



## **Economic Assessment and Labour Market Survey of Mazar-i Sharif, Pul-i Khumri, Kandahar City and Kunduz City**

*Report commissioned by*

*Mercy Corps*



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## Background Information

**Samuel Hall** is a research and consulting company with headquarters in Kabul, Afghanistan. We specialise in perception surveys, policy and socio-economic research, evaluations and impact assessments for governmental and non-governmental organisations. Our teams of technical experts, practitioners, and researchers have years of field and research experience in Afghanistan. This has allowed us to (i) acquire a firm grasp of the political and socio-cultural context of development in Afghanistan; (ii) design data collection methods and statistical analyses for monitoring, evaluation and planning of programmes; (iii) apply cross-disciplinary knowledge in providing integrated solutions for policy interventions.

### List of Acronyms

ACCI	Afghanistan Chamber of Commerce and Industry
AISA	Afghanistan Investment Support Agency
ANSF	Afghanistan National Security Forces
APTTA	Afghanistan Pakistan Transit Trade Agreement
DoCI	Department of Commerce and Industry
DoLSA	Department of Labour and Social Affairs
DoWA	Department of Women's Affairs
IO	International Organisation
ISAF	International Security Assistance Force
Mol	Ministry of Interior
NRVA	National Risk and Vulnerability Assessment

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## Executive Summary

The provincial economies of Baghlan, Balkh, Kandahar and Kunduz are structurally comparable. According to the National Risk and Vulnerability Assessment (NRVA), the agriculture and livestock sector employ approximately 60% of the national labour force, however in the urban provincial centres, the predominant economic activity changes to trade and small scale manufacturing. In the rural districts, agriculture dominates the local economies with a minimal services sector clustered in the district bazaars. Beyond agriculture there are few employment opportunities with many youth migrating to provincial or regional centres as well as to Iran and Pakistan to supplement household income.

As part of the labour market survey, 1,313 employers and employees were asked to detail their primary source of household income and 34.7% stated wholesale and retail trade, 33.2% declared manufacturing and public administration comprised 10.6% indicating a concentration of economic activity in trade and small-scale manufacturing. The profile of the businesses surveyed appeared to confirm the primary economic sectors in urban areas as 48.9% were working in the manufacturing sector and 39.3% were involved in wholesale and retail trade. All other sectors, including construction, hotels and restaurants and transport recorded response levels of less than 4%.

The border provinces of Balkh, Kandahar and Kunduz have benefited considerably from the increased levels of trade resulting from the presence of the international military and accompanying civilian agencies. Mazar-i Sharif and Kandahar City act as regional economic hubs for the surrounding provinces with imports of capital equipment, automobiles, clothes and foodstuffs far outweighing the exports of fruits, nuts and handicrafts in Mazar-i Sharif as well as unprocessed agricultural goods to Pakistan through Kandahar. The manufacturing sector is overwhelmingly comprised of small companies as evidenced by the average number of employees in the surveyed businesses being 4.5.

The labour market is a victim of approximately 30 years of conflict, exacerbated by approximately 36% of the population living below the poverty level. The average household income of all individuals surveyed was 25,731 Afs (US\$548) and approximately 21% reported being illiterate and a further 21.6% possessing a primary school education level. Skills levels remain low with many manufacturing and trading concerns relying on relatives to work in the family business with 32% of employees stating that their employer was a relative. Approximately 60% of both employees and employers have never received any training and of the remainder, an average of 32.4% of employees have only received on the job training. The labour market also remains highly informal. Recruitment is primarily undertaken through friends and family who also act as an important source of credit to develop or set up a business. In addition, approximately 11% of companies are also not registered with any government agency or department.

The intended security transition that will be accompanied by a significant drawdown in aid spending is likely to impact the construction and services sector, according to the World Bank, contributing to higher levels of unemployment and underemployment. The resultant effect will increase the informal labour market and contribute to greater levels of labour migration. Building the skill levels within the manufacturing sector has the potential effect of increasing local economic growth, creating economic opportunities for youth and reducing the high levels of labour migration.



# Introduction

## 1.1. Project Overview

Mercy Corps has been active in Afghanistan since 1986 providing assistance through a wide range of community-based agriculture and economic development programs. The organization is currently working in 12 provinces in northern, southern and eastern Afghanistan. The current programs are aimed at improving agricultural production and market linkages, community and agricultural infrastructure, livestock health, natural resource management and access to financial services, with an emphasis on linking government, communities and the private sector.

Mercy Corps is currently implementing a three-year, DFID-funded technical vocational skills training program for unemployed/underemployed Afghan youth between the ages of 18 -25 in Helmand province. In partnership with the private sector, government and community leaders, the “Introducing New Vocational Education and Skills Training” (INVEST) programme, offers a range of market-driven technical and vocational skills training options that target the needs of the Helmand labor market in order to enhance income-earning, employment and self-employment opportunities for youth trainees. Mercy Corps anticipates receiving funding to expand the Helmand INVEST model to four additional provinces; Balkh, Baghlan, Kunduz and Kandahar.

Mercy Corps, following a competitive bidding process, commissioned Samuel Hall Consulting to produce an economic assessment report based on desk research, labour market assessments and analyses and key stakeholder interviews in the four targeted provinces to identify growth sectors and jobs and technical vocational skills in greatest demand in each province in order to inform a skills training program design process.

The Scope of Work includes three tasks outlined below which will be incorporated into an Economic Assessment Report. The tasks include:

- The preparation of an economic profile of each target province;
- A labour market assessment and analysis of the targeted provinces highlighting growth sectors and jobs and skills in greatest demand;
- Interviews with key stakeholders in each target province to amplify and ground truth the assessment data.

## 1.2 Project Methodology

The baseline information was collected through a quantitative survey and focus group discussions during 15 days of fieldwork in Pul-i Khumri, Baghlan Province; Mazar-e Sharif, Balkh Province; Kandahar City, Kandahar Province; and Kunduz City, Kunduz Province.

We designed 2 different but complementary quantitative questionnaires in order to refine our approach of the labour market:

- A social and economic quantitative “Employers’ Questionnaire” of 56 close-ended and pre-coded questions covering personal profile, income sources and main expenditures of the household, educational and training background, past and current professional information and the local job market;
- A social and economic quantitative “Employees’ Questionnaire” of 41 close-ended and pre-coded questions covering personal profile, income sources and main expenditures of the household, educational and training background and information on the local business.

To refine our understanding of the four different labour markets and draw a more objective picture of its actual challenges, Focus Group Discussion guidelines were designed aiming at gathering additional qualitative data on the locations surveyed, collecting information on the population, social values (living standards, education, etc.), economy, infrastructures, and main needs. Key informant interviews with government, NGOs and business leaders were also conducted in Pul-i Khumri, Mazar-i Sharif and Kunduz City to triangulate the information from the surveys and focus groups. No key information interviews were conducted in Kandahar City due to the security situation.

### 1.2.1. Fieldwork team

The project lasted for approximately 45 days and the fieldwork took place in Pul-i Khumri, Mazar-i Sharif, Kandahar City and Kunduz City. The research team consisted of two international consultants, two national team leaders from Kabul, and two teams of national interviewers each totalling seven people, selected on the basis of their previous experience as surveyors and researchers.

Separate focus group discussions for each province were organized for employers, unemployed youth and female participants. In addition, to the focus groups an international consultant travelled to Pul-i Khumri, Mazar-i Sharif and Kunduz city to conduct a series of key informant interviews.

### 1.2.2. Sample Description

Based on our interviews of Mazar-e-Sharif and Kunduz Afghan Chambers of Commerce and Industry (ACCI) as well as Afghan Investment Support Agency (AISA), there are no official lists of the companies, businesses, or commercial entities operating in the four-surveyed provinces;

- Based on our conversations with the World Bank staff and after a rapid field assessment in both Mazar-e-Sharif and Faizabad, the only available lists (World Bank – Climate Survey 2008-2009) cannot be considered as a reliable source.

However, in order to include a representative sample of the various socio-professional as well as economic types of respondents, the sampling methodology could follow a cluster-then- random approach (multi-stage sampling) and be structured as follows:

- In each targeted urban area, the main commercial and industrial areas will be identified (bazaars, industrial parks, service providers, urban commercial centres, peri-urban commercial streets, etc.) with the active support of local key informants, to map the existing socio-economic environments;
- A quota of interviews will be allocated to each selected area to reduce the effect of homogeneity or bias in sampling.
- A starting point (typically a mosque or a school) will then be chosen in each commercial or industrial area, streets will be numbered and commercial entities selected at random (for instance, odd shops and companies of streets 1-3-5-7).

After the draft questionnaires were finalised with the Mercy Corps staff, a series of two pilot tests were conducted in Dari and Pashto in Kabul. As survey standards require, the results of the pilot tests were used to refine the research tools and produce final questionnaires.

The quantitative surveys for employers totalled 56 questions and took between 35 and 45 minutes to complete. The final number of completed surveyed is listed below in Table 1.1. A larger number of surveys were conducted in Mazar-i Sharif, in consultation with Mercy Corps, due to the larger population and reported level of economic activity.

**Table 1.1: Quantitative Sample Description (breakdown by district)**

Province	Employers	Employees
Pul-i Khumri	153	150
Mazar-i Sharif	201	203
Kandahar City	152	152
Kunduz City	151	151
Total	657	656

To better grasp the labour market reality, there was no specific gender quota and the 14 interviewers (including 4 women) were asked to randomly interview the first employees they found in the surveyed companies or organizations. Table 1.2 shows that there is no significant difference between the 4 provinces: a ratio of approximately 1 to 10 is applicable between female and male respondents for both employers and employees.



**Table 1.2: Quantitative Sample Description (breakdown by gender)**

	Employers		Employees		Total		Frequency
	Female	Male	Female	Male	Female	Male	
<b>Pul-i Khumri</b>	6.5%	93.5%	6.7%	93.3%	6.6%	93.4%	303
<b>Mazar-i Sharif</b>	11.9%	88.1%	10.3%	89.7%	11.1%	88.9%	404
<b>Kandahar City</b>	5.9%	94.1%	5.9%	94.1%	5.9%	94.1%	304
<b>Kunduz City</b>	14.6%	85.4%	14.6%	85.4%	14.6%	85.4%	302
<b>Average</b>	9.9%	90.1%	9.5%	90.5%	9.7%	90.3%	1,313

Although Mercy Corps is intending on targeting youth for vocational training, there was no youth quota for the interviewers as interviewers, as explained above, were tasked with randomly interviewing the first employees they found.

**Table 1.3: Quantitative Sample Description (breakdown by average age)**

	Average Age	
	Employers	Employees
<b>Pul-i Khumri</b>	30.1	19.4
<b>Mazar-i Sharif</b>	31.9	21.5
<b>Kandahar City</b>	28.9	19.9
<b>Kunduz City</b>	29.8	19.4
<b>Average</b>	30.2	20.1

The average age of employers from the four cities is 30.2 years and for employees 20.1.

### 1.2.3 Qualitative Survey

Three different focus groups involving employers, unemployed youth and women were undertaken in each province involving five participants each. Further qualitative information was derived from key informant interviews in Pul-i Khumri, Mazar-i Sharif and Kunduz City. Due to the security situation, there were no key informant interviews conducted in Kandahar City. The key informant interviews were semi-structured and conducted with 15 stakeholders in Maza-i Sharif, 10 in Pul-i Khumri and 14 in Kunduz City.

### 1.3. Structure of the Report

This report is divided into seven chapters and structured as follows. Chapter 1 provides background and contextual information, as well as the methodological approach that was used to gather qualitative information and quantitative data. The second chapter draws a picture of the social and economic profile of both employees and employers. The third chapter provides an economic overview and comparative labour market assessment of the four subject cities. Chapter 4 starts the first of four provincial chapters with an economic profile and labour market assessment followed by a brief overview of training within the surveyed businesses. The provincial chapters commence with Chapter 4, Pul-i Khumri; Chapter 5, Mazar-i Sharif; Chapter 6, Kandahar City and Chapter 7, Kunduz City. The annexes contain additional information on vocational training.

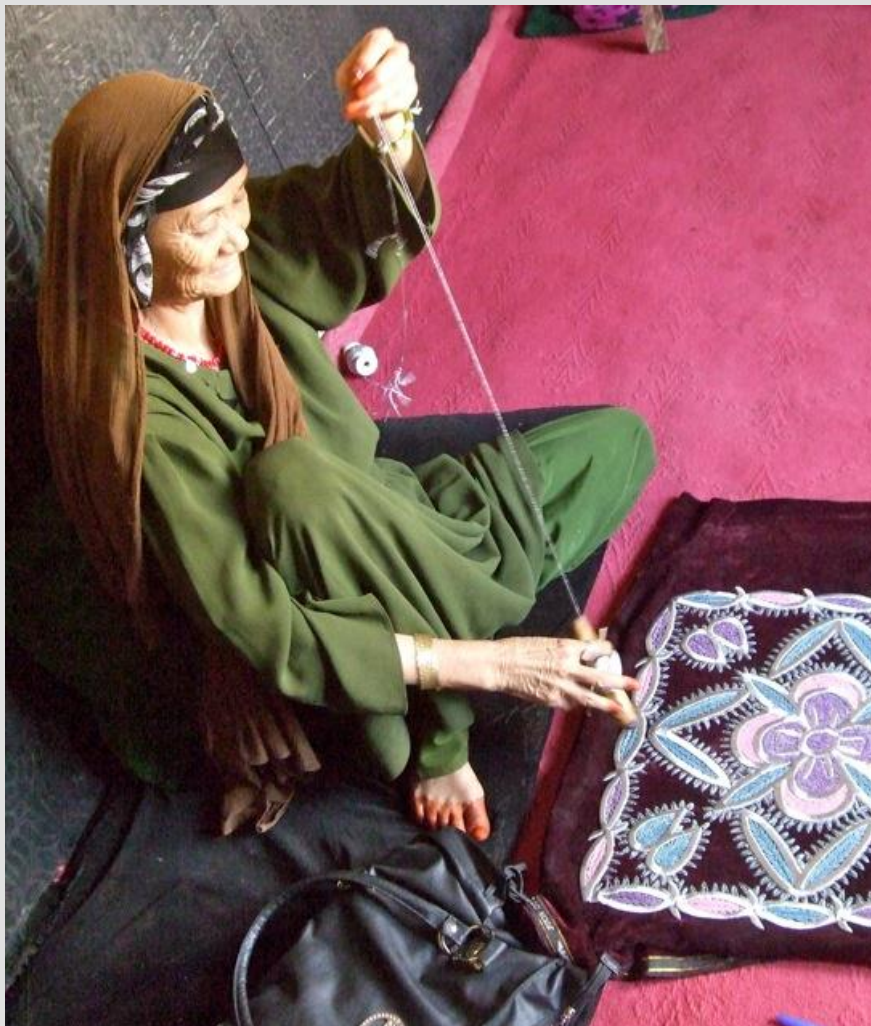


Photo: A woman embroiderer in Kandahar City

# 2.

## Respondents' Social and Economic Profile

The following section details the current economic and social profile of the respondents (both employees and employers) interviewed in the targeted cities.

### 2.1. Age Structure

Table 2.1 provides a breakdown of both employers and employees by province and age bracket.

**Table 2.1: Respondents by age bracket (employer = A, employee = B)**

Age	< 15		15-24		25-34		35-44		45-54		55-64		65+	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
<b>Pul-i Khumri</b>	0.0%	8.0%	37.9%	79.3%	33.3%	10.0%	18.3%	1.3%	4.6%	1.3%	5.9%	0.0%	0.0%	0.0%
<b>Mazar-i Sharif</b>	0.0%	3.9%	31.8%	74.4%	31.8%	13.8%	22.4%	4.9%	10.0%	2.0%	3.5%	0.5%	0.5%	0.5%
<b>Kandahar City</b>	0.0%	14.5%	34.9%	67.1%	38.8%	13.8%	19.7%	2.6%	3.9%	2.0%	2.0%	0.0%	0.7%	0.0%
<b>Kunduz City</b>	0.0%	17.3%	37.7%	66.0%	35.8%	11.3%	15.2%	4.0%	6.6%	1.3%	3.3%	0.0%	1.3%	0.0%
<b>Average</b>	0.0%	10.9%	35.6%	71.7%	34.9%	12.2%	18.9%	3.2%	6.3%	1.7%	3.7%	0.1%	0.6%	0.1%

Of particular note from the age breakdown:

- An average of 10.9% of all employees are less than 15 years old (<15), with the largest representations in Kunduz (17.5%) and Kandahar (14.5%). There are no employers within this age category
- There is approximately double the amount of employees (71.7%) between 15-24 years old than employers (35.6%) making it the largest age group of employees. The second largest age bracket of employees is between 25 and 34 amount to an average of 12.2%. Employees aged 24 and younger account for 82.6% of total employees surveyed.
- The largest age bracket of employers is also between 15 and 24 years old (35.6%), which is followed by employers aged between 25 and 34 (34.9%).
- The average age of employers is 30.2 and the average age of employees is 20.1 years old.

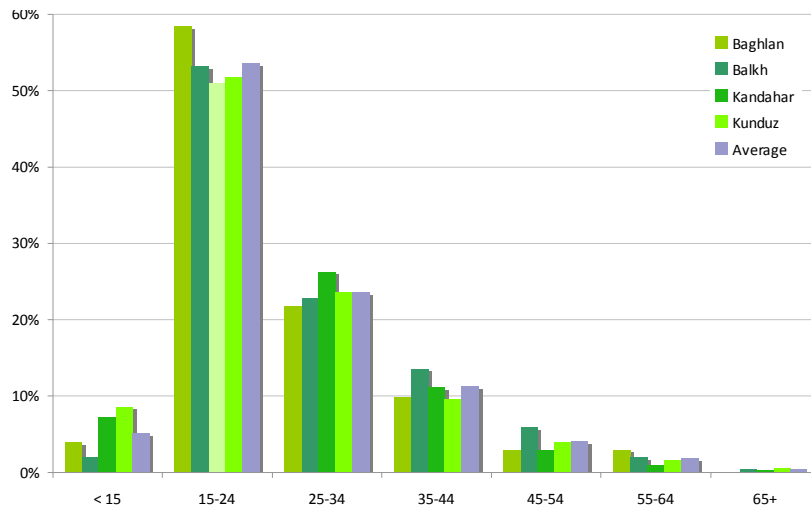


Figure 2.1: Age breakdown of both employers and employees

## 2.2 Place of Origin

Labour migration is a common phenomenon in Afghanistan as individuals seek to supplement the often-meagre household income by travelling to urban centres in search of work. A large percentage of Afghan males also travel to Iran and Pakistan in search of employment in construction or manual labouring. Conversely, a number of Pakistani and to a lesser extent Iranian men migrate to Afghanistan to work as qualified tradesmen. Table 2.2 provides information on whether respondents originate from the subject province, from another Afghan province or from another country.

Table 2.2: Origin of Respondents

	Employers			Employees		
	From Province	Other province	Other country	From Province	Other province	Other country
<b>Pul-i Khumri</b>	73.2%	26.8%	0.0%	89.3%	10.7%	0.0%
<b>Mazar-i Sharif</b>	73.1%	24.4%	2.5%	78.8%	19.7%	1.5%
<b>Kandahar City</b>	87.5%	6.6%	5.9%	84.2%	9.2%	6.6%
<b>Kunduz City</b>	82.8%	15.2%	2.0%	84.8%	12.6%	2.6%
<b>Average</b>	79.2%	18.2%	2.6%	84.3%	13.0%	2.7%

Approximately three-quarters of employers from Pul-i Khumri and Mazar-i Sharif originate from their respective cities, while higher figures were reported for Kandahar (87.5%) and Kunduz (82.8%). In Mazar-i Sharif, approximately a quarter of employees originate from other provinces including Kabul (8%) and Parwan (2%). Almost 6% of employers in Kandahar are foreigners, six from Pakistan and three from Iran out of a total of 152. A larger percentage of employees are working in their home province than employees with the highest number of employees from other provinces working in Mazar-i Sharif (19.7%).

## 2.3. Household Composition and Sources of Income

Table 2.3 represents a breakdown of respondent's households by age category. The average size of a household across the four cities is 9.9 members, with the largest average household being recorded in Kandahar with 11.1 family members.

