

# CONSULTATION REPORT: PRIVATE SECTOR COORDINATION AND ADVOCACY MECHANISMS



TOWARDS CREATING AN ADVOCACY AND COORDINATION  
PLATFORM FOR THE AFGHAN PRIVATE SECTOR



# **CONSULTATION REPORT:**

PRIVATE SECTOR  
COORDINATION AND  
ADVOCACY MECHANISMS

**MAY 2024**



## TABLE OF CONTENTS

### 1 Introduction 06

### 2 Advocacy Landscape Before August 15, 2021 09

Government Bodies Before August 15, 2021 09

Private Sector Representation through Business Membership Organizations (BMOs) 13

### 3 Advocacy Landscape After August 15, 2021 15

ITA Bodies 15

Private Sector Representation 15

### 4 Consultation with Afghan Private Sector Organizations 17

AAFFCo—Association of Afghanistan Freight Forwarding Companies 18

ABA—Afghanistan Banks Association 18

ABA—Afghanistan Builders Association 19

ACALP—Afghanistan Chamber of Agriculture and Livestock Products 19

ACCI—Afghanistan Chamber of Commerce and Investment 20

ACCS—Afghanistan Chamber of Craftsmen and Shopkeepers 20

ACIM—Afghanistan Chamber of Industries and Mines 20

AMA—Afghanistan Microfinance Association 20

ATA—Afghanistan Transport Association 21

AWCCI—Afghanistan Women's Chamber of Commerce and Industry 21

ICC-Afghanistan—International Chamber of Commerce in Afghanistan 21

Kabul Rugs and Carpets Association 22

### 5 Methodology, Geographic Coverage, Sectors, and Demographics 23

### 6 Key Findings 27

Trilateral Relationship: The Afghan Private Sector, the ITA, and the IDAs 28

Ease of Mobility versus Newly Emerging Difficulties 28

BMOs Operating Capacity 28

Unique Challenges Facing Women-Led Businesses 29

Export Sector 29

Weak or Limited Coordination among the Private Sector, the ITA, and the IDAs 30

Dialogue between the ITA and the Private Sector 30

### 7 Recommendations 30

### 8 Annex I: Sector-Specific Challenges as Described by Consultation Participants 33

## Acronyms

<b>AAFFCo</b>	Association of Afghanistan Freight Forwarding Companies
<b>ABA</b>	Afghanistan Builders Association
<b>ABA</b>	Afghanistan Banks Association
<b>ACALP</b>	Afghanistan Chamber of Agriculture and Livestock Products
<b>ACCI</b>	Afghanistan Chamber of Commerce and Investment
<b>ACCS</b>	Afghanistan Chamber of Craftsmen and Shopkeepers
<b>ACF</b>	Afghanistan Chambers Federation
<b>ACGF</b>	Afghan Credit Guarantee Foundation
<b>ACIM</b>	Afghanistan Chamber of Industries and Mines
<b>ACMEG</b>	Afghanistan Carpets Manufacturers and Exporters Guild
<b>AMA</b>	Afghanistan Microfinance Association
<b>AmCham</b>	American Chamber of Commerce
<b>ATA</b>	Afghanistan Transport Association
<b>AWCCI</b>	Afghanistan Women's Chamber of Commerce and Industry
<b>BMO</b>	Business membership organization
<b>DAB</b>	Da Afghanistan Bank
<b>DBI</b>	Doing Business Indicators
<b>Harakat-AICFO</b>	Harakat-Afghanistan Investment Climate Facility Organization
<b>HEC</b>	High Economic Council
<b>ICC</b>	International Chamber of Commerce in Afghanistan
<b>IDA</b>	International Development Agencies
<b>IFC</b>	International Finance Corporation
<b>IFU</b>	Investment Facilitation Unit
<b>ITA</b>	Interim Taliban Administration
<b>MAIL</b>	Ministry of Agriculture, Irrigation, and Livestock
<b>MFIs</b>	Micro Finance Institutions
<b>MoEC</b>	Ministry of Economy
<b>MoF</b>	Ministry of Finance
<b>MoIC</b>	Ministry of Industry and Commerce
<b>MoJ</b>	Ministry of Justice
<b>OFVP</b>	Office of the First Vice President
<b>OSVP</b>	Office of the Second Vice President
<b>PriSEC</b>	Private Sector Executive Committee
<b>PPP</b>	Public Private Partnership
<b>PSD</b>	Private Sector Development
<b>PSD-NPP</b>	National Priority Program–Private Sector Development
<b>UNDP</b>	United Nations Development Program
<b>WG</b>	Working Groups



# اتاق تجارت و سرمایه گذاری افغانستان د افغانستان د سوداګرۍ او پانګونې اتاق



**IFC** International Finance Corporation  
WORLD BANK GROUP  
Creating Markets, Creating Opportunities



Consultations on Establishing  
Private Sector Advocacy  
and Coordination Body

د خصوصي سکتور د همغږۍ او ملاتړ  
بنسټ جوړونې لپاره مشورتي ناستې

لنډېشن ته مشورتي  
پیرامون ايجاد ساختار همځانګړي  
و پښتنيانې سکتور خصوصي

لنډېشن ته مشورتي  
پیرامون ايجاد ساختار همځانګړي  
و پښتنيانې سکتور خصوصي

Consultations on  
Establishing Private Sector Advocacy  
and Coordination Body

د خصوصي سکتور د همغږۍ  
او ملاتړ بنسټ جوړونې لپاره  
مشورتي ناستې

د خصوصي سکتور د همغږۍ  
او ملاتړ بنسټ جوړونې لپاره  
مشورتي ناستې

لنډېشن ته مشورتي پیرامون ايجاد  
ساختار همځانګړي و پښتنيانې سکتور خصوصي

Consultations on Establishing  
Private Sector Advocacy  
and Coordination Body

International Finance Corporation (IFC)  
پيرامون ايجاد ساختار همځانګړي  
و پښتنيانې سکتور خصوصي

HARAKAT - Afghanistan Investment Opportunity Facility Organization  
پيرامون ايجاد ساختار همځانګړي و پښتنيانې سکتور خصوصي

Introduction

© HARAKAT



Currently, Afghanistan's private sector is facing numerous major challenges. A series of events over the past five years have contributed to the current issues, including the lockdowns from the COVID-19 pandemic, the political change of August 2021, and current trade issues due to regional and international limitations and sanctions. Despite some recent positive developments, these consecutive events have resulted in a general lack of confidence amongst private sector actors and businesses. Banking restrictions as well as legal and regulatory framework limitations have additionally added a sense of fragility and vulnerability.

In addition, restrictions in mobility, the inability to attain visas, bans on trade and travel, and recurring border closures are adding to the decreased exposure of Afghan products to international markets, especially for women-owned/run businesses. Whilst the Interim Taliban Administration (ITA) is interested in supporting private sector development, limited dialogue on legal and regulatory issues between the ITA and the private sector has only resulted in short-term solutions and fixes. Improving the business environment requires immediate strategic and long-term solutions to bolster the private

sector development agenda in the country. A major acknowledgement amongst the private sector is that advocacy and coordination efforts should be strengthened in order to harmonize efforts and address the strategic, legal, and operational challenges, both in the medium and long term. At the same time, improved advocacy requires the participation of all the leading business associations, chambers, and actors. Equally important is the need to increase the level of engagement with the ITA, and the leading international development and humanitarian partners.

Therefore, IFC and Harakat-AICFO joined hands to conduct consultations with the Afghan private sector to understand: (a) the status of the business membership organizations (BMOs); (b) private sector representation in Kabul and provinces, and (c) the need to strengthen collaboration and coordination. Through in-person and virtual discussions, Harakat-AICFO and IFC hosted representatives of key national BMOs and business owners in Kabul and seven other major commercial regions. More than 500 businesses, including sector leaders and executive and non-executive members of the BMOs, participated in these meetings.



The consultation sessions highlighted major challenges facing the private sector. Some challenges persist from the past, and some have originated with the recent political change. Despite the challenges, the participants expressed optimism stemming from the perceived reduction in corruption and red tape, which signals an opportune moment for the private sector to engage in policy discussions. By harnessing its expertise, the private sector can help consolidate and amplify these positive gains, fostering a more business-friendly environment. A coordinated effort by the private sector can be instrumental in advancing policy recommendations and dialogue with the authorities.

One key demand put forward by the Afghan private sector is the formation of a coordination and advocacy platform that could engage, mobilize, and support the country's business

communities. A proactive advocacy platform is widely seen as vital for: (a) improving coordination within the Afghan private sector and (b) conducting effective dialogue for the wide spectrum of businesses, particularly for those led by women and other affected groups. Establishing and sustaining such a platform will improve coordination and advocacy.

