultancy services; and two are large and nine medium in size.

men- and women-owned businesses reported expectations of revenues losses in the next six months. Expectations of continued sluggishness in demand, coupled with lost revenues, could potentially push many of these firms into informality or out of the economy entirely.

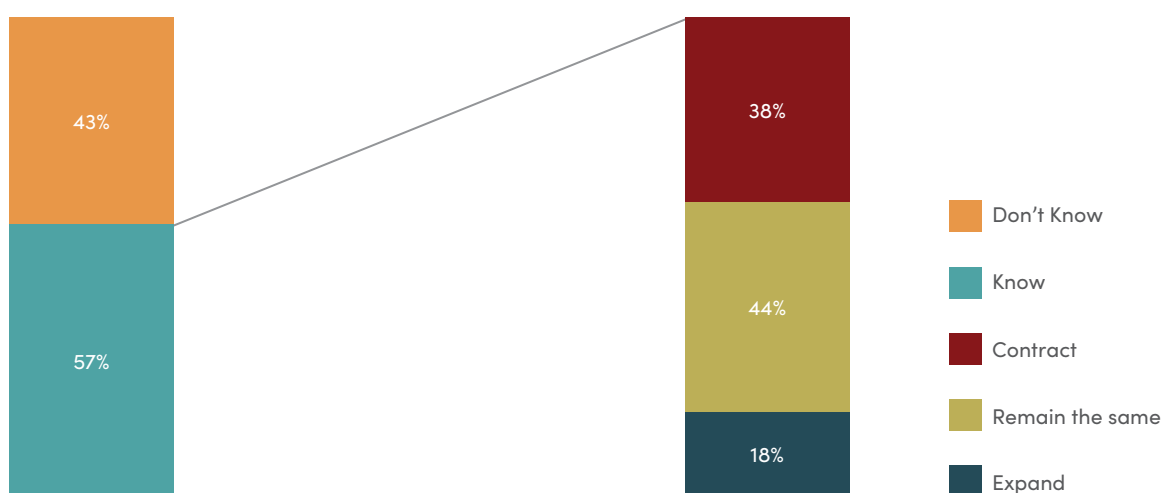
Figure 23: Expectation of revenue losses in next 6 months, by firm size (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 100.

49. **When asked about their future investment plans, the dominant response of surveyed businesses was uncertainty, followed by maintaining the status quo (Figure 24).** Two of every five surveyed firms stated they did not know their future investment plans. Another quarter stated that they would maintain current investment levels, which could indicate a “wait-and-see” approach.

Figure 24: Perceptions of future investment prospects (% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 100. Results normalized to add up to 100%.

50. Among surveyed businesses that elected to definitively predict their future investments, twice as many projected a decline as those that projected an increase (Figure 24). Of those that predicted their future investment prospects, only 18 percent planned to expand, while about half planned to stay at their current level of operations. Overall, only 10 percent of surveyed firms cited plans to expand; the majority of these were large firms (Figure 25). A higher share of small firms reported that they would scale back operations.

"We will continue being operational until the banking sector problem is resolved. Or else, we will leave the country."

– Agribusiness firm, Balkh

"If things change for the better, we will stay. Otherwise, we will have to close our business."

– Wholesale and retail trade firm, Herat

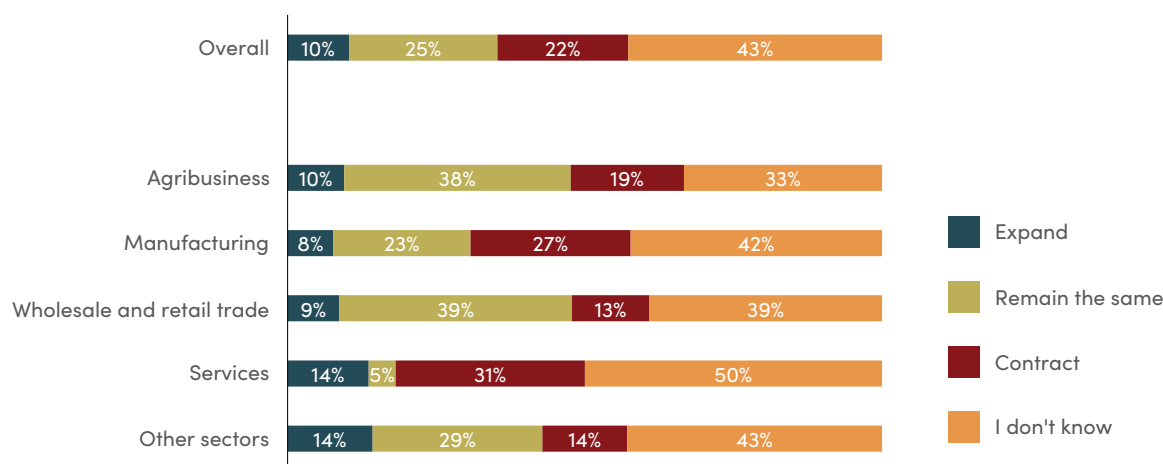
"If situation continues like this, we may have to close our business and leave the country."