**Table 2.3: Respondent's household age bracket**

	Male <15	Female <15	Male (15-24)	Female (15-24)	Male 24+	Female 24+	Household Total
<b>Pul-i Khumri</b>	1.8	1.8	1.6	1.1	1.5	1.4	9.3
<b>Mazar-i Sharif</b>	1.8	1.7	1.5	0.9	1.6	1.7	9.0
<b>Kandahar City</b>	2.6	2.2	1.7	1.4	1.8	1.5	11.1
<b>Kunduz City</b>	2.2	1.9	1.5	1.1	1.6	1.5	10.0
<b>Mean</b>	2.1	1.9	1.6	1.1	1.6	1.5	9.9
<b>Mean (%)</b>	21.4%	19.0%	16.0%	11.5%	16.6%	15.7%	100%

Males aged 24 years and younger comprise 37.4% of the average household, while women in the same category amount to 30.5%. The most represented age category is males aged less than 15 years old (21.4%).

**Table 2.4: Contributors to household income (percentage breakdown by age and gender)**

	Male <15	Female <15	Male (15-24)	Female (15-24)	Male 24+	Female 24+	Total
<b>Pul-i Khumri</b>	0.2%	0.2%	42.5%	4.3%	68.7%	2.5%	0.2%
<b>Mazar-i Sharif</b>	0.3%	0.0%	37.6%	6.1%	70.9%	7.1%	0.3%
<b>Kandahar City</b>	1.5%	0.5%	48.2%	1.4%	64.9%	2.4%	1.5%
<b>Kunduz City</b>	1.8%	0.0%	44.2%	6.6%	65.4%	4.6%	1.8%
<b>Mean (%)</b>	0.9%	0.2%	43.1%	4.6%	67.5%	4.1%	0.9%

Table 2.4 provides an indication of the participation by age category and gender towards household income. Slightly more than two thirds of males aged over 24 years old contribute to household income, while 43.1% of 15 to 24 year old males also participate in income generating activities. For women, participation in come generating activities is greatest among the 15 to 24 years old age category (4.6%), followed by women older than 24 (4.1%).

**Table 2.5: Household income (breakdown by gross amount per age category)**

	Male <15	Female <15	Male (15-24)	Female (15-24)	Male 24+	Female 24+	Total
<b>Pul-i Khumri</b>	73	2	5,204	1,753	12,234	175	19,442
<b>Mazar-i Sharif</b>	23	0	4,098	220	14,116	1,247	19,704
<b>Kandahar City</b>	431	36	8,025	303	18,993	1,901	29,689
<b>Kunduz City</b>	365	0	8,205	579	23,404	1,536	34,089
<b>Mean</b>	223	9	6,383	714	17,187	1,215	25,731
<b>Mean (%)</b>	0.9%	0.0%	24.8%	2.8%	66.8%	4.7%	100.0%

Table 2.5 details the average income per household broken down by gross income per age group, rather than individual family member. The largest contributors to family income are males over 24 years old, while males between 15 and 24 provide almost a quarter of household income. Women

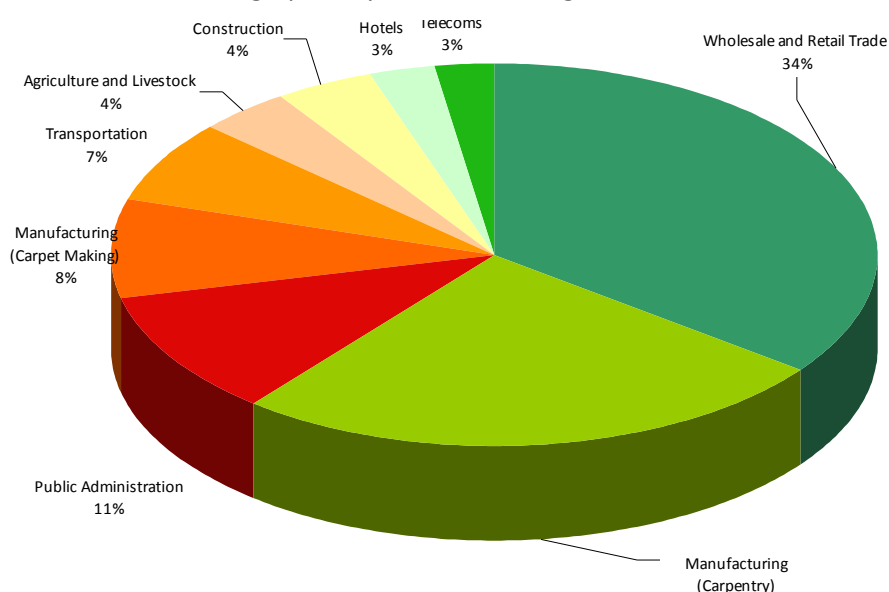


collectively provide 7.5% of average household income from across the four cities. The average household income was calculated at 25,731 Afs (US\$547) with Kunduz recording the highest average household income of 34,089 Afs (US\$725), while Baghlan the lowest at 19,442 Afs (US\$414). Respondents were also asked to identify their primary source of household income and the responses are listed in Table 2.6.

**Table 2.6: Primary source of household income**

	Pul-i Khumri	Mazar-i Sharif	Kandahar	Kunduz	Average
<b>Wholesale and Retail Trade</b>	24.9%	23.8%	48.7%	41.5%	34.7%
<b>Manufacturing (Carpentry)</b>	35.6%	31.5%	13.4%	20.2%	25.1%
<b>Public Administration</b>	13.2%	10.6%	9.6%	9.1%	10.6%
<b>Manufacturing (Carpet Making)</b>	6.2%	7.5%	11.1%	7.5%	8.1%
<b>Transportation</b>	7.0%	8.2%	5.5%	6.9%	6.9%
<b>Agriculture and Livestock</b>	2.1%	3.0%	3.5%	6.1%	3.7%
<b>Construction</b>	3.1%	5.5%	4.0%	4.4%	4.3%
<b>Hotels</b>	3.1%	3.4%	2.9%	1.3%	2.7%
<b>Telecoms</b>	3.4%	4.5%	0.6%	1.3%	2.5%
<b>Total</b>	98.6%	98.0%	99.4%	98.3%	98.6%

Wholesale and retail trade (34.7%) and manufacturing (25.1%) are the primary sources of household income for respondents. Manufacturing was divided into two categories in an attempt to differentiate trades such as carpentry, welding, baking, and light manufacturing concerns from carpet making, embroidery and bead making for the purposes of Mercy Corp's proposed vocational training initiative. Public administration was the primary source of household income for 10.6% of respondents, followed by manufacturing – carpet making, embroidery at 8.1%. Despite agriculture being the major contributor to rural households, in the surveyed urban areas, only an average of 3.7% of households reported agriculture as their primary source of income. The average source of primary household income is graphically illustrated in Figure 2.1 below.



**Figure 2.2: Primary source of household income (average, 4 cities)**

## 2.4. Education

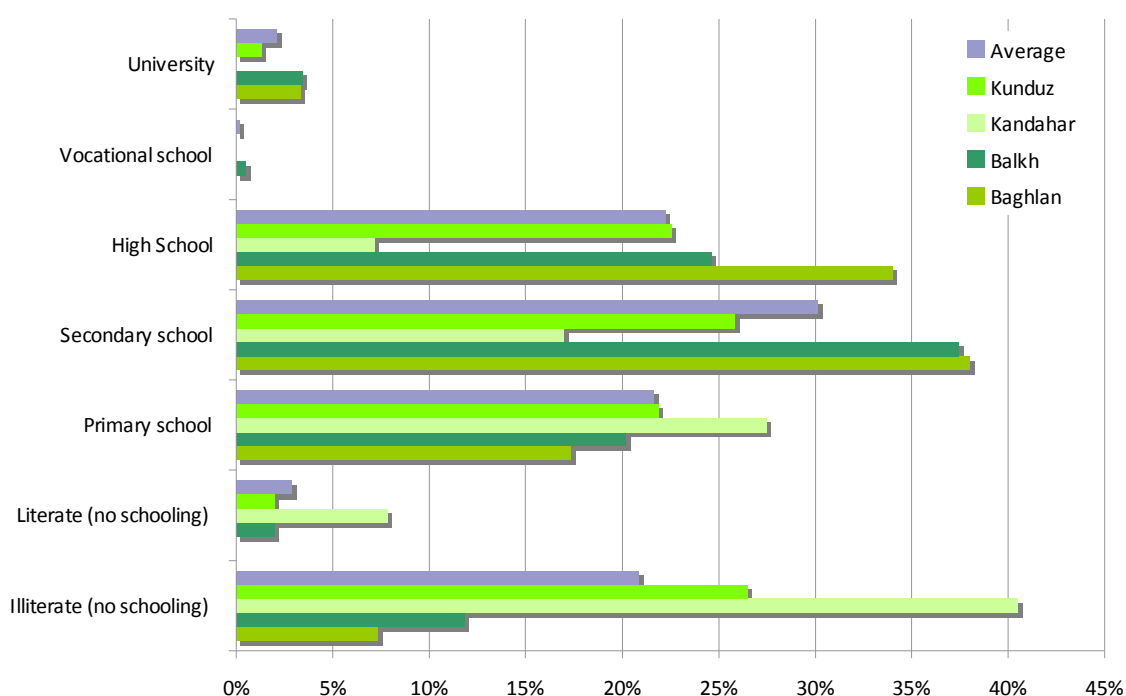
Education levels vary significantly between provinces as Table 2.7 details.

**Table 2.7: Education (combined employers and employees breakdown by level)**

	Illiterate (no schooling)	Literate (no schooling)	Primary school	Secondary school	High School	Vocational school	University	Total
<b>Pul-i Khumri</b>	7.3%	0.0%	17.3%	38.0%	34.0%	0.0%	3.3%	100%
<b>Mazar-i Sharif</b>	11.8%	2.0%	20.2%	37.4%	24.6%	0.5%	3.4%	100%
<b>Kandahar City</b>	40.5%	7.8%	27.5%	17.0%	7.2%	0.0%	0.0%	100%
<b>Kunduz City</b>	26.5%	2.0%	21.9%	25.8%	22.5%	0.0%	1.3%	100%
<b>Average</b>	20.9%	2.9%	21.6%	30.1%	22.2%	0.2%	2.1%	100%

An average of 20.9% of respondents answered that they were illiterate with higher levels of illiteracy recorded in Kandahar (40.5%) and Kunduz (26.5%). Kandahar respondents were almost four times more likely to be illiterate than those in Mazar-i Sharif and almost six times employers and employees in Baghlan. The most cited level of education was secondary school, claimed by 30.1% of respondents as their highest level of education, followed by high school (22.2%) and the aforementioned group of illiterate workers (20.9%). An average of 2.1% of respondents reported having attended university.

Approximately 41% of both employees and employers also stated that they had pursued an Islamic education at either a *madrassa* or other school, with most individuals studying for between 1 to 2 years (70%). The highest rates of Islamic education attendance were recorded in both Kandahar (54.6%) and Kunduz (51.7%). In many cases, students complete a secular education up to the end of secondary school and complete at least one to two years at a *madrassa*, often traveling to Paksitan.



**Figure 2.3: Respondents' Education Levels**



## Economic and Labour Market Overview

### 3.1 Economic Overview

For the last ten years, Afghanistan has benefited from massive inflows of development aid, estimated to be US\$15.7 billion in 2010 and equal to real GDP, which have contributed to the development of the country, but also resulted in an economy that has become heavily aid-dependent.<sup>1</sup> Despite the development assistance, Afghanistan remains one of the world's poorest countries with 35.8% of the population living below the poverty line, a per capita income of US\$528, an underemployment rate of close to 50% and three quarters of the labour force estimated to be illiterate.<sup>2</sup>

Provincial economies remain highly dependent on agriculture and livestock; reportedly employ 59.1% of the national workforce. In the provinces of Kandahar or Baghlan, for example, the district bazaars provide basic foodstuffs, minimal services and trade local agriculture products. The post-harvest sector remains hamstrung by a lack of infrastructure, including cold storage and a processing capacity, little domestic demand and challenging export regimes. High levels of poverty also dictate that there is little local demand for processed agriculture products, ranging from packaging to processed dairy products and instead imports, often cheaper, fill the local bazaars.

Although much reliance has been placed on the future of the mining sector, it may still be several years before the tendered mines become operational. Often based in the districts such as coal deposits in Tala Wa Barfak, Baghlan Province and gold deposits in Dushi district, also of Baghlan, little government oversight, opaque ownership structures and community mining have ensured that the mines are a long way off becoming a stable source of tax revenue or even that they provide greater benefits, beyond day labour, to the local communities.<sup>3</sup>

There are significant structural differences between the provincial urban and rural economies. The rural economies, as discussed, are overwhelmingly reliant on agricultural production, becoming most apparent in times of food insecurity such as the current drought across the north of Afghanistan. The urban economies centred on the provincial capitals act as trading and services

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<sup>1</sup> The World Bank, 'Transition in Afghanistan: Looking Beyond 2014,' Executive Summary, 18<sup>th</sup> November 2011.

<sup>2</sup> Afghanistan: Provincial Briefs, June 2011,' *Ministry of Economy*. The data is derived from the 2007/8 National Risk and Vulnerability Assessment (NRVA). Per capita income is derived from the World Bank, 'Transition in Afghansitan.'

<sup>3</sup> In the last 18 months, there has been a plethora of articles raising the prospect of mineral resources providing a much needed boost to the domestic economy. For example, please see: The Financial Express, 'Afghanistan opens up mining sector, to float \$10-bn tenders next year.' 11 November 2010. Available at: <http://www.financialexpress.com/news/Afghanistan-opens-up-mining-sector--to-float--10-bn-tenders-next-yr/709397/> For an understanding of the side-effects of the potential mining boom, see: *Integrity Watch Afghanistan*, 'Hajigak, The Jewel of Afghan Mines,' July 2011. Available at: [http://www.iwaweb.org/Reports/Hajigak-The\\_Jewel\\_of\\_Afghanistan-2011.html](http://www.iwaweb.org/Reports/Hajigak-The_Jewel_of_Afghanistan-2011.html)

centres with a manufacturing base for both the rural and urban populations. For example, approximately 35% of the 1,313 respondents for this report declared their primary source of household income was derived from wholesale and retail trading, while a further quarter of those surveyed declared manufacturing, which includes bakeries, carpentry and metal working, to be their household's primary income. This dependence on trading and small-scale manufacturing was confirmed by the profile of the businesses surveyed. Approximately 40% of both employers and employees worked in the wholesale and retail trade, while a further 33.1% worked in manufacturing (see Table 3.1)

The urban capitals, therefore, act as trading and service centres. For the border provinces of Balkh, Kandahar and Kunduz, which benefit from an international border crossing, the level of wholesale and retail trade, due to the number of import and export businesses, comprise a larger percentage of the local economy than in provinces such as Baghlan. In Mazar-i Sharif, 40.3% of respondents worked in wholesale and retail trade, with higher figures recorded for Kandahar (54.5%) and Kunduz (48.3%). Baghlan, although located along the trade route between Kabul and the northern border crossings in Balkh and Kunduz, appears to be less reliant on trade as only 32.7% of businesses reported working in wholesale or retail trade. Mazar-i Sharif and Kandahar and to a lesser extent Kunduz City, benefit from their strategic location by serving as regional trading hubs for the north, south and northeast of the country, respectively.

**Table 3.1: Sources of household income and profiles of surveyed businesses (by economic sector)**

Economic Sector	Source of Household Income (Four Cities)			Company Profile (Four Cities)		
	Employers	Employees	Mean	Employers	Employees	Mean
<b>Agriculture and Livestock</b>	2.7%	4.6%	3.7%	1.8%	1.2%	1.5%
<b>Mining and Quarrying</b>	0.9%	0.0%	0.5%	1.1%	1.1%	1.1%
<b>Manufacturing (Embroidery, Carpet Making)</b>	12.8%	4.5%	8.6%	16.2%	15.5%	15.8%
<b>Manufacturing (Carpentry, Electrician, Welding)</b>	28.7%	20.1%	24.4%	32.0%	34.3%	33.1%
<b>Construction</b>	2.5%	6.1%	4.3%	0.8%	1.2%	1.0%
<b>Wholesale and Retail Trade</b>	35.8%	34.0%	34.9%	40.0%	38.6%	39.3%
<b>Transportation</b>	3.3%	10.5%	6.9%	1.5%	1.5%	1.5%
<b>Hotels, Restaurants</b>	3.1%	2.2%	2.7%	2.9%	3.5%	3.2%
<b>Telecoms, IT, Computers</b>	4.3%	0.6%	2.5%	1.7%	2.2%	1.9%
<b>Financial</b>	0.5%	0.0%	0.3%	0.0%	0.0%	0.0%
<b>Public Administration</b>	3.9%	17.3%	10.6%	0.2%	0.2%	0.2%
<b>Education Providers</b>	0.9%	0.0%	0.4%	1.7%	1.2%	1.5%
<b>Health Providers</b>	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%
<b>NGOs/IOs</b>	0.9%	1.3%	1.1%	0.2%	0.0%	0.1%

Manufacturing remains small scale and an industrial capacity, which employed thousands in the late 1970s in Kandahar, Baghlan and Kunduz lies largely dormant due to a lack of investment and often-

dysfunctional private-public partnerships that fail to compete with cheaper imports from China and Pakistan. The industrial sector, which had produced textiles, sugar, soap and oils up until the late 1970s continues to be spoken about long after it's decline as a source of pride, but also as a source of frustration at the lack of employment opportunities currently available. The Pul-i Khumri textile factory and the Spinzer factory in Kunduz City are perhaps the most visible testament to decades of neglect (see Box 2).

When including handicrafts and carpet making, manufacturing comprises approximately 35% to 50% of both household income and the composition of randomly surveyed businesses. The manufacturing base is primarily small-scale production for local markets by bazaar traders, with locally produced goods facing stiff competition from cheaper imports. Larger scale production has been promoted in a series of industrial parks located in the larger provinces, including Balkh and Kandahar, however irregular and costly supplies of electricity have undermined their comparative advantage and automated processes have ensured that labour inputs remain limited.

The construction sector continues to thrive, however is perceived to be partially dependent on international development spending on infrastructure projects that until recently seemed to be unlimited. The drawdown in international aid, which will most likely accompany the gradual withdrawal of foreign military forces, is bound to affect the construction industry and thereby contribute to further underemployment in the provinces due to a reduction in demand for day labourers, which arguably supply the majority of labour.



Photos: Focus group discussions with unemployed youth in Mazar-i Sharif (above) and Pul-i Khumri (below)



## 3.2 Labour Markets

The labour supply in the subject districts could be characterised as poorly educated, largely informal and lacking the requisite skills to develop their career further. Approximately 45% of surveyed employers and employees are either illiterate, literate with no schooling or were schooled up to primary school (see Table 2.6). Small businesses overwhelmingly remain family affairs with recruitment and access to credit primarily undertaken through social networks and formal contracts with employees being a rarity. The informal nature of businesses also extends to registration, as approximately 11.2% of employers have not registered their firm with any official department or agency. Formal skills in the labour market are also limited as there are few formal training mechanisms that either employers or employees have previously reported accessing. An average of 61.2% of employers and 62.1% of employees had not received any formal training in their current employment, while a further 22.5% of employers and 34.2% of employees had received internal training, which is often conducted by a relative considering the familial nature of many businesses.

The urban labour markets shadow the economic activities of the provincial capitals. As detailed above, the primary sectors driving the economy and providing employment is the wholesale and retail trade, followed by the manufacturing sector. During key informant interviews and focus group discussions tended to divide the labour market into two. The first category of workers were educated, generally in the urban centres, and due to their literacy were able to access further education opportunities as well employment within the government, NGOs, the UN and the limited number of jobs within the formal private sector.

‘The second category of workers were generally deemed to be illiterate or with low education standards, often from the districts, and reliant on low skill jobs in the bazaars as cart haulers, day labourers for the construction industry or agricultural workers during the harvest or planting season. This second category of workers were reportedly also able to access apprenticeships or on the job training within the family business in fields such as baking, carpentry, construction, masonry, mechanics and metal work. Approximately a third of all employees stated that a relative was the owner of the business, which supports the assertion that many of the small manufacturing and trading businesses are family-run, with young males commencing work in their early teens, often forgoing the opportunity of an education.

As opportunities remain limited in the formal labour market, many youth pursue work opportunities in the day labour market. Day labourers, with high levels of illiteracy, comprise perhaps the majority of workers in the construction industry and undertake many manual jobs, including seasonal agricultural work, for an average of between 250 to 350Afs a day for a unskilled worker. In addition to day labouring opportunities, interviews in the three northern provinces suggest that between one in two and one in three households have at least one son working in either Iran and Pakistan. Labour migration represents an important part of a family’s income, particularly in times of economic shocks, such as the current drought across large parts of the north of the country. Perhaps perversely, Afghan youth migrate to Pakistan and Iran to fulfil largely unskilled labour, similar to the day labourers congregating in the main squares of Afghan urban centres, while Pakistani and to a limited degree Iranian labour migrants fulfil some of the more skilled occupations in Afghanistan.