This will help guide the overall economic recovery by mapping both the urgent and key priorities for all the relevant stakeholders and harmonizing their engagement in Afghanistan. With the strategic aim of strengthening coordination and advocacy for the Afghan private sector, IFC and Harakat-AICFO spent considerable time and effort to understand the advocacy landscape, coordination mechanisms among the private sector, local authorities, and the international development agencies (IDAs).







## Advocacy Landscape Before August 15, 2021



**D**uring the last two decades, the Afghan private sector experienced significant growth and remained a constitutionally designated partner of the Afghan state and government. International support and development assistance played a crucial role in enabling Afghan women and men to initiate and sustain business ideas covering a range of sectors in the country. The previous governments also supported various business communities, including marginalized groups. As a result, many advocacy and support organizations arose within the Afghan private sector, including but not limited to chambers, associations, unions, and business groups. After the presidential elections in 2014, a series of initiatives attempted to uplift the private sector confidence. This section takes a brief look at the government structures and private sector entities that supported the Afghan private sector and the overall business environment in the country.

## Government Bodies Before August 15, 2021

Before August 15, 2021, documents such as the Afghanistan Peace and Development Framework (initiated by the government) and the National Priority Program–Private Sector Development (PSD-NPP), identified key priority areas for private sector development. Covering the period 2017 to 2021, a major focus of the government’s strategy was strengthening the legal framework to facilitate private sector participation. The following government bodies were charged with moving the economic growth agenda vis-à-vis private sector development forward.



## High Economic Council

The High Economic Council (HEC) was established in 2012 through a Presidential decree to study and evaluate economic challenges and address barriers to economic growth. With a strong mandate, the council served as the supreme authority to steer economic governance, assess and approve large scale business proposals, and strengthen the business-enabling environment. It was also charged with introducing rationalized policies and with taking due and timely measures to address both short/long-term challenges for the Afghan private sector. Other major objectives included increasing revenues, resolving bureaucratic impediments, and facilitating private sector investment.

Chaired by the President, the 42-member council included sector ministers and heads of independent agencies. Two seats added to the council in 2016 gave permanent places to the representatives of the private sector and extended strategic support/incentives to the agriculture, domestic manufacturing, and mining groups. As well as commenting on regulatory measures, council members were allowed to put forward proposals regarding policies, strategies, laws, and by-laws. Following council deliberations, member departments were tasked with pursuing relevant issues and reporting back at later sessions.



## Economic Committee of Council of Ministers

Chaired by the Chief Executive Officer, the economic committee of the Council of Ministers pursued action plans under the PSD-NPP through various working groups. The committee was composed of designated officials from sectoral ministries and departments and the Afghan private sector, with various national entities and the IDAs attending relevant sessions. Committee members proposed business reforms under categories that included agriculture and agri-business, trade and export facilitation, investment promotion, banking and finance, and legal and regulatory affairs. The committee pursued these reforms by directing and overseeing coordination in the inter-ministerial, private sector, and parliamentary processes and facilitating advocacy support for urgent private sector issues before the HEC and the Afghan Cabinet.

The committee expedited strong representation of private sector bodies in all its sessions. The Afghanistan Chamber of Commerce and Investment (ACCI) and the Afghanistan Women's Chamber of Commerce and Industry (AWCCI) were among the leading participants on behalf of their respective business communities and associations. The committee sessions were marked by open and frank dialogues on an array of legal and business issues with the relevant stakeholders from the Afghan government and the private sector. The committee's significant support to its members, using the then-existing mechanisms, enabled better understanding of and attention to the needs of the Afghan private sector.



## Private Sector Executive Committee

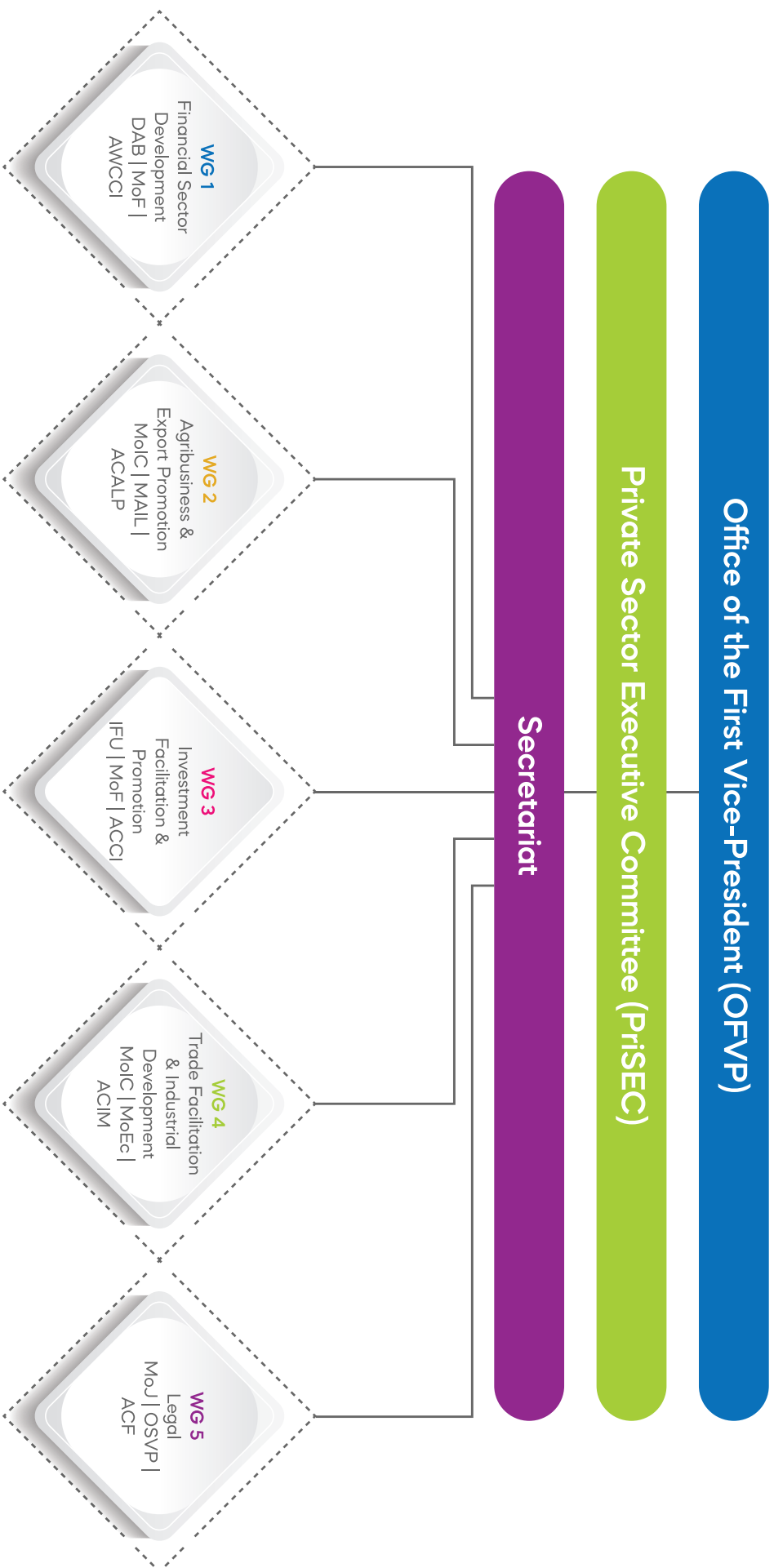
Housed at the Office of the First Vice President, the Private Sector Executive Committee (PriSEC) was established in April 2017 as a high-level public-private platform for dialogue among the private sector, the government, and the international community on private sector development (PSD) reforms. Although discontinued after August 2021, PriSEC had fulfilled its mandate to oversee, facilitate, and support implementation of PSD reforms, deriving them from (a) the 11 private sector reform priorities laid out at the London Conference, (b) World Bank Doing Business Reform Memorandum recommendations, (c) the PSD-NPP key actions, and (d) recommendations from the key private sector representatives. IFC engaged with the PriSEC secretariat to support the development of PSD-NPP and to devise the subsequent set of action plans for implementation of priority reforms. The secretariat served its mandate through five Working Groups (WG).



PriSEC was established in April 2017 as a high-level public-private platform for dialogue among the private sector, the government, and the international community on PSD reforms.







Each WG included relevant government entities as key members and was tasked with facilitating and supporting implementation of the identified reforms in their assigned area. To institutionalize private sector engagement in

reform implementation, each group had two co-chairs, one from the government and one from the private sector. Each working group attended to a specific focus area:

**WG 1**

focused on facilitating access to finance, developing the insurance sector, improving business processes for registering and pricing properties, supporting funds development, and enhancing dispute resolution mechanisms for the finance sector.

