



Afghanistan Chamber of Commerce & Investment
اتاق تجارت و سرمایه گذاری افغانستان
د افغانستان د سوداګرۍ او پانګونې اتاق

The Private Sector's Proposed Suggestions | 1401



Priorities and Findings of the
Private Sector's National Conference

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Foreword

The Afghanistan Chamber of Commerce and Investment (ACCI) is a non-profit, non-political and non-government organization that acts as a major umbrella for the country's private sector in accordance with the relevant law and bylaws. ACCI tries to provide services to the private sector, and establish an effective and transparent relations with the government, the international community and its social partners, while improving the current state of trade and investment in the country, increasing the employment opportunities, paving the way for providing a favorable investment environment, private sector cohesion, and necessary coordination with the Government of Afghanistan, international institutions, social partners. Ensuring the welfare of citizens, economic growth and development are ACCI's key tasks.

Despite the fact that for decades, Afghanistan has been suffering from conventional and unconventional domestic and foreign-led wars, it has recently made great but unbalanced progress and the efforts for economic development, improving social indicators and investing in infrastructure are not sufficient. In spite of all these, the long-term development challenges are considerable in Afghanistan, and like any other low-income country, it has usually faced with conflicts. Therefore, despite economic development and progress that has taken place in recent years, Afghanistan is still among the poorest countries in the world.

The private sector, which forms the economic backbone of the government and the society, and is considered as the engine of economic growth and development of the country, has a larger share in GDP compared to the public sector. Meanwhile, it plays the biggest role in creating job opportunities and increasing national income. In post-war countries or where there are conflicts, the private sector needs the full support and assistance of the government, in order to improve.

The private sector in Afghanistan has experienced development due to the existence of large foreign aid, relative infrastructure development, the emergence of legal rules and regulations, economic system, and business relations with various countries; but due to obstacles and problems in the domestic and international spheres, it has not been empowered and self-sufficient enough to be able to achieve its basic goals and play an effective and constructive role in the country's economy and compete in the market with its regional and international competitors.

Given the position of the private sector and its role in the economic growth and development of the country and the challenges faced by the private sector community in the current situation, the Afghan Chamber of Commerce and Investment (ACCI) has tried to create a platform for effective measures to accelerate re-activation and growth of the private sector, following the recent developments in Afghanistan; and therefore it organized the Grand National Private Sector Conference, which brought together a number of active members of the private sector from across the country, including high-ranking government officials, international missions and diplomatic representatives, who participated in person or virtually.

In this conference, in addition to speeches of government officials, a large number of business leaders and representatives (sector chambers, unions, associations, businessmen and investors) presented their problems and suggestions during the conference.

The Chamber, representing the private sector, and based on its mission and task, and taking into account the current situation and needs of the country, has analyzed the findings and results of this conference. These findings and results are presented as an important national proposal package in three languages: Dari, Pashto and English. This will be submitted to the government, relevant institutions and international diplomatic authorities so that the responsible and relevant institutions can use it in formulating appropriate and effective policies and solutions as a source that presents realistic pictures of challenges and solutions.

The Board of Directors of the Chamber appreciates the private sector of the country, which in all circumstances has always continued its entrepreneurial activities, despite all problems, and has served the people of Afghanistan. Also the Board appreciates all those involved in the preparation and compilation of this national document, especially the assigned executive committee (Shafiqullah Atayee, Abdul Salam Koochi, Mirzaman Popal, Mansourullah Hedayat, Omid Ghafourzai and Azizullah Fayez). And, finally the Board of Directors of the Chamber thanks sectoral unions and associations for their great contributions, and hopes that the efforts made in this regard will lead to solving the problems of Afghan private sector.

Private Sector National Conference

Over the past several decades, the problems of Afghanistan's private sector have been discussed in detail but uncoordinatedly; and there is unfortunately no real formal document on challenges and solutions of the private sector issues as a whole. The Afghanistan Chamber of Commerce and Investment (ACCI) has taken the initiative to launch a National Private Sector Conference to prepared a comprehensive proposal on introducing challenges and presenting solutions; in which sectoral chambers, unions, associations, business owners, high-ranking government officials, and representatives of international diplomatic institutions had participated.

The National Conference of the Private Sector consisted of three main parts. In the first part, the topics of interest were discussed by the representatives of domestic and international related institutions, in the second part the exhibition of domestic products was visited, and in the last part Work Groups of different sectors were developed in order to reflect their problems and suggest solutions. The Chamber of Commerce and Investment (ACCI) has collected, reviewed and analyzed the relevant problems and solutions presented by those working groups, and based on those data it has introduced the strategic priorities of the private sector. The main sectors studied are as follows.

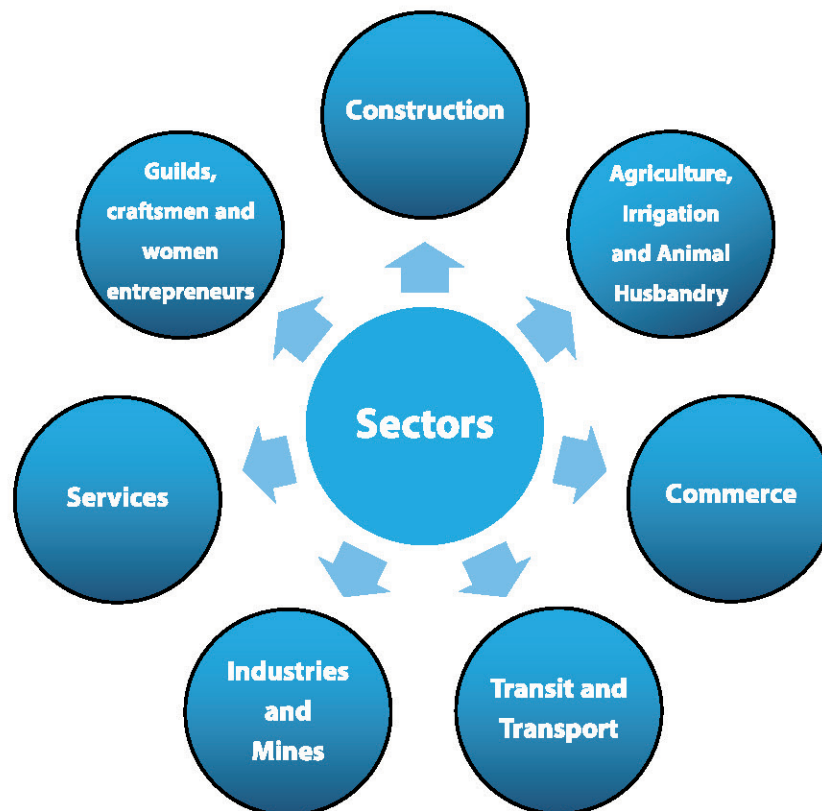


Figure 1: Sectors studied

Agriculture, Irrigation & Animal Husbandry

Afghanistan's area is 647.5 square kilometers, 12 percent of which (7.9 million hectares) are arable land. The population of the country is approximately 35 million. The country has a good capacity for agricultural growth, but due to historical backwardness in most sectors and lack of effective use of resources, these resources are largely remained untapped; and the conflicts of recent decades have led to a pervasive culture of destruction of economic infrastructure and social facilities; and thus the promotion of the economic and social development of the country in terms of material and spiritual investment is faced with great obstacles.

Currently, about 80 percent of the labor force is employed in agriculture, and agricultural products account for about 30 percent of the country's gross domestic product. In the past the traditional agriculture partially produced the populations' essentials, but due to unregulated imports,

the lack of supportive and credit policies and lack of necessary facilities for the development of mechanized agriculture, currently the country's agricultural products do not meet the needs of the market and consumer demand, which in some cases have caused crisis and severe price fluctuations. And therefore the country's markets are not manageable.

Despite all this, thanks to the efforts and cooperation of government institutions and the ACCI, agricultural products account for about 70 percent of Afghanistan's exports and its export value is about \$800 million. The following graph exhibits the amount and value of exports of some major agricultural products in 2021:

Quantity And Export Value Of Major Export Items (Fresh And Dried Fruits)

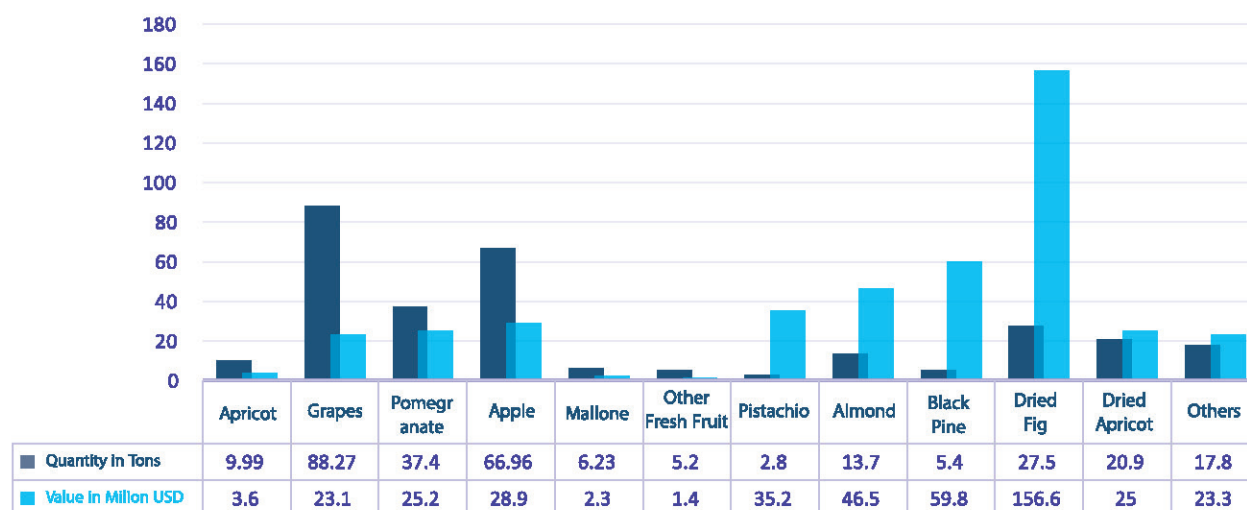


Figure 2: Amount (thousand tons) and value (million dollars) of exports of major items of dried and fresh fruit in 2021

Source: Export and Investment Department, ACCI.