Agriculture, while the primary driver of economic activity in the districts, has a more limited impact in the urban centres as illustrated in Table 3.1. Only 3.7% of all surveyed individuals derive the largest share of household income from agriculture and only 1.5% of employers and employees were involved in the agriculture sector. Although important for day labourers, agriculture adds value to urban economies directly through trading and transportation and indirectly through income generation for the rural population.

### 3.3 Obstacles to Business Development and Economic Growth

Gross Domestic Product (GDP) growth has been estimated at 9% over the past ten years as international development and military funds have literally flooded into the country. The construction, services and trading sectors have been the primary beneficiaries and the World Bank estimates that approximately 6-10% of the working population 'has benefited from aid-financed job opportunities,' although many have been short term.<sup>4</sup> Aid dependency and the effects of the economic transition will be addressed in Box 3, though it is important to note in this section that the drawdown in international development and military spending is likely to directly affect those sectors which have benefited mostly over the past ten years in addition leading to greater levels of underemployment, likely greater levels of informal and labour migration combined with a fall in household income.

Although the effects of the transition will increasingly impact provincial economies in the ensuing years, businesses currently face numerous challenges that serve to curb economic growth and limit the development of the labour market.

Insecurity is an oft-mentioned obstacle to economic growth, although the real effects of insecurity are determinant on the location and economic activity of the concerned business. For example business associations in Mazar-i Sharif declared that security has little impact on the operations of their members, though in Kunduz City and in interviews with organisations familiar with Kandahar, insecurity curtails district commerce and district to provincial centre trade, raises the cost of transport and decreases the willingness of people to invest in new ventures or develop their existing business. In Baghlan, for example, an individual working for an international organisation recounted that the number of checkpoints operated by non-recognised militias on the road between Khenjan and Andarab districts reached 14 during the height of summer 2011 during the harvest period. The checkpoints have often been blamed for extracting illegal taxes or *bakshish* from vehicles carrying agricultural products.

An additional example is from Kunduz City, where a value chain analyst described how some of the businessmen he is working with decline to travel along the Kunduz City to Sher Khan road to the border and back due to the risk of kidnapping. During the summer months, several traders were reportedly kidnapped along the road, with one individual allegedly released after paying US\$200,000 in ransom. The result, according to one business leader, is that many traders are now travelling through Khairatan (Balkh Province) via Uzbekistan to Tajikistan, although lately the border crossing

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<sup>4</sup> World Bank, 'Economic Transition,' executive summary, November 2011

between those two countries has been closed for certain types of visas. Security costs, previously added onto the bazaar price of many goods by traders coming from China and Pakistan, have been cut as increasing competition or market forces has reduced the ability to raise prices. The result is that some traders have bypassed Kunduz in search of more profitably markets.

More broadly, the uncertainties associated with the mid-to-long term political and security environment has reportedly reduced the willingness of individuals and entities to assume the risks associated with larger scale capital investments. The transfer of security responsibilities from international to national forces in some of the more secure provinces has already occurred with a second round of intended transfers, which would include Balkh province.<sup>5</sup> As international forces reduce their footprint across the country, questions arise as to whether the Afghanistan National Security Forces (ANSF) are able to ensure a comparable level of security and whether the current government can maintain an inclusive approach to governing.

The education and skill levels of the labour force was also mentioned in Pul-i Khumri, Mazar-i Sharif and Kunduz City as a challenge facing businesses by the Department of Labour and Social Affairs (DoLSA) and umbrella business groups. Illiteracy (see Table 2.7 for education levels of respondents) was reported to limit the available employment opportunities for job seekers and reduces the flexibility or choice for the employer to deploy the employee in different roles. In a similar manner informally trained craftsmen, such as carpenters and metalworkers, although cheaper than formally trained individuals are unable to undertake the more intricate and value added services or manufacturing, which could increase economic opportunities. Business umbrella groups specifically mentioned the poor knowledge of bookkeeping of their members, which leaves many owners at a disadvantage when dealing with the imposition of arbitrary taxes.

Infrastructure is also a considerable obstacle for businesses. Mazar-i Sharif, for example, has benefited from large-scale investments in infrastructure, including roads and railways, though the electricity grid is unable to provide the provincial capital with an uninterrupted and reliable supply.<sup>6</sup> Mazar hosts one substation in Puli Tasadi supplying the areas of Saydabad, Karte Ariana and Karte Sol, however areas outside these areas are obliged to rely on generator power. The issue has also impacted the industrial parks with the AISA managed Gorimar park being constructed without a supply line to the city or national electricity grid. A similar problem is apparent both in Kandahar City and Kandahar's Shur Andam Industrial Park. The increased costs to businesses of generator power have questioned the viability of some businesses models, including a Turkish flour milling company established in Gorimar, which has reportedly ceased production.<sup>7</sup> The city power that is available was also reported to be insufficient for manufacturing or industry with the provincial grid requiring a complete upgrade, according to the Mazar chapter of the Afghanistan Chamber of Commerce and Industry (ACCI). Roads in the rural districts, often unpaved and potholed, are also responsible for

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<sup>5</sup> The Daily Telegraph (UK), 'Provinces that could be listed for Afghan second stage handover,' 31 October 2011. Available at: <http://www.telegraph.co.uk/news/worldnews/asia/afghanistan/8860265/Provinces-that-could-be-listed-for-Afghan-second-stage-handover.html>

<sup>6</sup> Electricity shortfalls are also document in: Sahak, Abdul Latif, 'Powers of Darkness in Northern Afghanistan,' *Environment News Service*, 5 July 2011. Available at: <http://www.ens-newswire.com/ens/jul2011/2011-07-05-03.html>

<sup>7</sup> According to AISA, the cost of city power is 9Afs an hour, whereas generator power costs a minimum of 20 Afs. AISA, along with DoCI, is currently soliciting funds to construct a 23-kilometre supply line from the sub-station at Puli Tasadi to the industrial park.

damaging fruits, such as melons, ensuring that their transport is often uneconomical beyond the district bazaar.

Although more than a third of the workforce is involved in agriculture, there is only a limited post-harvest processing capacity. Value-added agricultural products such as tomato processing, dairy production, flour milling, do exist, though production remains limited and often dominated by one or two market actors in each province. The dried fruit and nuts sector has arguably been more successful in developing national and international markets and has often been the subject of value chain assistance by development organisations. The growth of the sector has been limited by the predominance of small-scale farming, poor rural infrastructure, an absence of cold storage, including at the border, and little local demand for value added products, primarily as a result of high levels of poverty and subsistence living. One NGO stated that ‘foreign substitutes replace local produce due to the lack of a value added industry,’ with Iranian yoghurt being used as an example.

Exporting also poses significant challenges for businesses. Exporting consumables runs the risk of customs delays and the ruin of the product, while obtaining the necessary certificates to export fruit and nuts often requires an intricate knowledge of Afghan bureaucracy that is beyond the small and medium sized trader, according to a donor in Kunduz specialising in economic growth. For the northern provinces, exports to Tajikistan and Uzbekistan require permits and the need for particular certificates, which leads many traders to export to Pakistan due to the ease of cross-border trading, facilitated by the Afghanistan Pakistan Transit Trade Agreement (APTTA) and its predecessor.<sup>8</sup> A further inhibitor to exporting is the limited business development that Afghan traders can conduct at international fairs and trade shows, due to the costs and visa issues. Accessing a Tajik visa to conduct business in Tajikistan officially costs US\$100, while several individuals reported the unofficial price to be between US\$500 and US600.

Government corruption, according to one business umbrella group in Mazar-i Sharif, primarily assumes the form of arbitrary tax rates, ‘often if you have connections, taxes are minimal – no connections and they vary by year without any regulatory basis.’ Taxes on businesses, therefore, are often dependent on negotiations that too often appear to disadvantage business owners without a clear understanding of the tax code and accompanying financial accounts to justify their correct tax code. Double taxation and bureaucratic red tape are also viewed as being an unnecessary burden on local businesses, that similar to corruption; increase the costs of doing business.<sup>9</sup>

Accessing credit, although primarily undertaken through informal means, was also cited as a factor limiting the growth of business. Microfinance institutions are present, such as BRAC and FMFB, though due to perceptions that their loans are ‘un-Islamic’, creditors, according to one development consultant in Kunduz, ‘will not ask for it unless they are in dire straights.’ Shariat compliant loans, from organisations like FINCA, can result in reported interest rates of up to 30% a year, more expensive than microfinance loans at around 20-24% including charges. Accessing credit from banks

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<sup>8</sup> Ministry of Commerce, Pakistan Government, Document outlining the Afghanistan Pakistan Transit Trade Agreement. Available at: [www.commerce.gov.pk/APTTA/APTTA.pdf](http://www.commerce.gov.pk/APTTA/APTTA.pdf)

<sup>9</sup> Adeli, Sayed Zaher, ‘Balkh Business Faces Bankruptcy,’ *The Killid Group*, 9 July 2011. Available at: <http://tkg.af/english/reports/political/563-balkh-business-faces-bankruptcy>

often requires a minimum loan of US\$20,000 and 6-% collateral, which many smaller business owners would not be able to access.

Women's limited access to the labour market also most certainly inhibits economic growth. The labour market survey produced results suggesting that there is perhaps one woman working per ten males with significant barriers to entry involving family permission, education, societal opinions and what the director of the Department of Women's Affairs sees as increasing levels of domestic violence directed against women. The director went on to explain, that women are often stereotyped into roles, such as embroidery and cookie making, when they are in fact 'able to do anything.'



Photo: Metal workers in (above) and welders (below) in Pul-i Khumri



# 4.

## Pul-i Khumri, Baghlan Province

Pul-i Khumri is the capital of Baghlan province, located north of the Hindu Kush mountain range and connected to Kabul via the Salang Pass, an engineering marvel reaching an altitude of 3,400 metres. Baghlan is adjoined by six other provinces; Kunduz to the north; Takhar to the northeast; Panjshir to the east; Parwan to the south; Bamyan to the southwest and Samangan to the west. The provincial capital is located at the intersection of the national highways linking Kabul with Mazar to the north and Kunduz city to the northeast. The provinces of Baghlan, Balkh and Kunduz, according to a government official in Pul-i Khumri, are closely linked through 'political, trade, economic and tribal' relations.

**Table 4.1: NRVA: Key Economic and Labour Market Statistics<sup>10</sup>**

NRVA Data	Baghlan	Average 4-Prov	National Average
Populations (million)	0.8	1.0	24.5
Rural population (%)	80	71.5	77
Poverty rate (%)	18	28.2	35.8
Electricity (% of households)	34.6	36.8	41.1
Per capita monthly total consumption (Afs)	1827	1675.5	1672
Female literacy rate - age 16 and over (%)	9.9	9.3	11.4
Literacy rate - age 16 and over (%)	24.2	19.5	25
Enrolment rate - age 6-12 (%)	62.3	44.1	46.3
<b>LABOUR MARKET</b>			
Participation rate (%)	70.7	66.6	66.5
Unemployment rate (%)	5.9	6.7	7.9
Underemployment rate (%)	48	40.7	48.2
Literate labour force (%)	23.6	20.1	25.8
Child labour (% of children age 6-15 engaged in work)	19.2	15.6	17.9
<b>EMPLOYMENT SECTORS</b>			
Agriculture (%)	69.4	52.9	59.1
Manufacturing, construction, mining and quarrying (%)	9.1	14.5	12.5
Services (%)	15.7	29.9	24.6
Public administration (%)	5.8	2.8	3.9

### 4.1 Economic Overview

Baghlan is a leading agriculture producing province with a concentration of fertile agricultural lands in the districts of Baghlani Jadid in the north and Andarab, Deh Salah, Khwaja Hijran as well as Pul-i

<sup>10</sup> 'Afghanistan: Provincial Briefs, June 2011,' *Ministry of Economy*. The data is derived from the National Risk and Vulnerability report 2007/8. **Per capita monthly total consumption** is the value of total food and non-food items consumed by the household in a month divided by the household size. **Participation rate** is the proportion of the adult population (16 and older) that is economically active. **Underemployment** is the share of employed who work less than 35 hours a week.

Hisar in the southeast. According to the NRVA data (see Table 4.1), agriculture employs 69.4% of the provincial population in both subsistence and commercial crops and livestock farming.

Baghlan is in the fortunate position of possessing a broad agricultural base in addition to numerous natural resource deposits. In the late 1930s, the government of Zahir Shah established a national capacity to refine sugar and produce textiles. Baghlan was reportedly chosen due to the fertile agricultural land, plentiful water supply and ample coal deposits, although some local reports suggest an intention to create a northern manufacturing or industrial base. In 1938, construction began on an Afghan funded sugar refinery in current day Baghlan Jadid that increased the cultivation of sugar beet across the north.<sup>11</sup> During the same period, the German government began construction of a textile factory and accompanying hydropower dam in central Pul-i Khumri.<sup>12</sup> Upon completion, the textile factory began sourcing cotton from local farmers in Baghlan, Balkh, Kunduz and Takhar.

The contemporary industrial sector shares little with its past. The textile factory, according to the director, employs approximately 450 people, however there are few signs of economic activity. The factory has received orders for bed linen by the Ministries of Interior and Defence, however antiquated equipment and little new investment over the last thirty years have rendered the plant unable to compete with foreign imports particularly from China and Pakistan. The Baghlan sugar factory, also established in the late 1930s, was damaged during the civil war and then rehabilitated via a public-private partnership in the early years of the Karzai regime. According to a report produced in September 2009, the plant was 'struggling to survive' as a result of a lack of raw materials, questionable economic viability, lack of ownership in management and a difficulty in attracting a technical capacity.<sup>13</sup> The factory more recently is believed to be dormant according to a senior UN officer.

The industrial sector was a major employer in Baghlan through the engagement of factory workers and tradesmen but also through creating local value chains in cotton, sugar beet as well as wheat for the silo mill bakery. Labour inputs to the aging industrial sector are no longer comparable to the number of employees that were engaged prior to the Soviet invasion in 1979, with the textile factory formerly employing between 3,000 and 4,000 people and sourcing cotton from local farmers in Baghlan, Balkh, Kunduz and Takhar.

Baghlan also hosts significant deposits of gypsum, coal and gold. In Pul-i Khumri, gypsum deposits have recently led to the construction of a second cement plant in the district<sup>14</sup> and in Dushi the right to commercially exploit local gold deposits was awarded in late 2010.<sup>15</sup> Coal deposits are also to be

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<sup>11</sup> *Peace Security and Development Network (PSDN)*, 'Public-Private Cooperation in Fragile States, Case Study Afghanistan 3, New Baghlan Sugar Company,' September 2009, pp. 4. Available at:

[http://www.psdnetwork.nl/documenten/publications/20090901\\_case\\_study\\_3\\_new\\_baghlan\\_sugar\\_company\\_.pdf](http://www.psdnetwork.nl/documenten/publications/20090901_case_study_3_new_baghlan_sugar_company_.pdf)

<sup>12</sup> Interview with Engineer Gul Alam, Director of the Textile Factory, Pul-i Khumir, October 2011. Also see Shirzay, Habibur Rahman, 'Baghlan power station needs urgent repair,' *Pajhwok Afghan News*, 7 June 2010. Available at:

<http://www.pajhwok.com/en/2010/06/07/baghlan-power-station-needs-urgent-repair>

<sup>13</sup> PSDN, 'Public-Private Cooperation in Fragile States, Case Study Afghanistan 3, New Baghlan Sugar Company,'

<sup>14</sup> Sherzai, Rahman, 'Ghori cement factory inaugurated,' *Pajhwok Afghan News*, 30 July 2011. Available at:

<http://www.pajhwok.com/en/2011/07/30/ghori-cement-factory-inaugurated>

<sup>15</sup> Riechmann, Deb, 'Afghan government approves gold mine deal,' *Businessweek*, 14 December 2010. Available at:

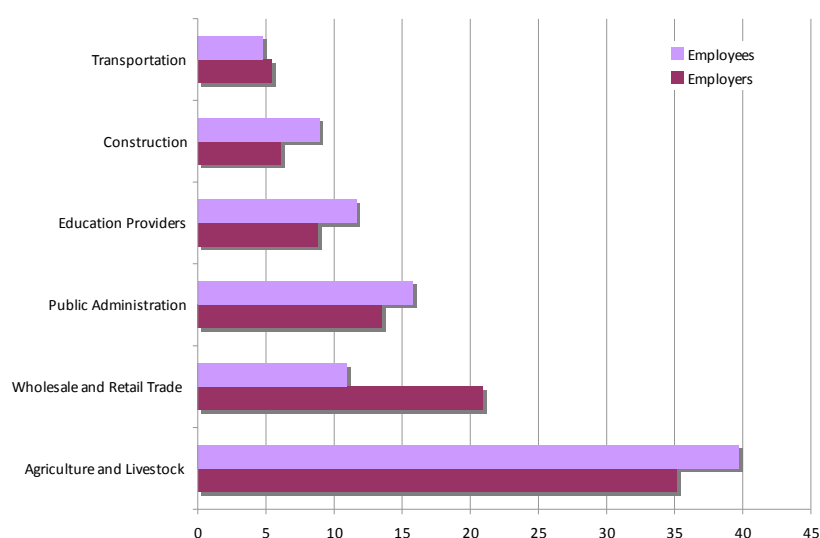
<http://www.businessweek.com/ap/financialnews/D9K3I2A80.htm>

found in Tala wa Barfak, Dushi and Pul-i Khumri and are currently informally exploited with an opaque ownership structure. The province's natural resources, including coal, gold and gypsum have yet to provide wider economic benefits to the population beyond those involved in their informal exploitation and individuals informally in control of the deposits.

Pul-i Khumri is the political and economic capital of the province, which was also described as Baghlan's 'job market' by one key informant due to the scarcity of employment opportunities beyond agriculture and bazaar trading in the districts. Although agriculture is the primary economic activity in the province, in Pul-i Khumri it is wholesale and retail trade as well as manufacturing, including trades such as metalwork and carpentry that predominate. Indirectly, however, agriculture remains the source of economic activity as the wholesale and retail trading sectors supply agricultural inputs and sell locally produced products respectively. The transport, manufacturing and construction sectors are also highly dependent on the agriculture sector. The post-harvest sector, which has the potential to produce value added agricultural and livestock products, is underdeveloped and currently reliant on support from NGOs and development agencies. Progress has been made across value chains including dairy, dried fruit and nuts as well as poultry, which has led to the establishment of at least one dairy processing centre and the well known Baghlan Cheese Factory, however questions as to the sustainability of such initiatives remain.<sup>16</sup>

Although acting as a bridge between Kabul and the northern provinces of Balkh and Kunduz, Pul-i

Khumri is heavily reliant on agricultural production in place of services. In support of the NRVA data, respondents stated that agriculture remains the sector 'most important to the local economy.' As illustrated in Figure 4.1, 35.1% of employers and 39.7% of employees listed agriculture as the primary economic activity in the province. The wholesale and retail sector was viewed as the second most important sector second of the local economy by 20.9% of employers and 11% of employees.



**Figure 4.1: Perceptions of the leading sectors driving the economy**

Public administration was listed as having the third most important impact on the local economy most likely resulting from the number of people employed by the government, including teachers, as well as the Afghanistan National Security Forces – both the Afghanistan National Army (ANA) as well as the Afghanistan National Police (ANP). More recently, the Afghanistan Local Police has been

<sup>16</sup> Peace Security and Development Network (PSDN), 'Public-Private Cooperation in Fragile States, Case Study Afghanistan 2, The case of the Baghlan Cheese Factory in Afghanistan,' September 2009. Available at: [http://www.psdnetwork.nl/index.php?p=Documents&w=Public\\_Private\\_Collaboration\\_in\\_Fragile\\_States&page=3](http://www.psdnetwork.nl/index.php?p=Documents&w=Public_Private_Collaboration_in_Fragile_States&page=3)

established in Baghlan Jadid, Puli Khumri and is soon to be created in Dahani Ghori and will employ approximately 300 people per district. The construction industry, after the education sector, was reported to be the fifth largest contributor to the economy by a grouping of employers and employees (7.5%). Construction has been one of the primary beneficiaries of the large amounts of development aid dedicated to infrastructure projects and rural development, starting at the village level with some community driven products through the National Solidarity Program (NSP) to larger national projects including the 'Ring Road' national highway project.

