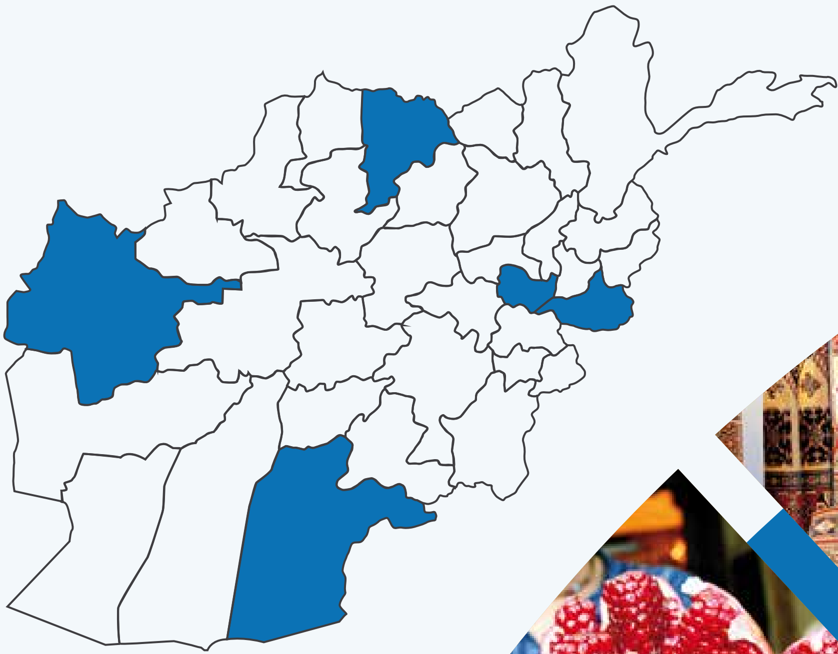
Afghanistan Chamber of Commerce & Investment
اتاق تجارت و سرمایه گذاری افغانستان
د افغانستان د سوداګرۍ او پانګونې اتاق

ACCI Business Monitor

Business Monitor 2019

The surveyed businesses level of confidence regarding their current condition is better as the last survey their expectations regarding the coming six months has dropped.



Business Bottleneck Survey

The ACCI Bottleneck Survey provides political and economic decision-makers as well as the business community and the interested public with data collected directly from the companies.

Business Tendency Survey

The Business Tendency Survey asks the managing directors of businesses for their opinions on the current business situation and their expectation for the next six months.

Bottleneck Survey

Tendency Survey

ACCI Business Monitor Survey

Foreword

Since 2012, Afghanistan Chamber of Commerce and Investment has systematically studied the business tendencies by conducting quarterly surveys and as well as annual bottleneck surveys in five major regions. These studies provide political and economic decision-makers as well as the business community and the interested public with data collected directly from the companies.

Since 2002, the Afghan private sector witnessed a considerable progress and invested in different sectors such as agriculture, higher education, banking, aviation, telecommunications, construction and health care.
In order to make sustainable and inclusive economic growth the private sector needs to be encouraged and supported. Fortunately, in recent years, the Afghan government has implemented tangible reforms in consultation with the private sector.

Cost and time of service delivery by the government to private sector has improved though creation of one-stop-shops for licensing, construction permits and the recent one for export at Kabul Airport. However, these one-stop-shops require additional resource, personal and expansion to key commercial hubs in order to fully benefit the private sector.
For the first time, we have a solid National Export Strategy that is a byproduct of genuine private sector and government collaboration. In our view, if fully implemented this will help improve the balance of trade, increasing value-added export through focusing on more domestic production, quality management and certification, supply chains, marketing of Afghan products particular those with competitive and comparative advantage.

Meanwhile, we have witnessed important steps in terms of access to industrial land, and industrial parks are developed in Kabul and 11 other provinces.

This survey reflects the private sector's perspective regarding the business environment including access to land, electricity, and finance; investors' safety and security; public tenders, skilled labor, and the role of women in businesses.

Survey findings showed that business challenges and problems have disturbingly grown in recent years. In addition to the general unfavorable political and security environments, Afghan businesses continue to suffer from the inappropriate legal frameworks, extortions, corruption, and transit problems in neighboring countries. Meanwhile lack of business incentives, the absence of encouraging policies and programs, and lack of proper infrastructures stop businesses to grow and therefore negatively affects the national welfare and public revenues. ACCI Business Monitor will continue to serve as an information base for the public-private dialogue by enhancing a common understanding of the challenges faced by the private sector. We hope that the relevant stakeholders will rely on the data while drafting laws and regulations to improve the condition for doing business.

Looking forward to see an improved business environment.

Sayed Zaman Hashemi
Chief Executive Officer
ACCI

Introduction

The ACCI Bottleneck Survey provides political and economic decision-makers as well as the business community and the interested public with data collected directly from the companies. The survey identifies the impediments for doing business in the country and it is monitoring the change over time.

For the bottleneck survey, representative samples are drawn from companies in the provinces of Kabul, Balkh, Kandahar, Nangarhar and Herat. The samples are structured by economic sectors and company size. The sample size for Kabul is about 160 and for each province about 50 companies. The interviews for this survey were conducted by phone in November 2019. The ACCI assures that all individual data obtained from the survey are treated as confidential and the privacy rules are applied to the publication of the results as well. The collected data was compiled and analyzed in-house by ACCI research unit.This unit was established in 2012 with the technical supports from German Development Cooperation.

Results of the Business Bottleneck Survey

As mentioned already, the Business Bottleneck Survey identifies the barriers for doing business by capturing the perceptions of entrepreneurs in Kabul, Balkh, Kandahar, Nangarhar and Herat provinces. The questionnaire focuses on problem areas raised as important in the "National Business Agenda". The interviews of this eighth-bottleneck survey were conducted in November 2019. The sample size was 360 companies which were interviewed by telephone.

The major findings of the survey can be summarized as bellow:

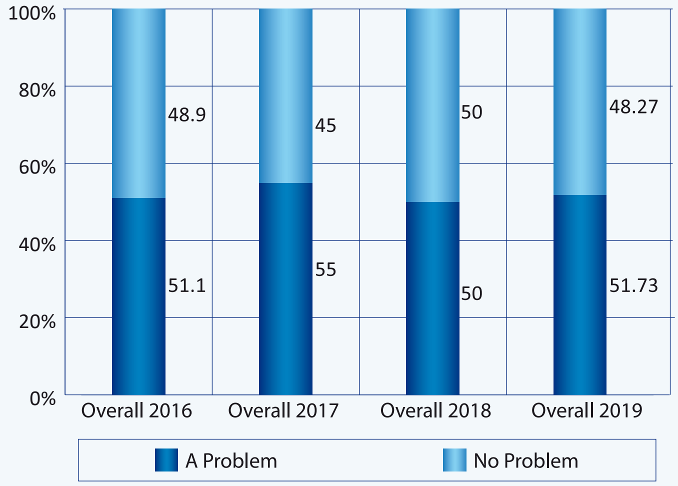
1. %82.56 of business say that the lack of access to electricity is their utmost limiting infrastructural problem, among all sectors, services (%90.2) is most affected by a shortage of electricity.
2. Business perception has slightly improved regarding the security condition in Balkh, Kandahar, Nangarhar and Kabul regions compared to last year.
3. Half of the surveyed businesses say they have problems in paying their taxes mainly because "taxes are too sophisticated and therefore not transparent".
4. In total surveyed businesses' perceptions regarding the public tendering conditions have slightly improved compared to last year; but still the majority of surveyed companies say they have problems in access to public tenders mainly because of "unclear and arbitrary procedures" and "bribery". Business in Kandahar (%80.95) highly unhappy with public tendering procedures.
5. Custom conditions, especially in Kandahar, Balkh and Kabul are reported very poor and businesses say that tariffs are "too sophisticated and non-transparent".
6. Despite the challenges faced by women in businesses, the Business Bottleneck Survey shows a considerable support for women operating in the private sector.