**WG 2**

focused on agri-business value chains, export development, increasing Afghanistan's products market share in targeted high growth markets, and supporting the implementation of the Agri-Business Charter and the Afghanistan National Export Strategy.

**WG 3**

focused on improving Afghanistan's business environment for domestic and foreign investment by increasing access to basic factors (land, labor, capital) through simplified public procedures and processes and on improving public and private services throughout the doing business life cycle. The WG closely worked with all the stakeholders to promote the overall investment in different sectors of Afghanistan through streamlined procedures and mechanisms, such as Public Private Partnerships (PPP), digitally coordinated public service, streamlined taxation, and easy entry and exit for international investors.

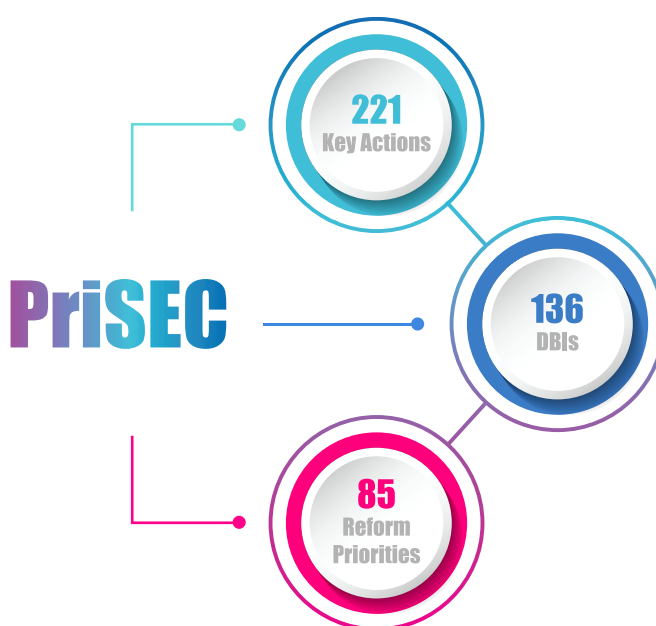
**WG 4**

focused on facilitating trade and transit between Afghanistan and countries in the region and beyond by removing barriers to trade, improving compliance with World Trade Organization (WTO) rules, and fostering mutually beneficial trade and transit agreements. This group's mandate included furthering industrial development by improving access to serviced industrial land, electricity, infrastructure, and other facilities. WG 4 also helped the respective government entities to work closely with the private sector and development partners to implement Afghanistan National Trade Policy, productive Afghanistan, and trade, transit, and other national policies affecting industry development.

**WG 5**

focused on processes for regulatory amendments and procedural changes regarding private sector development based on major national documents, private sector consultations, and legal reforms proposed by the other PriSEC WGs. WG 5 was further charged with developing and amending regulations and laws on issues that cut across the themes assigned to the other four WGs.

Until the PSD-NPP was finalized in 2018, PriSEC followed the Investment Climate Reform Roadmap built from 11 private sector reform priorities agreed on at the 2014 London Conference and the 10 Doing Business Indicators (DBIs) of the World Bank Group, committed to at Brussels Conference in 2016, as approved by the HEC. Through these conferences, a total of 221 key actions focused on achieving private sector reform priorities—136 DBIs and 85 reform priorities—were identified in collaboration with other relevant stakeholders.



## Private Sector Representation through BMOs

Between 2016 and 2021, the Afghan private sector bodies thrived despite many hardships such as the economic slowdown and the COVID-19 pandemic. BMOs were encouraged to participate at the state-level platforms and within international cooperation frameworks. As a constitutional partner of the Afghan government, the private sector participated at the strategic, legal, and regulatory level of policy formulation. Using platforms such as the HEC, Economic Committee of the Council of Ministers, and PriSEC, the BMOs advanced the interests of Afghan businesses and made significant gains through advocacy efforts at important meetings, events, and other interactions.

Two significant self-organized groups were added to Afghanistan's private sector family: (a) a dedicated chamber for women-owned/led businesses and (b) a chamber for agriculture/livestock businesses. At the same time, other associations and business unions reformed their operations, pursued advocacy efforts, and actively participated in the ecosystem. Various joint chambers, including the Pakistan-Afghanistan Joint Chamber of Commerce and Industry and the Afghan-German Chamber of Commerce and Industry, remained operational,

with overall moderate performance. Despite consistent efforts, legal impediments prevented the formation of a dedicated chamber for transport service providers and freight forwarders, although it remained a key demand of the transport association. Similarly, due to its weak operational capacity, the chamber of craftsmen and shopkeepers, controlled by the Ministry of Industry and Commerce (MoIC), could not make the necessary legal changes to its mandate and governance structure. Also, important to note is the significant support for the Afghan private sector provided by the IDAs. Many support programs focused on strengthening Afghan value chains, helping to build management capacities, and assisting with promotion and marketing strategies. Moreover, the Afghan private sector remained a key partner in formulating and implementing the Afghanistan National Trade Policy (2017–2022) and the National Export Strategy (2018–2023). Afghan private sector representatives also attended sessions of the Committee for Tariff Policy of the Ministry of Finance (MoF) and of inter-ministerial committees on Afghanistan's post-accession strategy held in relation to the WTO Trade Facilitation Agreement (2017).



© HARAKAT





Creating Markets, Cr...

Consultations on Establishing  
Private Sector Advocacy  
and Coordination Body

نشست های مشورتی  
پیرامون ایجاد ساختار هماهنگی  
و پشتیبانی سکتر خصوصی

د خصوصی سکتر د  
او ملاتړ بنسټ جوړو  
مشورتی ناستې



## Advocacy Landscape After August 15, 2021

© HARAKAT



## ITA Bodies

After August 15, 2021, ITA established an interim committee at the MoF to deal with business and economic issues. The committee's primary responsibilities included reactivating the government departments mandated to steer the country's economic governance, providing support and managing private sector affairs, and handling the disruptions caused by the political change and subsequent disconnect from the global financial system.

In September 2021, the interim economic committee evolved into the current Economic Commission, with a similar mandate. The commission includes members from government departments previously included in the HEC. It is led by the Office of the First Deputy Prime Minister for Economy. The commission holds regular meetings and invites representatives from private sector BMOs on an ad hoc basis—with the exception of AWCCI.

The commission's mandate includes overseeing revenue collection, steering the management of large-scale agriculture, infrastructure, and other business or economic projects, and supporting Afghanistan's private sector, including both local and foreign businesses. In the months following its initiation, the commission's several committees were set to pursue various issues in collaboration with MoI, MoF, Afghanistan Railways Authority, National Development Corporation, Ministry of Urban Development, Ministry of Agriculture, Irrigation and

Livestock (MAIL), Ministry of Mining and Petroleum, Kabul Municipality, and others.

Other key ITA bodies engaging with the private sector include sector ministries, state-owned enterprises and corporations, municipality offices, and regulatory and/or infrastructure management authorities.

## Private Sector Representation

The Afghan private sector faces a new reality in the aftermath of the events of August 2021. The Leadership of the BMOs operating in Afghanistan, although highly frustrated with issues in the banking and financial sector, agree that the ease of mobility internally (due to improved security and absence of extortion at roadblocks) has been significantly improved. Equally important, however, has been the degradation of the constitutionally backed partnership between the state and Afghan private sector, leading to a wide range of concerns over the new normal among BMOs and other elements of the business community.

Nonetheless, over the last 18 months, the BMOs have been able to engage with various public ministries and departments through dialogue, meetings, and other events. Although progress has been limited in tackling key bottlenecks in the business environment, the ITA and the Afghan private sector have maintained collaboration in the face of overall economic contraction, and the private sector's reduced role at the highest policy levels.







## Consultation with Afghan Private Sector Organizations





**The objectives of this consultation were to understand the current business landscape, the status of major private sector representative bodies and the state of coordination among businesses, public institutions, and the IDAs.**

In pursuit of a more direct means with which to improve coordination within the Afghan private sector, and to conduct effective advocacy for the wide spectrum of business communities, particularly for businesses led by women and other affected groups, IFC engaged Harakat-AICFO to embark on a series of bilateral and sector-specific consultations with the private sector organizations, associations, and other key actors and stakeholders. To assess the private sector coordination and advocacy landscape, the organizers, IFC and Harakat-AICFO, structured consultation sessions with the chambers and associations and posed specific and focused questions. The main purpose of these sessions was to understand and analyze the following:

**1**

Existing coordination and communication mechanisms with ITA regarding issues facing the private sector.

**2**

Mapping current advocacy bodies and their activities.

**3**

The need for a medium through which the private sector organizations could coordinate among themselves and advocate for reforms.

## Session Participants

A wide range of chambers and associations were engaged to participate in this effort. The following brief profiles of these prominent BMOs (listed here alphabetically by acronym) indicate the extensive experience brought to bear and the range of issues discussed.