**Table 4.2: Top Ten Primary Sources of Household Income**

Sector	Employers	Employees	Mean
<b>Manufacturing (Carpentry, Electrician, Welding)</b>	43.2%	28.0%	35.6%
<b>Wholesale and Retail Trade</b>	23.3%	26.6%	24.9%
<b>Public Administration</b>	7.5%	18.9%	13.2%
<b>Transportation</b>	3.4%	10.5%	7.0%
<b>Manufacturing (Sewing, Embroidery, Carpet Making)</b>	7.5%	4.9%	6.2%
<b>Telecoms, IT, Computers</b>	6.2%	0.7%	3.4%
<b>Construction</b>	0.7%	5.6%	3.1%
<b>Hotels, Restaurants</b>	3.4%	2.8%	3.1%
<b>Agriculture and Livestock</b>	1.4%	2.8%	2.1%
<b>Education Institutes, Private Schools and Universities</b>	2.7%	0.0%	1.4%

When respondents were asked to detail the primary source of their household income (see Table 4.2), then perhaps a more representative picture of Pul-i Khumri's economy appears. Whereas agriculture appears as the predominant economic sector in provincial data as well as perceptions by respondents, direct household income from farming and livestock in the provincial capital remains limited (mean 2%), while the

leading sources of income are more closely aligned with the provision of services and trade, as what would be expected from an urban provincial economy. Manufacturing, both light and bazaar trades, was listed as the primary source of income (35%), followed by wholesale and retail trade (34.9%) and then the previously mentioned public administration (13%), which remains an important local employer. Interestingly, sewing, embroidery and carpet weaving, traditional roles for women, was listed by 6% of respondents' as their most important source of household income.

Business confidence appears to be strong in Pul-i Khumri as 64% of respondents reported that the number of employees in their firms will likely increase in the following year, differing than a four-province average of 50%. Similarly, 53% of employers stated that their company's revenue has increased compared with last year.

For employees, one third of respondents claimed that they already have a plan to establish their own business, while 53% stated their desire to if the opportunity presents itself. Of those intending to start their own business, 52% would do so in the manufacturing sector, which includes trades such as metal work and carpentry, 24% in wholesale and retail trading and 13.4% in the manufacture of carpets, embroidery and sewing. Agriculture and livestock was not mentioned by one respondent.

## 4.2 Labour Market Survey, Pul-i Khumri

### 4.2.1 Companies' Profile

The table below describes the different companies that were surveyed (according to the “cluster then random” sampling methodology describe in section 1.22.

**Table 4.3: Quantitative Sampling Description**

ISIC Code	Pul-i Khumri			Four Cities		
	Employers (%)	Employees (%)	Mean (%)	Employers (%)	Employees (%)	Mean (%)
<b>A - Agriculture and Livestock</b>	0.0	0.0	0.0	1.8	1.2	1.5
<b>B - Mining and Quarrying</b>	0.0	0.0	0.0	1.1	1.1	1.1
<b>C - Manufacturing (Sewing, Embroidery, Carpet Making)</b>	13.7	13.6	13.7	16.2	15.5	15.8
<b>C - Manufacturing (Bakeries, Carpentry, Textiles)</b>	47.7	49.3	48.5	32.0	34.3	33.1
<b>F - Construction</b>	0.0	0.0	0.0	0.8	1.2	1.0
<b>G - Wholesale and Retail Trade</b>	26.1	25.5	25.8	40.0	38.6	39.3
<b>H - Transportation</b>	0.0	0.0	0.0	1.5	1.5	1.5
<b>I - Hotels, Restaurants</b>	3.9	4.0	3.9	2.9	3.5	3.2
<b>J – Communications, Telecoms, IT, Computers</b>	0.7	1.0	0.8	1.7	2.2	1.9
<b>K - Finance - Banks, Money Changers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>O - Public Administration</b>	0.0	0.0	0.0	0.2	0.2	0.2
<b>P - Education Providers</b>	7.2	6.3	6.7	1.7	1.2	1.5
<b>Q - Health Providers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>U - NGOs/IOs</b>	0.7	0	0.3	0.2	0	0.1
<b>TOTAL</b>	100	100	100	100	100	100

The Pul-i Khumri sampling indicates a higher than average number of manufacturing entities approximating slightly greater than 60% of the total, which is divided into two: manufacturers that include bakeries, carpenters, furniture makers, tin smiths and similar trades and secondly, manufacturers that produce clothes, textiles, handicrafts and carpets, which are more likely to include women participants. Wholesale and retail trade are also underrepresented compared to the average, which could be partially explained by Baghlan being the sole province not sharing an international border crossing. Construction companies are also absent most likely a result of some occupations, such as masons and carpenters considered as manufacturers, rather than being placed in the construction category. The use of day labourers in the construction industry would also mask a greater number of construction industry employees being surveyed.

When both employers and employees were asked which labour sectors employ the most people, respondents listed agriculture (30%), wholesale and retail trade (17%), public administration (15%), construction (8.6%) and manufacturing (welding, carpentry; 7.2%).



## 4.2.2 Ownership, Foundation and Licensing

**Table 4.4: Year of Company Formation**

	Pul-i Khumri	Mean (Four Cities)
<b>1961-70</b>	3.3%	0.9%
<b>1971-80</b>	5.2%	1.8%
<b>1981-90</b>	4.6%	4.1%
<b>1991-2000</b>	22.9%	20.2%
<b>2001-2006</b>	39.9%	35.3%
<b>2006 -2011</b>	24.2%	37.4%
<b>Total</b>	100%	100%
<b>Frequency</b>	152	655

In answer to whether they had established the companies themselves, 88% of employers answered positively, whereas 11% inherited the business and only 1% had bought the company. Almost 65% of companies have been established in the last ten years following the fall of the Taliban regime, with one quarter of all businesses being created in the past five years (see Table 4.4)

Compared with the average of the four provincial capitals, a smaller number of companies (24.2%) have been registered in the past five years than the average (37.4%). The difference

could be partially explained by a smaller wholesale and retail trading and services base (26% compared to an average of 39%) together with a greater degree of business promotion and donor activities in the other three cities, including the establishment of industrial parks in Mazar and Kunduz.

**Table 4.5: Business Registration**

Department/Agency	Pul-i Khumri	Mean (Four Cities)
<b>Yes, Municipality</b>	71.3%	73.8%
<b>Yes, Department of Finance</b>	13.2%	12.9%
<b>Yes, Department of Economy</b>	1.6%	1.0%
<b>Yes, AISA</b>	0.0%	0.8%
<b>Yes, Department of Commerce</b>	0.0%	0.3%
<b>No</b>	14.0%	11.2%

As detailed in Table 4.5, only a minority of companies reported their businesses as not being registered (14%), whereas the vast majority have registered their business with the municipality. The municipality provides services to local traders and shopkeepers, including 'cleaning and greening', as well as a local conflict resolution role between

commercial entities. Registering with the municipality is therefore the most relevant option for local employers as agencies such as the Afghanistan Investment Support Agency (AISA) is not present in Pul-i Khumri and most businesses would not have the critical mass to fully benefit from registering with either AISA or the Department of Commerce.

### 4.2.3. Staffing and Recruitment Channels

Of the 153 employers surveyed, the average number of employees per business was reported to be 3.5, which is slightly less than the four-city average of 4.5 employees (see Table 4.6).

**Table 4.6: Average Number of employees (breakdown by age category)**

	Male <15	Female <15	Male 15-24	Female 15-24	Male 24+	Female 24+	Av. No. Employees	Frequency
<b>Baghlan</b>	0.66	0.13	1.78	0.20	0.66	0.01	3.5	153
<b>Four City Average</b>	0.54	0.11	2.02	0.26	1.40	0.15	4.5	657

A breakdown of employees by age category indicates that approximately half of all employees are males aged between of 15 and 24 (average 1.78 employee per company), while women aged 24 and over are the least represented (0.01 employee per company). Cultural attitudes towards women working in addition to family commitments and the absence of opportunities in traditional bazaar trades, as reported in key informant interviews and focus groups, contribute to low rates of female participation in the workforce (see gender and youth section 4.3 for further information).

Table 4.7 details the recruitment methods of businesses in Pul-i Khumri and perhaps what is most apparent is that approximately 43% of employers rely on either friends or relatives as a recruitment pool, while 31% of employees access the job market through friends of an employee in an existing company.

**Table 4.7: Recruitment Channels (breakdown by category)**

Recruitment Channel	Employers	Employees	Mean (4 cities)
<b>Relatives</b>	25.3%	19.0%	25.8%
<b>Friend of employee</b>	11.7%	30.7%	17.0%
<b>Bazaar</b>	22.7%	19.0%	15.6%
<b>Friends</b>	18.0%	16.1%	26.9%
<b>Relatives of employee</b>	15.7%	14.1%	12.1%
<b>Mosque</b>	1.3%	0.5%	1.6%
<b>Radio/TV Advertisement</b>	0.7%	0.5%	0.2%
<b>Newspaper Advertisement</b>	0.3%	0.0%	0.1%
<b>Other</b>	4.3%	2.4%	1.4%
	100.0%	100.0%	100.6%
<b>Frequency</b>	153	150	657

Considering that approximately half of employees are males aged between 15 and 24 (see Table 4.6), then this pool of employees is seen by job seekers as an important source of access to the job market. The trend of employing relatives was supported by a further question to employers on how many of the company's employees are relatives of the owner, which equated to 34.3% of all employees. When employees were asked if they were related to the owner of the enterprise, 50.7% answered in the affirmative.

#### 4.2.4. Employee Contracts and Salaries

Table 4.8 described the current status of employees within their respective companies. The vast majority of employees (95.3%) reported that they have no formal contract with their employer with the number of employees almost evenly divided between part-time (48%) and full time work (51.3%). The number of part time workers is higher than the four-city average (28.5%) indicating a higher number of people that are underemployed supporting the NRVA data on underemployment at the provincial level.

**Table 4.8: Employee Status**

	Baghlan	Mean
Permanent Full Time w/ Formal Contract	2.0%	5.2%
Permanent Full Time, No Formal Contract	49.3%	54.3%
Permanent Part Time w/ Formal Contract	2.0%	4.0%
Permanent Part Time, No Formal Contract	46.0%	28.9%
Self Employed	0.7%	7.6%
Total	100.0%	100.0%
Frequency	150	655

Despite the high number of employees who considered themselves to be part-time, the number of hours worked per week averaged 43.8 hours, 8 hours less than the four-city average of 51.8 hours. Considering that approximately half of employees

stated that they were related to the owner of the enterprise, employees are likely to work six to seven day weeks with or replacing their relatives, irrespective of whether they consider themselves to be part of full time. The length of employment followed the average of the four provincial capitals as 56% of employees stated that they had been working for 2 years or less with their current employer. Considering that approximately half of employees are aged between 15 and 24, many employees would be working in their first job. A further 26.7% declared that they have been working for their current employer for between 3 to 5 years.

Although no link can be empirically established from the data available between hours worked and average salaries, the number of hours worked in Pul-i Khumri is 18% below the average, while salaries (see Table 4.9) were reported to be 15.3% below the average.

**Table 4.9: Employee Salaries**

		Afs	Frequency	Trend
12 months ago	Average Salary	2,275	150	
	Minus respondents who reported '0' salary	3,669	'0' = 57	
Current year	Average Salary	4,013	150	+ 76.4%
	Minus respondents who reported '0' salary	4,561	'0' = 18	+ 24.3%
Four-Cities	Average Current Salary	4,727	656	+ 83.5%
	Minus respondents who reported '0' salary	5,187	60	+ 30.3%

As Table 4.9 details, the average salary reported by employees was 4,013 Afs (US\$85) per month and when employees that stated they receive no salary are removed from the calculation, paid employees receive an average salary of 4,561 Afs (US\$97). Compared to a year prior, the average salary of employees has increased by 76.4%, which takes into account the number of employees who were previously not paid and are now receiving a monthly salary. Non-payment of salaries is particularly prevalent among family businesses, which primarily employ relatives.

### 4.2.5. Company Revenue and Expenses

All 152 employers replied to a question on their company's monthly income, although the authenticity of the answers was not confirmed by any other method. The average income, which was explained as total revenue, was reported to be 42,349 Afs (US\$901), slightly higher than the average of 41,260Afs for the four cities combined.

**Table 4.10: Company Revenue (breakdown by revenue bracket)**

Revenue Bracket	Pul-i Khumri	Av. Four Cities
0-10,000	6.5%	8.9%
10,001-20,000	26.1%	25.8%
20,001-30,000	22.2%	26.9%
30,001-40,000	17.0%	14.7%
40,001-50,000	9.8%	8.0%
50,001-100,000	13.1%	11.4%
100,000+	4.6%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Frequency</b>	<b>152</b>	<b>654</b>

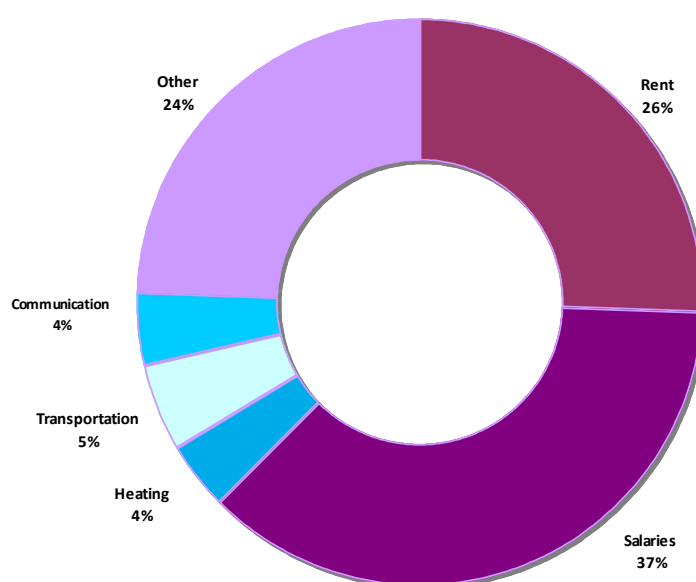
Table 4.10 provides a breakdown of company revenue with the largest share of businesses (26.1%) declaring their revenue to be between 10,001 Afs and 20,000 Afs a month, which would convert to between US\$213 and US\$425 and therefore an annual turnover of US\$2,556 to US\$5,106. Pul-i Khumri's revenue breakdown is comparable to the four-province average where approximately 60% of businesses reported revenue of less than 30,000 Afs a month (US\$ 638)

In terms of business expenses, employers reported (based on an average of costs per month) that salaries (37%) were the highest cost category to the business, which was only slightly lower than the average four-city average of 40.9%.

The second largest defined operating cost was reported to be rent (26%), followed by transport costs (5%) and communication and heating (both 4%). Employers were offered an option to include other expense and food costs were reported by 89% of the 113 respondents declaring 'other' expenses. If 'other' represents food costs in Figure 4.2, then employers' third largest operating cost is providing food for their employees.

Although income and expenditure figures should be considered indicative at best, a simplistic break down of average revenue (42,349 Afs) and expenses (21, 586Afs) for businesses in Pul-i Khumri produces a raw figure of 20,763 Afs in income per company, approximately 2,000Afs less than the average for the four cities.

**Figure 4.2: Operating Costs (breakdown by category)**



### 4.2.6. Access to Credit and Financing

Accessing credit and financing is primarily undertaken through informal methods. Of 153 employers, 41 or 26.8% declared that they had borrowed money for their business in the last twelve months.

**Table 4.11: Sources of Credit and Financing**

Source of Funds	Pul-i Khumri	Av. Four Cities
Bazaar	25.0%	19.0%
Friends	21.4%	29.0%
Bank	19.6%	14.6%
Relatives	17.9%	24.5%
Micro Finance Institution	16.1%	12.9%
Local Land Owner	0.0%	0.0%
Money Lender	0.0%	0.0%
Mortgage	0.0%	0.0%
Total	100%	100%
Frequency	41	141

Of the 26.8% of employers who had accessed credit, five sources of credit were reported in Pul-i Khumri, in a similar manner to the other three provincial capitals. Informal credit sources, comprising family and relatives in Afghanistan as well as local shopkeepers in the bazaar provided 64.3% of the total amount of credit issued to employers. 35.7% of employers approached formal institutions, including Banks and microfinance institutions, to access credit.

When employers were asked whether the extension of credit had had an impact on their business, 60% of employers in Pul-i Khumri stated that their business had expanded, but only half this figure claiming that profits had improved, compared to 51.5% of employers who had accessed credit across the four provincial capitals. Approximately 20% of respondents claimed that their business has not expanded and profits had in fact decreased. The loan size from all categories of creditors was an average 83,977 Afs (US\$1,787), compared to a four-city average of 81,809 Afs (US\$1,741).

When employers were asked whether they intend on developing their business, 51% stated that they already have a plan to do so, while a further 48.4% of employers declared that if the opportunity arose, then they would attempt to do so. For employees, the figures were 31.3% and 53.3%, respectively. Both figures indicate a vote of confidence in the local economy. As Table 4.12 illustrates, 45.3% of employers have either enough money to expand their business or could rely on friends and relatives. Only 10% of employers would attempt to access a formal institution and the largest percentage (44.7%) of employers is not sure how they would access credit to expand their business, suggesting that banks and micro-finance institutions have the potential to expand their loans to small and medium businesses, but require more effective communication to business leaders. For employees the figures are even more pronounced, with close to four in five potential entrepreneurs not knowing how they will access credit to develop their business idea.

**Table: 4.12: Do you have the needed funds to develop the current activity of your business?**

	Yes, I have enough personal funds	No, but my family/friends will assist	No, I plan to borrow money from an institution	No, and I still do not know how to obtain the funds	Frequency
Employers	31.3%	14.0%	10.0%	44.7%	150
Employees	7.1%	8.7%	4.7%	78.7%	122
Average Employers (Four Cities)	40.8%	14.4%	5.2%	39.6%	617
Average Employees (Four Cities)	24.5%	18.1%	3.4%	53.7%	531

### 4.3. Gender and Youth

As the survey results illustrate below, women face a particular set of challenges to access the labour market. The Department of Women's Affairs (DoWA) stated that illiteracy among women is estimated to be 90% and that the twin challenges of illiteracy and family permission severely limits the opportunity to find work. In the districts, virtually the only occupations open to women are as 'teachers in local schools, *shura* members or home handicrafts.' In Pul-Khumri, according to DoWA and focus group discussions, women have a greater number of opportunities including working in a small number of NGO supported gender initiatives, including blanket and clothes making as well as apricot and tomato processing.

**Table 4.13: What positions do women occupy in your company?**

	Pul-i Khumri	Four-city Average
No Positions	85.3%	84.9%
Apprenticeships (on the job training)	13.4%	10.8%
Junior Management	0.7%	0.2%
Day Labourers	0.3%	0.5%
Office work	0.3%	0.1%
Manual/Labouring work	0.0%	3.5%
Total	100.0%	100.0%
Frequency	298	1308

As Table 4.6 in section 4.2.3 details, the number of women in the workplace remains minimal. For the age category 15-24, there are ten times as many male employees as female employees. The situation is even more pronounced in other age brackets. The limited presence of women in the workforce was also reinforced by only 6.6% of respondents, both employers and employees, being

women, compared to a four-city average of 9.7%.

Table 4.13 lists the combined responses of employers and employees to the question of what positions women occupy within their company. In common with the other three subject cities, approximately 85% of respondents that there were no positions occupied by women. Day labouring jobs and manual work remains the preserve of males and therefore a low response rate is expected, however it is interesting to note that 13.4% of 298 respondents in Pul-i Khumri stated that women occupy apprenticeship positions, or the more informal on the job training, within their companies.

When respondents were questioned as to the obstacles that face women in the workplace and were allowed more than once choice, a lack of opportunities was cited by 41.2% of employers and 38.7% of employees as the primary obstacle (see Table 4.14, below).

Family permission was cited by almost 40% of both employers and employees as a significant obstacle to women working. Considering that women in urban centres are likely to have a greater 'freedom of movement,' the figure would most likely be significantly higher in the surrounding districts. Leena, a 27-year-old female tailor expanded on the subject, *'Afghanistan is a traditional country and people are to observe and honour such traditions so many women are not permitted by family to work out of home and only those (women) can get a long-term job if they have permission by their family.'*



**Table 4.14: Obstacles women face to work in your sector?**

Even before attempting to access the limited positions that are available to women and ensuring that they have relevant experience and qualifications, perhaps the most difficult obstacle is obtaining family permission.