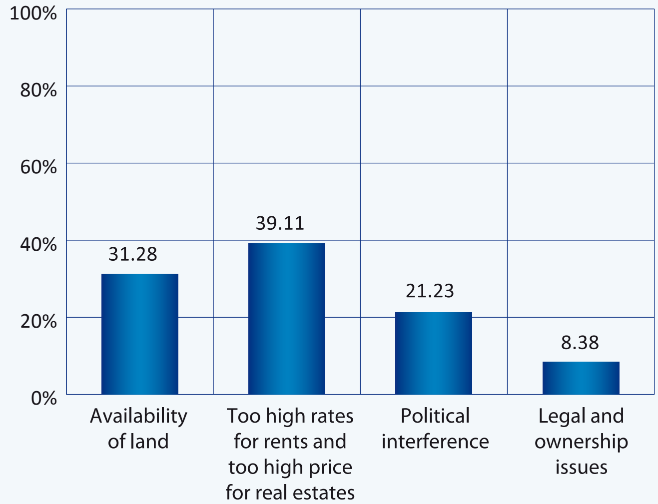
Business Buttleneck Survey

a) Getting Land

The Business Bottleneck Survey shows that 51.73 percent (compared to 50 percent one year ago,) of the respondents across the country regard getting land as a problem, and 48.27 percent (50 percent in 2018) say it is no problem to obtain or rent land. The survey reveals that getting land is a crosscutting concern but Small (59.13) size enterprises say it is slightly harder to get land for economic use compared to Large (51.76) and Medium (45.89) companies. Among the different economic sectors, Traders (%63.08) say they suffer most from the problems in getting land. About 57.5 percent of manufacturing companies, %49.3 of construction, %46.97 of Services, %41.79 of agriculture companies also complain about their problems in access to land. All sectors, but trade 63.08 (compared to 36.62 percent in 2018), reported that their problems in getting land have deteriorated compared to last year. While agriculture sector 41.79 (compared to 49.3 percent last year) has improved significantly in order to getting land.

Most of companies (%39.11) have marked the high prices and rents for real estate is a major problem for their businesses. A considerable number of companies (%31.28) said that the unavailability of industrial land for real estate as a reason for their negative assessment. For %21.23 of the companies, political interference is a major problem. Legal and ownership issues are also noted by a small number of respondents (%8.38) as obstacles in obtaining land.





Graph 1- Getting Land

b) Availability of Finance

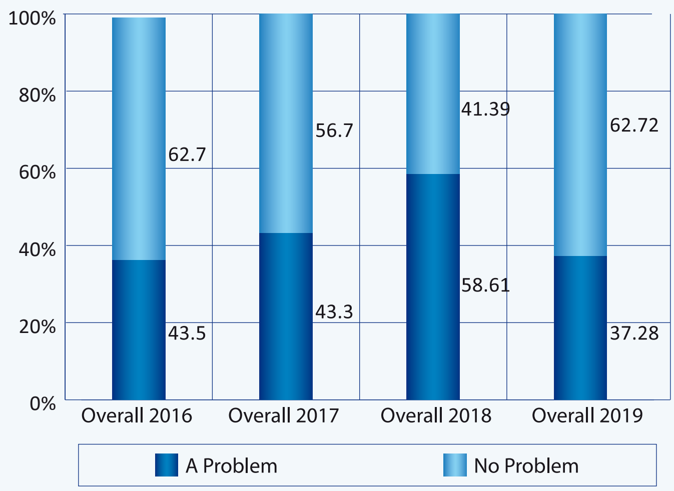
Although the financial system grew quickly during last one and half decade, it is still under-developed and its role in economic activities remains very limited. While exact numbers are not available, only a small segment of the private sector has access to formal financial services. Many businesses are unable to obtain capital due to the punitive interest rates and collateral requirements imposed by the vast majority of banks. However, even if the rates were made more favorable, many business people would still refuse to consider obtaining a loan because, as they believe, interest violates Islamic principles.

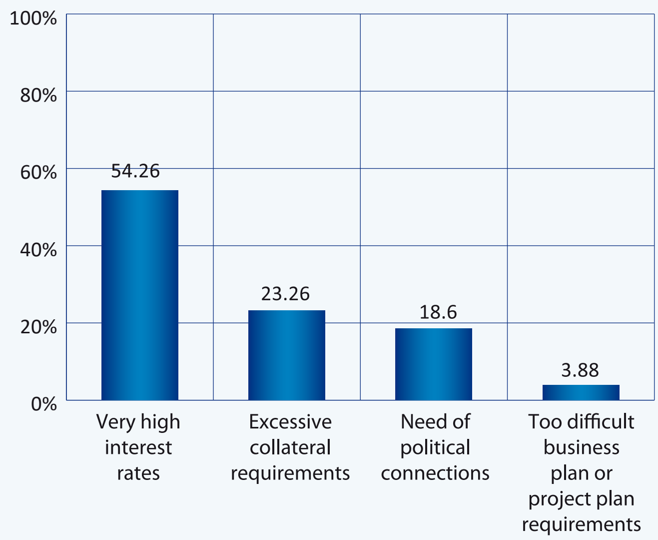
About 37.28 percent of the respondents say that they have problems in access to finance, whereas 62.72 percent say they have no problem. Regional differences are considerable. In Kabul 38.82 percent of the surveyed companies reported problems that show decrease in their problems compared to last year (59.01 %) while Kandahar (%46.94), Balkh 34 (last year 66 % of Balkh companies reported that they had problems in access to finance) and Nangarhar (%34.78) companies reported that they had a problem in access to finance. Herat companies have reported the lowest percentage of problems (%28.57).

SMEs companies (%40) have reported more problems than Large companies (%28).

Agriculture companies report the highest (%41.79) and trade report the lowest (%33.33) problems. Around %40 of Manufacturing and construction companies say they have problems in obtaining loans.

Like previous years the majority of companies (%54.26) who face problems in obtaining finance have marked high interest rates as the main reason. %23.26 of the respondents said that excessive collateral requirements were the main reason and for the rest of companies the need of political connections & too difficult business plan or project plan requirements were main reasons.





Graph 2- Availability of Finance

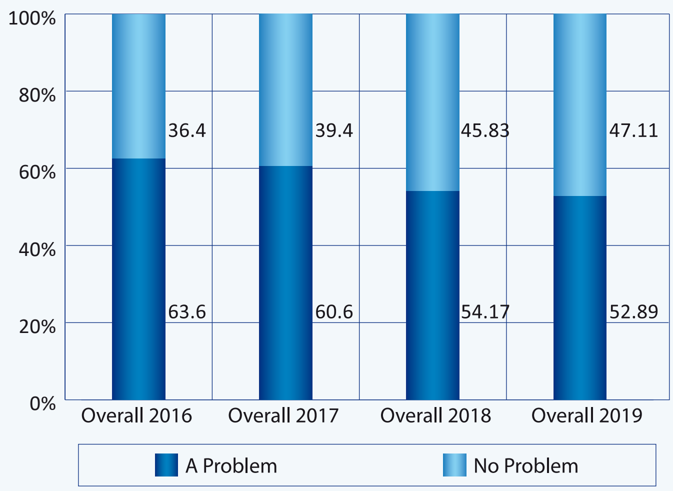
c) Tax System

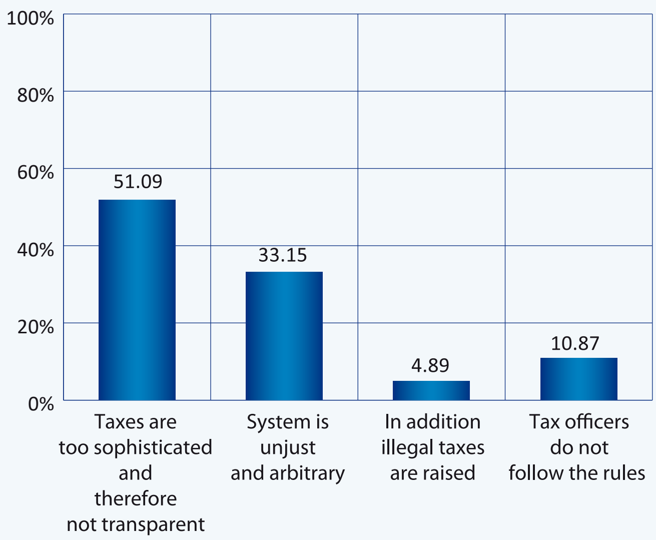
Enterprises in Afghanistan are confronted with a complex taxation system consisting of a wide range of different taxes. The system is regarded by the private sector as complex, confusing and unpredictable opening the door for bad practices. In addition to that, businesses are unhappy with the introduction of a new taxing procedure that obliged companies to submit their taxes statements and balances on monthly, quarterly and annual bases.
The perception of surveyed businesses regarding the tax system has slightly improved since last year and %52.89 of companies across the regions say that they have problems in tax system, compared to %54.17 for last year.