– Agribusiness firm, Balkh

51. **Surveyed firms' perceptions of future investment prospects varied by sector (Figure 25).** Firms engaged

in trade were more likely to report plans to expand, whereas those not engaged in trade were more likely to express an intention to scale back. A third of the service sector firms and nearly a quarter of the manufacturing firms interviewed reported their intention to shrink business activities over the next six months. On the other hand, a much lower share of agribusiness firms and wholesale and retail traders reported expecting to scale down their businesses, and close to half of the surveyed firms in these sectors reported plans to either expand or maintain investment levels.

Figure 25: Perceptions of future investment prospects, by sector of activity
(% of respondents)



Source: World Bank, Afghanistan PSRS, 2021. N = 100.

ANNEX 1:

THE PRIVATE SECTOR IN AFGHANISTAN

Estimates suggest that Afghanistan's private sector contributed to over half of the country's gross domestic product (GDP) in 2018.³⁰ According to a Business Establishment Survey,³¹ nearly 700,000 establishments (formal and informal) were operating in the private sector. Together, they employed approximately 1.5 million people, around 20 percent of Afghanistan's total employed labor force. Of these, 90 percent were categorized as micro, small, and medium enterprises (MSMEs), with fewer than 10 employees on average. Firms in Afghanistan are defined based on the number of employees and the level of investment in physical capital. The thresholds for firm categories vary according to sector (Table A1-1). Nearly two-thirds (62 percent) of the establishments surveyed in 2015 were engaged in trade (exports and/or imports).

Formal businesses in Afghanistan are registered with the ACBR-IP of the Ministry of Industry and Commerce, with municipalities, or with both. As per official ACBR-IP data, approximately 120,000 large, medium, and small businesses were formally registered in 34 provinces of Afghanistan as of December 2019 (Table A1-2).

Table A1-1: Firm size in Afghanistan's private sector

FIRM SIZE	NUMBER OF EMPLOYEES	INVESTMENT IN PHYSICAL CAPITAL (AFN MILLIONS)	
		Non-Service Sectors	Services Sector
Micro	< 5	< 2.5	< 1
Small	5-19	2.5-5	1-2
Medium	20-99	5-10	2-5
Large	> 100	> 10	> 5

Source: Ministry of Industry and Commerce.

30 Afghanistan Central Statistics Organization (2018). Private sector companies represent two-thirds of total manufacturing value-added (21.7 percent of GDP) and are key players in retail trade (8 percent), transport (18.6 percent), telecommunications (6 percent), and agriculture (20.8 percent).

31 Afghanistan Central Statistics Organization (2016). "Business Establishment Survey 2015" (December).

Table A1-2: Sectors of activity in Afghanistan's private sector

SECTOR OF ACTIVITY	NUMBER OF FORMALLY REGISTERED BUSINESSES (AS OF DECEMBER 2019)
Manufacturing	64,934
Construction	17,877
Transportation	10,807
Wholesale or retail trade	7,389
Services	6,423
Education	3,455
Agriculture, forestry and fishing	2,700
Information and communication	1,817
Human health	1,039
Mining and quarrying	942
Energy	407
Agribusiness	302
Telecommunications	60
Petroleum and natural gas	13
Others	20
TOTAL	118,185

Source: Ministry of Industry and Commerce.

Informal businesses constitute the lion's share of Afghanistan's private sector and are comprised predominantly of small and micro enterprises. Fewer than 20 percent of Afghanistan's private sector establishments are in the formal sector. Although the predominance of informality lowers overall productivity and competitiveness, informal businesses have proved resilient in the past, having survived war, political changes, and other monumental challenges.

Afghanistan's economy is undiversified, which has resulted in limited exports. In 2020, the country's exports amounted to less than US\$1 billion, as compared to over US\$6 billion in imports. The main exports include agricultural products (such as vegetables and dried and fresh fruits), animal products, and mineral products (including gemstones, coal, marble, and talc stone). The main imports, in contrast, comprise machinery, petroleum, electricity, food items, cement, and textiles.