### AAFFCo—Association of Afghanistan Freight Forwarding Companies

Established in 2003 to increase coordination among freight forwarding companies and between government and freight owners, AAFFCo provides the following services:

**Communication and coordination:** AAFFCo, as the face of member freight forwarder companies, maintains good communication and coordination with government and other stakeholders.

**Dispute resolution:** AAFFCo plays a vital role in resolving disputes among the freight forwarding companies, between the government and freight forwarding companies, and between freight

forwarding companies and freight owners.

### ABA—Afghanistan Banks Association

The ABA was established in 2004 to serve as the united voice of all commercial banks in Afghanistan and as the representative for all commercial banks in dialogue with Da Afghanistan Bank (DAB), the government, and other institutions. Based in Kabul, with no provincial offices, ABA has 12 commercial bank members (3 state-owned banks, 7 national private banks, and 2 branches of international banks). Its main objectives are:

To build the capacity of the domestic banking industry and to contribute to improving new banking systems by using media resources and launching public awareness campaigns in the local media.

To improve the awareness and image of banking services among the general public and all entities engaged in business and financial transactions.

To collect, classify, and circulate statistics and information relating to the banks and financial institutions functioning in Afghanistan.





To promote sound and easily applicable procedures and practices among member banks.

To promote and develop common policies among the ABA members.

To amplify the voice of the banking community.

## ABA—Afghanistan Builders Association

The Afghanistan Builders Association (ABA) was established in 2004 with the support of construction companies as a nongovernmental, nonpolitical, nonprofit organization. As Afghanistan's largest construction association, it continues to grow, with a main office in Kabul and delegation offices in Nangarhar, Kandahar, Balkh, Herat, and Paktia provinces. ABA's more than 1,700 members are construction companies involved in construction materials' production, construction machineries operation, engineering services, and construction materials' testing laboratories. ABA provides its members and other stakeholders with many services, including:

**Certification:** ABA is the only organization that certifies construction materials testing laboratories in Afghanistan.

**Consultation:** ABA provides legal consultation for local and international companies.

**Dispute resolution:** As a mediator, ABA helps resolve problems between companies, between companies and the government, and between companies and the other stakeholders.

**Business conferences:** ABA facilitates national and international business matchmaking conferences for capacity building and construction company promotion.

**Capacity building:** ABA provides Construction Quality Management, safety, scheduling, management, and business development trainings to its member companies.

## ACALP—Afghanistan Chamber of Agriculture and Livestock Products

ACALP was established in 2019 to provide wide-ranging and customized support to businesses in the agriculture and livestock sectors. It has since initiated many interventions to encourage investments in agriculture and livestock products production, marketing, and export. ACALP has 4,500 members with its main office in Kabul and 12 provincial offices located in Balkh, Farah, Herat, Kandahar, Kapisa, Kunar, Kunduz, Khost, Laghman, Nangarhar, Paktia, and Parwan.



## ACCI—Afghanistan Chamber of Commerce and Investment

Established in 1931 as an arbitration association to integrate business activities and defend the rights of businesses, the association was later transformed into a chamber. With its main office in Kabul, ACCI has 28 active branches in 26 provinces, and its current membership exceeds 24,000 member companies and 255 business unions, associations, and cooperatives across many sectors.

The range of ACCI's services to private businesses includes:



Legal services



Advocacy and interest representation



International affairs



Industry and export promotion



Business development



Dispute resolution

## ACCS—Afghanistan Chamber of Craftsmen and Shopkeepers

ACCS, established in 2017, provides regular support to shopkeepers and craftsmen across Afghanistan. ACCS has 113,686 members across provincial offices in 19 provinces, and it is known for its active advocacy on various platforms.

## ACIM—Afghanistan Chamber of Industries and Mines

Founded in 2011 through Presidential Decree No. 745, ACIM is a non-governmental, non-political organization representing Afghanistan's industrial and mining sectors. The chamber supports investment in the industrial sectors, new entrepreneurs seeking

to enter the country's industrial market, and improvements in local products. ACIM's main office is in Kabul, and its provincial offices are in Herat, Balkh, Kunduz, Badakhshan, Nangarhar, Paktia, Khost, Kandahar, and Ghazni which serve around 5,000 active members across the country.

## AMA—Afghanistan Microfinance Association

Established in 2005 by the Microfinance Investment Support Facility for Afghanistan, microfinance practitioners, and other stakeholders, and registered with the MoJ in 2007, AMA provides a national network for development finance institutions in Afghanistan. With six microfinance institution (MFI) members, AMA has offices in Kabul, Herat, Nangarhar, Balkh, and Kunduz provinces.

AMA is one of the founding members of the South Asian Micro-Entrepreneur Network and has been an active member since 2009. AMA provides the following services to all its member entities and stakeholders:

AMA advocates on behalf of development finance institutions to influence policy, regulations, and attitudes in support of financial inclusion across the country.

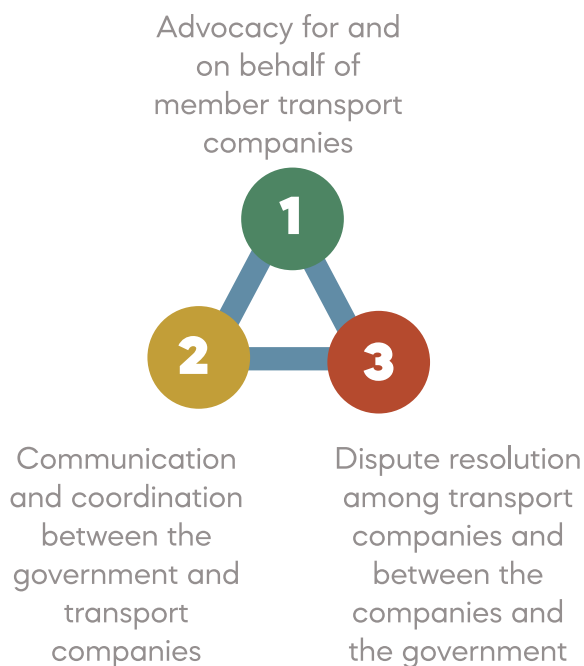
AMA works with its members and stakeholders to develop needs-based knowledge management tools and services.

AMA facilitates improved coordination and convergence among service providers, practitioners, financial institutions, and other stakeholders, including regional and provincial government departments.

AMA coordinates initiatives such as trainings and exposure visits, workshops, and scholarship programs to meet the capacity-building needs of its members, stakeholders, and the broader sector.

## ATA—Afghanistan Transport Association

ATA was established in 2018 to raise the united voices of all member transport companies calling for reform and justice. Since then, ATA has created a reliable bridge between the government and transport companies and provided the following services:



## AWCCI—Afghanistan Women’s Chamber of Commerce and Industry

AWCCI was first established in 2014 under the name of “Leading Entrepreneurs for Afghanistan’s Development” and registered as a “businesswomen’s union” with ACCI. The organization transformed to AWCCI in March 2017, and has since provided vital support to businesswomen and women-led/run businesses. AWCCI has active branches in Kabul, Kandahar, Herat, Balkh, and Nangarhar provinces.

## ICC—International Chamber of Commerce in Afghanistan

ICC-Afghanistan is a non-governmental, non-profit, non-political organization established in 2016 as an unlimited and independent juridical entity under Afghanistan law. ICC-Afghanistan is a BMO representing the ICC World Business Organization in Afghanistan, and it has more than 100 active business members across the country. Its main objectives include, but are not limited to:

- 🎯 Promoting free market values in Afghanistan.
- 🎯 Facilitating international transactions and activities by providing technical assistance in proposing and drafting policies and laws.
- 🎯 Distributing ICC publications; organizing seminars and on-the-job training to meet professional requirements or address major business issues.
- 🎯 Offering electronic processing services for trade documentation to comply with Afghanistan government’s import and export regulations or the requirements of importing countries.
- 🎯 Providing updated, hands-on data and information regarding trade in Afghanistan and abroad, as well as dispute resolution.
- 🎯 Encouraging investment in Afghanistan and showcasing Afghan products at international exhibitions.
- 🎯 Connecting ICC-Afghanistan members with ICC headquarters and other national committees around the globe.