In addition to increasing exports of agricultural products, Afghanistan has also witnessed significant progress in the poultry sector. The following table shows the overall picture of the Afghan poultry sector in 2022 - 2021:

No.										Annual Value in US Dollars	Annual Production Value in US Dollars
		No. of Factories	Unit	Annual Demand	Annual Production Capacity	Annual Domestic Production Capacity	Annual Import	Annual Production & Deficits			
								Production%	Exports%		
1	Poultry Grain	21	Metric ton	642,625	682,300	545,700	96,925	85%	15%	40,611,575\$	226,465,500\$
2	Fertilized egg	15	Unit	183,195,000	28,300,000	22,230,000	-	12%	-		4,601,293\$
3	Chicken Production	63	Unit	159,300,000	88,452,000	20,000,000	137,250,000	14%	86%	35,510,996\$	5,174,644\$
4	Edible eggs	611	Unit	1,600,000,000	1,168,000,000	928,500,000	438,540,000	58%	42%	28,366,106\$	60,058,214\$
5	Chicken	8,659	Metric ton	300,000	266,400	219,000	81,000	73%	27%	167,658,473\$	509,961,190\$
	Total							Total		272,147,150\$	746,202,687\$

Table 1: General overview of the poultry industry in Afghanistan

Source: Afghanistan Poultry Union and Afghanistan Chamber of Commerce and Investment

Despite the progress in the above field, Afghanistan is not completely self-sufficient in this sector and still needs to import these products from outside the country, which can be clearly illustrated in the figure below:

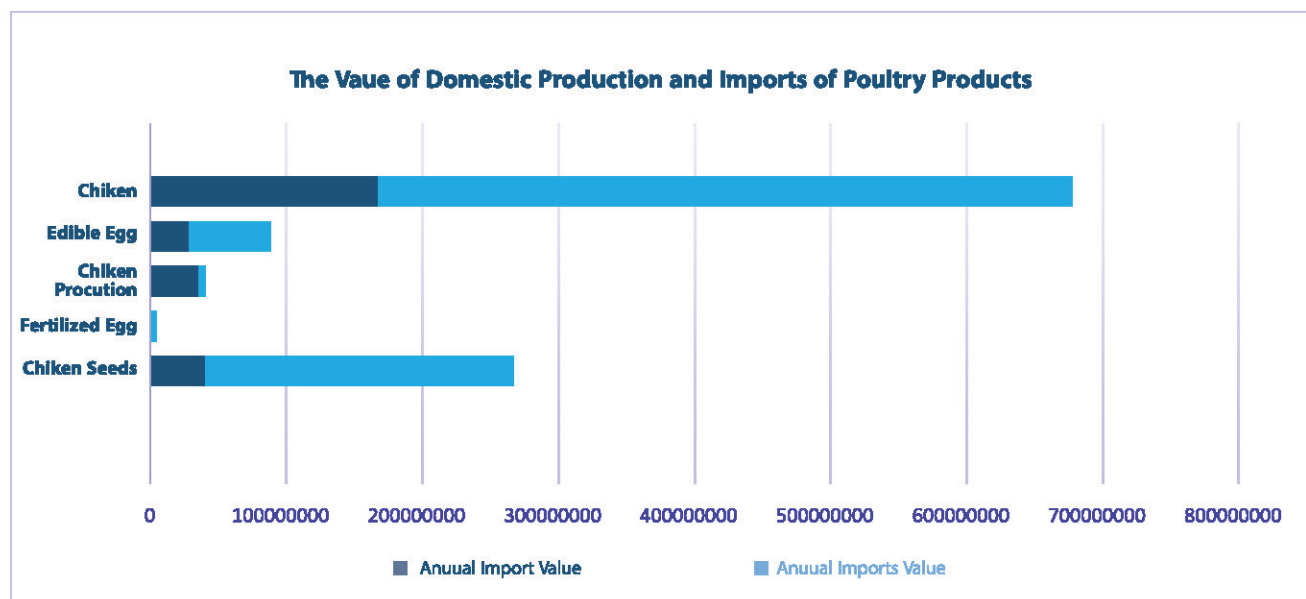


Figure 3: The value of domestic production and imports of poultry products

Source: Afghanistan Poultry Union and Afghanistan Chamber of Commerce and Investment

The chamber believes that if the challenges related to the agriculture sector are resolved, the value of its exports will increase by 5 times. The main obstacles and problems along with their solutions are as follows:

Agriculture and Irrigation

Priorities	Challenges	Suggestion
<p>Compilation, reform and establishment of relevant support policies, including the improvement of the infrastructure needed to improve the competitive advantage and agricultural capacities in the country and accelerate the transition from traditional to mechanized agriculture.</p>	<ul style="list-style-type: none"> • Absence of necessary policies to support the private sector; • The low capacity in financing and the lack of proper credit and loan policies; • Consecutive droughts and lack of proper management of water resources for irrigation; • Complicated procedures for customs clearance, inventory and tax settlement. • Farmers' lack of awareness of modern standards and methods of agriculture, livestock and animal husbandry; • The low capacity of departments in preparing necessary certificates for agricultural products; • Non-existence of agricultural infrastructures such as (cold storages, precooling, refrigerated transport vehicles); • Lack of enough pesticides, chemical fertilizers and modified eggs to address farmers' needs; • Problems in the scope of the value chain; • Obstacles against the transition from traditional agriculture to mechanized agriculture. 	<ul style="list-style-type: none"> • Providing the necessary support facilities in related policies and legal documents; • Establishing a sector bank for the purpose of providing the necessary financial facilities or facilitating sector credit and loan policies through existing government and commercial banks; • Construction and reconstruction of irrigation networks and dams in order to give farmers access to effective and sustainable water resources; • Improvements in procedures for customs clearance and taxation, such as submitting quarterly to annual balances; • Standardization of certificates required for agricultural products according to accepted regional and global standards; • Accelerating the transition from traditional agriculture to mechanized agriculture by utilizing researches, developments and experiences of countries in our region and beyond especially in terms of access to modified seeds, chemical fertilizers, pesticides, animal feed, livestock promotion and plant protection, agricultural machinery, improving value chains, international marketing, laboratory facilities, adaptation of standards and awareness.

Table 2: Challenges and suggestions of agriculture, irrigation and livestock sector

Livestock & Poultry Farming

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Lack of access to land in provinces for the purpose of establishing breeder farms. • Lack of strategic stocks of chicken feed's raw materials. • Health and safety risks caused due to imports of live chicken from different countries. • Restrictions in financial and customs facilities for the country's poultry industry. • Lack of standard storage facilities for chicken and eggs produced in the country. • Lack of standard slaughterhouses and standard processing facilities for poultry products in the country. 	<ul style="list-style-type: none"> • Facilitating access to land to create breeder farms in different provinces of the country through: <ul style="list-style-type: none"> - Long-term lease to the private sector or, - Public and private partnership • Financial support for the establishment and creation of strategic reserves of chicken feed's raw materials. • Ensuring the health and safety of citizens by banning the import of live chicken. • Providing financial and customs facilities through ways such as: <ul style="list-style-type: none"> - Customs charges based on unit of chicken. - Providing standardized facilities in the ports of the country in order to implement, control and monitor the quantity and quality of poultry products. - Tax exemptions of 3 to 5 years for newly established farms. - Exemption from customs tariffs on fertilized eggs required for domestic hatching machines. • Providing standard facilities for meat and egg storage in the country in order to immediately respond to the demand in the market through ways such as: <ul style="list-style-type: none"> - Creation of standard cold storages with high capacity at least in 5 economic zones of the country in the short term. • Standardizing the slaughtering and processing of poultry products in the country through: <ul style="list-style-type: none"> - Construction of standard slaughterhouses in the country - Preventing the slaughter of live chickens in open spaces in order to protect the environment - Providing processing facilities and supplying the value chain of poultry products in the country.

Trade (Import & Export)

Trade is one of the ways to achieve the economic growth and development; and the level of trade of a country, especially the share of its exports, shows its economic growth and development.

Since Afghanistan has inherited the traditional methods in commercial activities, it has always faced many problems, but at least recently, constructive reforms such as simplifying commercial and business processes, creating single service centers, development of transit routes, air corridors, recognition of the challenge and the corresponding adjustment of laws, adoption of laws and preferential trade agreements, with tangible results.

In this context, Afghanistan's accession to the World Trade Organization (WTO) and the implementation of

"obligations after Afghanistan's accession to the World Trade Organization" can be considered a positive indicator in the growth of Afghanistan's trade, if its provisions are used according to the country's national interests.

For many years, Afghanistan's trade balance faced a significant deficit and has fluctuated around 90 percent, which has had a negative impact on other components of the national economy inside the country, such as extreme fluctuations in prices and exchange rates. Despite that, due to reforms, the trade balance deficit in the country is changing positively and for the first time the value of the country's exports reached 1096 million in 2021. The trade balance of the country is presented in the following table:

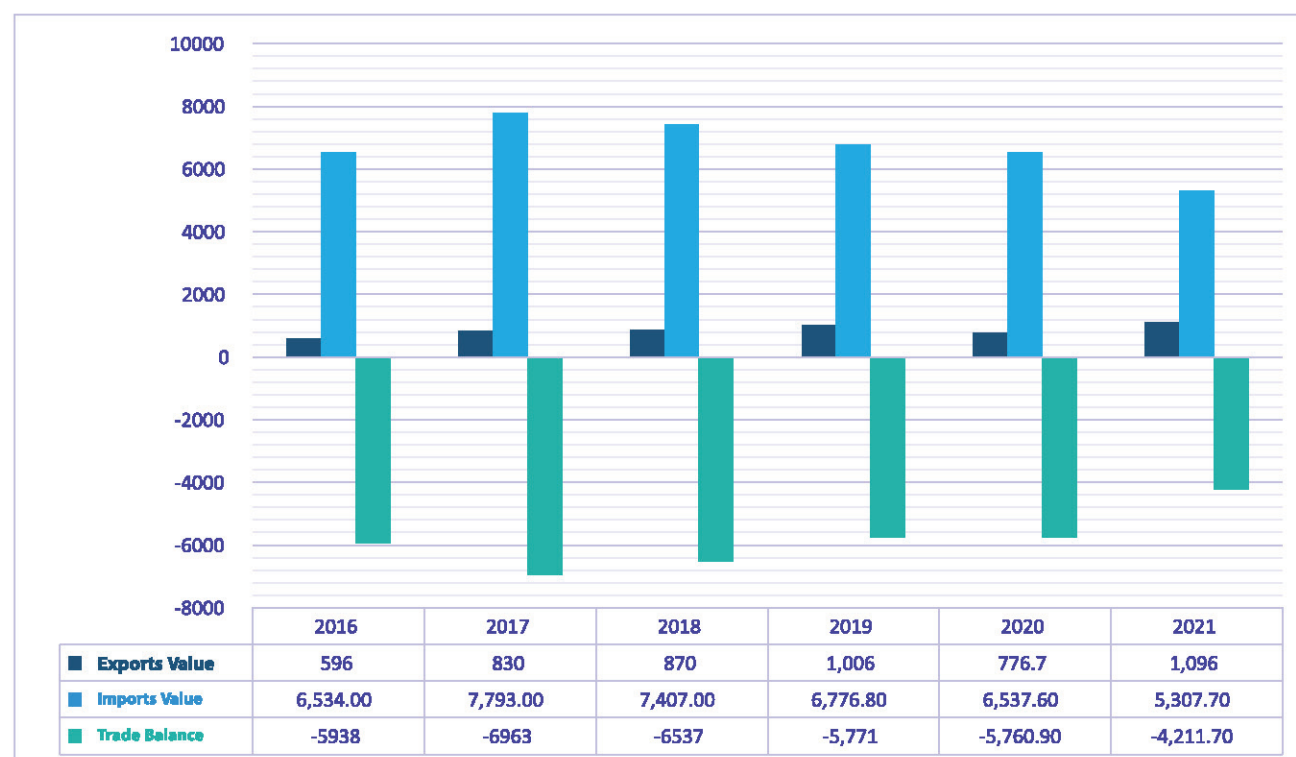


Table 3: Afghanistan's trade balance (million us dollars) during the fiscal years 2016-2021-