Private sector investment has suffered in the face of uncertainties in Afghanistan's political and economic context. Private domestic investment is concentrated in the manufacturing, construction,

trade, transport, agribusiness, and services sectors. Foreign direct investment (FDI) averaged 0.4 percent of GDP per year between 2015 and 2020 (US\$80 million cumulative). FDI inflows have been low and erratic, with spikes every few years due to one-off investments that have generally been linked to the telecommunications, construction, and logistics sectors.

Private sector assessments and surveys conducted in the past several years have identified key binding constraints to private sector development in Afghanistan (Figure 22). Respondents to the AES (2014) cited political instability, corruption, and access to land, finance, and electricity as key constraints to private sector operations.

ANNEX 2: SURVEY METHODOLOGY

The World Bank Group's Finance, Competitiveness, and Innovation Global Practice conducted a Private Sector Rapid Survey in Afghanistan, interviewing 100 businesses between October 15 and November 5, 2021. The objective of the PSRS was to take the pulse of Afghanistan's private sector in the wake of the Taliban takeover, seeking to better understand the challenges faced by Afghan businesses and the key constraints on their business activities. Nearly half of the respondents preferred to fill out the questionnaire online (using a Google form), while the remainder were interviewed over the telephone.

SAMPLING APPROACH

Owing to implementation constraints in the current political context, the PSRS adopted a simplified sampling methodology to obtain a quick snapshot of the impact on businesses and jobs in Afghanistan. The sampling frame was derived from a combination of sources, mainly the ACBR-IP database of registered firms, as well as the database of businesses interviewed under the Afghanistan BPS. The survey team initially selected a list of 120 businesses in hopes of achieving a final sample of 100. This list was then expanded to include approximately 350 businesses, of which 100 participated in the rapid survey. Survey results are based only on responses provided by interviewed firms, with no secondary data collected to validate the responses.

Table A2-1: Sample distribution

CATEGORY		NUMBER OF RESPONSES
Gender	Women	19
	Men	81
Sector	Manufacturing	27
	Wholesale and retail trade	23
	Services	22
	Agribusiness	21
	Construction	3
	Electricity, gas, steam and air conditioning supply	2
	Mining and quarrying	1
	Transporting and storage	1
Location	Kabul	76
	Provinces	24
Trading status	Trade (exports and/or imports)	65
	Non-trade (exports and/or imports)	35
Size	Small	23
	Medium	63
	Large	14
OVERALL		100

Despite the small sample and rapid survey approach, efforts were made to ensure adequate coverage of businesses across firm size, owner's gender, and sector of operation (Table A2-1). The survey team attempted to interview firms of all sizes and to ensure representation of women-owned firms.³² The PSRS placed particular emphasis on reaching firms engaged in the agribusiness, health, and wholesale and retail trade sectors, given their relative importance in the economy. The majority of firms surveyed were of medium size and owned by men, although 19 percent of interviewed businesses were owned or run by women. Three-fourths (76 percent) of surveyed firms were located in Kabul, where most commercial activity tends to be concentrated. Manufacturing firms constituted the largest share of respondents, and the remaining firms were distributed across other sectors.

32 The team aimed to include at least 10 to 15 percent women-owned firms, and these firms made up 19 percent of the final sample.

SURVEY IMPLEMENTATION

Instrument

The PSRS used a semi-structured questionnaire with 61 questions. The questionnaire was divided into 11 sections: business profile, sectors of business activities, employees, business operations, access to finance, business transactions, taxation, trade, governance and public services, risks and constraints on business activities, and future perceptions of businesses. The survey took 45 minutes, on average, to administer.

Response rate

The response rate for the survey was approximately 30 percent, with two of seven businesses responding favorably and participating in the survey. The remaining 70 percent either did not respond to emails/calls, could not be reached because emails bounced back and/or contact numbers were not reachable, or refused to participate. To achieve a survey size of 100 businesses, therefore, the team reached out to around 350 businesses in Kabul and other provinces.

Data analysis

Data from the PSRS were analyzed using weighted averages based on the number of firms in economic sectors, as registered with the ACBR-IP database at the end of December 2019. The data could not be analyzed using weighted averages by business size, as there is no reliable data source on business size in Afghanistan. Prior to analysis, the datasets were cleaned to remove inconsistent and irrelevant responses, group qualitatively similar data, and complete missing data points by following up with respondents. Data analyses are normalized to 100 percent for multiple-response questions for ease of presentation.



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