Obstacle	Employers	Employees	Combined Four-city Average
Lack of opportunities	41.2%	38.7%	46.3%
Family Permission	39.2%	36.7%	36.7%
Lack of experience	30.1%	32.0%	41.6%
Lack of qualifications (education)	25.5%	26.0%	13.9%
Sector not appropriate for women	17.0%	19.3%	15.7%
Low Salaries	11.1%	14.0%	15.4%
Lacking access to patronage networks	0.7%	2.0%	4.8%
<b>Total</b>	<b>164.7%</b>	<b>168.7%</b>	<b>174.5%</b>
<b>Frequency</b>	<b>153</b>	<b>150</b>	<b>1308</b>

Handicrafts, carpet making and embroidery, therefore, represent an apparent compromise as the work is generally undertaken from home. Approximately 18% of respondents also stated that their sector was 'not appropriate' for women, which is traditionally associated with manual labour and trades or environments that are considered the preserve of males only.

Youth also face challenges to access the labour market. Even though males between 15 and 24 comprise the largest percentage of employees by age bracket within the surveyed businesses, the 'youth bulge' ensures that the large number of youth leaving the education system every year find it very difficult to find employment (see Table 4.6). In the districts, employment opportunities for youth remain confined to 'agriculture & livestock and working in the local bazaar,' according to one Baghlani working for a development agency. The education system in the districts was reported to be unable to provide school graduates with the necessary skills to enter the labour market with workers from the districts of Baghlan often stereotyped as illiterate and fit for day labouring in place of any skilled occupations. In contrast, youth in Pul-i Khumri were viewed as having a greater level of access to education and the labour market, due to the centralisation of the education sector in the provincial capital and the prevalence of trades and services businesses, which are often not operating in the districts.

In a focus group discussion in Pul-i Khumri with unemployed youth, the participants stated that a large number of youth join the Afghanistan National Security Forces, either the police or army, while a further segment of youth travel to Mazar or Kabul to find work, who according to one NGO are generally the 'more qualified people.' The Department of Youth claimed that labour migration is a widespread phenomenon as 'from 100 families, 80 families will have a son in Pakistan or Iran. Most people from northern Afghanistan go to Iran.' In the majority of instances, according to both DoLSA and the Department of Youth, youth migrating to Pakistan and Iran provide an important part of household income through remittances, while many younger men also travel abroad in search of the money to pay for their wedding, the cost of which can exceed US\$10,000.

Labour migration could also be seen to structurally undermine the labour market more broadly as unqualified youth leave Baghlan in search of work in Iran or Pakistan, while in Pul-Khumri, qualified Pakistani, many of whom live in Khoja Alwa area, and to a lesser degree Iranian construction workers and tradesmen assume the higher skilled positions within the construction industry as well as in the day labouring market. Pakistanis, according to DoLSA are 'considered cheap, but produce good

quality work’ and are in particular demand partly as a result of many new house designs originating from Pakistan. While Afghan youth do gain the work experience abroad, they generally return unqualified to their former province.

**Table 4.15: Positions occupied by 15-24 y.o in your company?**

	Pul-i Khumri	Four-city Average
<b>Apprenticeships (on the job training)</b>	68.3%	59.5%
<b>Day Labourers</b>	23.4%	18.8%
<b>Junior Management</b>	4.7%	1.7%
<b>Manual/Labouring work</b>	2.0%	7.1%
<b>No Position</b>	1.3%	12.4%
<b>Office work</b>	0.3%	0.6%
<b>Total</b>	100.0%	100.0%
<b>Frequency</b>	298	1308

Respondents were then asked similar questions regarding youth and a very different set of answers were recorded. Although it was not articulated, respondents are understood to be referring to males, rather than both males and females due to a prior question referring to positions that women occupy in the company.

Approximately two-thirds of employers and employees work in businesses that employ 15-24 year olds in apprenticeship roles often involving relatives working in the family business (see Table 4.16). Approximately one quarter of businesses reported that they employ youth as day labourers, while 4.7% of respondents have positions open for youth in junior management. The figures contribute to the picture of a labour market dependent on day labourers and reliant in the informal training of youth in apprenticeship positions.

In contrast to the obstacles that women are faced with to access the workplace, youth face a different set of challenges.

**Table 4.16: Obstacles youth face to work in your sector?**

Respondents, both employers and employees, viewed a ‘lack of opportunities’ as the main obstacle for youth in accessing the job market, with experience (54.2% employers and 55.3% of employees) seen as a greater obstacle than low salaries and a lack of education. The widest disparity between the responses of employees and employers was for education as 40.5% of employers found that youth lack the educational qualifications to access the labour market, whereas only 27.3% of employees concurred, suggesting that employees place less importance on qualifications and more on experience, which would complement the findings in Table X.X, where day labourers and apprentices comprise 91.7% of positions open to youth.

Obstacle	Employers	Employees	Combined Four-city Average
<b>Lack of opportunities</b>	66.0%	62.7%	62.1%
<b>Lack of experience</b>	54.2%	55.3%	60.5%
<b>Low Salary</b>	41.8%	47.3%	42.0%
<b>Lack of qualifications (education)</b>	40.5%	27.3%	27.7%
<b>Lacking access to patronage networks</b>	17.6%	20.7%	20.4%
<b>Total</b>	220.3%	213.3%	212.7%

## 4.4. Obstacles to Business Development

Employers were asked to prioritise the obstacles to the development of their business on a five-point scale. Table 4.17 combines the obstacles rated '4' and '5' or those considered as a 'major obstacle' or 'very severe obstacle,' respectively.

**Table 4.17: Major and very severe obstacles to business development**

	Pul-i Khumri	Combined Four-city Average
Access to Land	64.1%	70.7%
Access to Electricity	63.4%	67.8%
Employee Skills	43.1%	54.5%
Competition	41.8%	29.4%
Access to credit	35.9%	48.1%
Access to Water	25.5%	30.3%
Corruption	19.6%	21.9%
Insecurity	19.6%	21.9%
Access to Communications	11.1%	21.0%

Access to land (64.1%), similar to responses from the other three provincial centres, was considered as the primary obstacle by the majority of the 153 employers interviewed in Pul-i Khumri. In a focus group discussion, Hashim, a local businessman, stated *'it is not easy to find a shop (and) if the shop is found the rent is very high'*.

Infrastructure inputs also featured prominently with electricity (63.4%), access to water (25.5%) and to a lesser degree, communications (11.1%)

also being mentioned as obstacles. From a vocational training point of view, 43.1% of employers indicating 'employee skills' as a major or severe obstacle to business development suggests that there is a broad need for the development of vocational skills, which has the potential to increase local skill sets but also increase economic growth. Access to credit was mentioned by 35.9% as a major or severe obstacle, however in focus group discussions, a lack of start-up capital was consistently mentioned as an inhibitor to renting a shop front, buying equipment and commencing trading.

One in five employers reported corruption, which is often viewed as the scourge of economic growth, as an important obstacle. Urban centres are often immune or only lightly affected by insecurity and likely explain why only 19.6% of respondents cited insecurity, although in focus groups, businessmen reported that business 'had improved' this year due to the better security situation.



Photo: A Mechanic in Pul-i Khumri

## 4.5. Training

Results from the labour market survey indicate that both employees and employers have had very little access to training opportunities, even compared to other cities surveyed for this report. As detailed in Table 4.18 only 13.1% of employers and 14% of employees have undertaken formal training. Of the individuals that have been trained, there were overall very positive perceptions of its utility (see Table 4.19).

**Table 4.18: Training and Training Providers**

Training Provider	Employers		Employers on Employees		Employees	
	Employers	Four-city Average	Employer on Employees	Four-city Average	Employees	Four-city Average
<b>No Previous Training</b>	86.9%	61.2%	77.8%	61.9%	86.0%	62.1%
<b>Internal</b>	1.3%	22.5%	9.8%	30.8%	5.3%	34.2%
<b>NGO</b>	6.5%	5.5%	6.5%	3.2%	2.7%	2.1%
<b>Private Company</b>	1.3%	8.6%	5.2%	11.9%	6.7%	15.3%
<b>Education Institute</b>	2.6%	0.8%	3.3%	0.8%	2.0%	0.7%
<b>Government</b>	1.3%	1.4%	0.7%	0.9%	1.3%	0.9%
<b>Total</b>	100.0%	100.0%	103.3%	109.5%	104.0%	115.2%
<b>Frequency</b>	153	657	153`	657	150	656

Table 4.18 provides responses from employers on their own training, that of their employees and finally information from the employees themselves. The training providers most frequently mentioned by all three groups who had been provided training, were NGOs (6.5% of employers, 2.7% of employees), private companies (1.3% of employers, 6.7% of employees) and education institutes (2.6% of employers, 2% of employees). Internal training, typically undertaken by the employer or owner, was reportedly undertaken by 9.8% of total employers, while only 5.3% of employees stated that they had received training internally, which is most likely explained by employers training employees in the course of their employment, which employees may regard simply as working.

**Table 4.19: Perceptions of completed training**

Perception of Training	Employers on Employee Training	
	Employers	Employees
<b>Learned a lot</b>	97.1%	100.0%
<b>Used new skills in workplace</b>	94.1%	95.2%
<b>Increased work performance</b>	94.1%	100.0%
<b>Helps chances of promotion</b>	94.1%	100.0%
<b>Assists towards salary increase</b>	97.1%	100.0%
<b>Would recommend training</b>	97.1%	100.0%
<b>Would like more training</b>	n/a	100.0%
<b>Increase chances of better job in another company</b>	n/a	100.0%
<b>Practical for Workplace</b>	n/a	100.0%
<b>Not practical Enough</b>	n/a	4.8%
<b>Boring</b>	n/a	4.8%
<b>Don't understand why I went to training</b>	n/a	0.0%

In regards to the perceived utility of the training from those individuals that participated, high rates of satisfaction were recorded for practicality and career enhancing opportunities, with few individuals finding the training ‘boring’ or ‘not practical enough,’ as illustrated in Table 4.19.

Given several options, 62.1% of all employers stated that they would prefer that their employees undertook training in the evenings and hence after the workday. A further 27.5% of employers declared that they would prefer apprenticeships as a training option for their employees, whereby the apprentices attend a vocational training centre or similar institution in the morning or afternoon and then return to the workplace for the alternate part of the day.

Of the employers whose employees had undertaken training, 79% stated that they would not be willing to pay weekly training costs, which contributed to an average willingness to pay of 156 Afs per week, half the four-city average of 317 Afs. Approximately 15% of employers paid for the training themselves, while the rest of the respondents claimed that either public institutions (61.8%) or NGOs (23.5%) had paid for the training, which has possibly contributed to a perception among some employers that training should be provided as a service free of charge, rather than a paid for benefit to the company. Costs were cited by 70.6% of all employers as an important or severe obstacle to sending their employees for training (see Table 4.20).

Despite the reticence for employers to pay for training, 84.3% responded that they need additional skills to develop their business and 97.3% of employees who have a plan to develop a business or would do so if the opportunity arose, also reported that training would be beneficial to develop their intended business. Costs and Time, as detailed in Table 4.20 were reported as the major constraints, followed by distance (average 56.1%) and family commitments or obligations (52.7%).

**Table 4.20: Important or severe obstacle to training**

Important or Severe Obstacles	Cost	Time	Distance	Family Obligations	Frequency
<b>Employers</b>	70.6%	77.8%	56.2%	39.9%	153
<b>Employers on Employees</b>	78.4%	70.6%	56.2%	58.2%	153
<b>Employees</b>	78.0%	70.0%	56.0%	60.0%	151
<b>Average</b>	75.7%	72.8%	56.1%	52.7%	

Certificates awarded by training institution continue to be seen as a valued commodity as 49.7% of all employers reported, when asked to consider recognised training certificate, that they were the ‘most important’ criterion, while a further 39.2% of employers stated that they were taken into account along with other criteria.



## Box 1: Day Labourers and Labour Migration

Day or casual labouring is an inherent part of Afghanistan's labour market. In provincial centres, dozens and in some instances hundreds of men line the streets in an unofficially designated area to find temporary work either for the day or several days. Most of the day labourers are from the surrounding districts, often illiterate and with no formal training. The current drought across the north of the country has also had an effect on the day labouring market as observers in Mazar-i Sharif and Pul-i Khumri stated that the number of day labourers from northern provinces had increased in recent months as the failure of the harvest became apparent.

At 07:00 on a weekday in Kunduz not far from the main square, at least 200 men await prospective employers with the majority of work being offered in construction or manual labouring. The work is seasonal and flows with the supply and demand of the local economy. In Mazar-i Sharif, daily construction jobs were reported to be the most common destination for daily workers, while in Kunduz over the summer months it is not as easy to find daily workers as they are employed in the agriculture fields across the province, while returning to the daily labour markets in mid September to take advantage of an construction or labouring jobs. Many local workers then migrate to Pakistan for the winter season as agricultural and construction jobs dry up. In Kandahar City, the proximity to Pakistan alters the dynamic of the market with many day labourers working in agriculture during the summer and turning to construction over the winter or alternatively travelling to Pakistan as agriculture work slows down.



**Photo: Day Labourers in the morning in Kunduz City.**

There is also a semblance of structure to the day labouring market as prices are not fixed for a daily rate and are open to negotiation with more qualified master builders or experienced tradesmen able to charge a higher daily rate. When labour is in abundance, such as mid-September to Mid-October in Kunduz City, daily prices can fall to 250Afs, while in peak harvest season, labour becomes scarce and prices can double to 500Afs a day. For the more skilled labour, such as master builders or the limited number of formally qualified tradesmen, daily prices can reach 1,000Afs. The influx of day labourers from Faryab, Samangan, Sar-i Pul and Jawzjan in light of widespread crop failures have led to a subsequent drop in daily rates. Commission agents are also present in the day labour market and attempt to match demand with supply and take a commission for each labour placement. It is questionable whether they fulfil a market facilitator role or are closer akin to predatory actors.



Pakistani day labourers are especially sought after, as they are perceived as being able to perform higher quality work, primarily in the construction industry and are reportedly capable of organising teams to complete partial or full constructions of some houses and buildings. A further advantage, confirmed in the three northern cities, is that Pakistani labour is also deemed to be cheaper than equivalently trained or experienced Afghan day labourers. The reason was explained as a result of an oversupply of skilled tradesmen in Pakistan, which has made the Afghan labour market more attractive.

Labour migration to Pakistan and Iran is intrinsically linked to the day labourer markets. Many day labourers work during the harvest time in Baghlan, Balkh, Kandahar and Kunduz and then leave to work in Pakistan as the weather becomes colder in Afghanistan. According to the Department of Youth in Pul-i Khumri, approximately 4 in 5 households have at least one male family member in either Iran or Pakistan, while the same department in Kunduz estimated the figure at 50%. It was explained that Iran is the favoured destination for Afghans from the north and Pakistan for the south an east of the country, partly due to language, but also due to previous refugee patterns and the presence of family and friends in those countries. As Iran's border policies have become more stringent, a greater number of people are migrating to Pakistan. A large proportion of the labour migrants are unskilled, illiterate and from the districts where employment opportunities are limited, although as the Department of Youth in Kunduz claimed, 12,000 people graduate from year 12 last year and a further 200 from the faculty and there are few jobs available leading many to consider emigrating abroad.

In both Pakistan and Iran, most labour migrants work in the construction industry or in manual labouring jobs. The duration of their stay can be either season or can last several years. The remittances often provide an important source of household income for the families in Afghanistan serving in times of drought or economic hardship as a coping mechanism. Many young males also emigrate in order to accumulate enough money for their wedding, which can exceed US\$10,000. In addition to labour emigration, there is also a large number of youth, with no precise numbers available, who travel to Pakistan to either commence or continue their Islamic education in *madrassas*. Although in the 1980s and the 1990s, the practice was commonplace, in recent years returning *madrassa* students have often been viewed as a threat by the security establishment after having been 'radicalised' during their Islamic education by the Taliban or other opposition group. Addiction in returning labour migrants in Iran also led one senior police official in a northern province to claim, 'we send out youth away as there are no jobs and they come back from Pakistan as militants and from Iran addicted.'

In Kandahar as well as the three northern cities, skilled Pakistani tradesmen including master builders, masons and carpenters fill the 'skills gap' in the urban labour markets. They are widely viewed as possessing higher skill levels, are capable of completing contract work as well as day labouring and their daily rates are often below those of Afghans with lower skill levels or experience. At the macro level, it means that labour migrants, lacking skills, leave for Pakistan and Iran to undertake unskilled work, while qualified Pakistanis and to a lesser degree Iranians, pursue skilled work in Afghan urban centres due to the lack of formally qualified individuals.

# 5.

## Mazar-i Sharif, Balkh Province

Mazar-i Sharif is the capital of Balkh province, located in the far north of Afghanistan bordering Uzbekistan, Tajikistan and Turkmenistan. Balkh shares four provincial boundaries with Kunduz to the east, Samangan to the southwest, Sar-i Pul to the southwest and Jawzjan to the west. Balkh has traditionally been an important trading and centre of political power resulting from its location at the historical crossroads of Central Asia, China, the Indian sub-continent and Persia.

**Table 5.1: NRVA: Key Economic and Labour Market Statistics**

NRVA Data	Balkh	Average 4-Prov	National Average
<b>Populations (million)</b>	1.2	1.0	24.5
<b>Rural population (%)</b>	64	71.5	77
<b>Poverty rate (%)</b>	60.3	28.2	35.8
<b>Electricity (% of households)</b>	55.3	36.8	41.1
<b>Per capita monthly total consumption (Afs)</b>	1,298	1675.5	1,672
<b>Female literacy rate - age 16 and over (%)</b>	16.8	9.3	11.4
<b>Literacy rate - age 16 and over (%)</b>	26.8	19.5	25
<b>Enrolment rate - age 6-12 (%)</b>	53.5	44.1	46.3
<b>LABOUR MARKET</b>			
<b>Participation rate (%)</b>	68	66.6	66.5
<b>Unemployment rate (%)</b>	8.2	6.7	7.9
<b>Underemployment rate (%)</b>	29.1	40.7	48.2
<b>Literate labour force (%)</b>	26.6	20.1	25.8
<b>Child labour (% of children age 6-15 engaged in work)</b>	20.8	15.6	17.9
<b>EMPLOYMENT SECTORS</b>			
<b>Agriculture (%)</b>	38.5	52.9	59.1
<b>Manufacturing, construction, mining and quarrying (%)</b>	16.2	14.5	12.5
<b>Services (%)</b>	43.2	29.9	24.6
<b>Public administration (%)</b>	2.1	2.8	3.9

### 5.1 Economic Overview

Balkh's economy is predicated upon trade and services (43.2%), agriculture (38.5%) and manufacturing (16.2%), which includes construction in the government's NRVA statistics (see Table 5.1). In the provincial capital, the economic importance of agriculture decreases being partly replaced by the trade and services sector and to a lesser degree manufacturing.

In the districts, however, agriculture and livestock remains the predominant economic activity with a comparatively limited retail and rudimentary services sector. For more advanced service provision, such as qualified builders, carpenters, mechanics and electricians, local contractors will often be dependent on providers from Mazar. In the districts of Balkh, Chahar Kint, Dawlatabad, Dehdadi,

Kaldar and Sholgara, carpet production has diversified many households' reliance on agriculture. The large logistics/trading town of Khairatan is located in Kaldar district, which has reportedly benefited economically through local employment and the provision of services, although the larger and more skilled construction contracts are primarily awarded to Mazar based companies.

Approximately 67% of rural households have access to irrigated land and 28% to rain-fed land.<sup>17</sup> Cash crops include barley, cotton, flax, maize, melon/water melon, sesame, tobacco and wheat with fruit and nuts also an important income generator for rural households as favourable climatic conditions and agricultural land supports two harvests a year.

Balkh and Mazar-i Sharif more specifically serve as both an export/import hub as well as regional trading centre for northern Afghanistan.<sup>18</sup> Trade flows between Afghanistan have significantly increased since the beginning of 2008 as the International Security Assistance Force (ISAF) has opened and expanded the use of the 'northern distribution network,' primarily using the Khairatan port of entry in order to reduce the dependence on existing routes through Pakistan via the border crossings of Spin Boldak, Kandahar Province, and Torkham, Nangahar Province.. Although total trade has increased significantly, Afghanistan has a large trade deficit with Central Asian states primarily as a result of the distorting effects of supplies for the international military presence. For example, according to the Central Statistics Office for the year 2009/2010 Afghan imports from Uzbekistan totalled US\$876 million— a five-fold increase from 2007/8 (US\$167million). Of the total trade with Central Asia, imports from Uzbekistan comprise 70% (US\$1,244 million; 2009/2010) reaffirming Afghanistan's trade imbalance.<sup>19</sup>

For Mazar, and Balkh more broadly, the trade imbalance has shaped the provincial economy. According to the Afghan Chamber of Commerce and Industry in Mazar, exports are primarily confined to 'almonds, pistachios, walnuts, carpets, oils, wood, sesame, and wool.' The Chamber also stated that the import/export sector is the 'primary business activity in the province,' indicating that the majority of the economic activity is therefore undertaken in the importation, transport, logistics and internal trading of imported goods.

