

# AFGHANISTAN PRIVATE SECTOR RAPID SURVEY:



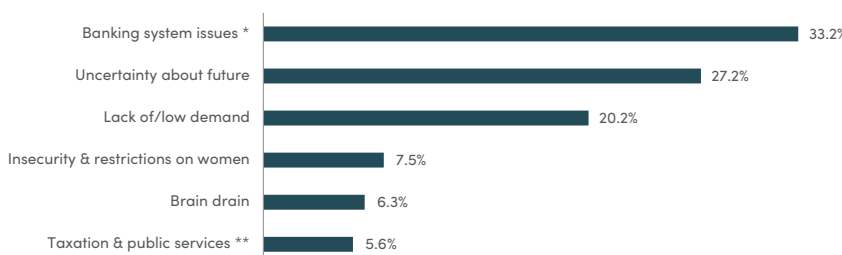
## A SNAPSHOT OF THE BUSINESS ENVIRONMENT—ROUND 1

A rapid survey of 100 formal Afghan businesses conducted by the World Bank in October–November 2021 captures the impact of the August 2021 political crisis on the private sector. A follow-up survey will be conducted in Spring 2022.

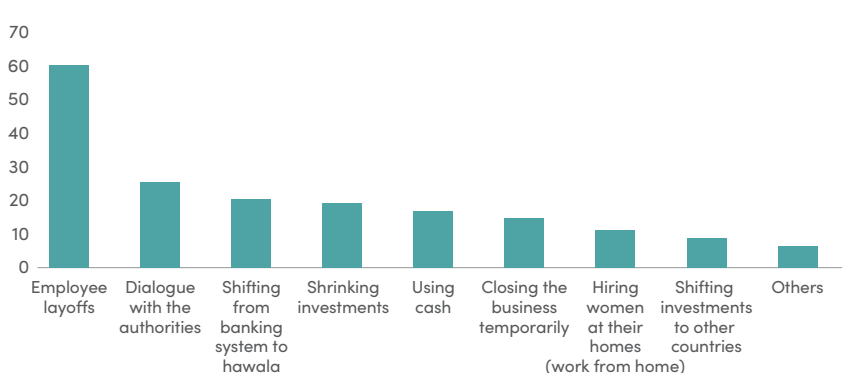
### CONSTRAINTS & COPING STRATEGIES

Limited banking sector functionality, high uncertainty, and declining demand are among the top 3 constraints cited by surveyed firms. Most have coped by laying off employees in combination with a variety of other strategies.

Top constraints faced by businesses (% of respondents)



Coping strategies (% of respondents)



**61%** of full-time employees laid off (on average)

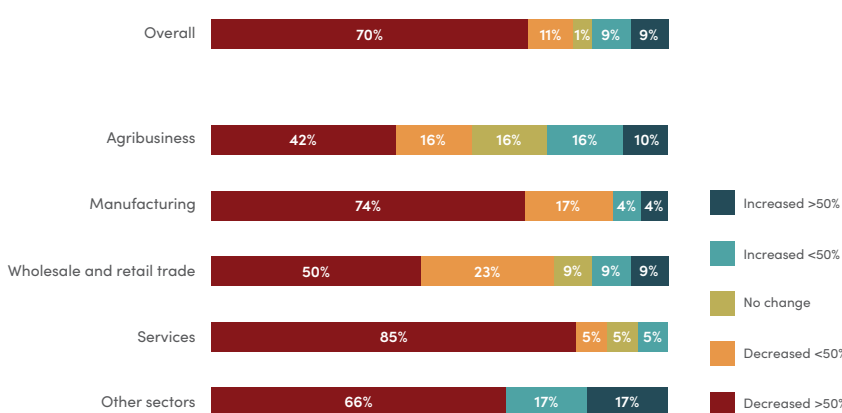
**75%** of women employees laid off

**38%** of small firms closed temporarily

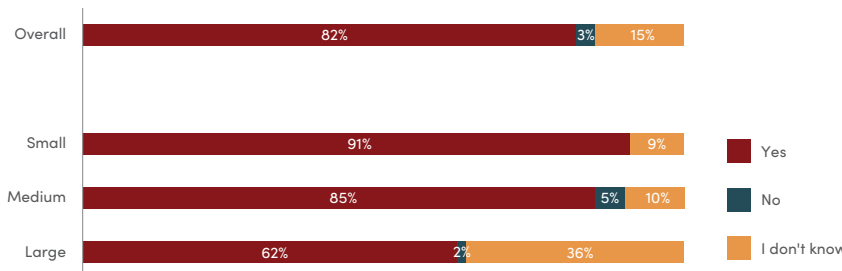
### SLUMP IN CONSUMER DEMAND

Job losses and declining purchasing power have dampened consumer demand, and the majority of surveyed firms expect revenue losses over the next six months.