## Kabul Rugs and Carpets Association

Kabul Rugs and Carpets Association, established in 1967 and based in Kabul, has more than 500 members across the country. The association's main objectives include:



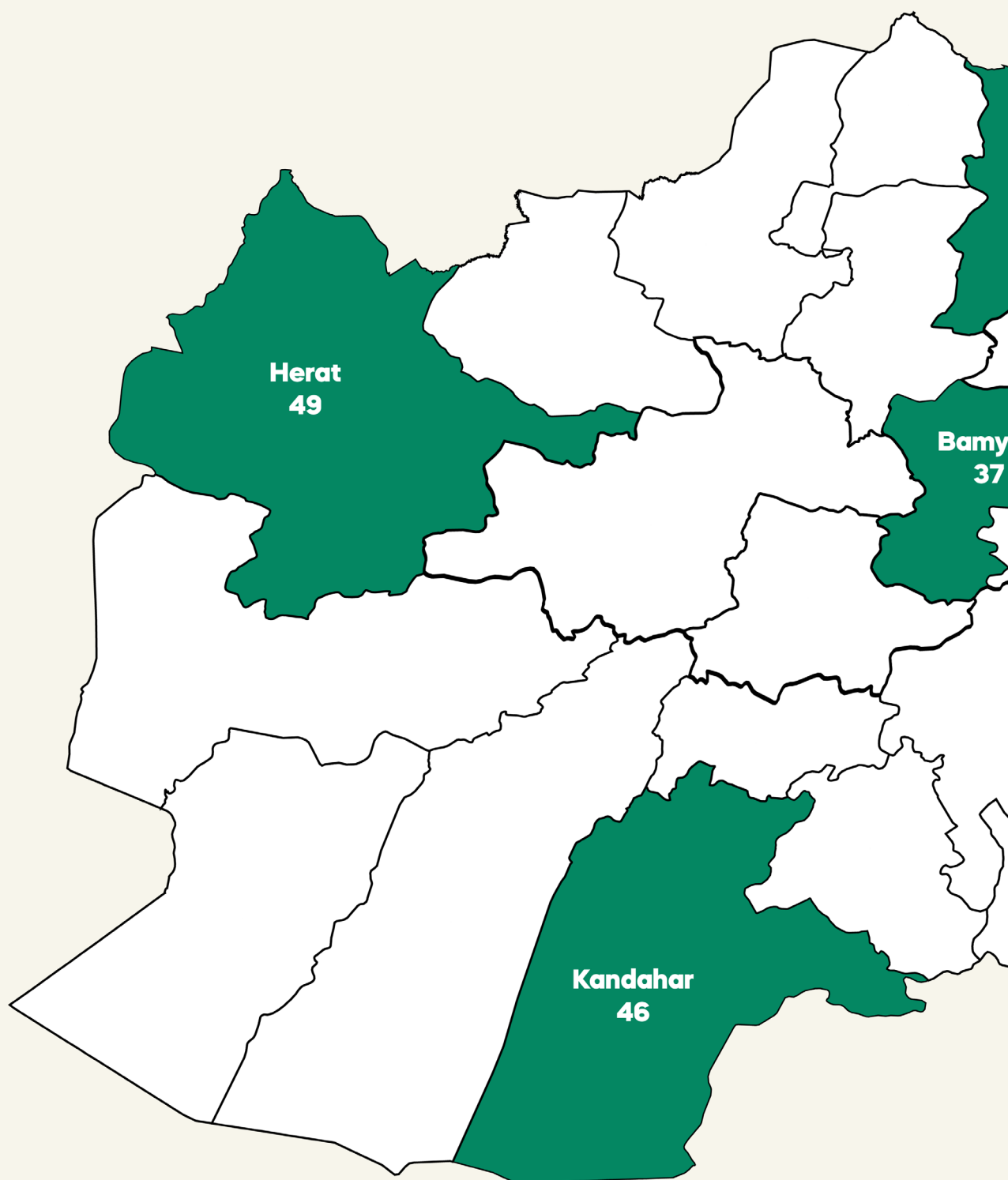


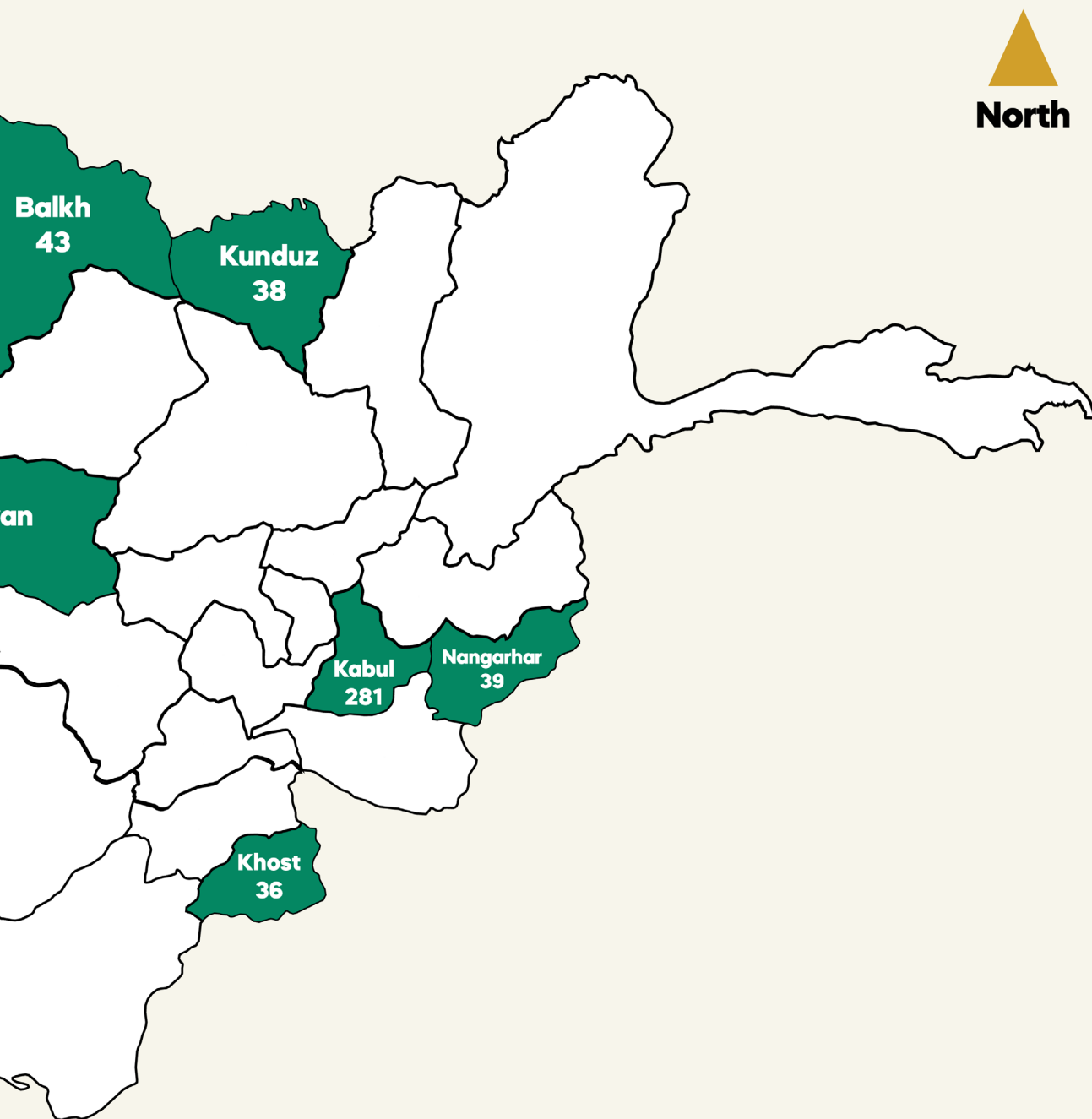


## Methodology, Geographic Coverage, Sectors, and Demographics

Harakat-AICFO's management and project team conducted consultation sessions with the private sector chambers, associations, and BMOs in Kabul and in the provinces of Bamyan, Herat, Balkh, Khost, Kandahar, Nangarhar, and Kunduz. (See Figure 2.) The sessions also included online participation option for international agencies, the private sector, and the humanitarian organizations.

Day-long sessions with participants from available and active private sector organizations in seven key provinces were organized to ensure a representative consultation process. These sessions also included online participation of international stakeholders and other interested national organizations. Table 1 shows the in-person and online participation level at the provincial sessions.