In all five regions trade (%66.15) and manufacturing (%5 .57) companies complain more about the tax procedures; but this figure is also high among services (%51.52), agriculture (%49.25) and construction (%39.71) respondents. Compared to the last year the tax system has improved slightly.

There is difference between SMEs (50 %) companies and large companies (%64).

Half of companies who have problems in tax system stated that "taxes are too sophisticated and therefore not transparent". About %33.15 of the surveyed companies said that the current tax system is unjust and arbitrary and about %14 of the remaining companies said that tax officers do not follow the rules and illegal taxes are raised.





Graph 3- Tax System

d) Custom Conditions

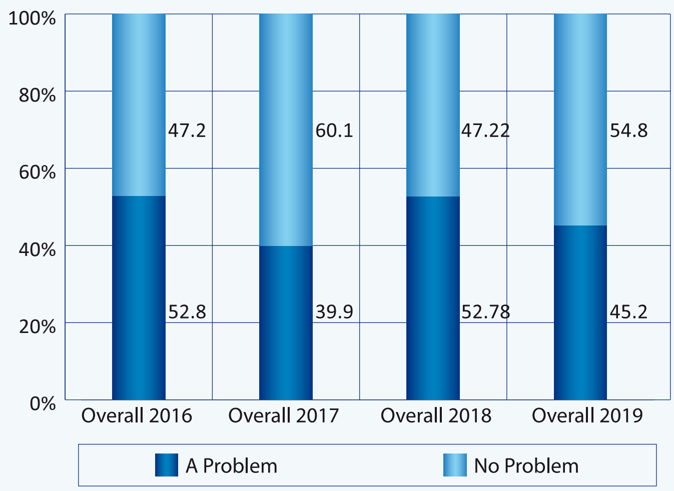
The business community often complains that border posts lack modern infrastructure, such as storage facilities and technical laboratories. Furthermore, the custom procedures in place are regarded as complicated and arbitrary opening the door for duplicative charges and duties at border posts and inside the country.

The Business Bottleneck Survey focuses on the regulatory environment for exports and imports. It reveals the custom condition has improved since last annual survey. In last survey %52.78 of the businesses, who dealt with customs, were not happy with the custom condition while this year %45.2 of the businesses in the same regions complained so. About %57.89 of surveyed businesses who deal with the customs in Kandahar, %50 of the companies in Balkh says they face problems in costumes. This figure is %44.58 for Kabul, %42.31 for Nangarhar and %36 for Herat.

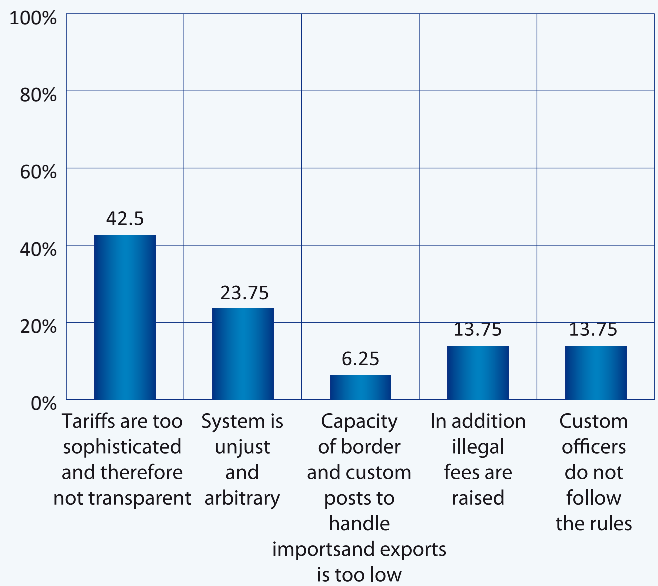
Different sectors have suggested that customs procedures and systems should be improved, and the level of confidence regarding the current status of customs procedures is very low in trade where %51.79 percent of those who deal with the customs believe that these procedures are problematic, while about (%47.5) of Manufacturing, (%45) of services, (%40.63) agriculture and (%34.48) of construction companies believe so.

The feedbacks of different size companies on custom conditions show that Large companies have more problems (%53.19) than Small (%48.28) and Medium (%37.5) companies.

The biggest reason behind the problem was mentioned “too sophisticated non-transparent Tariffs” and “an unjust and arbitrary System”. About %13.75 said that “custom officers do not follow the rules”; %13.75 said that the collection of “illegal fees” is a problem; %6.25 of companies also mentioned that “too low capacity of border and custom posts to handle imports and exports” is a major reason behind the problems.



Graph 4- Custom Conditions



e) Public Tender

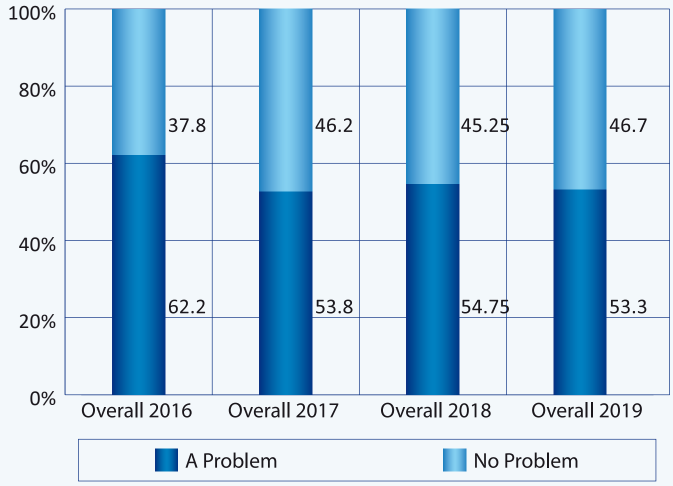
There is a lack of transparency and competition in bidding processes. Like earlier surveys, this bottleneck survey also confirms that majority of companies complain about the lack of transparency, political interferences, bribery and excessive bank guarantee requirements in public tender.

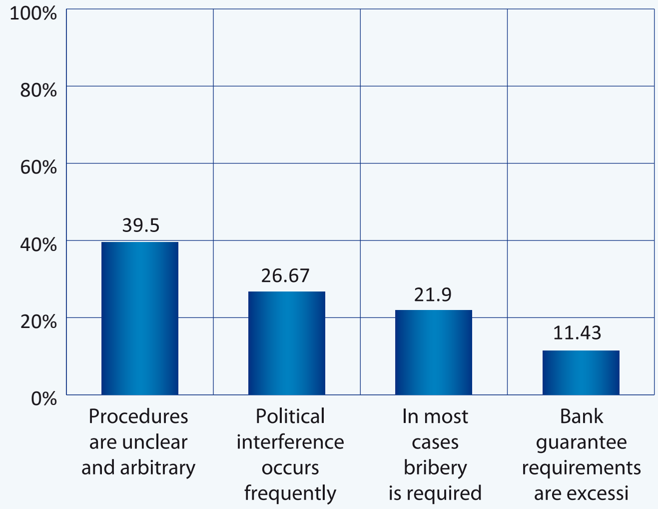
In total surveyed businesses' perceptions regarding the public tendering conditions have improved compared to last year, companies in Kandahar (%80.95) are highly unhappy with the public tendering conditions. Herat (%53.85), Balkh (%53.33), Kabul (%51.69) and Nangarhar (%38.71) companies have also called for reforms in current tendering procedures.

Trade companies (%57.14) report a slightly more problem than construction (%56.6). Except Manufacturing, Services and agriculture sectors compared to the last annual survey have reported a better situation. Agriculture is the only sector where more than half of companies say they have no problem in public tenders.

There is no meaningful difference between Large size companies and SMEs perceptions about public tendering procedures.

There is an important shift in noting the major reason behind the problem. Last year %40 said that the major reason behind the problem was "unclear and arbitrary procedures", but this year only %39 of surveyed companies agree that "unclear and arbitrary procedures" is the main reason. Instead, %26.67 have mentioned political interference as main reasons and about %21.9 of them have mentioned "bribery". %11.4 of companies point to "excessive bank guarantee requirements" as their major problems.
The provision of information on procurement opportunities in a timely manner is one of the basic requirements of a transparent and competitive tendering. The ACCI responds to this request and publishes public invitation to tender on the website of the tender distribution center (http://www.kabul-tenders.org) on a regular basis. ACCI has also recommended some realistic and practical reforms on public tenders in a policy recommendation paper called Private Sector Reform Priorities.