Consumer demand, by sector of activity (% of respondents)



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

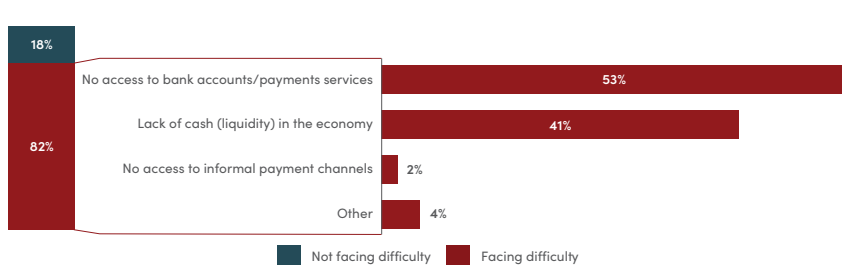


**AGRIBUSINESS** FIRMS ARE MORE RESILIENT TO SHOCKS, WITH BELOW-AVERAGE DROP IN DEMAND.

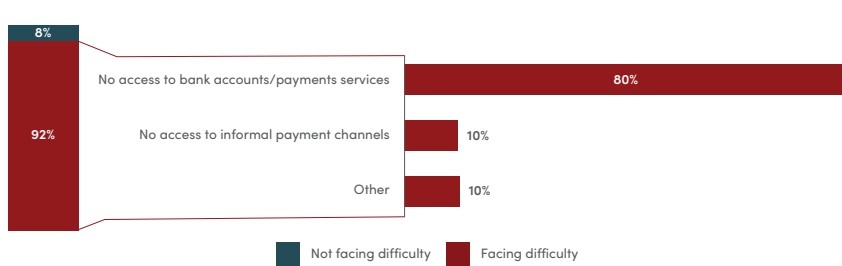
### PAYMENT DIFFICULTIES

Limited functionality of banks has increased reliance on cash transactions and Hawala transfers. Domestic transactions are adversely affected by constrained liquidity in the banking sector and by a lack of access to bank accounts and/or payment services.

Challenges in local business transactions (% of respondents)



Challenges in international business transactions (% of respondents)