**Figure 2: Geographic Coverage of Consultations**



## Table 1: Consultation Meeting Statistics

			Participant Details				
Province	Date	Relevant Chambers	In-Person	Virtual	Male	Female	Total
Kabul	18 October 2022	Afghanistan Chamber of Shopkeepers and Craftsmen	15	11	25	01	26
Kabul	20 October 2022	Afghanistan Chamber Commerce and Investment	17	12	29	0	29
Kabul	25 October 2022	Afghanistan Chamber of Industries and Mines	38	11	47	02	49
Kabul	27 October 2022	Afghanistan Women's Chamber Commerce and Industry	17	22	06	33	39
Kabul	30 October 2022	Afghanistan Chamber of Agriculture & Livestock Products	20	03	23	0	23
Kabul	01 November 2022	Afghanistan Carpet Manufacturing and Exporters	31	11	40	02	42
Kabul	03 November 2022	Afghanistan Banks Association, Afghanistan Microfinance	11	14	22	03	25
Kabul	07 November 2022	Association Afghanistan Freight Forwarding Companies, Afghanistan Transport Association	15	06	20	01	21
Kabul	09 November 2022	Afghanistan Builders Association	20	07	27	0	27
Bamyan	14 November 2022	Bamyan ACCI and ACCS Members	33	04	32	05	37
Herat	16 November 2022	Herat ACCI, AWCCI, ACIM, ACSC, and ACALP Members	47	02	40	09	49
Balkh	30 November 2022	Balkh ACCI, AWCCI, ACIM, ACCS, and ACALP Members	42	0	36	07	43
Khost	04 December 2022	Khost ACCI, ACIM, and ACCS Members	36	0	36	0	36
Nangarhar	07 December 2022	Nangarhar ACCI, AWCCI, ACIM, ACCS, and ACALP Members	39	0	38	01	39
Kandahar	11 December 2022	Kandahar ACCI, AWCCI, ACIM, ACCS, and ACALP Members	46	0	43	03	46
Kunduz	14 December 2022	Kunduz ACCI, ACIM, ACCS, Carpet, and Women Associations	38	0	34	04	38
<b>Total</b>			<b>465</b>	<b>104</b>	<b>498</b>	<b>71</b>	<b>569</b>

# KEY FINDINGS

-  **Trilateral Engagement**
-  **Ease of Mobility**
-  **Operation Capacity**
-  **Women-Focused Challenges**
-  **Export Sector**
-  **Weak/Limited Coordination**
-  **Bilateral Dialogue**

## Trilateral Engagement: The Afghan Private Sector, the ITA, and the IDAs

The current engagement between the ITA, the Afghan private sector, and regional/international humanitarian and development agencies lacks clear direction. Referring to this situation, an ACCI representative from a trading company stated that, “there is selective communication between ITA and the private sector. Communication between the private sector and development partners has decreased significantly as well.” Due to preexisting as well as newly developed gaps in managing private sector expectations, the consultation participants characterize this engagement as “vague/uncertain” and see the potential for either further degradation or improvement, depending on the stakeholders’ future actions.

Many BMOs report that, in general, coordination with the authorities on PSD issues has improved. They feel, however, that this improvement has made little difference to the advocacy landscape or the need for addressing the challenges creating barriers to doing business in Afghanistan, whether carried over from the past or newly evolving. Afghanistan’s unique mix of political and socio-economic conditions restricts the full potential of its private sector, regardless of the improved ease of mobility.

The private sector has a quasi-working relationship with major IDAs and private sector support organizations. Some businesses’ inability to receive payments from international donor organizations has been alleviated, but participants reported a lack of tangible engagement between the Afghan private sector and IDAs. Participants from the consultation session with the Afghanistan Rugs and Carpets Association mentioned that “Fewer IDAs are extending support to the private sector and most of the interaction is limited to the capital.” Despite

sporadic efforts to engage businesses and private sector bodies, major donors have tended to develop stronger relations with national and international non-governmental organizations when delivering humanitarian aid and assistance across the country.

## Ease of Mobility versus Newly Emerging Difficulties

Consultation participants listed improved security, lower levels of corruption, and reduced red tape, as well as elimination of extortion on roadways, stability in the market prices and exchange rates, and increased export volumes as the most significant positive effects felt over the last year. During the consultation session with exporters, a representative from a large trading company underscored “a positive shift in security conditions along transit routes, with fewer incidents of bribery.” But while they greatly appreciated these changes, economic contraction and new difficulties in doing business with/and in Afghanistan have had negative consequences both for the Afghan private sector and for the wider population, particularly in the urban centers.

During the ACCS consultation session, a retailer highlighted, “we are facing higher taxation. In some cases, we have been asked to pay taxes dating back to five years.” Difficulties in correspondent banking, job losses, and the ITA’s inability to respond to critical aspects of the PSD agenda—notably access to markets, technical assistance, and finance—are major pressure points reported by representatives of all BMOs participating in the consultation. (See Annex I for more details on the major challenges and issues the BMOs and businesses noted.)

## BMO Operating Capacity

The BMOs’ overall operating capacity has not changed much in the recent context. Each chamber’s members react in their own way to the current issues they



face, and they report varying effects on operating capacity, coordination with other partners, and interactions with the ITA. For example, the economic contraction is bad news for everyone, but exports, particularly agriculture and minerals, have had a good year. Participants from the ACIM consultation session reported “a good working relationship with the ITA,” while participants from ACCS mentioned “no contact or working relationship with the ITA.” Similarly, advocacy efforts, while actively pursued for the financial sector, have not reached members of the women’s chamber, where operations are limited and advocacy almost non-existent.

## Unique Challenges Facing Women-Led Businesses

Participants reported that businesses led/run by women and other specially affected groups have been sidelined in both Kabul and the provinces. While the Kabul office of the AWCCI has re-opened after months of closure, provincial offices remain closed or non-operational. During the consultation session with AWCCI, a large-scale manufacturer pointed out that “access to public services remains a significant challenge along with limited mobility. Apart from MoIC, we don’t have any contact with the ITA, and we are not allowed to leave our house without a mahram.”

In fact, during the period when these consultations were being carried out, representatives of women-led/run businesses were not allowed to visit chamber offices in Kandahar or Nangarhar. Consultation participants included few businesswomen in the Kandahar session, only one businesswoman in Nangarhar, and none in the Khost session. This highlights the overall status of women in the Afghan private sector as sector leaders, business owners, and/or business founders, as well as the potential for them to take more active roles in the business ecosystem.

## Export Sector

Export-facing businesses and businesses engaged in export-oriented value chains rely on MAIL and MoIC to address issues pertaining to cross-border trade. The regime changes halted Afghan exports to certain destinations and seized all air cargo. Although figures indicate a rise in Afghanistan’s exports in a 2020 to 2022 year-on-year comparison, this rise was mostly limited to one export market. During consultation sessions with the ACCI, ACALP, and AWCCI, participants highlighted a primary obstacle - reduced access to the international markets. When asked whether they had communicated these concerns to local authorities, and if any actions had been taken, participants affirmed their own efforts on the first point but were negative concerning the second.

Bilateral and multilateral agreements, such as the Afghanistan and Pakistan Trade and Transit Agreement, require further negotiations to enforce provisions addressing some of the immediate trade and transit issues with Afghanistan’s primary import/export market. Payments for exports and transfer of money to Afghanistan are the most critical issues Afghan exporters face. Exporters during the consultation sessions highlighted that they have to rely on hawala<sup>1</sup> for payments costing them extra money and their access is mostly limited to Karachi. The abnormal status of Afghan correspondent banking has increased costs of doing business with the regional and transnational countries.

<sup>1</sup>A traditional system of transferring money used especially in Arab and South Asian countries, whereby the money is paid to an agent who then instructs an associate in the relevant country or area to pay the final recipient.

## Weak or Limited Coordination among the Private Sector, the ITA, and the IDAs

In response to the current contextual challenges, the Afghan private sector and BMOs have limited coordination and advocacy efforts in their individual spheres. Nonetheless, coordination among different units within the individual BMOs has increased and strengthened. Advocacy remains the only area on which participants report overall negative impact.

BMOs active in Afghanistan also report weak coordination and advocacy on issues affecting a wide swath of the private sector. During the consultation sessions with ABA and AMA, the CEO of a large-scale construction company stated that a “lack of a coordination and lobbying body for the private sector is felt strongly.” Some BMOs have been able to establish relations with the key government departments and organizations, but participants reported less success in advancing advocacy efforts on several specific issues. Interactions differ by area as well. ACIM and the ABA report

good coordination with the ITA offices, while AWCCI mostly interacts with MoIC and has limited access to other ministries. ACCI reported less involvement with the administration’s policy formulation frameworks and processes.

## Dialogue between the ITA and the Private Sector

Since August 2021, the Afghan private sector has organized an array of events, gatherings, exhibitions, and roadshows in Afghanistan. Some of these events were arranged in partnership with the ITA offices, while many others were held on an independent basis. Participants reported that while a major goal of these engagements was to create space for dialogue and exchange of views on common issues, no organized dialogue with a follow-up mechanism has taken place to make use of these discussion opportunities. A participant from the consultation session with ACCI emphasized that “currently, there is no organized and regular coordination mechanism among the private sector.” The leadership of all the BMOs unanimously agreed on the need to establish sustainable opportunities for dialogue and a mechanism to track and monitor progress.