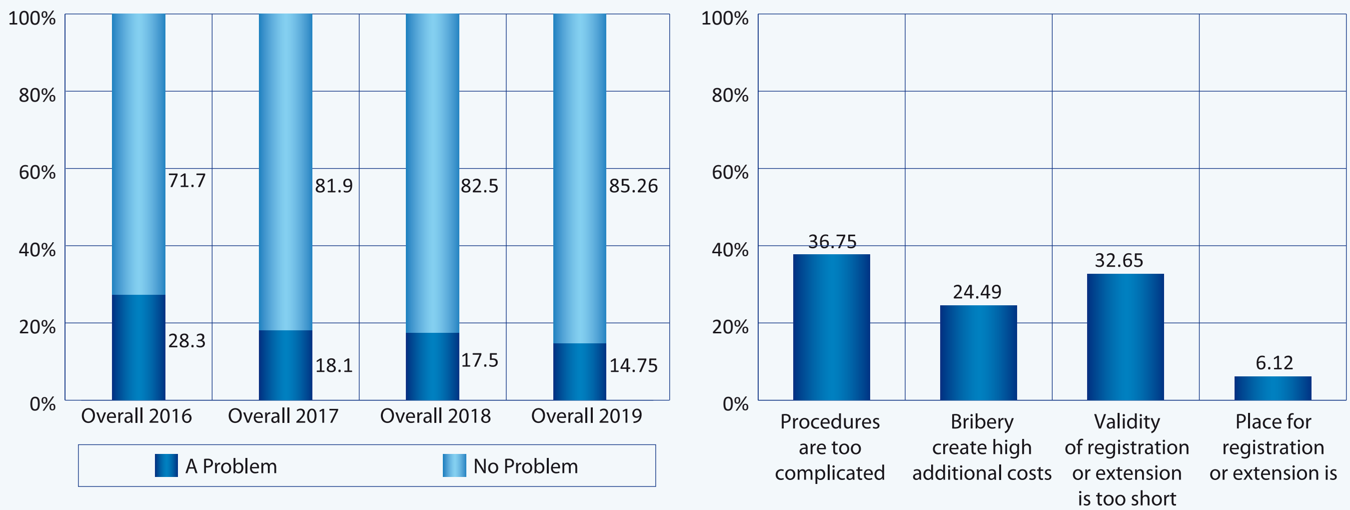
Graph 5- Public Tender

f) Business Registration and Extension

Starting a business in Afghanistan is not a concern of the private sector. No minimum capital is required to register a business. To establish a limited liability company, it took seven days to register at the Afghanistan Investment Support Agency in the past. In 2016, a one stop shop was established for business registration and AISA's business registration department was merged with the ministry of commerce and industry, which is expected to decrease the registration cost and time significantly. Businesses in Kandahar (%28.57), Balkh (%22), Kabul (12.5), Nangarhar (10.87) and Herat (4.08) are comparatively unhappy with the current procedures. Herat (%95.92) companies believe that conditions and procedure for starting a business has sharply improved.

Medium companies reported lesser problems than small and large size companies. Meanwhile, services, trade and construction reported more problems than agriculture and manufacturing.

"Too short validity of registration or extension" and complicated procedures” are mentioned as two major reasons behind the problems. About 24.49 percent of them believed that “bribery and high additional costs” were major problems. 6.12 % of companies have also complained that registration or extension offices are far from their business locations.



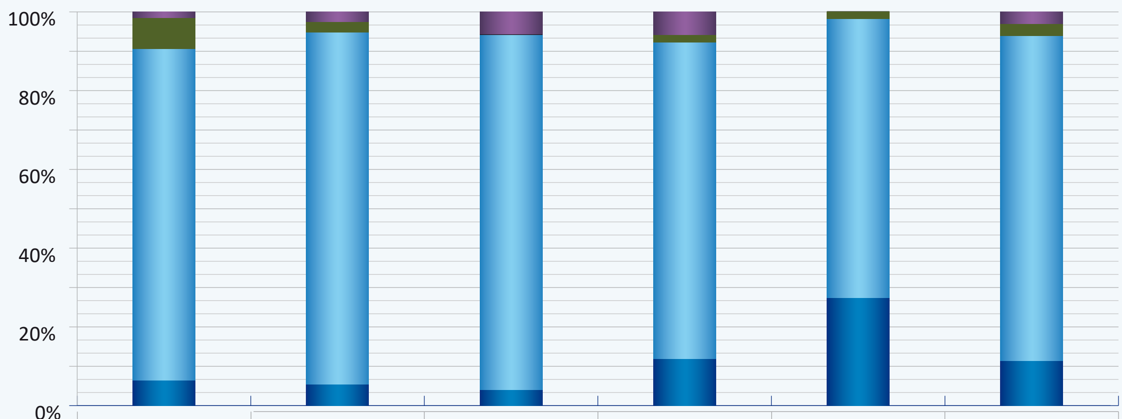
Graph 6- Business Registration and Extension

g) Infrastructure

Afghanistan lacks a good infrastructural basis for private sector development. Efforts are made to improve this situation. However, the business community often complains about lack of electricity, water, sewage, transport and telecommunication services.
The Business Bottleneck Survey reveals that infrastructure is a cross-sector and countrywide problem. Like last year a large number of companies (%73.7) of all surveyed businesses say they have infrastructural problems. %79 of Kandahar, %78.26 of Nangarhar, %73.47 of Herat, %73 of Kabul and %64 of Balkh surveyed businesses say they have infrastructural problems.

About %82.56 of the companies who have infrastructure problems believe that electricity is their utmost limiting infrastructural problem. Agriculture (82.09), trade (%78.46), services (%77.27), manufacturing (%76.25) and construction (%54.41) say they have problems in infrastructure.

Large and medium companies have more infrastructure problems than small companies.



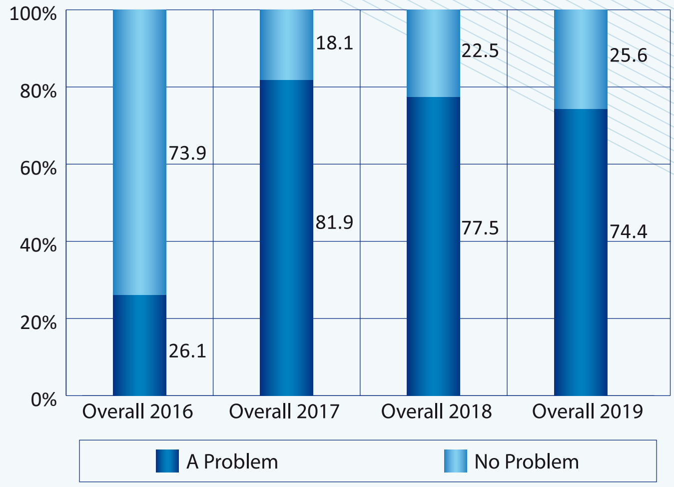
	Manufacture	Construction	Services	Trade	Agriculture	Total
Telecom	1.58	2.64	5.88	5.89	0	3.1
Sewerage and waste disposal	7.94	2.63	0	1.96	1.82	3.1
Electricity	84.13	89.47	90.2	80.39	70.91	82.56
Water	6.35	5.26	3.92	11.76	27.27	11.24

Graph 7- Infrasturcture

h) Qualified Labor Force

Due to lack of training facilities and the ongoing immigration of educated and trained people, Afghanistan is in short of qualified labor. The Business Bottleneck Survey reveals that the lack of qualified labor force is more problematic for Kabul and Nangarhar regions compared to Kandahar, Herat and Balkh.

Agriculture (%80.51), trade (%78.1) and services (%77.81) report more problems than construction (%69.23) and manufacture (%67.19). SMEs (%75) report much problems than large companies (%60.39).