Balkh has benefited both directly and indirectly from the increased flow of trade. Directly, customs duties have increased provincial revenues and the border crossing of Khairatan has expanded its role into a warehousing, logistics and transport hub for Northern Afghanistan. Indirectly, the province's transport infrastructure has been fundamentally redeveloped, including the creation of a new railway line to Uzbekistan, the construction of a new airport terminal and highways heading to the northeast, south and northwest of Afghanistan. Numerous companies in the agriculture, carpet, construction, horticulture, logistics, and light industries sectors have established a presence in Mazar to benefit from the province's northern economic linkages and access to international markets.<sup>20</sup> Businesses have also attempted to add value to traditional markets such as carpet production and agriculture, by introducing cutting and washing facilities for the carpet industry and grading,

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<sup>17</sup> Balkh Provincial Development Plan, NRVA 2005 statistics on irrigation/rainfall. Available at: [www.eggi.af/resources/provincial\\_development\\_plans/balkh.pdf](http://www.eggi.af/resources/provincial_development_plans/balkh.pdf)

<sup>18</sup> Mazar-i Sharif will be shortened to Mazar for the remainder of the report.

<sup>19</sup> CSO statistics derived from Norling, Nicholas, 'Afghanistan's trade with Central Asia Revives,' *Central Asia Caucasus Institute*, 27 April 2011. Available at: <http://www.cacianalyst.org/?q=node/5544>

<sup>20</sup> Mazar-i Sharif will be shortened to Mazar for the rest of the report.

packaging and processing capabilities for the agricultural sector, which has traditionally been highly reliant on local markets.

Afghan exports are primarily concentrated in the agricultural sector, including dried fruit and nuts, although the export potential is limited due to an underdeveloped post-harvest processing sector, which is often dependent on international donors and NGOs along the length of the value chain. Nuts and dried fruit especially have had some successes in export markets as Afghanistan has managed to find a comparative advantage in their production. Mazar is considered to be Afghanistan's fourth largest nut market and the largest in the north of Afghanistan and is perhaps illustrative of the city's position as a regional trading hub.

As the hub for northern economic activity, Mazar retains extensive links with other northern provinces from Badakhshan in the far northeast to Faryab in the northwest as well as to the national capital, Kabul. In contrast to its provincial neighbours, Mazar is in the advantageous position of acting as a distribution point for imported goods, while offering higher end services and possessing a limited processing capability for regional agricultural products. According to AISA in Mazar, Balkh sells locally made items such as 'shoes, chocolate, candies, biscuits and tomato based products' to other northern provinces, while also acting as a gateway for imports ranging from fuel to building supplies. Mazar is also the centre for higher end services, such as advanced mechanics and construction services, thereby negating the need for residents of provinces closer to Mazar to travel to Kabul. In return, other northern provinces rely on Mazar as a market for locally produced agricultural products, a supplier of imported goods and an important trading hub for exports or other internal markets.

Mazar's strong economic position has also supported the political aspirations of the provincial governor since 2004, Attar Mohammad Noor. As a leading figure within the former *mujahideen* faction *Jamiat-e Islami*, Noor has often been at odds with President Karzai and positioned himself as the pre-eminent political figure in the north of the country. Allegations of corruption fuelling entrenched patronage networks, primarily the governor's political supporters, have also accompanied his political rise and have resulted in some of the larger 'oil, wood trading, fertilizer and construction' companies in Balkh reportedly being owned or operated by close supporters of the governor.<sup>21</sup>

Due to Mazar's larger population, the quantitative sample size was increased to 200 employers and 200 employees in place of 150 each for the other three cities. Both employers and employees were asked which economic sectors drive the local economy and the results are graphically illustrated in Figure 5.1. Agricultural activity was reported to be the primary contributor to the local economy, according to approximately 30% of employers and employees, which would take account of the value that agriculture provides to other sectors, including trading and manufacturing.

The education sector (15.6%), wholesale and retail trade (12.6% employers, 8% employees) followed by manufacturing (minus carpet weaving and embroidery; 10.6% of employers and 8% of employees) were perceived to be the other main drivers behind the economy. The education sector is primarily referring to private schools, institutes, training and literacy centres, which are numerous

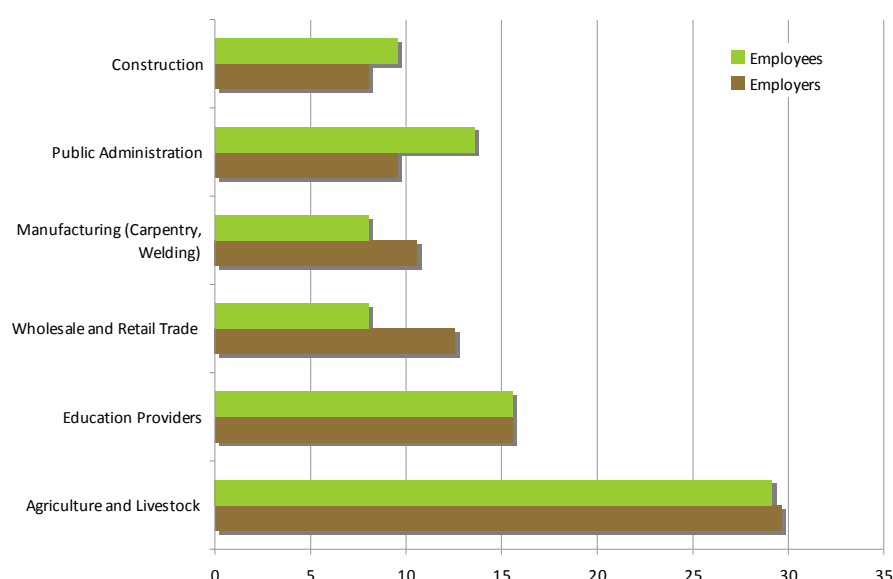
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<sup>21</sup> Gall, Carlotta, 'In Afghanistan's North, Ex-Warlord Offers Security', New York Times, 17 May 2010, available at: <http://www.nytimes.com/2010/05/18/world/asia/18mazar.html?ref=world>

in Mazar and perhaps explains why 15% of total respondents stated that the education sector was the most important to the local economy.

Mazar is also resident to a well-developed construction sector, which supports a myriad of supporting trades, including carpentry, engineering, masonry and master builders, but also a network of suppliers. The industry has benefited from increased spending on national infrastructure projects including the ‘ring road,’ the Balkh railway project, but also more localised developments including housing developments, industrial parks, secondary roads, rural development projects and commercial spaces within Mazar.<sup>22</sup>

The government, in partnership with international donors, has attempted to capitalise on Mazar’s strategic location by constructing at least two industrial parks in the provincial capital. The industrial



park in Gorimar is approximately 800 jeribs, of which AISA manages 125 jeribs and DoCI, the rest. DoCI also owns and manages a further industrial park in the Sher Khan area totalling between 800 to 1,000 jeribs with plans to develop a further industrial area in Mazar with an intended size of 5,000 jeribs, although planning permission is pending.

**Figure 5.1: Perceptions of the leading sectors driving the economy**

The industry and manufacturing sector in Mazar, despite the advent of industrial parks, remains largely underdeveloped. According to DoCI there are 210 private industrial interests in Balkh, although only 80 are currently active. The industrial parks have encouraged a new generation of light-manufacturing concerns to be established, often with donor support, although infrastructure shortfalls, primarily that of electricity, have hampered growth within the industrial sector. For example, at the AISA managed industrial park in Gorimar, there are currently ‘four to five’ companies operating in the following sectors: oxygen supply, soya bean processing, carpet cutting and washing, a paper press and a motorbike assembly plant. A Turkish company involved in flour milling has reportedly halted production after initially starting with three production shifts a day, due to the high costs of generator-produced electricity as currently the industrial park does not have access to state supplied electricity lines. Both the soya processing and flour milling company are reliant on automated processes and therefore rely on limited labour inputs.

<sup>22</sup> Balkh Railway – Asian Development Bank Project Document, available at: [www.adb.org/Documents/RRPs/AFG/42533-AFG-RRP.pdf](http://www.adb.org/Documents/RRPs/AFG/42533-AFG-RRP.pdf) The national ring road project is being completed by the ADB after initial funding by USAID. Further information can be found at: <http://beta.adb.org/news/videos/adb-fund-completion-afghanistan-ring-road>

**Table 5.2: Top Ten Primary Sources of Household Income**

Sector	Employers	Employees	Mean
Manufacturing (Carpentry, Electrician, Welding)	35.1%	27.8%	31.5%
Wholesale and Retail Trade	20.4%	27.2%	23.8%
Transportation	6.3%	10.1%	8.2%
Manufacturing (Sewing, Embroidery, Carpet Making)	10.5%	4.4%	7.5%
Construction	5.2%	5.7%	5.5%
Telecoms, IT, Computers	8.4%	0.6%	4.5%
Hotels, Restaurants	3.7%	3.2%	3.4%
Agriculture and Livestock	1.6%	4.4%	3.0%
Mining and Quarrying	3.7%	0.0%	1.8%
Banks, Money Changers, Hawala	0.0%	0.0%	0.0%

In a breakdown of the household income of both employers and employees, a more representative picture emerges of the urban economy of Mazar, rather than the province more broadly. Manufacturing, which includes small scale furniture making, welding, and other 'bazaar manufacturing' is the largest source of household income from among both employer and employee

respondents. The aforementioned wholesale and retail trade (23.8% average) catering to the urban, rural and neighbouring provincial markets, is also well represented. Agriculture, employing 38.5% of the labour force across the province according to the NRVA and viewed by 30% of respondents as being the main driver of the local economy represents only 3.0% of the primary sources of household income in Mazar among employers and employees.

Confidence in the local economy, as represented by changes in revenue over the past twelve months and intent to hire new workers is similar to the four-city average for respondents, but less than in Pul-i Khumri. 36.8% of employers claimed that their revenue had increased over the last twelve months (compared to 52.3% in Pul-i Khumri) with a further 34.3% stating that revenues had declined. In terms of future hiring, 44.3% of employers declared their intent to hire new employees over the next year, approximately 6% less than the average. For employees, 43.3% responded that the number of employees would increase within their present company, while 32% did not know.

Employees, in a further measure of business confidence, were also asked whether they intend on establishing their own business 'at some point in the future.' Of 203 respondents, 36% replied that they already have plans to establish a business, while a further 41.4% claimed that they would set up a business if the opportunity arose. The figures are approximately in line with responses from all four cities (43.5% planning to set up a business and 37.7% if the opportunity arises). When asked to state which sector they would create a business, two sectors were dominant: Manufacturing (43.9%), that includes carpentry, furniture making, welding etc, and wholesale and retail trade (43.9%).



## 5.2 Labour Market, Mazar-i Sharif

### 5.2.1 Companies' Profile

The table below describes the different companies that were surveyed (according to the “cluster then random” sampling methodology describe in paragraph 1.2.2.

**Table 5.3: Quantitative Sampling Description**

ISIC Code	Mazar-i Sharif			Four Cities		
	Employers (%)	Employees (%)	Mean (%)	Employers (%)	Employees (%)	Mean (%)
<b>A - Agriculture and Livestock</b>	0.0	0.0	0.0	1.8	1.2	1.5
<b>B - Mining and Quarrying</b>	3.5	3.5	3.5	1.1	1.1	1.1
<b>C - Manufacturing (Sewing, Embroidery, Carpet Making)</b>	10.5	9.5	10.0	16.2	15.5	15.8
<b>C - Manufacturing (Bakeries, Carpentry, Textiles)</b>	38.5	42.1	40.3	32.0	34.3	33.1
<b>F - Construction</b>	2.0	1.8	1.9	0.8	1.2	1.0
<b>G - Wholesale and Retail Trade</b>	34.5	30.8	32.7	40.0	38.6	39.3
<b>H - Transportation</b>	3.5	3.5	3.5	1.5	1.5	1.5
<b>I - Hotels, Restaurants</b>	3.0	3.8	3.4	2.9	3.5	3.2
<b>J – Communications, Telecoms, IT, Computers</b>	4.5	5.0	4.8	1.7	2.2	1.9
<b>K - Finance - Banks, Money Changers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>O - Public Administration</b>	0.0	0.0	0.0	0.2	0.2	0.2
<b>P - Education Providers</b>	0.0	0.0	0.0	1.7	1.2	1.5
<b>Q - Health Providers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>U - NGOs/IOs</b>	0.0	0	0.0	0.2	0	0.1
<b>TOTAL (%)</b>	100	100	100	100	100	100

Manufacturing was the largest labour group captured from interviewing 201 employers and 203 employees in Mazar. Combining both groups of manufacturers, they represent approximately 50% of the total respondents. Mazar’s position as a regional trading hub is supported by 32.7% of respondents working in the wholesale and retail trade sector. Other sectors of note include communications (4.8%), mining and quarrying (3.5%), transportation (3.5%), hotels and restaurants (3.4%) and construction (1.9%).

In answer to a question regarding which sector employs the most people in Mazar, 20.4% of employers and 28.6% of employees stated agriculture and livestock, followed by wholesale and retail trade (28.8% employers, 13.3% employees), which was followed by construction (13.9% employers, 9.4% employees). 13.4 % of employers also stated that NGOs and international organisations are the largest employers, perhaps due to the large number of NGOs based in Mazar.

## 5.2.2 Ownership, Foundation and Licensing

**Table 5.4: Year of Company Formation**

	Mazar-i Sharif	Mean (Four Cities)
<b>1961-70</b>	3.3%	0.9%
<b>1971-80</b>	5.2%	1.8%
<b>1981-90</b>	4.6%	4.1%
<b>1991-2000</b>	22.9%	20.2%
<b>2001-2006</b>	39.9%	35.3%
<b>2006 -2011</b>	24.2%	37.4%
<b>Total</b>	100%	100%
<b>Frequency</b>	202	655

In answer to whether they had established the companies themselves, 85.6% of employers responded in the affirmative with a further 13.4% stating that they inherited the business, while 1% had bought the business. The figures are very much in line with the four-city averages. Surprisingly, the number of businesses established in the last five years (24.2%) is well below the average (37.4%), although still the majority of businesses (64.1%) were formed after 2001 (see Table 5.4).

**Table 5.5: Business Registration**

Table 5.5 details the different agencies and departments where businesses can register. Businesses are reportedly obliged to register with the Department of Commerce and/or AISA as well as their respective line department. For example, the Department of Education for education training centres and the Department of Public Works for construction companies, whereas registering with the municipality is often a process of identifying companies to the local council, although companies are increasingly only registering with the municipality, as evidenced in Table 5.5.

Department/Agency	Mazar-i Sharif	Mean (Four Cities)
<b>Yes, Municipality</b>	73.0%	73.8%
<b>Yes, Department of Finance</b>	19.5%	12.9%
<b>Yes, Department of Economy</b>	2.2%	1.0%
<b>Yes, AISA</b>	1.6%	0.8%
<b>Yes, Department of Commerce</b>	1.1%	0.3%
<b>No</b>	2.7%	11.2%

Considering there are few perceived benefits from registering with AISA or the Department of Commerce for small and medium size enterprises, then it is understandable to find 73% of companies only registering with the municipality, whereas 19.5% have registered with the Department of Finance. Only 2.7% of companies are not registered compared to an average of 11.2% for the four cities, which could be possibly explained by Mazar being considered the bureaucratic capital of northern Afghanistan and hence possessing a greater level of government capacity. Registering with the municipality is the logical choice for many small businesses as the municipality's role in cities is to provide services to local businesses and residents, including cleaning and maintaining local streets and waste control, greening and cleaning local parks, adjudicating local disputes between shopkeepers and businesses and where capacity exists eliciting donor funds for development or local infrastructure projects.

### 5.2.3. Staffing and Recruitment Channels

Of the 153 employers surveyed, the average number of employees per business was reported to be 4.2, which is slightly less than the four-city average of 4.5 employees (see Table 5.6).

**Table 5.6: Average Number of employees (breakdown by age category)**

	Male <15	Female <15	Male 15-24	Female 15-24	Male 24+	Female 24+	Av. No. Employees	Frequency
<b>Mazar-i Sharif</b>	0.40	0.14	2.00	0.40	0.97	0.32	4.2	201
<b>Percentage</b>	9.5%	3.3%	47.6%	9.5%	23.1%	7.6%	100.0%	
<b>Four-City Average</b>	0.54	0.11	2.02	0.26	1.40	0.15	4.5	657

Although the average Mazar firm surveyed has a slightly lower number of average employees per business, the percentages of employees by age category are similar. Males comprise 80% of the workforce of the companies surveyed, which is the most inclusive of the four cities that average 88.6% males in the workforce. The importance of 25-24 years old males to the labour market is also true for Mazar as 42.4% of employees are from this age category or two per company.

Women are most represented in the 15-24 year old age bracket totalling 9% of all employees.

Table 5.7 details the recruitment methods utilised by employers as well as the methods that job seekers rely upon to gain employment. Friends and relatives are the primary method for both employers to find employees and for job seekers to access the job market.

**Table 5.7: Recruitment Channels (breakdown by category)**

Recruitment Channel	Employers	Employees	Mean (4 cities)
<b>Relatives</b>	28.8%	29.4%	25.8%
<b>Friends</b>	28.0%	24.6%	26.9%
<b>Relatives of employee</b>	12.4%	23.2%	12.1%
<b>Friend of employee</b>	15.8%	11.9%	17.0%
<b>Bazaar</b>	12.4%	10.2%	15.6%
<b>Mosque</b>	1.0%	0.7%	1.6%
<b>Newspaper Advertisement</b>	0.3%	0.0%	0.1%
<b>Radio/TV Advertisement</b>	0.3%	0.0%	0.2%
<b>Other</b>	1.0%	2.4%	1.4%
<b>Total</b>	100.0%	100.0%	100.6%
<b>Frequency</b>	153	150	657

Following friends and relatives or friends and relatives of company employees, 12.4% of employers and 10.3% of employees cited the local bazaar as the primary mechanism to secure employment. Table 5.7 highlights the importance of social bonds in recruitment trends and how many businesses are family affairs.

When employees were asked whether or not they were related to the owner of the company, 35.6% of all employees answered positively, again underlining the familial nature of many small and medium size businesses.

## 5.2.4. Employee Contracts and Salaries

Table 5.8 represents the data on the status of employees within their respective companies. Only 7% of employees possess a formal contract with their employer – emphasising the informal nature of the legal relationships between employer and employees and also reinforcing the notion of family businesses, where no contract would be required due to familial relationships.

**Table 5.8: Employee Status**

	Mazar	Mean
<b>Permanent Full Time w/ Formal Contract</b>	3.0%	5.2%
<b>Permanent Full Time, No Formal Contract</b>	58.9%	54.3%
<b>Permanent Part Time w/ Formal Contract</b>	4.0%	4.0%
<b>Permanent Part Time, No Formal Contract</b>	30.7%	28.9%
<b>Self Employed</b>	3.5%	7.6%
<b>Total</b>	100.0%	100.0%
<b>Frequency</b>	202	655

Fulltime employees with no formal contract represent the largest category of employees at 58.9% with permanent part time employees with no contract close to comprising one third of all employees (30.7%). Employees were also asked how many hours a week they work, which included part time, full time

as well as self employed (3.5%) individuals. Mazar recorded an average working week of 45.3 hours, which was the lowest of the four cities that averaged 51.8 hours worked per week.

From 203 employee respondents, 56% declared that they have been working for their present employer for two years or less, 29% for between 3 and 5 years and 14.8% for 6 to ten years. The figures were aligned with the four city average and considering that 42.4% of employees are males aged between 15 and 24, many employees would be working in their first job.

Employees receive an average monthly salary of 4,856 Afs (US\$103), which is comparable to the average (see Table 5.9).

**Table 5.9: Employee Salaries**

		Afs	Frequency	Trend
<b>12 months ago</b>	<b>Average Salary</b>	2,849	150	
	<b>Minus respondents who reported '0' salary</b>	4,554	'0' = 76	
<b>Current year</b>	<b>Average Salary</b>	4,856	150	+ 70.5%
	<b>Minus respondents who reported '0' salary</b>	5,387	'0' = 20	+ 18.3%
<b>Four-Cities</b>	<b>Average Current Salary</b>	4,727	656	+ 83.5%
	<b>Minus respondents who reported '0' salary</b>	5,187	60	+ 30.3%

The difference between the average salary and the category of respondents who reported being paid '0' is that many of the employees who reported being paid nothing a year ago, have entered paid employment, possibly as a result of being unpaid family members 'helping out' previously, individuals on a trial period or alternatively and perhaps more plausibly, that the individuals were unemployed a year ago.