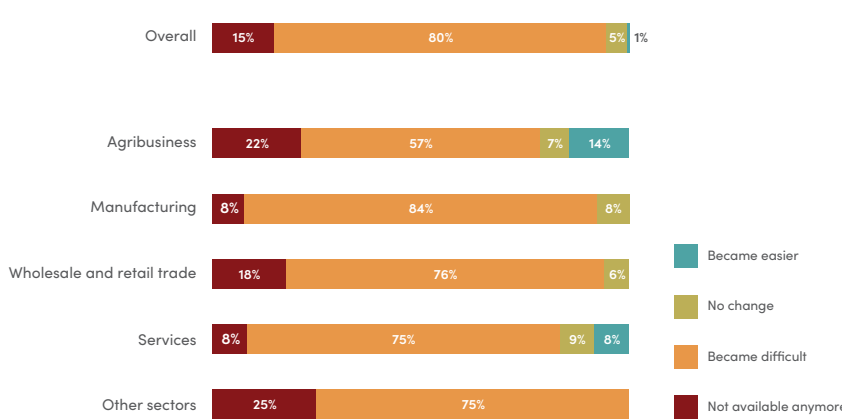


### CHALLENGES IN ACCESSING INPUTS

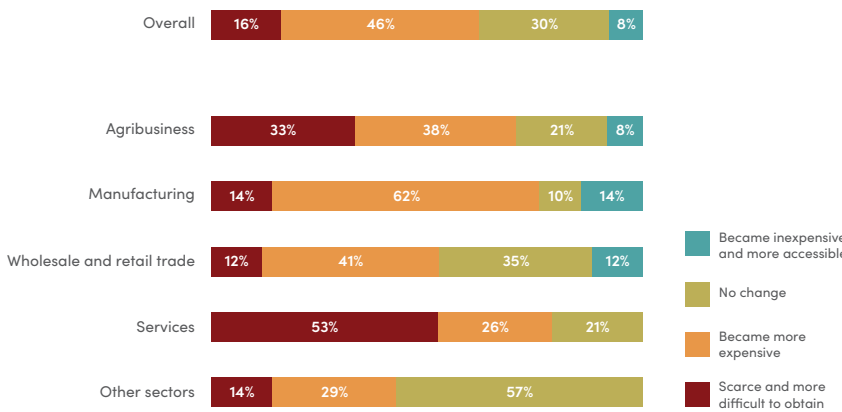
Border closures, difficulties in obtaining foreign currency, and increased cost has posed challenges for accessing imported inputs.

Domestic inputs have also become more expensive, scarce, and hard to obtain due to supplier closures, supply chain disruptions, and price inflation.

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



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

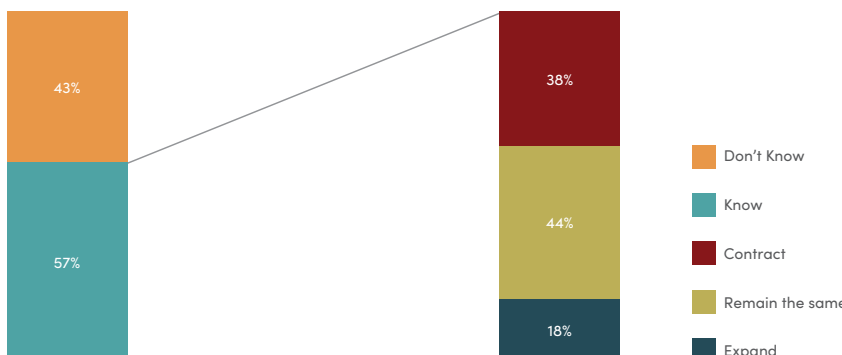


ABOUT 3/5 OF MEN-OWNED FIRMS REPORTED THAT **SECURITY** HAD IMPROVED FOLLOWING THE CESSATION OF ACTIVE FIGHTING IN THE CITIES, BUT MOST WOMEN-OWNED FIRMS FELT THAT SECURITY HAD DETERIORATED.

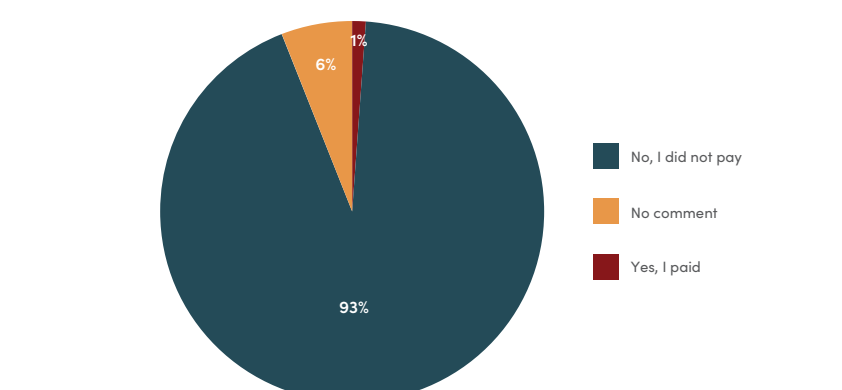
### OUTLOOK

In an uncertain environment, most firms are adopting a “wait and see” approach to future investments. On a positive note, perceptions of corruption have significantly improved at customs and revenue departments.

Perception of future investment prospects in next 6 months (% of respondents)



Business reports of unofficial payments, customs department (% of respondents)



Note: Results are based on a limited-sample survey of only formal firms with active phone numbers and/or email addresses. Response rate was 30 percent. Results shown are weighted according to economic sectors to improve representativeness. The findings are intended to give a quick overview of the environment faced by formal private sector firms in an evolving context.