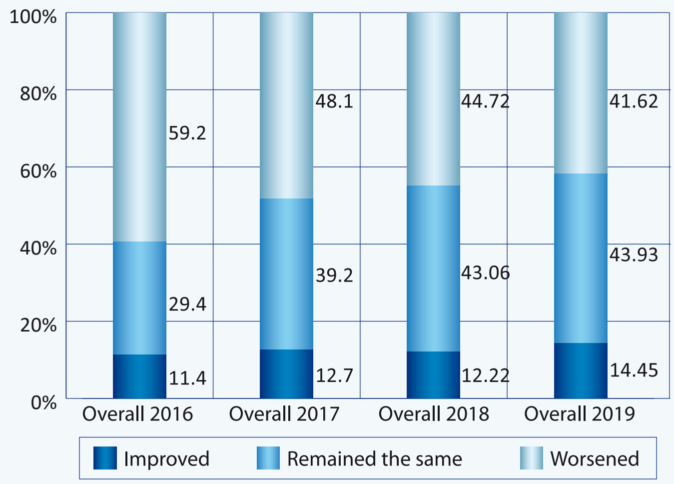
Graph 8- Qualified Labour

i) Security

Insecurity is a chief concern throughout the Afghan business community. Transportation of goods and material is extremely difficult and risky in some regions of the country.
According to the current survey, the perception of surveyed businesses has slightly improved regarding the security condition in Kabul, Balkh, Kandahar and Nangarhar regions compared to last year. In total about %41.62 of surveyed companies have reported that the security condition has deteriorated. In comparison to last year, Herat is the only region that reports more problems than last year. Last year %35.29 of Herat companies reported that the security had deteriorated but this year the number has increased to %44. %57.15 of surveyed companies in Balkh, %41.3 in Nangarhar, more than %40 in Kabul and %28.57 in Kandahar have said that their security conditions have deteriorated.

There is no significant sectoral difference with services (%51.52) registering the highest and trade with about %30 registering the lowest complaints regarding the deterioration of their security conditions.

SMEs report more problems than large companies.



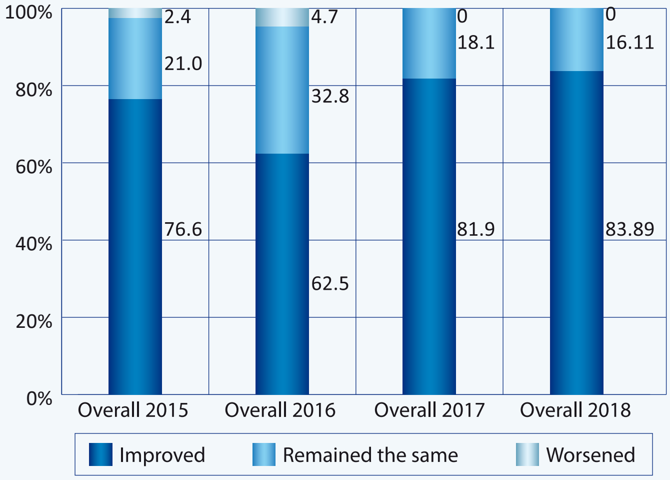
Graph 9- Security

k) Attitude towards Women

In Afghanistan, the range of economic activities available to women is severely limited by a complex set of cultural and other factors which is a loss of productive human resources for the country.

Despite the challenges faced by women in businesses, survey shows a considerable support for women operating in the private sector. In total %82.9 of surveyed companies say that more women should run businesses. Last year %83.8 supported the idea.
Business in Kabul (%88.08), Herat (%85.71), Kandahar (%79.59), Nangarhar (%76.09), Balkh (%74) were

There is no meaningful difference among different size groups of surveyed companied in supporting women's engagement in businesses.



Graph 10- Attitude towards Women

ACCI Business Tendency Survey

Major findings

• The surveyed businesses level of confidence regarding their current condition is better as the last survey their expectations regarding the coming six months has dropped.

• Businesses have reported that their order books keep shrinking. In term of order books ranking Kandahar (44.74-) has the worst and Nangarhar (28.32-) has the best order book indicator.

• The current condition for all three categories of businesses are negative but small companies are much more affected compared to large and medium companies. Large companies are optimistic about their business plans and prospect for future.

• The employment prospects of all sectors have significantly dropped. Agriculture expect the highest rate of employment (7.3) and Trade the lowest (12.3-).

• The average indicator for security situation has worsened compared to the previous survey, security condition in Kandahar has improved compare to the last survey. in general, the security condition seems very unstable.

• Calls for better market and demand, administrative reforms, infrastructure have improved slightly, but access to finance and security, still two main challenges of the surveyed companies.

A. Business Climate

The Business Climate is an indicator for GDP growth tendencies. The indicator usually is leading; it indicates GDP changes in advance (on average a few months if no unexpected change in frame conditions occurs).

The Business Climate indicator is constructed from the judgments of managers on their present business situation and their business expectations for the next six months by a standardized and internationally used formula (for methodology see at the end of the report). The indicator values range from 0 (meaning "normal") up to a possible maximum of plus 100 for a positive climate and from 0 to a possible minimum of minus 100 for a negative climate.

A.-1 Business Climate overall and by Region

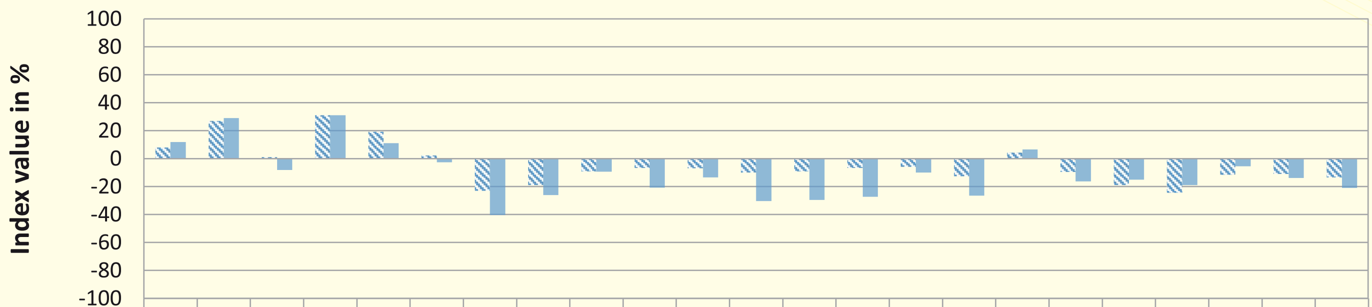
The overall Business Climate indicator in fourth quarter of 2019 for Kabul, Balkh, Kandahar, Nangarhar & Herat regions altogether valued points (- 13.5) while in last survey it was (- 10.9) points.

The overall business climate has improved compared to the same period of last year. The surveyed businesses' level of confidence regarding their current condition is better as the last survey (28.71- →31.48-), their expectations regarding the coming six months (1.73 →8.59) has decreased.

All surveyed regions have reported negative indicators. Except Kabul, the business indicator in all of surveyed regions has improved compared to the same quarter last year.

The Business Tendency Survey asks the managing directors of businesses for their opinions on the current business situation and their expectations for the next six months. The current survey was conducted in five regions (Kabul, Balkh, Kandahar, Herat and Nangarhar) and 705 companies were interviewed through phone during first and second weeks of December 2019.

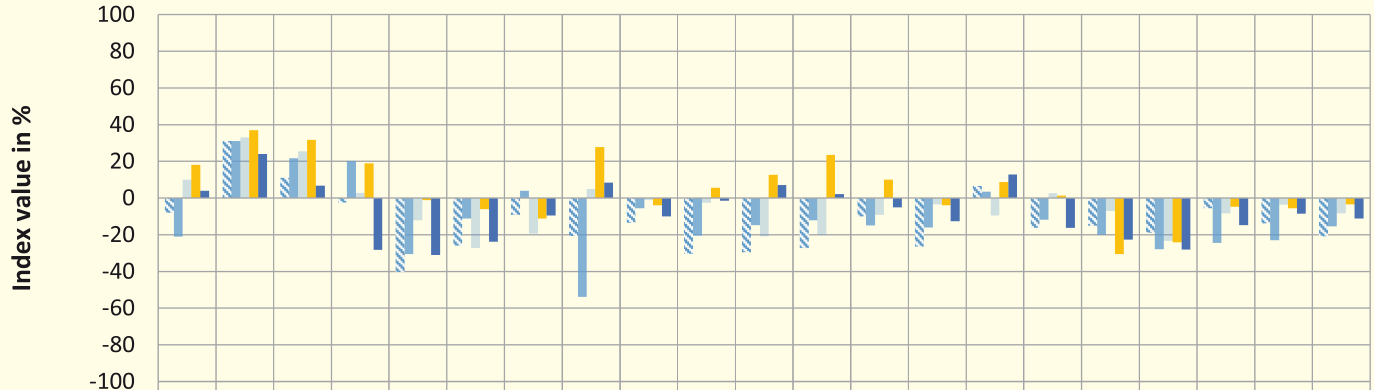
ACCI BCI



	IV-13	I-14	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I - 2017	II - 2017	III - 2017	IV - 2017	I - 2018	II - 2018	III - 2018	IV - 2018	II - 2019	III - 2019	IV - 2019
Overall	8	27	1	31	19.3	2.21	-23	-19	-9.1	-6.7	-6.8	-9.9	-9.1	-6.7	-5.8	-12.	4.4	-9.6	-19.	-24.	-11.	-10.	-13.
Kabul	12	29	-8	31	11	-2.5	-40	-26	-9.3	-21	-14	-30	-29.	-27.	-10.	-26.	6.5	-16.	-15.	-18.	-5.5	-13.	-20.