The salary figure of 5,387 Afs (US\$115) should therefore be considered closer to the average for paid employment on a monthly basis.

### 5.2.5. Company Revenue and Expenses

In Mazar, 201 employers were surveyed and the results of their reported monthly revenue and operating costs are presented below.

**Table 5.10: Monthly company Revenue (breakdown by revenue bracket)**

Revenue Bracket	Mazar-i Sharif	Av. Four Cities
0-10,000	5.5%	8.9%
10,001-20,000	21.4%	25.8%
20,001-30,000	27.9%	26.9%
30,001-40,000	17.9%	14.7%
40,001-50,000	8.5%	8.0%
50,001-100,000	15.4%	11.4%
100,000+	3.5%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Frequency</b>	<b>201</b>	<b>654</b>

Monthly revenue was broken down by revenue bracket with the largest percentage of employers (27.9%) declaring their revenue to be between 20,001 Afs and 30,000 Afs followed by 21.4% between 10,001 Afs and 20,000 Afs. The average monthly revenue for all firms surveyed was 40,880 Afs (US\$870) a month, marginally lower than the four-city average of 41,260 Afs (US\$878). Approximately 55% of businesses report revenues of below 30,000 Afs (US\$638) a month.

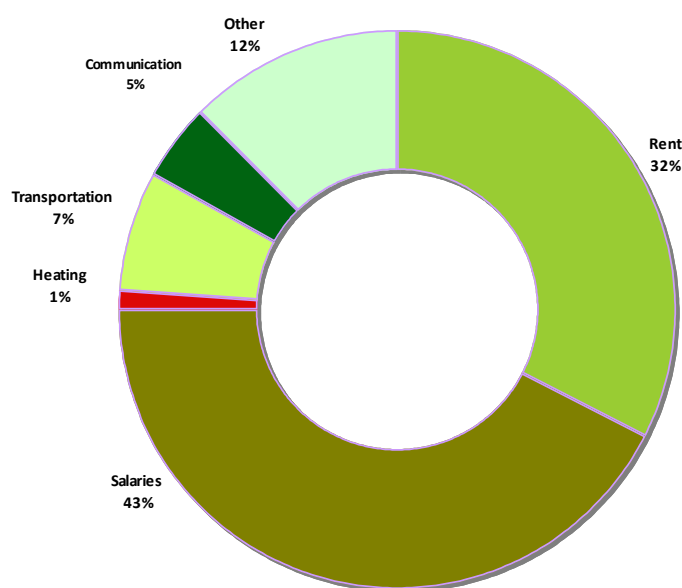
Employers were also asked to identify monthly expenses by category and salaries (42.6%) were then calculated as the primary costs to businesses, only slightly higher than the average of 40.9%

**Figure 5.2: Operating Costs (breakdown by category)**

Rent amounted to the second largest cost to businesses totalling 32% of costs. An average of rent payments places Mazar as the most expensive city to rent a business space as the mean cost amounts to 5,985 Afs, slightly more than 800As above the four city average.

Other costs (12%) were overwhelmingly comprised of food costs for the employees, which was then followed by transportation (7%), communication (5%) and then heating (1%).

A simplistic calculation of businesses average income (revenue minus costs) produces a monthly income of 4,013 Afs (US\$85) a month.



## 5.2.6. Access to Credit and Financing

Of the 201 employers surveyed in Mazar, 19.9% or 40 companies responded that they borrowed money in the last twelve months.

**Table 5.11: Sources of Credit and Financing**

Source of Funds	Mazar-i Sharif	Av. Four Cities
Micro Finance Institution	24.1%	12.9%
Relatives	22.2%	24.5%
Friends	22.2%	29.0%
Bank	16.7%	14.6%
Bazaar	14.8%	19.0%
Local Land Owner	0.0%	0.0%
Money Lender	0.0%	0.0%
Mortgage	0.0%	0.0%
Total	100%	100%
Frequency	40	138

Table 5.11 provides information on the five sources of credit accessed by 40 businesses. Formal institutions - microfinance organisations and banks - amounted to 40.8% of loans, while informal avenues of credit – relatives, friends and the local bazaar – comprised the other 59.8%. Local landowners, moneylenders and taking a mortgage, were not options that were selected by any of the respondents in the four cities.

The average loan amounted to 92,500 Afs (US\$1,968), marginally greater than the average loan of 81,809 Afs (US\$1,741). Employers were also asked what effect accessing credit had had on their business. 40% of respondents claimed that the business had grown and profits had increased while a further 20% stated that the business had expanded but profits had not increased. A further 17.5% reported the business not expanding but profits rising, while 22.5% declared that their business had neither grown nor increased profits

Approximately 60% of all employers declared that they already have plans to further their business, while only 5.5% did not express an interest in doing so and 35% expressed the sentiment that they would do so if the opportunity arose. For employees, 36% responded that they have a plan to start a business and a further 41.4% of employees would attempt to do so, again if the opportunity arose. For both employers and employees over three quarters of respondents expressed intent to either open or consider opening a new business.

Table 5.12 details the availability and credit options for both employers to develop their businesses or for employees to set up a new enterprise. Approximately 40% of employers already have sufficient funds to develop their business, while only 11.5% of employees have the same capacity, which could be attributed to their younger age and lack of access to their own savings or family assets. More than 50% of both categories report that although they would like to either develop or start a business, they do not know how to access a credit facility, whether formal or informal.

**Table: 5.12: Do you have the needed funds to develop the current activity of your business?**

	Yes, I have enough personal funds	No, but my family/friends will assist	No, I plan to borrow money from an institution	No, and I still do not know how to obtain the funds	Frequency
Employers	40.2%	13.8%	5.8%	40.2%	188
Employees	11.5%	19.1%	6.4%	63.1%	157
Average Employers (Four Cities)	40.8%	14.4%	5.2%	39.6%	617
Average Employees (Four Cities)	24.5%	18.1%	3.4%	53.7%	531



### 5.3. Gender and Youth

Women and youth face particular challenges in accessing the labour market. This section will firstly address the case of women, followed by youth in Mazar.

In focus group discussions with women in Mazar-i Sharif, education was emphasised as a key determinant of opportunity. Those women that were educated had the possibility to work with the government, NGOs and the private sector, whereas illiterate women were reported to have few opportunities beyond tailoring and handicrafts.

Soria, a 24 years old tailor in Mazar, stressed the importance of education for women *‘because educated people can increase their income and (savings) through a plan and take part in the economic growth of the country.’* Marzia, a 22-year-old working in a stationary shop, outlined the different career opportunities for literate and illiterate women: *‘women who are educated support their family income by working in government organisations, and illiterate women do the job of tailoring, handicraft, carpet weaving.’*

**Table 5.13: What positions do women occupy in your company?**

	Mazar-i Sharif	Four-city Average
No Positions	85.4%	84.9%
Apprenticeships	13.6%	10.8%
Day Labourers	1.0%	0.5%
Manual/Labouring work	0.0%	3.5%
Junior Management	0.0%	0.2%
Office work	0.0%	0.1%
Total	100.0%	100.0%
Frequency	404	1308

Table 5.6 (above) breaks down the average number of women by age bracket from among the 202 businesses surveyed in Mazar. Women have the highest rates of participation in the 15 to 24 year old age bracket representing 9.5% of total employees. Overall, women comprise 20.5% of the surveyed workforce.

Both employers and employees were asked what positions occupy within their

business and the results are displayed in Table 5.13. Mazar displays a similar picture to the other three surveyed cities as 85.6% of respondents stated that there were no women or positions for women within their workplace. Almost 14% of respondents stated that women work in apprenticeship roles or on the job training, while the remainder (1%) was employed as day labourers. There were no women reported to be working in junior management, office work or manual labouring jobs.

Women face numerous obstacles to access the labour market and Table 5.14 lists a series of responses from employers and employees. As multiple options could be chosen, the percentage of responses is greater than 100. A lack of opportunities (40.8% employers, 41.9% employees) and a lack of experience (40.8% employers, 36.5% employees) were the leading obstacles cited. In a focus group discussion, women also stated that they find it difficult to find employment, as they do not have the necessary experience or vocational training in the first place to apply.

**Table 5.14: Obstacles women face to work in your sector?**

Traditions or cultural attitudes towards women working were also considered a factor as Marzia, the tailor, stated: *'the view point of public is different people (between those) who live in cities (and) have good image for women that work and*

Obstacle	Employers	Employees	Combined Four-city Average
Lack of opportunities	40.8%	41.9%	46.3%
Lack of experience	40.8%	36.5%	36.7%
Sector not appropriate for women	33.3%	34.0%	41.6%
Family Permission	18.9%	18.2%	13.9%
Lack of qualifications (education)	17.9%	14.3%	15.7%
Low Salaries	12.4%	16.3%	15.4%
Lacking access to patronage networks	9.0%	7.9%	4.8%
<b>Total</b>	<b>173.1%</b>	<b>171.0%</b>	<b>174.5%</b>
<b>Frequency</b>	<b>202</b>	<b>202</b>	<b>1308</b>

*those who live around the city and do have not have a good image for women that work.'* Habiba, a 20 year old decorator shared her sentiments, *'the view point of society on women that work is different for educated people (that) have a good imagination and illiterate people think it is not good for women to work outside.'*

A combined 33.65% of respondents believed that their sector was not appropriate for women, while 18.9% of employers and 18.2% of employees stated that family permission was an obstacle for women wishing to enter the workforce.

Youth also face particular difficulties in entering the labour market. According to one estimate, approximately 68% of the Afghan population is under the age of 25, which creates severe stresses on the education system and the ability of youth to find employment once they have finished their education.<sup>23</sup> Key informant interviews in Mazar suggest that even with a tertiary education degree, finding a job can be extremely difficult. Asif, an agriculture faculty graduate from the University of Balkh, finished his degree in 2007 and a year after less than 10% of his former classmates had found employment and less than half of that was in agriculture. The phenomenon was confirmed by an NGO working with the university that also suggested that students are not prepared for the job market upon graduation and lack the necessary practical skills. Few individuals reportedly find positions within the field they study. Youth in the districts, often associated with high levels of illiteracy, reportedly find work in agriculture and livestock in their district, migrate to Iran or Pakistan or finally, find work as a day labourer or cart hauler in the bazaars in Mazar. Although a larger number of options exist, in interviews and focus groups, individuals reiterated the few choices available for youth.

In a focus group discussion, Habibullah a 22-year-old unemployed man stated that *'70% of youth are out of a job,'* which was partly resulting from a *'government (that) does not pay attention to youth.'* In the same focus group of youth, participants stated that the primary jobs available to educated youth include the government, NGOs and construction firms, while illiterate or uneducated youth work as day labourers, apprentices, agricultural workers, drivers or join the ANSF.

<sup>23</sup> United Nations Development Program, National Joint Youth Program, [http://www.undp.org.af/whoweare/undpinafghanistan/Projects/dcse/prj\\_youth.htm](http://www.undp.org.af/whoweare/undpinafghanistan/Projects/dcse/prj_youth.htm)

**Table 5.15: Positions occupied by 15-24 y.o in your company?**

	Mazar-i Sharif	Four-city Average
<b>Apprenticeships (on the job training)</b>	68.3%	59.5%
<b>Day Labourers</b>	23.4%	18.8%
<b>Junior Management</b>	4.7%	1.7%
<b>Manual/Labouring work</b>	2.0%	7.1%
<b>No Position</b>	1.3%	12.4%
<b>Office work</b>	0.3%	0.6%
<b>Total</b>	100.0%	100.0%
<b>Frequency</b>	404	1308

Table 5.15 displays the responses to a question on what positions do youth fulfil in your company. The responses should be considered as referring to male youth rather than both sexes as questions on women were asked immediately prior.

A higher than average percentage of youth were reported to be working as apprentices or being informally being trained on the job (68.3%). A further 23.4%

of combined respondents stated that youth in their business primarily occupy positions as day labourers, while junior management positions (4.7%), manual labouring (2%) and office work (0.3%) comprised the other roles.

**Table 5.16: Obstacles youth face to work in your sector?**

In a similar question which was asked regarding women, respondents were also asked whether the categories in Table 5.16 were obstacles facing youth in accessing the labour market. Approximately two thirds of employers and employees found that there is a lack of opportunities for youth, which was followed by a lack of experience (59.2% employers, 51.2% of employees). Greater concerns were expressed by employees (49.3%) on whether low salaries were an obstacle, compared to employers (34.3%). Qualifications were also a greater concern by employers as approximately one third labelled them as an obstacle while close to one fifth of employees did the same.

Obstacle	Employers	Employees	Combined Four-city Average
<b>Lack of opportunities</b>	68.7%	67.0%	62.1%
<b>Lack of experience</b>	59.2%	51.2%	60.5%
<b>Low Salary</b>	35.3%	49.3%	42.0%
<b>Lack of qualifications (education)</b>	34.3%	22.7%	27.7%
<b>Lacking access to patronage networks</b>	16.4%	23.2%	20.4%
<b>Total</b>	213.9%	213.3%	212.7%
<b>Frequency</b>	202	202	1308

A combination of factors most likely contributes to high levels of labour migration to Pakistan or Iran amongst Mazar youth. Even though Mazar is considered the economic hub of northern Afghanistan, a lack of jobs, few formal training opportunities, and the economic needs of many households are the primary push factors, which send many youth to neighbouring countries. A lack of job opportunities, more broadly, was mentioned by both the Department of Youth as well as youth in focus groups as a cause of drug addiction and anti-government or illegal activities.

## 5.4. Obstacles to Business Development

The following section addresses the major obstacles that are facing businesses in Mazar. On a scale of 1 to 5, employer were asked to rate the obstacles detailed in Table 5.17, with 4 equalling a major obstacles and 5 referring to very severe obstacle, both of which are combined and represented below.

**Table 5.17: Major and very severe obstacles to business development**

	Mazar-i Sharif	Combined Four-city Average
Access to Land	71.6%	70.7%
Access to Electricity	67.2%	67.8%
Skills of the employees	44.8%	54.5%
Access to Water	37.8%	30.3%
Access to credit	29.9%	48.1%
Competition	28.9%	29.4%
Corruption	21.9%	21.9%
Insecurity	21.9%	21.9%
Access to Communications	19.4%	21.0%

Land or rent prices were reported across all provinces as a severe obstacle and there is no exception in Mazar as 71.6% of employers confirmed it as the primary obstacle facing businesses. Although certain areas of Mazar have a regular supply of electricity, large parts of the provincial capital are without electricity and could explain why 67.2% affirmed access to electricity and the associated costs of generator power as a significant cost to their operations.

Employees' skills were the third highest reported obstacle as despite a large day labouring market near the provincial governor's office, skilled employees are difficult to find and retain. Competition remains near the average for the four cities (28.9%) and not only refers to local competition, according to key informant interviews, but also cheaper imports from Uzbekistan, Pakistan and China that are sold at cheaper prices than they can be produced in the bazaar. Windowsills were one example that was provided as pre-made windowsills arrive from China at a cheaper price that the local carpenters can produce them.

Corruption was also comparable to the average. In interviews in Mazar, individuals and business representatives, stated that taxes are often arbitrarily imposed without recourse to verified financial statements or audits. The lack of accounting or book keeping skills among employers, reportedly limits their ability to 'negotiate,' as it was termed, with the authorities.



**Photo: A Carpenter in Mazar-i Sharif**

## 5.5. Training

The following section provides a brief overview of previous training provided to employers and employees, their level of satisfaction with the training as well as the obstacles that both employers and employees are faced with to participate and/or provide training.

**Table 5.18: Training and Training Providers**

Training Provider	Employers		Employers on Employees		Employees	
	Employers	Four-city Average	Employer on Employees	Four-city Average	Employees	Four-city Average
<b>No Previous Training</b>	79.6%	61.2%	82.6%	61.9%	83.7%	62.1%
<b>Internal</b>	2.0%	22.5%	4.5%	30.8%	3.4%	34.2%
<b>NGO</b>	1.0%	1.4%	1.0%	0.9%	1.0%	0.9%
<b>Private Company</b>	9.5%	5.5%	4.5%	3.2%	4.9%	2.1%
<b>Education Institute</b>	8.0%	8.6%	6.0%	11.9%	8.4%	15.3%
<b>Government</b>	0.0%	0.8%	0.0%	0.8%	0.0%	0.7%
<b>Total</b>	100.0%	100.0%	98.5%	109.5%	101.5%	115.2%
<b>Frequency</b>	201	657	201	657	203	656

Table 5.18 provides information on whether employers, their employees, or the employees that were surveyed have received training and by whom. In Mazar, compared to the average, there are very low levels of training in the surveyed businesses. Approximately four in five employers and employees have not received training in their current employment. Very few internal training opportunities were provided (3.4% of employees report internal training), while the major external providers of employee training were education institutes (8.4%) and private companies (4.9%).

**Table 4.19: Perceptions of completed training**

The few employers that did provide training to their employees expressed a high degree of satisfaction with the results (see Table 5.19). In a similar manner, employees also rated the training very highly, with only a minority regarding the training as either not practical enough (18.2%) or boring (3%).

Perception of Training	Employers on Employee Training	
	Employers	Employees
<b>Learned a lot</b>	97.1%	100.0%
<b>Used new skills in workplace</b>	94.1%	95.2%
<b>Increased work performance</b>	94.1%	100.0%
<b>Helps chances of promotion</b>	94.1%	100.0%
<b>Assists towards salary increase</b>	97.1%	100.0%
<b>Would recommend training</b>	97.1%	100.0%
<b>Would like more training</b>	n/a	100.0%
<b>Increase chances of better job in another company</b>	n/a	100.0%
<b>Practical for Workplace</b>	n/a	100.0%
<b>Not practical Enough</b>	n/a	18.2%
<b>Boring</b>	n/a	3.0%
<b>Don't understand why I went to training</b>	n/a	21.2%

The timing for potential employee training is very important to businesses owners and 61.7% of all employers stated that they evenings would be convenient (respondents could provide more than one response), while almost a third of employers would favour apprenticeship style training for their employees. Mornings were only selected by 5% of respondents.

The cost of training is also significant considering the low revenue streams and economic situation of many employees. Of the employers who did put their employees on training courses, only 17.1% of employers paid for the course, with public institutions paying or providing for 48.6% of the trainings and NGOs undertaking 31.4% of all employee training sessions. 57.1% of employers who had already provided training to employees would not pay for training, while those remaining employers would pay an average of 606 Afs a week, although the sample size is only 15 businesses.

Employers who are looking at developing their businesses and employees examining the possibility of establishing their own business stated that additional skills would help them in pursuit of their goal, as confirmed by 83.1% of employers and 90.6% of employees.

Table 5.20 details the major obstacles facing employers and employees in the pursuit of training. Respondents were asked to rate the following out of 5, with 1 being no obstacle, 4 being an important obstacle and 5 a very severe obstacle. Results for 4 and 5 have been tabulated and expressed as a percentage of total respondents. For employers, time was the major factor (77.8%), while for employees with a lower budget, cost (67%) was perceived as a greater obstacle than time (60.2%).

**Table 5.20: Important or severe obstacle to training**

Important or Severe Obstacles	Cost	Time	Distance	Family Obligations	Frequency
<b>Employers</b>	63.0%	77.8%	56.2%	39.9%	201
<b>Employers on Employees</b>	64.0%	58.4%	44.4%	52.8%	201
<b>Employees</b>	67.0%	60.2%	45.2%	55.2%	203
<b>Average</b>	64.7%	65.5%	48.6%	49.3%	

Certificates were well received by employers in Mazar as 50.7% of employers believe that they are the most important criterion when recruiting new employees, while a further 42.5% stated that they also take other criteria into account.



## Box 2: The Industrial Sector

Until the 1970s, Afghanistan's industrial companies employed thousands of people in Pul-i Khumri, Kandahar and Kunduz and to a lesser degree in Mazar-i Sharif. In Kandahar, the Nesaji textile factory employed 3,000 people; the textile factory in Pul-i Khumri also employed between 3,000 and 4,000 people and constructed over 1,000 homes, a school and a hospital for their employees; while the Spinzer factory in Kunduz City formerly produce soap, oils and textile and employed approximately 2,000 people.

Afghanistan's former industrial capacity remains a source of pride, but also a source of curiosity. On repeated occasions residents in Kunduz City and Pul-i Khumri, in reference to a past industrial



capacity, asked how, with all the development aid that has been spent, has there been no investment in an industrial sector that would produce locally needed items and employ the many thousands of unemployed that are looking for jobs. In Baghlan, both the textile factory along the banks of the Kunduz River in Pul-i Khumri and the sugar factory in Baghlan Jadid district, were constructed in the late 1930s.