Source: Department of Export and Investment (ACCI) and National Statistics and Information Administration of Afghanistan (NSIA)

Advanced and forward-thinking countries are constantly trying to strengthen their trade as much as possible and to stabilize their position in the international trade, so it is considered an urgent need to address the major challenges of this important sector in order to stabilize Afghanistan's position in international trade. A summary of private sector's suggestions in this regard is presented in the following table:

Trade (Export)

Priorities	Challenges	Suggestion
<p>Providing facilities and standards appropriate to regional and international conditions to improve cross-border trade</p>	<ul style="list-style-type: none"> • Absence of an effective policy for the purpose of marketing the country's export products; • Lack of necessary support facilities to make the country's export products competitive; • Problems in taxation, balance submission and customs declarations; • High costs of cross-border trade (land and air corridors); • Applying the same procedures for the reduction of all export products without taking into account the endurance of the goods; • Problems in the commercial ports of the country in terms of capacity and infrastructure; • Absence of trade agreements and contracts with countries in the region and the world; • Lack of necessary facilities for visa issuance. • Failure to provide standard banking services in accordance with the needs of the private sector. 	<ul style="list-style-type: none"> • Standardizing and facilitating the country's export products marketing to potential international markets through (holding annual exhibitions and conferences, effective activities of trade attaches and holding B2Bs); • Removing existing restrictions in order to make the country's export products competitive through (facilitating disinfection or fumigation according to international standards, creating domestic cold storages at least in the short term in the country's major economic zones, providing suitable places for loading and allocation of land for the purpose of processing, standard packaging and informing about it). • Necessary tax facilities and providing balances through (clearance of tax on export products during the transit of goods in customs and changing the quarterly balances presentation to annual); • Reducing the costs of cross-border trade through coordinating with the countries which share common interests in reducing the costs of railways, attracting financial and technical support from international organizations and finally allocating subsidies from the government to restart air corridors, coordinating to reduce transit charges in the countries of our region). • Adopting alternative methods for customs procedures, such as giving preference to fast-arriving and perishable products, especially the clearance of goods on documents and in the absence of those goods, and also imposing seasonal tariffs on imported vegetables and fresh fruits similar to domestically produced ones; • Conducting capacity building programs for employees and meeting infrastructure challenges in the country's customs, such as creating single service centers, expanding the ASYCUDA (Automated System for Customs Data) in all active ports of the country, creating quarantine systems and standard laboratories in accordance with standards accepted regionally and globally, modernizing the means of loading and transportation means in customs, installing scanners and high-tonnage scales in all active customs of the country. • Conclusion of agreements and contracts in trade sectors and unilateral and multilateral preferential tariffs with peer countries. • Facilitation in the field of issuing long-term business visas for Afghan businessmen and investors. • Providing easy banking services in accordance with the needs of the private sector, especially in the field of money transfers, issuance of bank guarantees, restrictions on monetary transactions, communication between the bank and the countries that are parties to commercial transactions, development of banking services in all border ports and active customs of the country.

Trade (Import)

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> Existence of customs and tax problems in the fields of transporting form, especially unloading forms, tax clearance and balance arrangement, delay in customs procedures, difference in purchase price and database price; The existing challenges due to the lack of system and standard criteria in accordance with the countries of the region, such as non-existence of cold storages, non-existence of equipped laboratories, especially in terms of non-compliance of the standards set in the ports with the standards of goods imported from the country of the region. Failure to provide proper services despite high transportation costs and extortions⁵; The existence of problems due to misinterpretation of government decisions regarding imported products⁶; Visa problems. 	<ul style="list-style-type: none"> Addressing the customs and tax challenges of Importers through one-time unloading and description of goods, especially fresh fruits and vegetables, one-time production of imported goods,¹ adjusting the tax clearance system from quarterly to annual, making it optional to transport goods in ports of the country after implementing customs procedures, exempting tax fines from the fiscal years before 2019–2020, building regular parking lots for different products separately, especially in Islam Qala customs, revising the duty imposed on wheat and flour due the dire needs for those commodities, addressing the existing challenges of high-speed vehicles Single Key in Herat customs based on foreign invoices in order to increase the government's revenue² and the uniform application of customs laws in all customs of the country; Addressing the problems of standardization, such as establishing regular and equipped laboratories for the purpose of accurate testing of imported goods, installing fire protection systems in the country's ports, establishing quality control laboratories and scanners in the country's ports, the construction of cold storages and standard warehouses and parking lots in the ports of the country; Revising the fee and providing the services of Stras Administration in accordance with the requirements of the private sector and regional and international standards, addressing the problem of imported vehicles stopped in the ports of the country. Revision of the enactment of the high Economic Council dated 12/29/1398 regarding the iron smelting industries and the supply of steel bars and iron³, and reviewing the non-written guidance of the relevant authorities of the Islamic Emirate of Afghanistan regarding the supply of chicken⁴; Dealing with the special problems of businessmen through diplomatic channels.

1 - The custom duties has applied on imported rice (which entered through Khost and Logar provinces) at the border and when it reached the Chahar-Asiab area of Kabul, it brought into Kabul by small transport vehicles and transferred again to Kabul custom for re-taxed. In addition, there are problems in the part of the oil transfer form.

2 - Our recommendation is to implement the ex-existence tax policy on high-speed vehicle which was 10% on model (20002010-) and 15% on model (20102020-), we assure it will help to solve the problem and causes a tangible increase on government income.

3 - According to the decision made in the high Economic Council's meeting dated 29/1398/12, the general tariff for steel rods and iron was increased by 15%, which was interpreted as if it were 15% plus 16% (15% + 16% = 31%). Since 31% was not available in tariff lines, it was increased to 30%, and later it was determined that (15%) and (16%) are meant to add (2.4%) and the total is (18.4%); and subsequently, since there were no tariff lines for this amount, it was fixed at 20%. It is respectfully requested that the issue be reviewed and the correct interpretation be determined.

4 - Companies that are imported chicken meat are committed to send official delegations from government and private sector to final destination (especially Turkey and Brazil) for full clarification and re-determination regards import of chicken meats to the country.

5 - Astras company (railway service provider) charging 76 AFs as service fee without providing any kind of service, increasing the fare per ton of flour from 2400 AFs to 3000 AFs, receiving a 0.4% commission from the Department of Petroleum for firefighting services and charging 800 AFs a day for land tax fine on each stopped lorry.

6 - The conflict between the decision of the Tariff Committee of the high Economic Council and the verbal direction of the Ministry of Agriculture, Livestock and Irrigation regarding the prohibition of chicken imports for the interests of the people and Importers.

Trade (Oil and Gas)

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Absence of standards for the import of oil and liquid gas. • Weakness in providing significant services of petroleum administration in exchange for receiving 0.4 percent commission. • Disproportionate administrative actions in terms of time compared to the established criteria of contracts with commercial parties, especially Turkmenistan (returning oil within 5 days in case of poor quality). • Delays during customs procedures by relevant government institutions, including obstacles in the unloading process. 	<ul style="list-style-type: none"> • A comprehensive policy plan to determine standards in accordance with national and international standards for the supply of oil and gas, which includes the following issues: <ul style="list-style-type: none"> - Type and quality of oil and gas. - Specific standards for oil and gas. • Planning and implementation of a regular framework in supply of oil and gas in accordance with existing international approaches that focus on the following issues: <ul style="list-style-type: none"> - Speeding up the supply process by involving only two institutions; the Ministry of Finance for establishing and obtaining taxes and customs charges, and the Department of Norms and Standards to certify the standards and quality of oil and gas. - Changing the legal position of the oil administration office to a state company that corresponds to the original purpose of its establishment. • Speeding up the process of administrative procedures and clearance of petroleum products in the ports should be done as follows: <ul style="list-style-type: none"> - Administrative procedures be completed in less than 5 days. - Speeding up the process of returning oil in case of poor quality in accordance with the provisions of the contracts. • Reducing the supply costs of oil and gas in order to reduce its price in the market, through: <ul style="list-style-type: none"> - Speeding up the unloading process in order to prevent railway demurrages and wagon rental. - Expediting the customs procedures in order to avoid paying fines due to stopping the wagon. • Unloading of oil and gas in the existing reserves under the supervision of the relevant authorities and issuance of permission for use after completing its legal procedures. • Solving the problems related to oil and gas contracts through state channels, especially with Turkmenistan, including the followings: <ul style="list-style-type: none"> - Removal of late loading penalties. - Extension of contracts by based on agreement of the parties. • Construction of separate standardized parking lots for the supply of petroleum products in order to prevent unexpected accidents (fires, etc.).

Source: Findings of the importers' working group (national conference of the private sector)

Transportation and transit

From the perspective of geo-economics and development aspects, the geographical location of Afghanistan is both challenging and an opportunity. On the one hand, Afghanistan, as a landlocked country, is facing development challenges such as limited access to regional and international markets, infrastructure gaps, high cost of trade and transit, and lack of investment in

the transportation and transit sector; and on the other hand, Afghanistan's geo-economics situation at the intersection of four densely populated and energy-rich regions, namely, Central Asia, South Asia, the Middle East, and the Far East, has provided a potential position to Afghanistan to let it become a regional bridge and the center of trade and transit in the region and beyond.



The restoration of Afghanistan's historical position as a regional bridge and the center of trade and transit in the region requires Afghanistan's active presence in the transportation and transit corridors in the Eurasia, which is important not only for Afghanistan but also for the economy of the entire region. Due to its central location, Afghanistan provides some of the shortest and most economical road and rail transit routes and energy transmission routes in the region. The proposal of the private sector to diversify the transit routes is one of the main pillars of Afghanistan's regional cooperation in the two frameworks of Regional Economic Cooperation Conference on Afghanistan (RECCA) and the Heart of Asia – Istanbul Process

Recently, Afghanistan has seen positive but not enough developments in the field of economic infrastructure and the creation of alternative transit routes, which undoubtedly can play a significant and constructive role in sustainable economic growth, investment development, private sector growth and ultimately for Afghanistan to be self-sufficient. The most important developments in this field are the development of Chabahar port and Lapis Lazuli Road. Unfortunately, despite the basic measures, the mentioned initiatives have not been implemented in a fundamental way and it is facing many problems. In order to achieve this great goal (transit development and transportation) it is necessary to fully address the existing problems of this sector which are discussed below.