Graph 1: Business climate, overall and Kabul 2012 to 2019 (in quarters per annum of survey conducted)

ACCI BCI



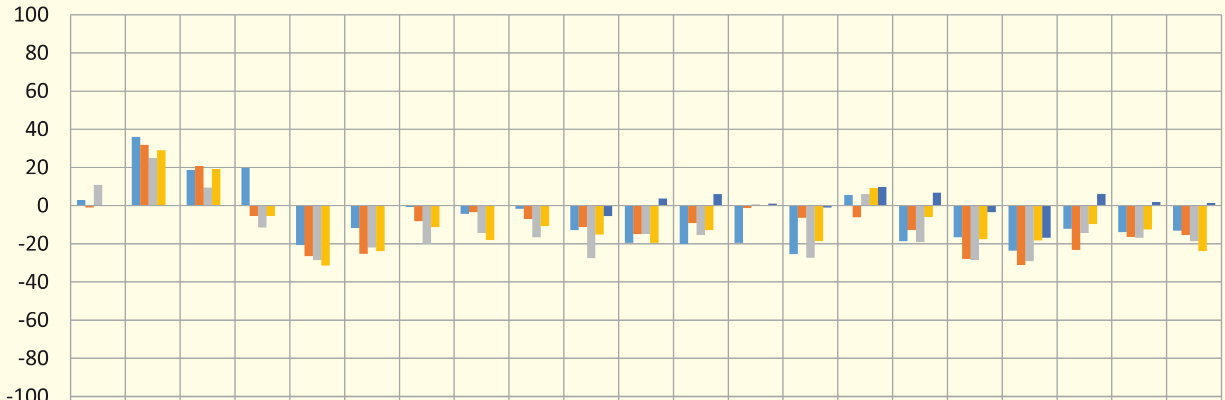
	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I - 2017	II- 2017	III - 2017	IV - 2017	I - 2018	II- 2018	III - 2018	IV - 2018	II- 2019	III - 2019	IV - 2019
Kabul	-8	31	11	-2.5	-40	-26	-9.3	-21	-14	-30	-30	-27	-10	-26	6.5	-16	-15	-19	-5.5	-14	-21
Balkh	-21	31	21.7	20.2	-31	-11	3.89	-54	-5.6	-21	-15	-12	-15	-16	3.5	-12	-20	-28	-24	-23	-16
Kandahar	10	33	25.6	2.75	-12	-27	-19	5	-1.1	-2.6	-21	-20	-9.2	-3.4	-9.6	2.7	-7	-23	-8.3	-3.6	-8.3
Nangarhar	18	37	31.7	18.9	-1.1	-6.1	-11	27.8	-3.9	5.65	12.6	23.5	10	-4	8.7	1.3	-31	-24	-4.8	-5.6	-3.5
Herat	4	24	6.7	-28	-31	-24	-9.4	8.33	-10	-1.5	7	2.2	-5.1	-13	12.9	-16	-23	-28	-15	-8.5	-11

Graph 2: Business climate by Province 2014 to 2019

A.-2 Business Climate by Sectors

Sectors have reported a negative business indicator, while the business indicator of agriculture positive and has decreased compared to the previous period of survey. Services (23.7-), construction (18.7-), trade (15.3-), manufacturing (13.1-), and agriculture (1.4) were categorized according to the business indicator by surveyors.

ACCI BCI



	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I- 2017	II- 2017	III - 2017	IV - 2017	I- 2018	II- 2018	III - 2018	IV - 2018	II- 2019	III - 2019	IV - 2019
Manufacturing	3	36	18.7	19.7	-20.6	-11.8	-0.91	-4.24	-1.52	-12.7	-19.4	-20	-19.4	-25.5	5.7	-18.7	-16.7	-23.6	-12.1	-14	-13.1
Trade	-1	32	20.7	-5.52	-26.6	-25.2	-8.28	-3.45	-6.9	-11.4	-14.8	-9.3	-1.3	-6.3	-6.1	-12.8	-27.9	-31.1	-23.1	-16.3	-15.3
Construction	11	25	9.5	-11.4	-28.6	-21.9	-20	-14.3	-16.7	-27.6	-14.8	-15.3	0.7	-27.2	5.9	-19.2	-28.6	-29.2	-14.3	-16.8	-18.7
Service	0	29	19.3	-5.4	-31.4	-23.8	-11.4	-17.9	-10.7	-15.2	-19.4	-12.8	0.1	-18.6	9.3	-5.9	-17.6	-18.2	-9.7	-12.5	-23.7
Agriculture										-5.52	3.8	5.9	1.1	-1	9.6	6.9	-3.5	-16.8	6.2	1.8	1.4

Graph 3: Business climate by sectors overall, 2014 to 2019

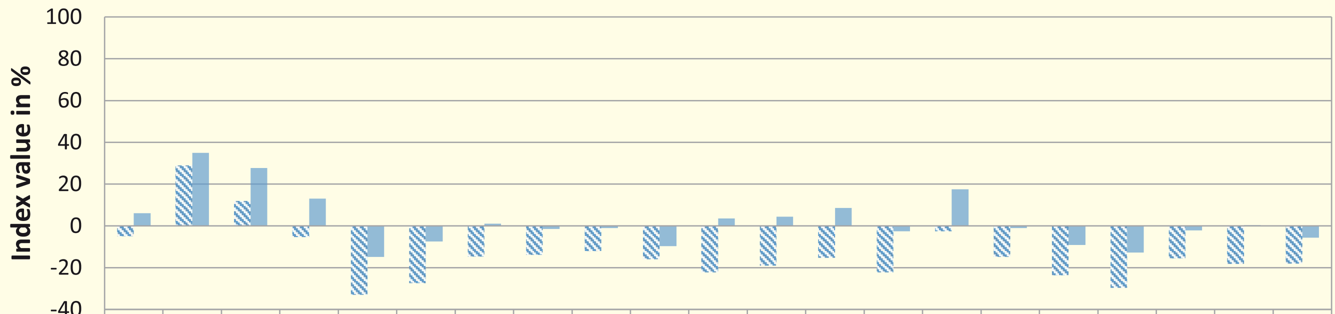
A.-3 Business Climate by Company Size

This Business Climate Survey, like the previous ones, shows that there is a meaningful difference between the perception of large companies and SMEs about the business condition.

SME's report a negative business climate indicator (18.1-) which is worse than the last quarter (15.5-). Large companies have reported better business climate indicator (5.7-) compared to the same period last year.

The current condition for all three categories of businesses are negative but large (19.1-) and medium (20.77-) companies are much less affected than small companies (48.15-).

ACCI BCI

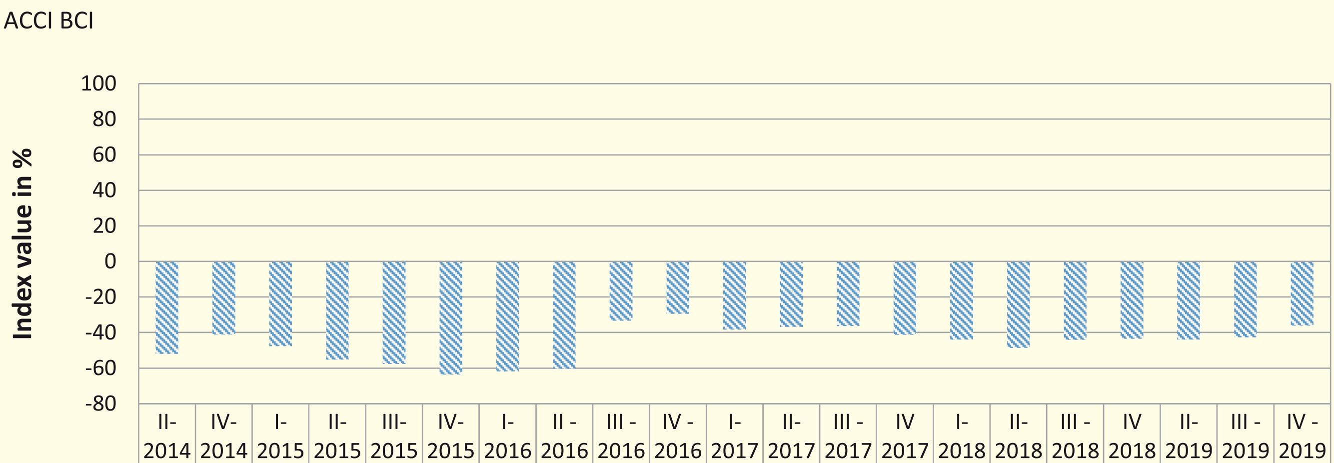


	II-2014	IV-2014	I-2015	II-2015	III-2015	IV-2015	I-2016	II-16	III - 16	IV - 2016	I-2017	II-2017	III - 2017	IV 2017	I-2018	II-2018	III - 2018	IV 2018	II-2019	III - 2019	IV - 2019
SME	-5	29	11.9	-5.4	-33	-27	-15	-14	-12	-16	-22	-19	-15	-22	-2.6	-15	-24	-30	-16	-18	-18
Large	6	35	27.7	13	-15	-7.5	1	-1.5	-1	-9.7	3.6	4.4	8.6	-2.6	17.5	-1	-9.2	-13	-2.2	0.4	-5.7