# Recommendations

The following focused set of recommendations emerged directly from the key findings of the consultation process:

1. Given the current fragmented economic context in the country, there is an immediate and unanimously agreed upon need for an effective private sector coordination and advocacy mechanism. It should be inclusive of all the chambers, associations, and actors. At the same time, it shall include all the leading national and international stakeholders who have the authority and ability to promote the PSD agenda.
2. International partner organizations should support institutional capacity building and organizational development of existing Afghan private sector bodies, including chambers and associations.
3. To effectively address key challenges, coordination must improve between and among private sector bodies and national and international stakeholders.
4. To promote a “united private sector” development agenda, beginning immediately,

advocacy efforts by and for the Afghan private sector must be strengthened.

5. An independent, technically capable, and impartial organization should take the lead role in the future administration and management of the proposed platform.

The nationwide consultation process outlined in this report confirmed the legal, functional, and operational constraints facing the Afghan private sector organizations and businesses. (Please refer to Annex 1 for a detailed list of these challenges.) The consulted private sector organizations highlighted the absence of a unified effort to develop localized solutions to current challenges and establish a regular coordination mechanism with the authorities to facilitate delivery of reforms, improve the business environment, and encourage investment and entrepreneurship in Afghanistan.

These findings emphasize the need for a platform that facilitates effective coordination and strengthens advocacy efforts among all private sector organizations and actors. The platform should also support effective communication and coordination with concerned international stakeholders and the private sector on relevant PSD matters by providing a platform to promote the PSD agenda in a results-oriented, participatory, and sustainable manner.







## Annex I: Sector-Specific Challenges as Described by Consultation Participants



## **Agriculture, Livestock, and Poultry**

The recently established (2019) ACALP, like other private sector bodies, provides its members with a quasi-functional relationship with the public departments, although ACALP has no representation at the policy or decision-making levels. The chamber lacks any significant relationships with the IDAs or donor agencies.

1. With only one main office operating in Kabul, the organization lacks access and functionality at the provincial level.
2. The participants sternly criticized the mismanagement of resources and sporadic investment in the agriculture sector over the last many years.
3. Exporters of agricultural produce also face issues with money transfers and banking services similar to those reported by other sectors.
4. Some fundamental issues faced by the agricultural sector include lack of access to quality seeds and orientation, education, and training (expertise) at the village and district levels.
5. Participants also highlighted the lack of larger cold storage facilities; existing facilities are either small or not equipped.
6. Access to the regional and international markets, along with the inability to attend events outside Afghanistan due to visa issues, are additional challenges in the current context.
7. The agricultural exports sector reports the unavailability of a standardized certification system (sanitary and phytosanitary laboratories), making it difficult for their goods to qualify for entry at the destination ports.
8. Transportation of agricultural products is often disrupted by fluctuating fares and other logistical constraints at the crossing points.
9. Agricultural produce, in general, has been affected by seasonal agricultural diseases that could be prevented and cured, but due to lack

of adequate diagnosis and treatment and farmers' low investment capabilities, they are not.

10. The unexpected and unannounced imposition of duties and levies by Pakistan Customs has been a challenge during export seasons. Interestingly, coal is prioritized, while trucks carrying fresh produce must wait long hours to cross.

## **Banking and Finance**

The ABA and the AMA are the leading BMOs representing the country's banking and finance institutions. At the moment, both entities are collaborating with DAB and the Academy of Sciences to convert conventional banking and finance to Islamic as per the newly introduced ITA regulations.

Conscious of the vacuum in the legal framework, consultation participants reported that most banking and finance institutions remain active in the country, but with a predominant focus on complying with new rules and regulations. Moreover, ABA is engaged with UNDP Afghanistan in extending programmatic support to MFIs. Also engaged with UNDP Afghanistan, AMA, however, has kept its working relationship with international partners such as the EU Business Council, AmCham, and ACGF.

Key discussion points raised during the consultation included the following:

1. The operational costs of banks and financial institutions have significantly increased.
2. The capital assets of almost all banks in the country remain with DAB, with no effective functionality.
3. Dealing with interest is perhaps the most significant concern when dealing with the ITA.
4. While normal correspondence banking remains a significant challenge, banks have been able to make transfers in the past year, but at ten times the cost to clients before August 2021.

5. Banks also actively focus on anti-money laundering compliance issues.
6. The microfinance sector has been negatively affected by a non-performing loan rate of more than 50 percent.
7. Some banks are moving toward bankruptcy and require serious support.
8. Banks and MFIs are also challenged with brain drain, with many staff members having left in the past year.
9. MFIs seek matching grants, revolving funds, subsidies, and revolving guarantees to continue serving the market.

### Women-Led Businesses

The women's chamber remained dysfunctional for the first eight months after the Taliban takeover. With the support of MoIC, the chamber is active again, with a female ministry oversight representative. Representation of the chamber as one voice for all women-led/run businesses has become nonexistent at the state level.

In the current context, women-led/run businesses and representative organizations are sidelined. Women-led/run businesses and women entrepreneurs experience constraints in accessing different public departments, including ministries. The cost of obtaining a license from Afghanistan Central Business Registry has increased, while the MoJ and municipalities have stopped issuing permits to women who seek relevant approvals.

Overall, women-led/run businesses report extreme financial constraints, and many of these businesses are therefore either closed down or on the verge of bankruptcy. These businesses also face issues with accessing and importing raw materials due to financial and banking issues. Women-led/run businesses unable to access their bank deposits have other compounding operational challenges. For example, due to lower sales and growth, most businesses have laid off employees,

mostly female, and the increasing costs of doing business are forcing business owners to downsize even further.

Other important points raised by representatives of women-led businesses include the following:

1. Women-led businesses remaining active in Afghanistan report a lack of support from the international community, citing examples of support extended to women outside Afghanistan.
2. Since they lack support (such as previous government subsidies for exports), these businesses' risks and costs of exporting and transporting goods have increased multifold.
3. Businesswomen's lack of access to visas creates hurdles in doing international business and limits their participation in international events and exhibitions.
4. Some women-led businesses report problems with unrealized payments under contracts dating before August 15, 2021.
5. Access to finance remains a huge challenge as women-led/run businesses cope with operational issues as well as expansion plans.
6. The ITA has been conducting illegal tax reviews, and businesses have been unable to pay the penalties imposed by the MoF following the assessments.
7. Companies in the services sector have limited their operations. Business closure and clearance processes are time-consuming and convoluted on many levels.
8. Limited access to power and the associated costs have a highly negative impact on women-led/run businesses.

### Building and Construction

The Afghanistan Builders Association (ABA) is the coordinating body and advocacy support organization for firms and businesses operating in the building and construction sectors. The association has maintained an effective relationship with its members and seems to be



a capable organization. The participants listed the following challenges during the consultation session:

1. The associations operate independently of the other larger business groups, unions, and chambers of industries and commerce and thus have created dedicated communication channels and working relationships with the ITA.
2. No or limited access to cash deposits in local banks constitutes one of the most serious challenges faced by association members.
3. Many projects with funding commitments from the previous government or international development partners are incomplete, with local companies either fully or partially unpaid. Similarly, these companies have not been able to access the deposited financial guarantees paid by construction firms previously.
4. The revenue department is putting pressure on the construction and building companies to pay additional amounts in taxes and penalties as part of its re-examination of past tax reviews and assessments. Since industry participants have no access to their cash resources and deposits, this has become an added ordeal.
5. The international aid organizations are awarding projects to local NGOs that lack adequate expertise and resources to undertake construction work. In reality, most of these NGOs turn to building and construction firms for subcontracting services. This additional layer of cost could be avoided by awarding direct contracts to local companies.

### **Commerce and Investment**

ACCI expressed serious concerns over the current relationship between the private sector and the ITA. The Afghan private sector is no longer considered a “partner” of the Afghan state, as was the case under the 2004 constitution. Consultation participants highlighted the sporadic cooperation between the BMOs and the ITA, leading to significant daily challenges in coordinating ACCI members’ business activities with the relevant public departments.

Over the years, ACCI has built an extensive network of connections in the region and internationally, but current limitations have significantly impeded the chamber’s work and pursuits. ACCI efforts over the past have not been effective, and the group keenly feels the need for a strong advocacy platform.

Afghan traders and businesses still struggle with issues such as warehousing, storage, and services related to the requirements of sanitary and phytosanitary agreements and protocols. Access to adequate power and other utilities remains a critical need. ACCI welcomes the initiative and strongly supports a coordination and advocacy platform for the Afghan private sector.

### **Craftsmen and Shopkeepers**

ACCS represents the largest (by number) group of Afghan private sector businesses. The chamber has been mostly dysfunctional in pursuing the craftsmen and shopkeepers’ goals and objectives. According to the leadership, the chamber has traditionally been a very weak organization, with extremely inefficient structure and mechanisms, and unable to speak effectively for its thousands of members across the country.