Transit and Transport

Priorities	Challenges	Suggestion
The construction and development of transportation and transit infrastructures and the conclusion of intergovernmental agreements to accelerate the implementation of alternative transit ways and regional connectivity.	<ul style="list-style-type: none"> • The existence of problems in separating the authorities and responsibility of transportation, cargo, logistics and transit companies; • The absence of a regular plan for the development of the transportation sector in terms of construction of railroads, wagons, TIR parks and standardized parking lots; • The confusion in transportation companies' credits over the previous government (Republic); • The low capacity of the country's ports for the movement of more cargo vehicles; • Non-existence of necessary facilities in the commercial ports of the country such as cold storages, parking lots and sanitary facilities; • Lack of sufficient transportation agreements with countries in the region and the world in order to facilitate the process; • The existence of different transportation costs for countries of the region, especially for Iran; • Non-acceptance of empty cargo vehicles in the ports by the countries of the region in order to transfer commercial goods; 	<ul style="list-style-type: none"> • Separation of authorities and responsibility between logistics, cargo, transit and transportation companies in the field of their activities by the Ministry of Transportation; • Revival of the Transportation Law Adjustment Committee's activities in order to make it more effective and enforceable; • Facilitating the payment process of private sector debts from various ministries in cooperation with the Chief Minister's Office and related institutions; • Creating regular plans for the improvement of the transportation sector that can guarantee the participation of the private sector in all fields; • Construction of necessary facilities such as cold storages, bridges, parking lots and sanitary facilities in ports; • Balancing transportation costs with countries of the region. • Signing bilateral and multilateral transportation and transit agreements with countries of the region and beyond in order to facilitate commercial and transportation relations; • Creation and implementation of forklift port in Badakhshan province for the transfer of goods imported from China. • Facilitating the process of accepting empty freight vehicles for two-way transportation to business destinations.

Chabahar Port

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Absence of X-ray and as a result the need to unseal the containers and throw out the goods inside the container and complete evaluation of the goods, which in addition to the delivery time, which mostly causes damage to the exported and imported goods; • The high price of the ferry from Chabahar to Mumbai compared to Bandar Abbas; • There are problems in transferring money for exported and imported goods through Chabahar port; • Extra and unnecessary delays in clearance of primary goods such as oils, liquids and all kinds of powders by the Standard Department; • Obtaining a guarantee of 3,486,000 Tomans by Iran and too much delays its repayment; • The complicated and time-consuming procedure of obtaining Iran's quality control certificate, which often causes the damages to Afghan perishable goods; • Collecting additional and excessive costs from Afghan transportation vehicles when entering the port terminal; • Non-existence of standard cold storages; • Existence of problems in road passes⁷; • Paying more transit charges to Iranian side (\$104) and paying another charge (\$52) when returning to Afghanistan. • Payment of a guarantee of an exorbitant amount for the Iranian transport companies when the Afghan vehicles travel to the territory of that country; • Very high fines called Barg-e Sabz, for Afghan vehicles that leave Iran later than the appointed time due to any reason (probably between 40 and 200 thousand Tomans per day); • Problems in residence permits (From six months to one year. The permit in Chabahar is limited to only that city); • High logistics and transportation costs for the Afghan side when entering Iran and at the borders. 	<ul style="list-style-type: none"> • Full implementation of the provisions of the tripartite agreement between Afghanistan, Iran and India regarding the standardization of the commercial port of Shahid Beheshti. • Signing transit and transportation agreements with India, Iran, United Arab Emirates, Kuwait, Qatar and Oman in order to accelerate the process of Afghanistan's exports through Chabahar; • Establishing standards for Islam Qala and Nimroz ports by creating cold storages, parking lots and modern technical equipment for unloading and loading commercial goods; • Signing a memorandum of understanding with Iran for the transfer of Afghan export goods by Afghan freight vehicles from Nimroz, Islam Qala and Farah ports to Chabahar port; • Accelerating the process of diplomatic talks among the Afghanistan, Iran and India in order to allocate a ship for the Afghan side to transfer Afghan export and import goods, to standardize the port and to facilitate investment opportunities in various sectors for the Afghan side; • Issuing long-term visas and residence permits for Afghan entrepreneurs without restrictions of movements in Iran; • Installing X-ray for inspection of export and import goods in Chabahar by the Iranian government so that the cargo of containers is not returned by Chabahar customs; • Considering customs facilities including customs preferences and quarantine facilities for Afghan parties in the port of Niavashiva; • Standardization of Nimroz Quarantine Administration and construction of the second border terminal bridge between Nimroz and Iran; • Establishing a TIR port, ten kilometers far from Zaranj city to facilitate export and import goods; • Exemption or preferential tariff on primary products imported through Chabahar by the Afghan government; • Equipping the Quarantine Department to facilitate disinfection and fumigation in Nimroz and Islam Qala ports; • Investigating and evaluating the factors of the excessively high fare through Chabahar port compared to Karachi port and taking effective measures to reduce it; • Providing better facilities and services in rental, unloading and loading sections of Benard-e Milak, Chabahar and Niavashiva and exemption of quarantine and handling fines in Niavashiva port; • Examining and evaluating the existing guarantees in the trade relations between Iran and Afghanistan and removing the unnecessary ones; • Holding a constructive dialogue with the Iranian side to eliminate or modify the existing procedures that cause additional costs and more time to complete the customs procedures.

7 - Afghan vehicles have much higher traffic than Iranian vehicles, therefore, more money is paid for the road pass from the Afghan side, it is suggested that the road pass be removed.

Lapis Lazuli Route

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • No visas for exporters and drivers who travel through this route; • Absence of bilateral and multilateral customs and transportation agreements regarding the transfer of goods through the lapis lazuli route; • Afghanistan is not a member of the following conventions: <ul style="list-style-type: none"> - Vienna Convention - Two-passage carnet convention - CMR Convention • The high fare of the ferry from Turkmenbashi to Baku and vice versa ⁸; • High customs duties of Turkmenistan. 	<ul style="list-style-type: none"> • In order to make it easier for traders and drivers, a single visa protocol should be created among the countries of this route so that entry and exit are allowed with a single visa; • Signing bilateral and multilateral transport and transit agreements between the countries that are on this route; • Obtaining membership of the Vienna Convention, Two Passage and CMR Convent. • According to the TIR law, all member countries are obliged to implement their customs procedures in the same way, so it is suggested that the lapis lazuli route member countries also implement it without any consideration. • Constructive consultations with the Turkmen side in order to review the customs duties and facilitate the implementation of the lapis lazuli route. • Establishment of TIR ACADEMY in Afghanistan in order to improve the capacity of transport companies.

Table 5: Challenges and suggestions of the transportation sector in Afghanistan

Source: National Private Sector Conference; Afghanistan Chamber of Commerce and Investment

⁸ - The one-way tax is 1079 dollars, while the tax for Turkmen goods is 600 dollars. If a memorandum of understanding is signed between Afghanistan and Turkmenistan, Afghanistan can also use the big ships of Turkmenistan.

Mines & Industries

Industries are considered to be the main driver of employment and economic growth, and with the improvements in industrial activities, the society also improves economically. Utilizing concentrated physical capital, natural resources and raw materials, manpower and technical knowledge, can grow the peoples access to commodities and therefore the society can prosper.

The role of industry in the economic development of societies has increased, and the international trade's growth is also the result of industrial developments. Industries are considered as the engine of economic development and industrialized economies' shares in international trade have significantly grown.

Unfortunately, industrial activities in Afghanistan have not improved significantly and their share in economic growth and employment are low compared to the global and regional rates. Industrial activities in Afghanistan are focused on the following four sectors:

- Mining and extraction: including coal, natural gas, salt, liquid ammonia, gypsum, condensate, marble and other minerals.
- Factory industries that include chemical industries, light industries, food industries, metal products, all kinds of medicines, carpentry, papermaking and printing industries.

- Electricity, which includes hydropower, thermal power, and diesel power.
- Building: construction and production of building materials.

Afghanistan has tremendous achievements in the production of non-alcoholic beverages, mineral water, smelting, plastic industries and printing industries; and at the same time, the carpet industry is of special importance as one of the oldest industries in the country. Afghan carpet has gained great fame at the international level and there is a high demand in international market. Afghan carpet exports value in 2021 reached 31.75 million dollars, the detail of which is illustrated the following figure.

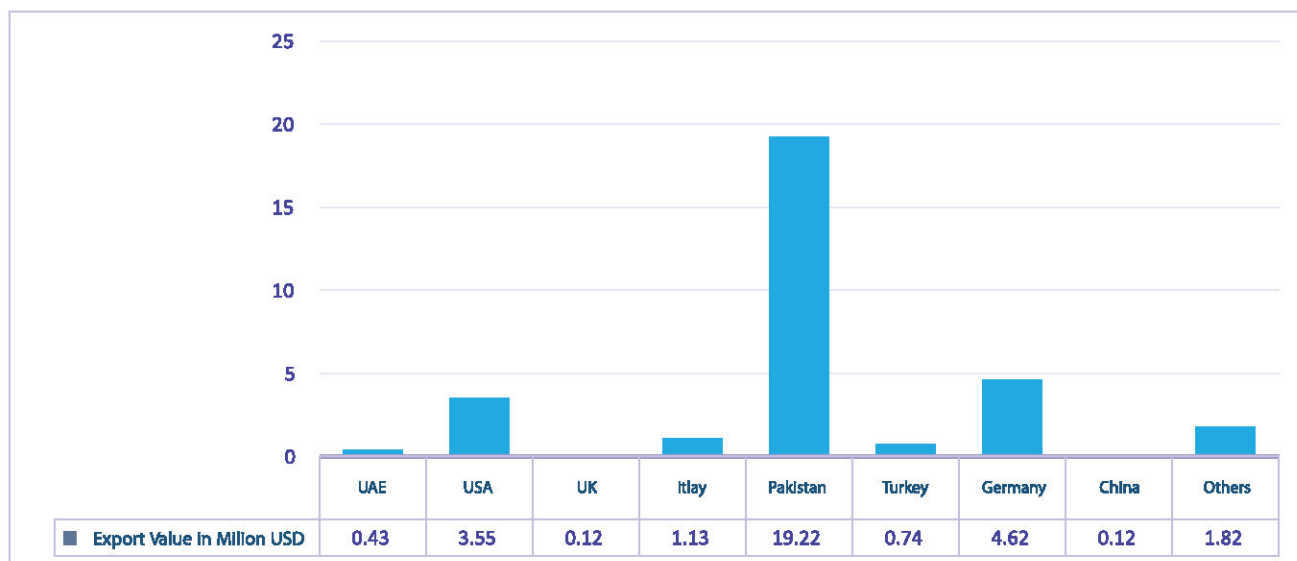


Figure 1: Value (million dollars) and destinations of carpet exports in 2021

Source: Export Development and Investment Department

On the other hand, Afghanistan's natural resources, which include land, water, forests and mineral reserves, are capitals for creating a prosperous future. Among the above resources, the most important are natural reserves. According to recent geological surveys, the value Afghanistan's mineral resources is estimated about 13- trillion US dollars, which can be the utilized for the country's economic growth and achieving financial self-sufficiency. A summary of Afghanistan's mineral and oil and gas resources is presented in the following table.