Graph 4: Business climate by company size overall, 2014 to 2019

B. Order Books

The order books situation is another indicator for the business situation. It is complementary to the Business Climate and can be used as a control for the climate tendency. The result figures are based on percentage balance values (positive minus negative answers).
Businesses have reported that their order books keep shrinking (36.13-). This figure is upper than the order books indicator of pervious period of survey (42.71-). No region reports a positive indicator, but Nangarhar (28.32-) comparatively better conditions than other regions: Kandahar (44.74-), Kabul (35.54-), Herat (35.4-) and Balkh (32.27-).
Order books indicator for Nangarhar (28.32-) has improved, compared to the last quarter. but order books in Kandahar has significantly decreased compared with the previous period of survey (44.74- → 30-).



	II-2014	IV-2014	I-2015	II-2015	III-2015	IV-2015	I-2016	II - 2016	III - 2016	IV - 2016	I-2017	II-2017	III - 2017	IV 2017	I-2018	II-2018	III - 2018	IV 2018	II-2019	III - 2019	IV - 2019
situation	-52	-41	-48	-55	-58	-64	-62	-60	-33	-30	-38	-37	-36	-41	-44	-49	-44	-43	-44	-43	-36

Graph 5: Order books situation overall, 2014 to 2019 (in quarters per annum of survey conducted)

C. Employment Expectation

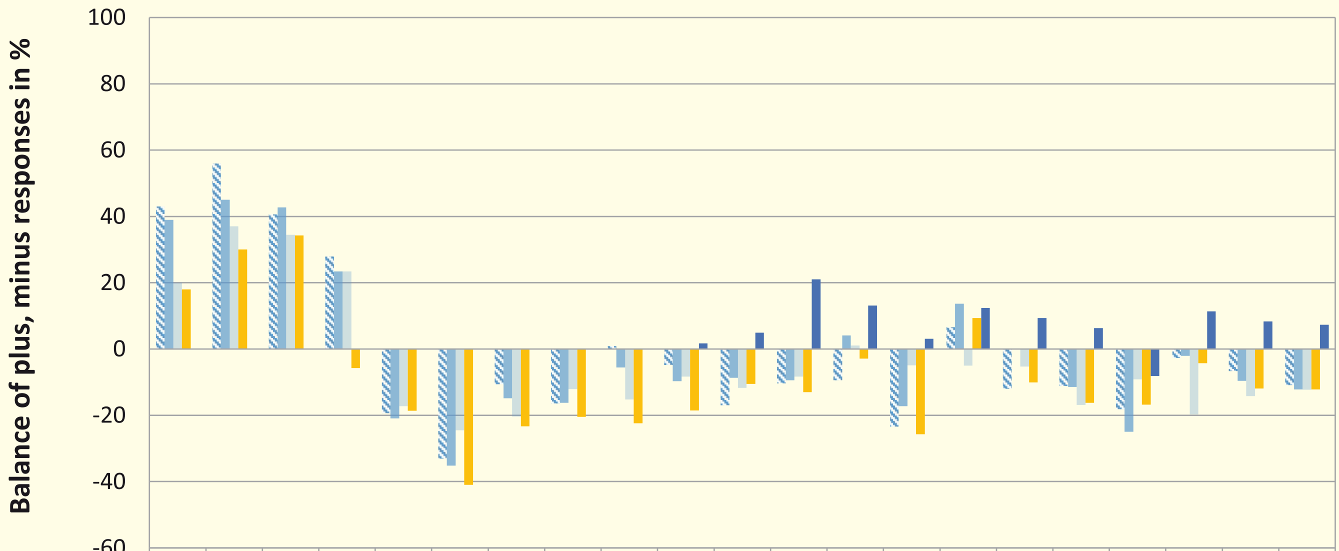
Graph No. 7 shows the employment climate which is the arithmetic mean of the situation (balance value) and the expectations (balance value). According to this survey companies are pessimistic about their employment prospects (17.49-).

Agriculture expects the highest rate of employment (7.3) and trade the lowest (12.3-).

As usual, the real employment situation was different to what the businesses expected in previous survey. The number of respondents who say they have decreased their employees is about (17.49) percent more than those who say they have employed more people from last period of survey.

Trade (12.3-), construction (12.2-), services is (12.2-), manufacturing sector (10.9-), and agriculture (7.3) employment indicator. Except trade, the overall employment indicator has worsened compared to the last period of survey.

ACCI BCI



	II-2014	IV-2014	I-2015	II-2015	III-2015	IV-2015	I-2016	II-16	III - 16	IV - 2016	I-2017	II-2017	III - 2017	IV - 2017	I-2018	II-2018	III - 2018	IV - 2018	II-2019	III - 2019	IV - 2019
Manufacture	43	56	40.6	27.9	-19	-33	-11	-16	0.91	-4.9	-17	-10	-9.4	-23	6.6	-12	-11	-18	-2.7	-6.7	-11
Services	39	45	42.8	23.5	-21	-35	-15	-16	-5.5	-9.7	-8.7	-9.4	4.1	-17	13.7	0	-11	-25	-2.1	-9.6	-12
Trade	20	37	34.5	23.5	-17	-24	-20	-12	-15	-8.3	-12	-8.3	1.1	-4.9	-5	-5.3	-17	-9.1	-20	-14	-12
Construction	18	30	34.3	-5.7	-19	-41	-23	-20	-22	-19	-11	-13	-2.9	-26	9.3	-10	-16	-17	-4.3	-12	-12
Agriculture										1.75	4.9	21	13.1	3.1	12.4	9.3	6.3	-8.1	11.4	8.3	7.3

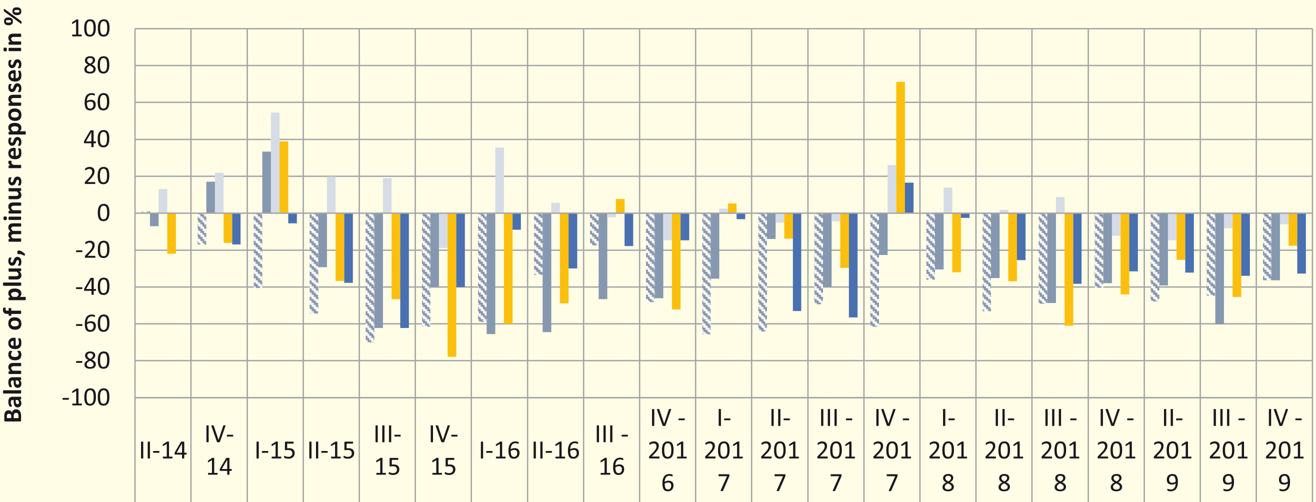
Graph 7: Employment by sectors overall, 2014 to 2019

D. Security Situation

The average indicator for security situation has worsened (27.7-) compared to the previous survey (39.88-), and regional differences are high.