The members also noted that they had not received any tangible support from the public sector and/or the international community for years. The situation has been exacerbated since August 15, 2021, after the Taliban took control of the government administration. Issues with the legal structure of the governing council and the involvement of the government have added yet another layer of complexity to the situation.

The chamber’s functions are now limited to serving as a certification body that issues necessary approval documents for shopkeepers and providers of small-scale professional services. The following summarizes the challenges faced by ACCS members:

1. Both the chamber and chamber members in Kabul and other provinces struggle to pay rent and other utilities charges.

2. The chambers cannot initiate and sustain a communications channel or working relationship with national and international support organizations.

3. Macroeconomic challenges for this chamber include issues with liquidity and/or limitations on bank withdrawals, lower aggregate demand coupled with decreasing income levels, and consequently lower purchasing power.

4. The current authorities impose irrational taxes, further crippling the firms' financial capacity. Moreover, tax reviews are extended over more than the past five years; in some cases, illegal reviews extend back seven or even ten years.

5. Most business owners report that the authorities pursue and implement legal and regulatory clauses in support of "revenue collections" without incentivizing or supporting firms' operations.

6. Market price mechanisms are obsolete, and the implementation mechanism is unjust and warped, thereby adding more financial and legal pressure on shopkeepers, craftsmen, and other organization members.

7. A plethora of legal and regulatory challenges have arisen due to the absence and misinterpretation of legal frameworks, laws, and bylaws.

8. Access to finance remains a big challenge.

## Industry and Mining

As one of the most significant groups within the Afghan private sector, the ACIM has been an active and functional entity for the past 18 months. The chamber has unfortunately lost its seat (representation) at the High Economic Commission, but some key players have managed to continue to engage and build working relationships with ITA leadership and various government departments now run and managed by the ITA officials.

Within the industry and mining group, representation of women-led/run businesses is almost non-existent, and thousands of

women have lost their jobs due to economic contraction and the financial challenges facing industrialists.

The industry groups report receiving some support from the ITA, but they need assistance in engaging international partners and donor agencies. For example, industrialists still face issues like access to land, power, and other services in industrial zones and parks.

The mining group has been supported significantly in the past year, and the ITA has collected huge sums of revenue, but some challenges remain. Recently, the mining group has advocated establishing a separate dedicated chamber since ACIM has not been able to represent them effectively.

At the moment, the BMOs have no working relationship with the IDAs and partners, citing a trust deficit as the key reason. A select few businesses also report payment issues with international donors and development agencies for contracts rendered before August 15, 2021. (This is particularly the case with pharmaceutical companies serving the Ministry of Public Health and the Ministry of Defense, as well as some energy, construction, and building companies.)

One of the biggest challenges for industrialists is their inability to transfer money for operational purposes, particularly for the import of raw materials. In the absence of an alternative, telegraphic transfers or Hawala services are used for business transactions, resulting in high costs for firms and companies. Moreover, companies find it daunting to access or develop new markets or attend events abroad.

According to the chamber leadership, PriSEC provided comprehensive legal and regulatory support to the industry and mining group, but it no longer exists. Also, ITA is selective when it comes to the legal and regulatory framework; mostly only those laws and bylaws favoring revenue collection are implemented. Similarly, municipalities and other agencies impose service fees and taxes, but the level and quality of services provided are extremely low. Tariff policy does not frequently favor local



producers, mostly because of the low capacity of the departments and officials involved. The following are key points of the sessions:

1. The participants emphasized the need for the involvement of the public sector in the consultation process and beyond.
2. The ACIM leadership calls for confidence-building measures to address the trust deficit and strengthen the working relationship between the industry groups and international partners.
3. A facility for money/capital transfer and/or full operationalization of the Humanitarian Exchange Facility is a critical need.
4. The need for an advocacy and coordination body calling for a stronger representation of industry and mining groups is repeatedly highlighted.
5. The chamber welcomed the platform initiative and expressed its support for the continuation of the process.
6. Both industry and mining groups expressed their commitment to reabsorb the unemployed workforce once some of the financial challenges are resolved.
7. The pharma group seeks support to establish a dedicated zone for companies producing pharmaceuticals and medical equipment.
8. The participants strongly requested support with regional and international visas to enable them to attend events, conferences, and exhibitions.
9. The ITA and the IDAs must take prompt action on the issue of unresolved payments and contractual liabilities.
10. Sector-wide representation, particularly including women, support for local products, and ACIM involvement at the policy level were among the other requests made by the participants.

### **Rugs and Carpets Guilds and Associations**

Multiple entities claim to extend support to

Afghanistan's carpet weavers and traders. With visible differences in approach and views, the internal relationship of guilds and associations has degraded significantly from previous years. With export figures rising over the past few years, decreasing attention is given to the general management of BMOs and associated membership organizations.

During the first half of 2022, approximately 600,000 square meters of carpet (worth approximately US\$120 million) were exported, 70 percent of which came from the northern region. The sector overall employs more than a million people. The guilds and associations have established working relationships only with MoIC, and they continue to carry out export activities as well.

The sector at large faces these key challenges:

1. One major challenge in the current context includes money transfers and banking issues, as well as increased costs of doing business, particularly for raw materials and transportation.
2. Most Afghan rugs and carpets (85 percent) are traditionally exported via Torkham to Pakistan and onward to different markets. Recently, this transportation route has become costly, insecure, and lacks risk mitigation. Direct access to markets requires support for transportation costs and to ease money transfers.
3. Currently, yarn is exported to India despite local weavers' need for yarn for carpet production.
4. Producers and exporters have not been able to conduct any coherent marketing or promotional activities in the post-COVID-19 context, significantly reducing sales.
5. Financial and technical support intended for the Afghan carpet industry often went mostly to firms, not in the business or to proxy businesses. In the future, due diligence should be used to avoid repeating these mistakes. Donors should conduct assessments of existing companies in Afghanistan and involve only fully vetted companies in consultation and support meetings.
6. Guild and association members have

striking differences when it comes to the affairs, management, and coordination activities of their respective pursuits.

7. It has become daunting to gain access to chemicals for washing purposes. The wait to import chemicals can, at times, reach several weeks. Currently, only one company imports these chemicals into Afghanistan.

8. Access to financial products involves a cumbersome process. No dedicated loan facility supports the sector.

9. There is a strong need to establish permanent and temporary exhibitions of Afghan carpets. The guilds and associations do not have adequate expertise or the financial capability to do so.

10. Variations in Pakistan's tariff policy present a major challenge to the carpet exporters.

11. Market access and attendance at exhibitions have been significantly limited due to visa constraints.

and citing different rules. The lack of a dedicated chamber has made it very difficult to raise issues or defend the rights of the transport sector.

2. The ITA only acts on articles in the laws with the potential to generate government revenues.

3. The transportation sector, particularly in the provinces, is dealing with increasing interference by numerous public departments. Local municipality offices have imposed additional fees, and in cases of noncompliance, drivers have been penalized, including by imprisonment.

4. While the transport sector receives no services, local municipality offices continue to charge high fees for driving permit renewals.

5. Regulatory fees to be applied only on foreign trucks are collected from local trucks as well.

6. Most drivers and associated staff in the trucking sector require further training and education.

## Transport and Freight Forwarding

AAFFCo and the Council of Afghanistan Transport Associations collectively represent the individuals, businesses, and firms providing transport, freight forwarding, and transit services. While the group offers services considered critical to private sector activity in Afghanistan, both entities are under-capable and rather weak at raising the voices of drivers, transporters, and associated unions.

At the moment, none of these entities have tangible representation at the state policy level, and they are often in conflict with other sectors. The legal complications and lack of required legal frameworks have impeded the long-awaited demand for establishing a dedicated chamber. The following list summarizes the challenges noted during the consultation meeting:

1. The lack of specific and dedicated public service platforms in the transport and transit sectors and the involvement of multiple government entities, each levying specific fees







### About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2023, IFC committed a record \$43.7 billion to private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity as economies grapple with the impacts of global compounding crises. For more information, visit [www.ifc.org](http://www.ifc.org).

### About Harakat

Harakat is committed to fostering a conducive and dynamic business ecosystem in Afghanistan. We recognize the pivotal role of a vibrant private sector in propelling economic growth and generating employment opportunities. Our success is built on expertise, experience, and a deep understanding of the Afghan business landscape. Leveraging our knowledge and extensive network of private sector drivers, civil society, and key government stakeholders, we actively advocate for policy reforms, streamline bureaucratic processes, and promote transparency and sustainability in sound business practices. For more information, visit [www.harakat.af](http://www.harakat.af).



[www.harakat.af](http://www.harakat.af)



[info@harakat.af](mailto:info@harakat.af)

### Find Us On