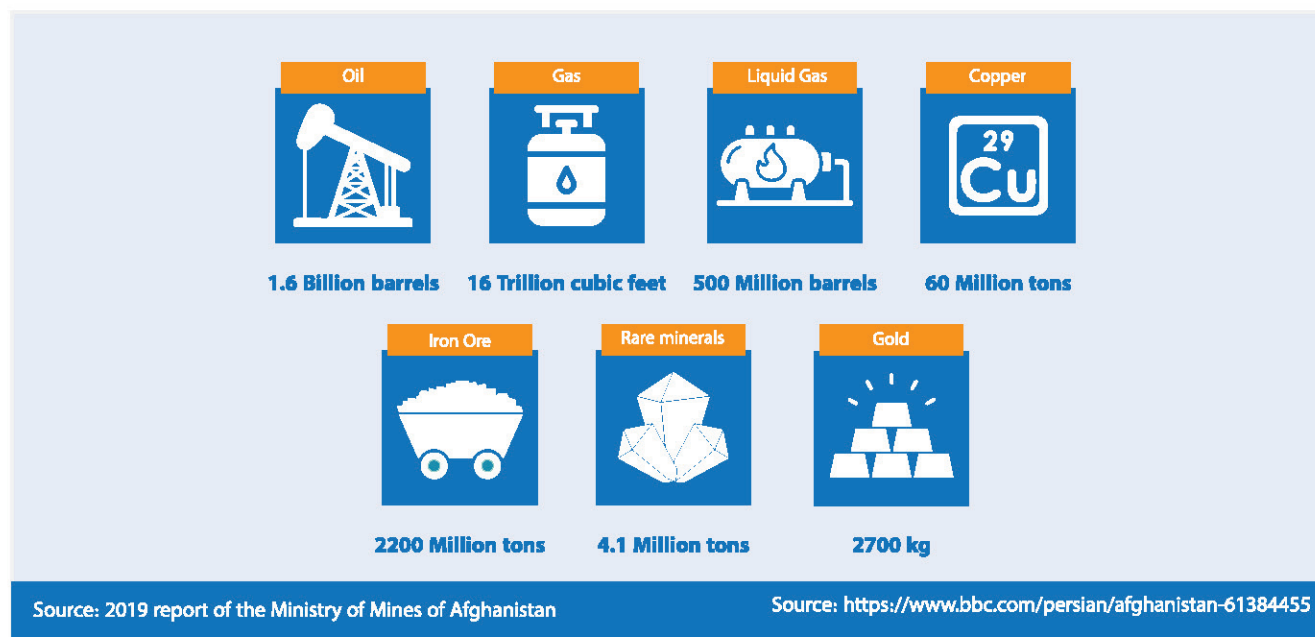


Table 1: An overview of Afghanistan's mineral and oil and gas resources

Among the various types of natural and mineral resources of Afghanistan, the private sector has invested heavily in different types of stones, which has provided employment opportunities for the people. At the same time the mineral export is a source of currency inflow. In 2021, the value of mineral exports reached to 104 million dollars. The value and amount of different types of stones are presented in the following graph.

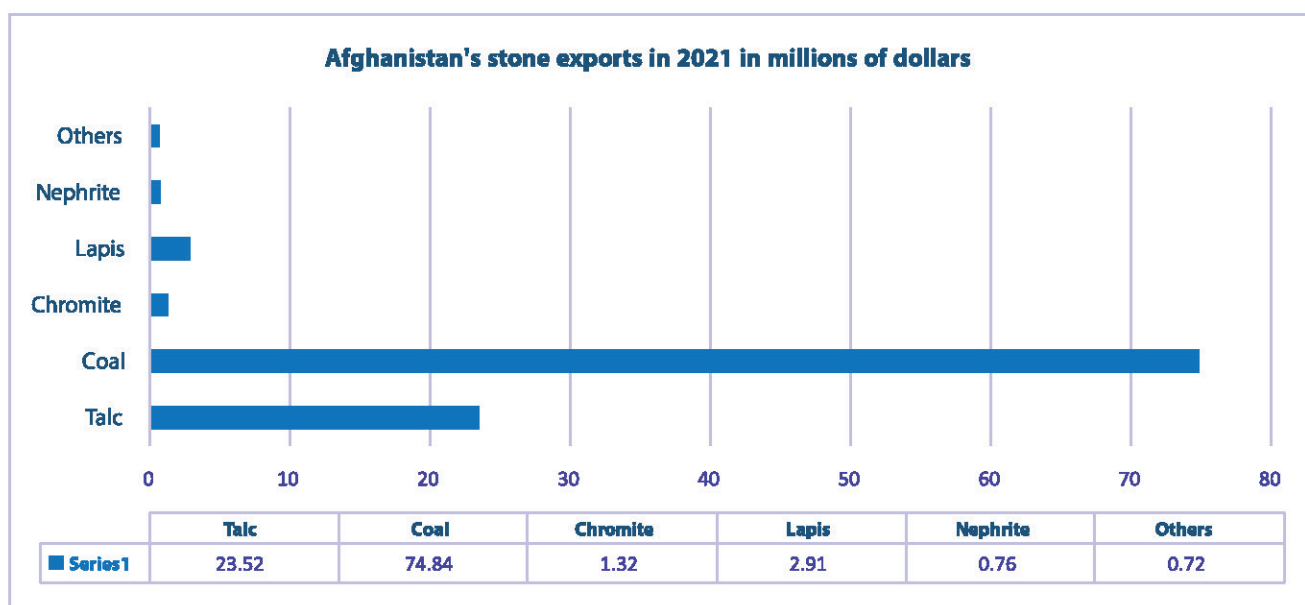


Figure 2: Afghanistan's stone exports in 2021 in millions of dollars

Source: Export and Investment Development Department (ACCI)

Afghanistan's industries, including extractive industries (mines), are facing big challenges. Addressing these challenges can definitely put positive impacts on economic growth and the peoples' prosperity. Some of the major challenges are listed below.

Priorities	Industry
<div data-bbox="183 470 253 1902" data-label="Text"> <p>Ensuring the sustainable growth of the industry, through stable and cheap access to electricity, water and fuel. Development of industrial parks and support policies for domestic production, taking into account the conditions of the region and the world.</p> </div> <div data-bbox="446 447 596 480" data-label="Section-Header"> <h3>Challenges</h3> </div> <div data-bbox="305 533 686 1873" data-label="List-Group"> <ul style="list-style-type: none"> • Non-standard industrial parks of the country. • Lack of stable access to electricity, fuel, and water. Also, high prices and tariffs (6.70 Afghanis per kilowatt of electricity and 16 Afghanis per cubic meter of water). • Problems in the support policies of the government, especially in the areas of imposing customs duty on similar foreign goods, high customs tariffs on raw materials, tax exemptions for new industries and government agencies. • Security problems, especially abduction. Lack of access to personal and corporate security devices and equipment, and security of industrial parks, including industries outside industrial parks. • Reduction of demand inside the country and abroad for domestically produced goods and products. • Dumping policies of countries in the region and beyond towards afghan domestic products. • Lack of access to banking, financial and insurance services in the country. • Failure to register international standard codes for domestic products. • Lack of access to skilled and trained workforce according to the needs of the industries. • Failure to provide services after the establishment of all existing industrial parks and the absence of industrial parks in the majority of the country's provinces. • Challenges in foreign trade of domestic products (holding exhibitions and visas, visa restrictions for foreign consultants). • Problems in the field of forestry and wood industry. </div>	<div data-bbox="1055 447 1213 480" data-label="Section-Header"> <h3>Suggestion</h3> </div> <div data-bbox="760 533 1450 1904" data-label="List-Group"> <ul style="list-style-type: none"> • Standardization of industrial parks, especially through (creating green areas, roads and pavements, ditches, clinics, protective walls and canalization). • Provision of basic and stable access to electricity and water, including the revision of their tariffs and the tariffs of fuel such as coal and Mazut. • Creating a clear and enforceable support policy that includes elements such as tariffs and seasonal and customs support products on similar foreign goods, customs support tariffs on raw materials, tax exemptions for newly established industries and government agencies. • Addressing the security problems of industrialists including their businesses through creating appropriate solutions to prevent kidnapping, providing security guards and other security measures for industrialists and ensuring the security of industrial parks including the security of industrial factories that are outside the parks. • Increasing the demand for domestic products through government contracts with domestic industries and products, advertisements, commercial agreements with countries in the region and beyond, transfer payments, subsidies and raising the quality of domestic products in all possible ways. • Establishing and passing the dumping law and controlling smuggling by preventing the import of low-quality items without taxes and customs duties; controlling illegal cross border trades. • Solving existing banking problems, facilitating easy access to financial services with appropriate rates, and expanding insurance industry and making it competitive. • Registration of international standard codes for domestic products and goods. • Development, expansion and organizing technical and professional programs in order to train skilled labor to meet the needs of the industries. • Providing the necessary services in existing industrial parks and building new industrial parks in provinces that do not have industrial parks. • Solving the existing challenges of foreign trade, especially issuing visas for the domestic and foreign business people, including foreign technical and expert personnel, holding exhibitions, B2Bs and conferences. • Preventing the destruction of existing forests in provinces and issuing permission to use them for legal activities of the private sector inside the country. </div>

Handicrafts and Carpet

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Absence of standard and sufficient industrial parks. • The supply of low-quality carpet raw materials by opportunists. • Lack of a comprehensive and effective marketing plan at the national and local levels for carpets and handicrafts. • Absence of a suitable internal incentive package to strengthen the mentioned industry. • Reducing the competitiveness of the carpet industry in the country due to the import of similar foreign goods. • Non-existence of suitable condition for carpet export and handicrafts in the current situation. • Existing problems in the field of commercial relations with countries in the region and the world, especially visa issuance. 	<ul style="list-style-type: none"> • Standardizing existing carpet industrial parks, creating and developing new industrial parks according to the requirements of the mentioned industry. • Preventing the smuggling and supply of low-quality carpet raw materials in order not to damage the reputation of Afghan carpets in global markets. • Establishing a regular and comprehensive marketing plan and program for the country's carpets and handicrafts, which can facilitate the organization of domestic and foreign exhibitions, including the participation of relevant sector activists in international exhibitions. • Creation and development of appropriate domestic incentive packages through the full implementation of the 6% incentive approved by the Council of Ministers; equipping government offices with Afghan carpets, supporting small and medium-sized projects in the mentioned industry; banning the export of wool needed for carpets; establishing a cartography and designing institute for carpets; and providing comprehensive processing facilities for carpet inside the country. • Supporting the competitiveness of the Afghan carpet industry by preventing the smuggling and importation of similar foreign products, including the imposition of protective customs tariffs. • Facilitating the export of carpets through commercial agreements at the international level, as well as financial and technical support for the reactivation of the air corridors.

Extractive Industries

Priorities	Challenges	Suggestion
Establishing supportive standard policies, providing infrastructure facilities and facilities in signing contracts for the growth of extractive industries	<ul style="list-style-type: none"> • Absence of necessary measures in legal documents. • Lack of standard infrastructures in the mining sector. • Problems in accessing international markets and making extractive industries competitive. • Absence of standard value chain supply in extractive industries. • Non-standard and arbitrary extraction of mines in the country. • Lack of a comprehensive road map to attract domestic and foreign investments in the country's mining sector. • Absence of appropriate specialized and technical capacity for exploration, extraction, processing and environmental effects of mining activities. 	<ul style="list-style-type: none"> • Amending the existing legal documents in order to provide the necessary facilities and creating an effective legal framework for exploration, extraction, processing, closing mining areas and decreasing environmental effects through public and private participation and standardizing the structure and settlement of contracts. • Development of infrastructure facilities and services in the mining sector such as: <ul style="list-style-type: none"> - Construction of basic facilities (water, road, electricity, clinic and etc.) required for exploitation of mines. • Providing the necessary facilities for the access of Afghanistan's mineral products to international markets, and making these industries competitive. • Improving the value chain of extractive industries. • Preventing non-standard and arbitrary extraction of mines in the country. • Developing a comprehensive road map in coordination with extractive industry activists that includes the following: <ul style="list-style-type: none"> - Security and protection of the provisions of contracts and guarantee of investment. - Feasibility assessment and introduction of investment opportunities - Ensuring accountability and transparency in contracts - Ensuring social participation considering economic conditions. - Stable tax regime and financial incentives. • Promotion of specialized and technical capacities in the field of exploration, extraction, processing and compliance with the environmental standards and measures extractive industries.