Kandahar has reported an improve security indicator (6.09-) compared with previous period of survey, while Kabul (36.37-) has reported the least favorable security condition, followed by Balkh (36.36-), Herat (32.75-) and Nangarhar (17.7-). In general the security condition seems very unstable.

ACCI BCI

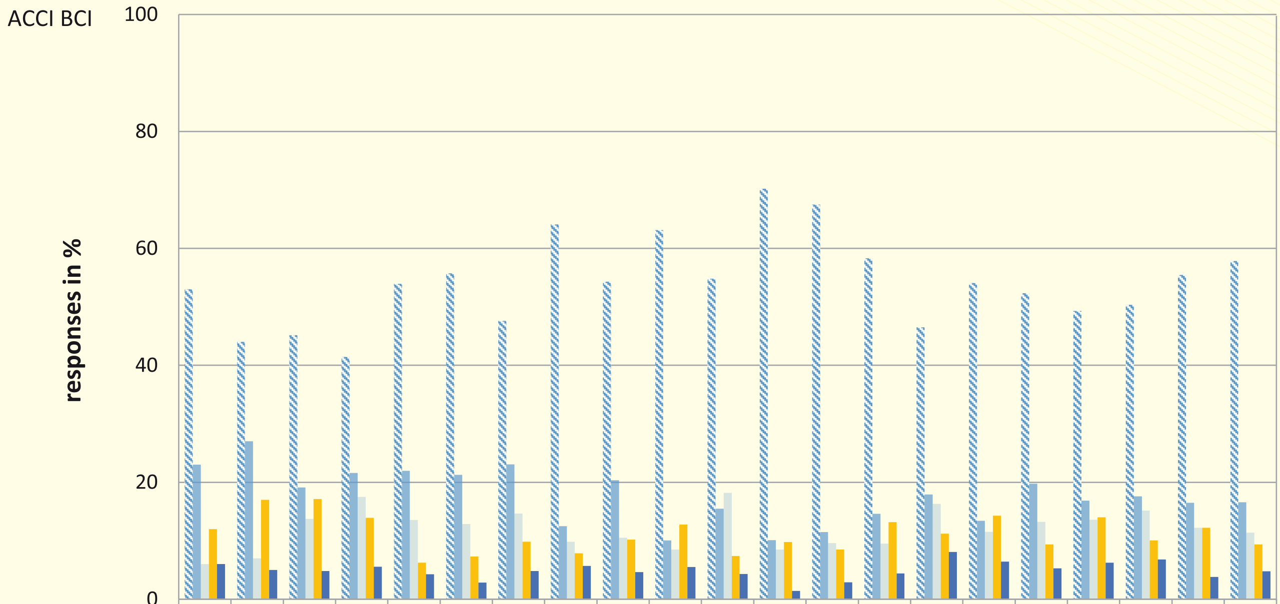


	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I-2017	II-2017	III - 2017	IV - 2017	I-2018	II-2018	III - 2018	IV - 2018	II-2019	III - 2019	IV - 2019
Kabul	1	-17	-41	-55	-70	-62	-59	-34	-18	-48	-66	-64	-49	-62	-36	-53	-49	-40	-48	-45	-36
Balkh	-7	17	33.3	-29	-62	-40	-66	-64	-47	-46	-36	-14	-40	-23	-31	-35	-49	-38	-39	-60	-36
Kandahar	13	22	54.5	19.8	18.9	-19	35.6	5.55	-2.2	-15	2.5	-5.2	-4.4	26.1	13.9	1.8	8.69	-12	-15	-8.2	-6.1
Nangarhar	-22	-16	38.9	-37	-47	-78	-60	-49	7.77	-52	5.2	-14	-30	71.2	-32	-37	-61	-44	-25	-45	-18
Herat	0	-17	-5.6	-38	-62	-40	-8.9	-30	-18	-15	-3.3	-53	-57	16.5	-2.6	-25	-38	-32	-32	-34	-33

Graph 08: Perceived security situation by Province, 2014 to 2019 (question: "past 3 months")

E. Desired Improvements for Business Development

The evaluation of major business constraints shows that the most important factor for business development is security; it is followed by market and demand, administrative reforms, better infrastructure, and access to finance. The following table indicates that calls for access to finance and security, have increased.



	II-14	IV-14	I-15	II-15	III-15	IV-15	I-16	II-16	III - 16	IV - 2016	I- 2017	II- 2017	III - 2017	IV - 2017	I- 2018	II- 2018	III - 2018	IV - 2018	II- 2019	III - 2019	IV - 2019
Security	53	44	45.18	41.43	53.93	55.71	47.58	64.11	54.29	63.12	54.8	70.2	67.5	58.3	46.5	54.07	52.35	49.29	50.35	55.47	57.86
Market & Demand	23	27	19.11	21.61	21.96	21.25	23.08	12.5	20.36	10.07	15.5	10.1	11.5	14.6	17.9	13.41	19.77	16.86	17.59	16.47	16.59
Administrative	6	7	13.75	17.5	13.57	12.86	14.67	9.82	10.54	8.51	18.2	8.5	9.6	9.5	16.3	11.55	13.23	13.6	15.18	12.24	11.4
Infrastructure	12	17	17.14	13.93	6.25	7.32	9.84	7.86	10.18	12.77	7.4	9.8	8.5	13.2	11.2	14.27	9.39	14.02	10.07	12.24	9.38
Access to Finance	6	5	4.82	5.54	4.29	2.86	4.83	5.71	4.64	5.53	4.3	1.4	2.9	4.4	8.1	6.42	5.26	6.23	6.81	3.79	4.76

Graph 9: Desired improvements for business development, overall, 2014 to 2019

Appendix:

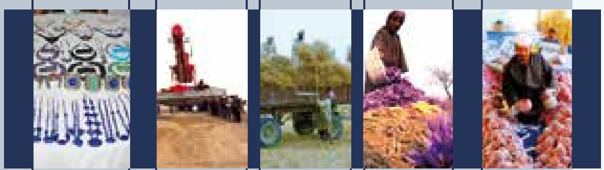
The Definition of the Business Climate Indicator

The Business Climate is based on a periodic survey of company managers in Manufacturing, Construction, Services, Trade and Agriculture sectors. The managers are requested to report on their present business situation as well as on their expectations for the next six months. They may judge their situation to be “better than normal”, “normal” or “worse than normal”. On their expectations they may answer that the situation will “improve”, “remain the same” or “deteriorate”.

The balance value of the present situation is the difference of the percentage shares of the answers “better than normal” and “worse than normal”. The balance value for the expectations is the difference of the percentage shares of the answers “improve” and “deteriorate”.

The Business Climate is the arithmetic mean of the situation (balance value) and the expectations (balance value).

In graphical presentations for the first survey rounds the “normal” and “remain the same” judgments are taken as the zero line. The range of the climate indicator may vary between 0 and in its maximum up to one hundred towards the positive (plus) and as well one hundred towards the negative (minus) side. At a later stage, after time series can be established, the “zero” line will be based on a normal year climate (taken as 100 and the following quarterly climate values indexed to this year).



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Kabul, Dec 2019

Why Survey and Research

- *To enhance a common understanding of business challenges*
- *To foster business intelligence*
- *To find hard facts and figures for PPD*

Survey includes:

- *Trained staff interviewers*
- *Standard methodologies and questionnaire*
- *Telephone interviews*
- *Nationwide*
- *All sectors of Economy*
- *ACCI Member/ None Member companies*

Business Tendency Survey

- *To monitor, analyze and forecast short term economic fluctuations*
- *Will be conducted with high frequency and be a very short questionnaire*
- *Large and upper-medium sized firms (because they have a higher impact on economic fluctuation)*

Business Bottleneck Survey

- *To identify longer term (more structural problem hindering business to develop (bottlenecks)*
- *Will be conducted with lower frequency and by a detailed questionnaire*
- *Bottleneck survey focus more on lower-medium and smaller sized firms, because they usually are faced with the bulk of problems and their much higher numbers are specifically important for employment and widespread income generation.*

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