Precious & semi-precious stones

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • The non-implementation of export procedure for precious and semi-precious stones. • High taxes and royalties of nephrite stone. • Problems in the contract and continuation of mining contracts in the country. • Failure in implementation of the provisions of Decision No. 5 of the year 2017 of the Supreme Economic Council regarding the export tariff of processed marble. 	<ul style="list-style-type: none"> • Implementing the precious and semi-precious stones export procedure, and inserting necessary amendments. • Reviewing and adjusting the prices of existing royalty and duties on nephrite in order to make this industry competitive regionally and globally. • Revision of the existing contracts, cased on the following methods: Large-scale mines as public and private partnership, medium-scale mines be extracted be the private sector and small-scale mines by small and professional miners). • Implementation of Decision No. 5, 2017 of the Supreme Economic Council regarding the reduction of 3.89% tariff to 1%.



Coal

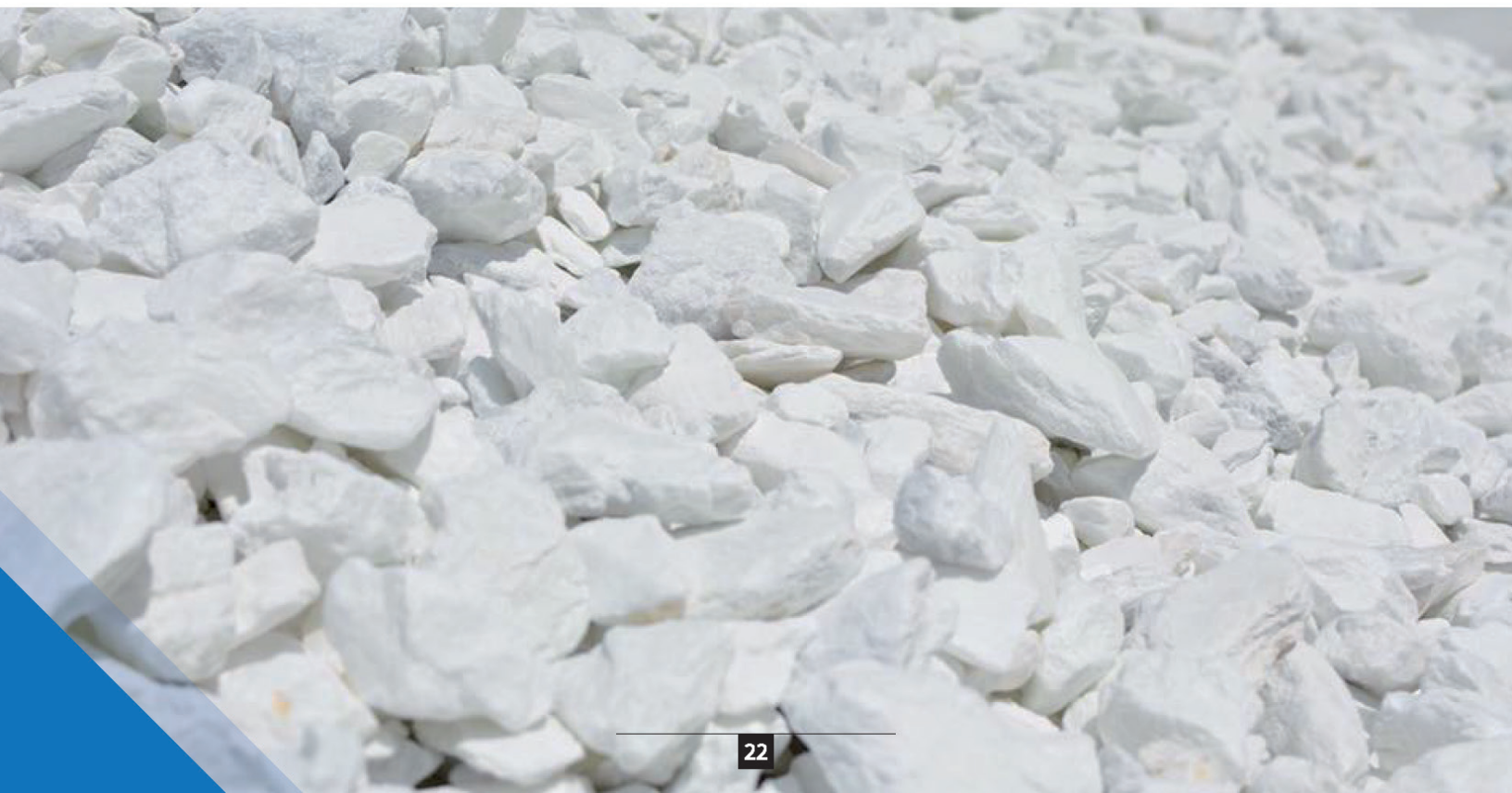
Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Challenges on ports during the export of coal, such as high costs due to permanent stops and failure to deliver the cargo on time and based on to the contract. • High costs due to the increase of royalty, including for companies that won the contract based on tender⁹, export tariffs and increasing tariffs on all minerals. • Non-renewal of the majority of existing official contracts by the previous government, which has caused their activities to stop. • Banning coal-carrying vehicles inside the territory of Pakistan, despite possessing road passes; especially for those that inter Pakistan through Paktia and Khost provinces. 	<ul style="list-style-type: none"> • Solving the challenges related to the export of coal on ports to Pakistan in order to prevent permanent stoppage and ensure timely delivery of the country's coal products to the contracting party through: <ul style="list-style-type: none"> - Constructive dialogues to facilitate customs procedures and increasing technical and human capacities. • Reducing costs related to coal through: <ul style="list-style-type: none"> - Reduction of royalty related to coal - Determining coal tariffs considering the location and quality of coal. • Preventing damage and further postponement of the activities of contracted companies through: <ul style="list-style-type: none"> - Extension of existing official contracts - Extending the terms of the contracts in proportion to the suspended years. • Facilitating the passage of coal carrying vehicles that have road passes to carry coal inside Pakistan, through government-to-government talks.

⁹ - It is not fair to raise the same royalty on the companies that won the contract based on tenders and performed all activities related to extraction according to the standard, and the parties that performed the extraction activities in a non-standard way and on their own. We suggest that this issue needs to be addressed.

Talc

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Reduction of talc competitive power in international markets due to the increase in royalty (from 650 to 1800 AFs). • Problems in prioritizing contracts. • Problems in the country's ports during the export of talc 	<ul style="list-style-type: none"> • Creating a positive leap in the competitive power of talc through: <ul style="list-style-type: none"> - Facilitating standard and standardized processing facilities inside the country. - Studying talc royalty in the countries of the region and introducing competitive royalty for Afghan talc. - Establishing and obtaining royalty from processed talc. • Giving a priority to contracts of talc for factories with standardized facilities and standard processes without any political considerations. • Solving the challenge related to permanent stoppages of trade shipments with Pakistan through: <ul style="list-style-type: none"> - Facilitating the implementation of port and customs affairs and facilities of both sides. - Leading commercial products to ports except Torkham; like Spin Boldak, Gholam Khan, Dand Petan and Rah Kharlachi to decrease the of trade tariffs.

Table 7: Challenges and suggestions of industry and mining sector



Services

The service sector has played a key role in Afghanistan's economy since 2001, and has contributed significantly to job creation. As the added value, this sector has reached 573.34 billion AFs and its share in the GDP in 2018 and 2019 and 2020 reached 55.5%, 54.7% and 46.5% respectively. From 2002 to 2018, the service sector was growing steadily, but in recent years the trend was reversed. In fiscal year 2019-2020, this sector experienced a negative growth (-32.74)¹⁰.

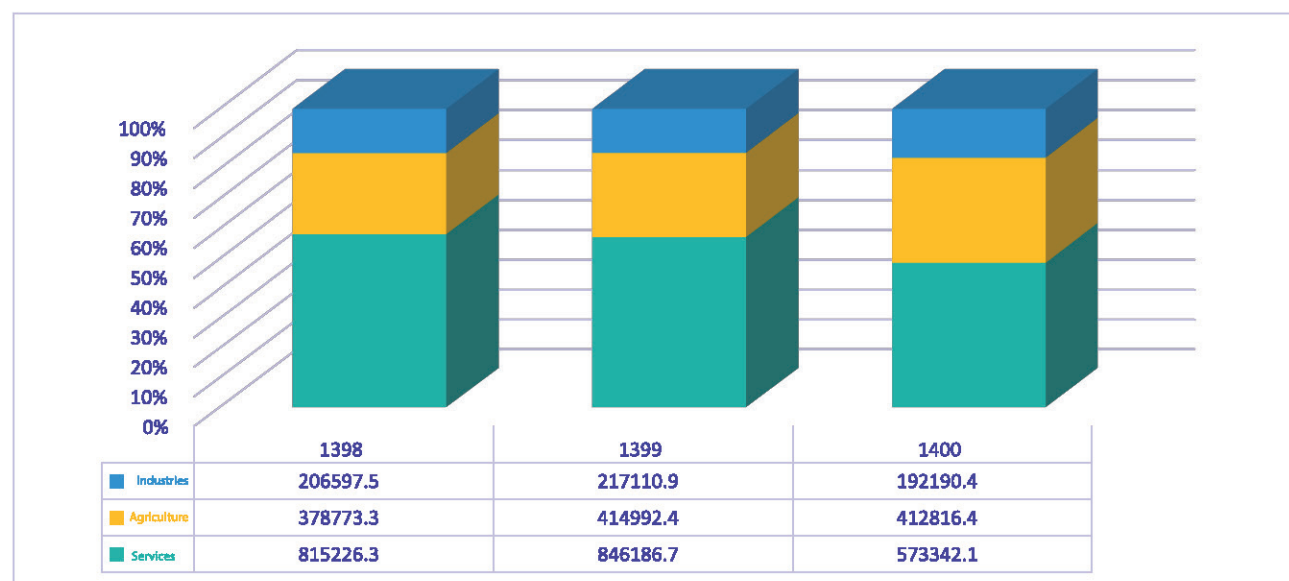


Figure 6: The share of the service sector in Afghanistan's GDP (million Afghani) Source: Afghanistan statistical yearbook (first edition) year 1400

Banking is a key element in the growth of the country's private sector activities, and acts as a heart of the country's economic transactions and constitute about 19.9 percent of the gross domestic product (GDP)¹¹. Various banking indicators show that the banking sector

is not in a good condition. The number of depositors and the level of their deposits are decreasing, and the level of employment in banking sector is also declining.

The main indicators of the banking sector are as bellow:

10 - Income and Expenditure & Labor Force Survey Report (2020).

11 - Monthly report on monetary policy (A review of the changes in monetary indicators and financial affairs monitoring), April 2019

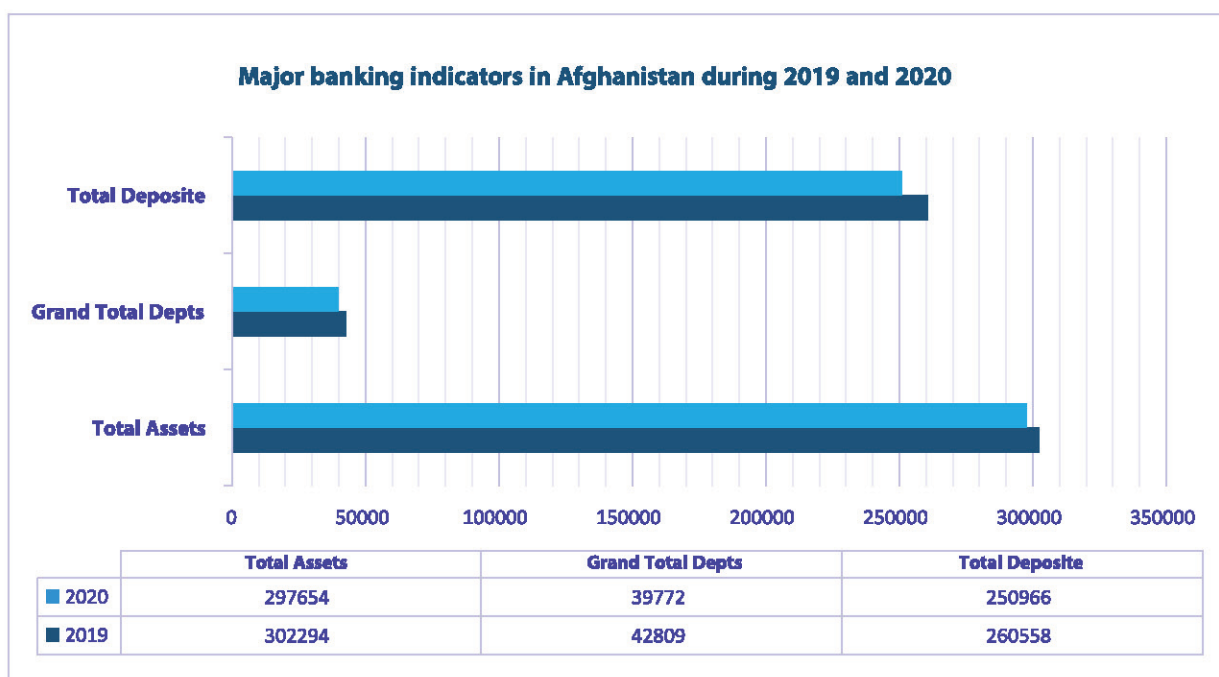


Figure 7: Major banking Indicators In Afghanistan during 2019 and 2020.

Source: Monthly report on monetary policy (A review of the changes in monetary indicators and financial affairs monitoring), April 2019

In addition to banking services, Afghanistan has seen great progresses in the health sector and private higher education institutions. The amount of investment in private higher education has reached 4,500,000 US dollars and there are 143 such institutions in Afghanistan. They have trained 13,000 professional staffs. 210,000 students are studying in private higher education institutions, and about 30,000 people are employed by those institutions. In health, the private sector has been a pioneer, and they have invested about 4 billion US dollars, of which about 1 billion dollars are invested in 556 private hospitals and clinics across the country. This sector has created 41,000 jobs and covers 69% of the supply of health services in the country. Private health investments have caused to prevent more than 800 million dollars' outflows¹².

As mentioned, the role of services in economic growth, employment and public welfare is prominent, but despite the efforts of the relevant institutions, this sector still faces huge challenges that need to be addressed in order to increase the effectiveness of the macroeconomic components of the national economy. A summary of major challenges is presented here:

Banking

Priorities	Challenges	Suggestion
Development and improving access to standard and contemporary banking services, maintaining the liquidity of commercial banks, granting easy loans, ensuring the stability of monetary value and the financial market by implementing effective monetary and financial policies.	<ul style="list-style-type: none"> • Failure to promote banking services among economic actors. • Decrease of trust in banking activities. • Liquidity problems in banks. • Blockage of the central bank's currency reserves. • Banks' hard-to-obtain loans. • Lack of financial support for banks in emergency situations. • Absence of electronic payment systems in the country. • Problems in relations between banks inside the country and their relations with foreign banks. • Lack of necessary support in promoting the Islamic banking system. • High security costs of banks. 	<ul style="list-style-type: none"> • Carrying out all monetary transactions such as payment of salaries, collection of customs and taxes, financial payments of contracts, fees, bills and other items through banks and at the same time transferring all aid from the United Nations and other institutions to interested individuals and institutions through banks. • Restoring trust in banking system among economic actors, through the preparation of a regular strategic banking program, the central bank's guarantee of deposit repayment and the promotion of monetary and financial policies, improving monetary capacity and liquidity of banks, banking transactions and reducing banking restrictions through mass communication means and the media. • Solving the liquidity problems of the state and private commercial banks of the country by the central bank in cooperation with the government and related international institutions. • The release of Afghanistan's foreign exchange reserves, or at least a part of it that can cause a positive leap in the provision of foreign exchange services by commercial banks. • Facilitating the reimbursement of hard-to-obtain loans through the establishment of a joint commission in which competent representatives of Da Afghanistan Bank, the Ministry of Finance, related security institutions, the Economic Commission, the High Court, the private sector (relevant chamber and union) and, if necessary, representatives of other related institutions should be present. • Financial support of banks by providing assistance from domestic and international sources in order to reduce the bank's operating costs and grant subsidies for electricity and security costs of banks. • Expansion of the electronic payment system in Afghanistan, including the implementation of the Afghanistan Payment System (APS) in cooperation with related institutions. • Strengthening strategies for expanding domestic inter-banking relationships and adopting effective measures such as establishing correspondent banking relationships with foreign banks and mutual banking relationships through political discourses, with the participation of governments and the private sector, in order to develop relationships among banks inside the country and with foreign banks. • Creating a legal framework for developing Islamic banking services, including loan transactions and Islamic investment, by creating a suitable platform. • Adopting appropriate solutions in order to reduce the security costs of banks and reasonable decisions on the cost sheet of the members of the Union of Banks with the leadership of the National Public Protection Agency.

Money Services (SARAFI)

Priorities	Challenges	Suggestion
Regulating and improving monetary market affairs by compiling and adjusting legal documents regarding monetary guarantees and renewing the license of money service companies (currency exchange service providers).	<ul style="list-style-type: none"> • Contradictions between the new regulation of the central bank and legal documents related to banking and monetary activities ¹³. • Problems in renewing the corporate license (money guarantee, procedure for renewing the license and lack of coordination between financial service providers and Da Afghanistan Bank. • Problems in paying deposits of monetary services providers by banks. • The existence of damaged banknotes in the markets. • Problems in tax payment. 	<ul style="list-style-type: none"> • Since the new regulation is in conflict with the provisions of legislative documents related to banking activities and monetary services, the existing system should be implemented at least for the next 3 years. • Creating the necessary facilities in renewing the company's license, which is subject to money guarantee, relevant procedures and full coordination between the providers of monetary services and the central bank. • The Central Bank of the country, in coordination with related institutions, should take an effective measure to pay the money of the monetary service providers and take practical measures to prevent the lack of monetary resources in the execution of their daily transactions. • Since in monetary transactions, more often different amounts of money are exchanged, it is suggested that undamaged and new money be provided to the providers of monetary services. • Settlement of previously paid fixed tax of monetary services providers (which was paid from 2016 to 2020) in the main taxes; and subsequently determining a fixed tax for them in case of a 3-year extension of the previous system.

13 - The new regulation of the Central Bank, the provisions of which oblige the providers of financial services to guarantee 5 million AFs in the bank and also 5 million AFs in cash to continue their activities, is not practical in the current situation due to security and economic reasons and the lack of access to internet and electricity system.

Private Higher Education

Priorities	Challenges	Suggestion
Establishing and developing standard support policies with the aim of improving specialized, technical, vocational and professional capacities, by providing suitable facilities and infrastructure.	<ul style="list-style-type: none"> • Problems in legal documents related to private higher education. • Lack of government support for private higher education. • Problems due to the lack of infrastructure facilities. • Problems in payments to the government 	<ul style="list-style-type: none"> • Revision and adjustment of legal documents related to private higher education in coordination with relevant institutions. • Government support for the quality of private higher education, including the process of introducing, developing and expanding their activities. • Subsidies in the provision of infrastructure facilities including land for the construction of standard educational centers equipped with all educational and laboratory facilities. • Granting government discounts and exemptions for private higher education institutions, including taxes and electricity charges, at least in line with industrial factories.



Health

Priorities	Challenges	Suggestion
Facilitating and reforming related laws, customs and infrastructure support, preventing the production and supply of low-quality medicines in the market.	<ul style="list-style-type: none"> • Establishing and implementing problematic regulations in the areas of creating private hospitals, how to supply and grant wholesale licenses for medicines¹⁴. • Limitation of infrastructure facilities such as access to land, electricity and water for the health sector. • Existence of easy production of low quality medicines. • Absence of incentive packages for the production of medical devices and equipment in the country. • The low capacity of the medicines' market compared to its demand in the country. • The problems in the book of the authorized list of medicines for import. • Absence of regional standard laboratories in the country. • Customs problems in the clearance of medicines and medical equipment. • Absence of proper conditions in the field of obtaining licenses by foreign natural persons and legal entities 	<ul style="list-style-type: none"> • Amendment of legal documents related to the establishment of private hospitals, the supply of medicine, and issuing licenses for the medicine wholesalers and retailers in order to meet domestic health needs and create the necessary facilities for this sector. • Providing basic and infrastructure facilities, including the distribution of land for the construction of private hospitals at a reasonable price in the cities, especially the big cities of Afghanistan, and providing sustainable electricity at a reasonable price. • Imposing sanctions on the supply of low-quality medicines, and preventing its smuggling. • Facilitating the supply of medicines and medical devices and equipment, and provision of incentive facilities. • Saturation of the country's medical market in order to provide easy access, hygiene and reasonable prices for the citizens of the country through the adoption and implementation of effective measures by related institutions. • Analyzing the problems related to the book of the authorized list of medicines for import and thus addressing the challenges such as registering preforms of new invoices for medicines, formulation of new medicines and introducing authorized medicines. • Construction of standard laboratories to determine the quality of medicines, especially in the short term in the commercial and economic zones of the country. • Preference of medicines during the customs procedures in order to prevent it from spoiling. • Facilitating the licensing and registration process of foreign natural and legal entities in order to provide standard health services.

14 - Granting a wholesale license under the conditions of 50 square meters of office space, approval of 30 pharmacies and a guarantee of 30 million Afghani.

Civil Aviation

Priorities	Challenges	Suggestion
Equipping airports with advanced devices and tools, increasing the technical capacities of personnel, effective airspace traffic management, providing standard services and cargo management, and revising existing air contracts.	<ul style="list-style-type: none"> • Problems caused by Covid-19 for civil aviation restrictions on foreign flights. • The contradiction of the Open Sky policy with the principle of government support for domestic investments. • Severe reduction of the revenues and high costs of civil aviation compared to the high fees of airports in the country, and the high price of airplane fuel and taxes imposed. • Activities on airports the are limited to sunrise and sunset. • Problems in money transfers through international money transfer networks. • Providing more incentives to Afghan public and private airlines. • Lack of easy conditions in providing short-term and long-term loans. • Reducing the consular activities of other countries of the world in Afghanistan. 	<ul style="list-style-type: none"> • Removal of the Covid-19 restrictions when appropriate, and putting necessary efforts to resume flights of domestic airlines outside the country. • Supporting domestic investments in civil aviation through: <ul style="list-style-type: none"> - Cancellation or adjustment of the Open Sky contract in order to balance the air flights of domestic and foreign companies based on the number of seats or the number of flights. - Implementing the proposals and decisions of the Supreme Economic Council of the previous government regarding changes in the provisions of air contracts with other countries in order to fairly regulate flights based on the number of passengers and the capacity of the country's air market. - Prioritizing domestic companies over foreign airlines in foreign flights. - Adopting appropriate strategies to prevent the dumping policies of international airlines and the negative effects related to it. - Collection of fees available in airports in Afghani currency. • Cost reduction and financial support of civil aviation through: <ul style="list-style-type: none"> - Exemption or adjustment of airline company balance payments in installments during ten years with the first payment beginning when the appropriate conditions are applied. - Reduction of fees in the country's airports and BRT tax. - One-year exemption or reduction of landing, parking, navigation and lighting fees for airplanes during the Covid-19 and afterwards. - Granting customs supports in the supply of jet fuel. • Solving problems in money transfer, by improving the services of international money transfer networks (SWIFT and WESTERN UNION). • Providing similar privileges to all domestic commercial civil aviation companies without considering their ownership rights; and monitoring their activities such as ticket prices and etc. • Facilitation in the procedures and rates of short and long-term loans, including the issuance of loans to guarantee the aircrafts of airlines. • Development of diplomatic relations in all fields, especially consular activities in order to provide visas to Afghan citizens.

Source: National Private Sector Conference of Afghanistan (Hot 1400)

Table 8: Challenges and suggestions of Afghanistan's service sector

Guilds, craftsmen and women entrepreneurs

Small and Medium-Sized Enterprises (SMEs) are considered as the engine of economic growth all over the world, especially in developing countries and emerging economies. Experiences have shown that small and medium-sized enterprises do not have high skills and need less capital and lower technology. Since Afghanistan is facing a lack of capital and less specialized and trained people in this field, small and medium enterprises and investments are best for creating employment and economic growth. In Afghanistan, 85% of the businesses are made up of small and medium enterprises, which make half of the GDP and more than 1/3 of the workforce.¹⁵

Small and medium trades and enterprises, including women's enterprises, are known as an important element in socio-economic progress. These enterprises are particularly important in creating employment, economic

growth, product innovation and introducing creative production methods. Looking at the socio-economic system in many developing countries, it can be seen that supporting small and medium enterprises is one of the main priorities in the economic development programs of these countries. Although these enterprises require less investment, they are more productive and play an important role in improving the value chain of products and increasing exports.

Considering the traditional nature of Afghanistan's economy, supporting small and medium trades and enterprises can play a valuable role in creating job opportunities, economic growth, and social welfare. A summary of the challenges existing in this sector is presented below:



15 - <https://www.etilaatroz.com/114191/need-to-formalize-small-and-medium-enterprises-in-countrys-economy/>

Craftsmen and Guilds

Priorities	Challenges	Suggestion
Creating favorable development conditions for women's guilds, artisans and enterprises in order to strengthen and improve the activities of small and medium enterprises.	<ul style="list-style-type: none"> • Issuing two licenses in the same year at the same time, based on the regulation approved by the previous cabinet, in the same year¹⁶. • Different interpretations of the provisions of the regulations related to guilds, especially the legal definition of storages and materials stored¹⁷. • Problems in paying taxes from the boards and collecting commission from the fee (20 to 100 Afghanis) in restaurants. • Problems of guilds in obtaining environmental permits. • Introduction of additional costs recently imposed on guild activities, especially the cost of water. • The absence of a specific government committee at the national level representing relevant institutions in order to meet the challenges of trade unions and professionals in a timely manner. 	<ul style="list-style-type: none"> • Preventing the distribution of trade licenses that are issued in accordance with the regulations in the municipality and the approval of the cabinet at the same time, such as a drug store that obtains the trade license from the municipality and its work certification from the relevant office of the ministry of public health. • The provisions in the regulations related to guilds, especially the legal definition of storages, should be revised and clarified in order to determine the financial responsibilities of guilds. • Collecting tax from the billboards according to the existing regulations, which should be spent on the advertising boards installed on the top of shops and collecting commissions from restaurant based on the area. • Solving the problem of obtaining environmental permits by guilds, because the activities of guilds in accordance with the categories set by the environmental department, such as EISA, IEE, and SCREENING should not be included for obtaining environmental permits, unless a number of guild activities are included in the above category. • Reducing the cost per cubic meter of water used in bathrooms, wedding salons, restaurants and swimming pools in coordination with the private sector. • Establishing an effective working committee consisting of ministries and government agencies and private sector in order to meet the challenges of small and medium enterprises, especially shopkeepers, artisans and small entrepreneurs.

16 - Issuance of two licenses in one year for trade unions in accordance with the existing trade license bill and provisions 9 and 10 approved by the cabinet of the previous government. This has put the existing law and regulations under a negative radius.

17 - The distribution of licenses for commercial warehouses has a clear definition. Warehouses are commercial properties that are said to be used by many operators who maintain the property of commercial companies and moves both sides daily. At the time of exit, cargoes pay a fee called Tahjayl, but there are doubts about the proper use of those fees.

Female Entrepreneurs

Priorities	Challenges	Suggestion
	<ul style="list-style-type: none"> • Limited government support for women entrepreneurs in Afghanistan. • Low marketing possibilities for women entrepreneurs' products. • Banking problems and the lack of cheap financial resources. • Problems in the field of registration and renewal of different types of licenses used. • No clearance about the contracts with the previous government and international institutions. • Low technical capacities in the establishment and development of women's businesses. 	<ul style="list-style-type: none"> • Comprehensive financial and technical support of the government for women's enterprises, especially in taxation, small procurement projects, use of manufactured products, deputy ministries and customs. • Marketing and sales development of women's products and services in the country through the allocation and construction of suitable locations for the display of products and sales centers for women and facilitating cross-border trade and international marketing. • Facilitating the registration and renewal of women's business licenses in the country by granting preferential privileges in related costs and technical procedures. • Determining the fate of existing contracts with the previous government and international institutions, including the follow-up of existing invoices related to it. • Development and launching technical programs to improve the capacity for female entrepreneurs in cooperation with international sponsors and related institutions.

Table 9: Challenges and suggestions of craftsmen, guilds and women entrepreneurs

Source: National Private Sector Conference of Afghanistan (Hot 1400)

Construction

Construction sector has witnessed an extensive growth and the ability of domestic construction companies in building all types of structures. Construction companies have gained remarkable achievements and they have invested extensively in producing construction materials and building infrastructures and buildings.

Despite those improvements, there is a serious need for government support in giving priority to domestic companies in the implementation of contracts, procurement processes. Also the government needs to encourage domestic investments in the production of construction materials. Besides, the following challenges need to be addressed:



Construction

Priorities	Challenges	Suggestion
Creating a suitable framework to implement the provisions of previous contracts, especially solving the problem of pending funds of private construction companies, giving priority to domestic construction companies in procurement contracts, upgrading and equipping construction material testing laboratories.	<ul style="list-style-type: none"> • Problems in money transactions with related parties. • The fate of construction contracts with the previous government and international institutions is not clear. • Tax problems. • Problems in obtaining financial guarantees and insurances for construction companies' projects. • Existence of personal security threats. • Absence of a specific mechanism for prioritizing the private sector, especially the construction sector, in domestic economic activities, including the implementation of development projects. 	<ul style="list-style-type: none"> • Facilitating monetary transactions through such ways as: <ul style="list-style-type: none"> - Adopting an alternative approach for payments of financial and monetary resources of the private sector in banks. - Suspension of decisions regarding construction contracts with traders of construction companies until the problem of payments are resolved. • Determining the fate of uncompleted and finished contracts and the work of all construction companies with the previous government and international institutions. <ul style="list-style-type: none"> - Including the construction of semi-finished government projects in specific government budgets. - Constructive discussions with international parties in order to address problems related to their contracts with Afghan construction companies. • Providing tax support through: <ul style="list-style-type: none"> - Granting discounts and annual tax exemptions, especially in fiscal year 2020-2021. - Adjustment of balance settlement from quarterly to annual. • Accelerating the payment of financial and security guarantees of projects that have passed all legal process. • Adopting security measures to ensure personal security of the of construction company owners against the treats they feel from the debtors. This problem will be resolved once the banking restrictions are resolved. Following measures are suggested: <ul style="list-style-type: none"> - Directing security agencies of the capital and provinces to support company owners in ensuring their security. - Issuing decisions on pending and unresolved contracts based on the existing situation by legal and judicial offices. • Prioritizing the private sector as the main driver of economic growth in economic activities. Infrastructure development programs should be implemented by construction companies

Table 10: Challenges and suggestions of the construction sector

Conclusion

The private sector is the back bone of the Afghan economy. In terms of creating job opportunities, the increase of gross domestic product, trade balance, sustainable economic growth and the public well-being, the private sector plays a major role. Without a healthy and functioning private sector, the economy as a whole will suffer. Therefore, supporting the private sector is a national interest and its growth is of key importance. In order for the private sector to be competitive domestically, regionally and globally, fundamental reforms are required in the business environment. A comprehensive support of the private sector to ensure suitable business environment requires reforms in starting a business, access to electricity, access to land and financial resources; transparency in procurements, supporting small and medium enterprises; easy movements of goods and people across borders; modernizing customs and tax facilities, maintaining economic stability, protecting domestic products and industries, and developing a legal framework to resolve private sector disputes.

Considering the economic conditions of the country, ACCI initiated the national conference of the private sector, where more than 400 businesspeople participated from across the country. The conference developed this comprehensive document including major challenges and practical solutions. These suggested solutions can help formulating result-oriented policies and taking effective measures in the short, medium and long terms in order to establish a suitable environment for the growth of the private sector.

The Chamber, is a national institution and the defender of the rights of the private sector; and at the same time it is a potential partner of the government in economic activities. The chamber is committed to its national mission and strives to recognize the legitimate interests of the private sector community and to provide quality

services. It feels obliged to work for improving business environment, facilitating suitable business and investment environment by launching capacity building programs and conferences for the private sector community.

Hereby, the chamber presents the findings of the grand private sector conference to remind the existing challenges and problems of the private sector. This proves that the chamber is not abandoning its mission and is committed to the interests of the private sector, the people and the government. ACCI tries its best to establish harmony and strengthen relations between the private sector and the government in economic activities that form the main axis of the life of the society.

ACCI expects the government and international organizations working in Afghanistan to prioritize the realization of solutions presented in this document so that the private sector will thrive, and as a result, grounds for economic growth will improve and social welfare will be ensured.

Sincerely

Afghanistan Chamber of Commerce and Investment
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