**Photo: The shuttered Spinzer Textile Factory in Kunduz City**

The textile factory, along with the hydro-electricity dam that still provides Pul-i Khumri with electricity, were constructed by Germany, while the sugar factory was domestically funded by a coterie of influential individuals. By the 1970s, the equipment was considered dated enough for a delegation from a German Industrial museum to visit the site to examine the possibility of purchasing the functioning machinery for their museum.

During the years of conflict, the Pul-i Khumri textile factory stayed open, while the sugar factory terminated production as the workers joined the Mujahideen parties and sugar beet production declined. Currently, the Nesaji textile factory in Kandahar remains closed, the Baghlan sugar factory received an injection of funds post-2001 to restart production, however a public-private partnership attempted revive production though reports suggest that this has not been successful.



**Photo: the Pul-i Khumri**

**Textile Factory**

The Pul-i Khumri textile factory remains open continuing to employ a reported 450 people, according to the director, who is still in charge of the maintenance of the now 80 to 90 year old equipment.

Although there is a degree of nostalgia attached to Afghanistan's former industrial concerns, the factories that do remain, like the textile factory in Baghlan, utilise antiquated equipment, have received little if any capital investment and are staffed by quasi-government officials, who are reportedly paid even less than government bureaucrats. They are unable to compete with textile imports from China or Pakistan and to modernise the factories would mean virtually starting from zero. Although the Pul-i Khumri factory has received orders for bed sheets from the Ministries of Interior and Defence, the government has previous little money to supports its operations, let alone a capital injection, and private investors and donors are cautious of private-public partnerships with the government and the costs associated with a totally redevelopment.

Contemporary industrial ventures, including the cement factory in Pul-i Khumri (photo below) are largely private sector initiatives involving a number of partners with influential connections to the centre of power. The cement factory is part owned by Mahmoud Karzai and benefits from local gypsum deposits. A second cement factory has also recently opened in Pul-i Khumri. The cement factories efficiency is questionable as most workes appears to leave around lunchtime and a member of the Provincial Council has complained that the state has seen no tax receipts from the company over the past five years.



**Photo: The cement factory in Pul-i Khumri**

# 6.

## Kandahar City, Kandahar Province

Kandahar City is the historical capital of Kandahar province. Over the centuries, the city has benefited from its position along the trading routes between Kabul to the north, Quetta (Pakistan) to the southeast and Herat and hence Iran to the west. The city was named the capital of the newly created nation by Ahmad Shah Durrani in the late eighteenth century and again during the Taliban regime and is today considered Afghanistan's second city.

Table 6.1: NRVA: Key Economic and Labour Market Statistics

NRVA Data	Kandahar	Average 4-Prov	National Average
Populations (million)	1.1	1.0	24.5
Rural population (%)	66	71.5	77
Poverty rate (%)	22.8	28.2	35.8
Electricity (% of households)	25.4	36.8	41.1
Per capita monthly total consumption (Afs)	2066	1675.5	1672
Female literacy rate - age 16 and over (%)	1.3	9.3	11.4
Literacy rate - age 16 and over (%)	7.3	19.5	25
Enrolment rate - age 6-12 (%)	10.8	44.1	46.3
<b>LABOUR MARKET</b>			
Participation rate (%)	54.1	66.6	66.5
Unemployment rate (%)	4.4	6.7	7.9
Underemployment rate (%)	22.4	40.7	48.2
Literate labour force (%)	10.3	20.1	25.8
Child labour (% of children age 6-15 engaged in work)	0.7	15.6	17.9
<b>EMPLOYMENT SECTORS</b>			
Agriculture (%)	45.3	52.9	59.1
Manufacturing, construction, mining and quarrying (%)	10.6	14.5	12.5
Services (%)	42.5	29.9	24.6
Public administration (%)	1.6	2.8	3.9

### 6.1 Economic Overview

Kandahar is overwhelmingly an agriculture-producing province centred on the western districts of Arghandab, Kandahar City, Maiwand, Panjwayi and Zhari although across the province subsistence as well as cash crops are also cultivated. According to the NRVA figures, approximately 45% of Kandahar's labour force is engaged in agriculture (see Table 6.1). Maiwand is particularly known for cotton and tobacco, while also cultivating grapes, pomegranates and mulberries along with the districts of Zhari and Panjwayi. Post harvest processing is largely confined to nuts and dried fruit, although attempts have been made to create a viable export market for pomegranates. A variety of vegetables are also sold across the border in Pakistan with many Pakistani traders buying directly

from Kandahari farmers, in many instances through advance credit in return for a percentage of the harvest. Kandahar is also a leading opium producing province with a concentration of cultivation in the districts of Ghorak, Khakrez, Maiwand, Nesh, Panjwayi, Spin Boldak and Zhari, according to UNODC.<sup>24</sup>

The services sector, employing approximately 42.5% of the labour forces, is highly dependent on cross border trade with Pakistan. The border crossing at Waish in the district of Spin Boldak is Afghanistan's second busiest border crossing after Torkham in Nangahar province. ISAF supply convoys comprise a significant percentage of cross border trade in order to supply numerous bases and complexes in Kandahar as well as further a field. The Afghanistan Pakistan Transit Trade Agreement (APTTA) as well as previous agreements ensuring the free flow of goods and services between the countries have ensured that both Torkham and Spin Boldak are vital to Afghanistan's strategic and economic interests.<sup>25</sup> Afghanistan exports agricultural products, including vegetables, fruit, nuts and opium and imports a variety of second hand goods, automotive parts and whole vehicles, clothes, construction equipment, electronic goods, fuel and foodstuffs to name but some of the imports. Kandahar also serves as a regional hub for the southern provinces of Helmand, Uruzgan and Zabul, while also acting as the transit point for goods destined for Kabul, which has contributed the high level of employment in the services sector.

Agricultural production dominates the districts and many residents travel to Kandahar city for services and bureaucratic functions, although high levels of insecurity have limited access and decreased inter-district travel due to the indiscriminate nature of many attacks. The insecurity has also affected dairy, fruit and nut value chains as traders report increased yields, but the sector is restrained by the insecurity, which decreases the levels of contacts between traders and farmers, has damaged orchards and increased transport costs.<sup>26</sup>

Kandahar City, in addition to the provision of services, also hosts a limited manufacturing base. In a similar manner to Mazar, an industrial park has been created in Shur Andam Area of District 5, Kandahar City, which caters to approximately 100 'factories' ranging from car parts to cotton and shoe manufacturing. Electricity has again been a major issue for tenants, with subsidised generator electricity being the only option, which is only a temporary solution until the subsidies run out. The reliance on generator power throughout most of Kandahar City and the surrounding districts has acted as a major deterrent to new investments, together with the insecurity, due to the high costs of operating a business on generator electricity. City power may be restored, however this is dependent on whether the Kajaki Dam hydropower plant can become fully operational. The hydropower plant was constructed by USAID in the 1950s and since 2002, the international community, primarily the US, has spent US\$90 million in an attempt to provide Kandahar city with a more permanent source of power. In the meantime, generator power attempts to provide Afghanistan's second largest city with an adequate source of power, however the high costs, despite

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<sup>24</sup> *United Nations Office of Drugs and Crime (UNODC)*, 'Afghanistan Opium Survey 2011, Winter Rapid Assessment for the Central, Eastern, Southern and Western Regions,' January 2011, pp. 19. Available at: [www.unodc.org/documents/crop-monitoring/Afghanistan/ORAS\\_report\\_2011.pdf](http://www.unodc.org/documents/crop-monitoring/Afghanistan/ORAS_report_2011.pdf)

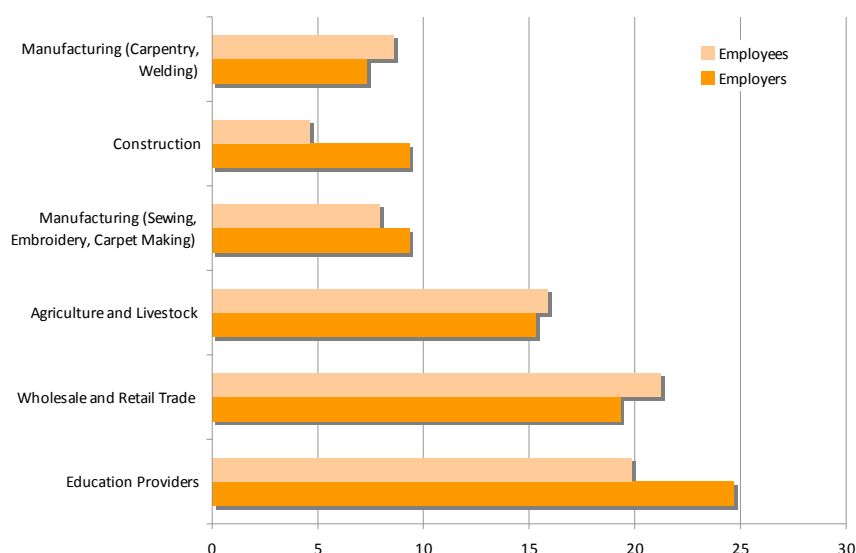
<sup>25</sup> *Pakistani Ministry of Commerce*, Afghanistan-Pakistan Transit Trade Agreement (APTTA), available at: [www.commerce.gov.pk/Downloads/APTTA.pdf](http://www.commerce.gov.pk/Downloads/APTTA.pdf)

<sup>26</sup> Afghan, Sediq, 'Fruit exports grow despite conflict,' *The Killid Group*, 4 June 2011. Available at: <http://tkg.af/english/reports/others/527-fruit-exports-grow-despite-conflict>



subsidies and questionable reliability have undermined business confidence and has most likely offset investments.<sup>27</sup>

In Figure 6.1, both employers and employees were asked which is the sector that contributes most to the local economy. Perhaps surprisingly, 24.7% of employers and 19.9% of employees declared



that the education sector is the largest driver of the economy, which is similar to the four-city average of 19.3% for both categories of respondents, although other sectors were placed before education in other provinces. Wholesale, retail trade and services (19.3% of employers and 21.2% of employees) and agriculture (15.3% of employers and 15.9% of employees) were the main sectors identified after education.

**Figure 6.1: Perceptions of the leading sectors driving the economy**

In contrast to perceptions of the leading sectors of the economy, the origins of household income suggest an urban economy that is predicated upon trade and small-scale manufacturing.

**Table 6.2: Top Ten Primary Sources of Household Income**

Wholesale and retail trade represents 50% of both employers and employees primary source of household income. Of note is that manufacturing associated with sewing, embroidery and carpet making – occupations traditionally associated with women in the home – was reported by 22.5% of employers as the main source of income, greater than manufacturing associated with carpentry, furniture making and similar enterprises. Agriculture, the mainstay of the surrounding districts, was reported by an average of 3.5% of respondents as their main household income.

Sector	Employers	Employees	Mean
<b>Wholesale and Retail Trade</b>	51.7%	45.7%	48.7%
<b>Manufacturing (Sewing, Embroidery, Carpet Making)</b>	22.5%	4.3%	13.4%
<b>Manufacturing (Carpentry, Electrician, Welding)</b>	11.9%	10.4%	11.1%
<b>Transportation</b>	0.7%	10.4%	5.5%
<b>Construction</b>	2.0%	6.1%	4.0%
<b>Agriculture and Livestock</b>	4.0%	3.0%	3.5%
<b>Hotels, Restaurants</b>	3.3%	2.4%	2.9%
<b>Telecoms, IT, Computers</b>	0.7%	0.6%	0.6%
<b>Banks, Money Changers, Hawala</b>	0.7%	0.0%	0.3%
<b>Mining and Quarrying</b>	0.0%	0.0%	0.0%

<sup>27</sup> Watson, Paul, 'Kandahar Struggles for reliable electricity,' *The Star*, 25 January 2011. Available at: <http://www.thestar.com/news/world/article/927928--kandahar-struggles-for-reliable-electricity> See also: Naadem, Bashir Ahmad, 'Kandahar to have more power supply,' *Pajhwok Afghan News*, 25 October 2011. Available at: <http://www.pajhwok.com/en/2010/10/25/kandahar-have-more-power-supply>

As a measure of the strength of the local economy employers were asked whether their revenue had changed over the previous 12 months. From 152 responses, 38.8% reported that revenue had improved, while 27% declared that revenue had stayed the same, much in line with responses from the other three subject cities. In a measure of the economic outlook, 44% of employers believe that they will employ more people over the following 12 months with only 3.3% believing that the number of their employees will decrease. Approximately 38% of employees also reported that the number of employees in their respective companies will likely increase.

In a further measure of the economic outlook, 60.5% of employees stated that they intend on establishing their own business 'at some point in the future, ' significantly above the four-province average of 43.5%. When a follow up question asked, which sector the current employee would like to establish their new business, 54.5% of respondents declared their interest in the wholesale and retail trade business, which would support qualitative reports of the younger generation, lacking employment opportunities, pursuing self-employment in the retail trade sector. The manufacturing sectors, equally divided between trades such as furniture making and metalwork that are associated with the bazaar and carpet making and weaving, were listed as the equal second choice of prospective entrepreneurs at 16.3% each.



Photo: Women embroiders and tailors in Kandahar City



## 6.2 Labour Market, Kandahar City

### 6.2.1 Companies' Profile

The table below describes the different companies that were surveyed (according to the “cluster then random” sampling methodology describe in section 1.22.

**Table 6.3: Quantitative Sampling Description**

ISIC Code	Kandahar City			Four Cities		
	Employers (%)	Employees (%)	Mean (%)	Employers (%)	Employees (%)	Mean (%)
<b>A - Agriculture and Livestock</b>	4.8	4.7	4.7	1.8	1.2	1.5
<b>B - Mining and Quarrying</b>	0.0	0.0	0.0	1.1	1.1	1.1
<b>C - Manufacturing (Sewing, Embroidery, Carpet Making)</b>	23.1	22.7	22.9	16.2	15.5	15.8
<b>C - Manufacturing (Bakeries, Carpentry, Textiles)</b>	12.9	12.4	12.6	32.0	34.3	33.1
<b>F - Construction</b>	0.7	1.3	1.0	0.8	1.2	1.0
<b>G - Wholesale and Retail Trade</b>	53.7	55.2	54.5	40.0	38.6	39.3
<b>H - Transportation</b>	0.7	0.7	0.7	1.5	1.5	1.5
<b>I - Hotels, Restaurants</b>	2.7	3.0	2.9	2.9	3.5	3.2
<b>J – Communications, Telecoms, IT, Computers</b>	0.7	0.7	0.7	1.7	2.2	1.9
<b>K - Finance - Banks, Money Changers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>O - Public Administration</b>	0.7	0.7	0.7	0.2	0.2	0.2
<b>P - Education Providers</b>	0.0	0.0	0.0	1.7	1.2	1.5
<b>Q - Health Providers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>U - NGOs/IOs</b>	0.0	0	0.0	0.2	0	0.1
<b>TOTAL</b>	100	100	100	100	100	100

Considering Kandahar’s position as a trading city it is perhaps not surprising that 54.5% of all employers and employees surveyed work in the wholesale and retail trading sector, which also provides services to the manufacturing and agricultural sectors. Manufacturing that is traditionally undertaken by males including carpentry and metal work equated to 12.6% of all companies, whereas carpet making, handicrafts and clothes making companies totalled 22.9% of all respondents. The influence of the agricultural sector in Kandahar City was also recorded in 4.7% of businesses.

Both employers and employees were also asked which sector employs the most people in Kandahar City, 21.5% of all respondents viewed the wholesale and retail sector as the primary employer, followed by 18.3% seeing the education sector as the largest employment sector and thirdly 16.7% for agriculture and livestock.

## 6.2.2 Ownership, Foundation and Licensing

**Table 6.4: Year of Company Formation**

	Kandahar City	Mean (Four Cities)
<b>1961-70</b>	0.0%	0.9%
<b>1971-80</b>	0.0%	1.8%
<b>1981-90</b>	0.7%	4.1%
<b>1991-2000</b>	17.1%	20.2%
<b>2001-2006</b>	38.8%	35.3%
<b>2006 -2011</b>	42.8%	37.4%
<b>Total</b>	100%	100%
<b>Frequency</b>	152	655

Similar to other cities, 81.6% of employers in Kandahar City reported that their company had been established in the past ten years. The figure is testament to the dramatic changes that have occurred to the provincial economy in the last twenty years as well as the confidence to conduct business despite the return of insecurity in recent years.

**Table 6.5: Business Registration**

Table 6.5 lists the various departments and agencies where businesses register their activities. In Kandahar 71.2% of employers reported that their business was registered with the municipality. Registering with the municipality often negates any need to register with other agencies and departments and therefore the figure is also an indication of the size and geographical focus of the surveyed businesses. Approximately one in five employers reported that their business was not officially registered, the highest of the four cities.

Department/Agency	Pul-i Khumri	Mean (Four Cities)
<b>Yes, Municipality</b>	71.2%	73.8%
<b>Yes, Department of Finance</b>	8.2%	12.9%
<b>Yes, Department of Economy</b>	0.7%	1.0%
<b>Yes, AISA</b>	0.0%	0.8%
<b>Yes, Department of Commerce</b>	0.0%	0.3%
<b>No</b>	19.9%	11.2%

### 6.2.3. Staffing and Recruitment Channels

Of the 152 employers surveyed, the average number of employees per business was reported to be 6.2, greater than the four-city average of 4.5 employees (see Table 6.5).

**Table 6.6: Average Number of employees (breakdown by age category)**

	Male <15	Female <15	Male 15- 24	Female 15-24	Male 24+	Female 24+	Av. No. Employees	Frequency
<b>Kandahar City</b>	0.55	0.07	2.62	0.05	2.82	0.07	6.2	152
<b>Percentage</b>	8.9%	1.1%	42.3%	0.8%	45.5%	1.1%	100.0%	
<b>Four-city Average</b>	0.54	0.11	2.02	0.26	1.40	0.15	4.5	657

Of the total number of employees declared by employers, 96.9% of employees are male with males greater than 25 years old comprising 45.6% of all employees. Kandahar has the lowest rates of female participation in the workforce and should be viewed against the backdrop of more conservative attitudes to working women. Young males represent 42.4% of employees.

Friends and relatives remain the primary method to both recruit new employees and to find a job. Even though Kandahar reported the lowest number of employees declaring that they work for a relative (24.9%), family businesses could be viewed as an extension of the family as young men are trained in the occupation of their fathers or uncles from a relative young age, which provides an important measure of economic security for families while also being cost effective.

**Table 6.7: Recruitment Channels (breakdown by category)**

Recruitment Channel	Employers	Employees	Mean (4 cities)
<b>Friends</b>	33.4%	30.4%	26.9%
<b>Relatives</b>	28.4%	27.6%	25.8%
<b>Relatives of employee</b>	11.6%	18.0%	12.1%
<b>Friend of employee</b>	11.3%	11.7%	17.0%
<b>Bazaar</b>	11.6%	9.2%	15.6%
<b>Mosque</b>	3.4%	2.8%	1.6%
<b>Newspaper Advertisement</b>	0.0%	0.4%	0.1%
<b>Radio/TV Advertisement</b>	0.0%	0.0%	0.2%
<b>Other</b>	0.3%	0.0%	1.4%
<b>Total</b>	100.0%	100.0%	100.6%
<b>Frequency</b>	201	203	657

Recruitment in the labour market is very much determinant on informal social links with friends, families and colleagues in the bazaar that ensures a degree of security for the employer. Formal methods of recruitment, including newspapers and radios are not utilised.

### 6.2.4. Employee Contracts and Salaries

Very few employees possess a formal contract with their employer. Of 152 employees surveyed, 11.8% working full time and 3.3% working part time possess a contract, whereas 70.4% of respondents, working either full or part time, have no contract. Almost double the numbers of self-employed people were reported in Kandahar than the average.

**Table 6.8: Employee Status**

	Kandahar	Mean
<b>Permanent Full Time w/ Formal Contract</b>	11.8%	5.2%
<b>Permanent Full Time, No Formal Contract</b>	61.2%	54.3%
<b>Permanent Part Time w/ Formal Contract</b>	3.3%	4.0%
<b>Permanent Part Time, No Formal Contract</b>	9.2%	28.9%
<b>Self Employed</b>	14.5%	7.6%
<b>Total</b>	100.0%	100.0%
<b>Frequency</b>	152	655

Employees, including both part and full time, were asked how many hours a week they worked. Responses in Kandahar were the highest of the four cities, registering 60.9 hours per week, 40% higher than in Pul-i Khumri

Employees were also asked to state how long they had been working for their current employer and 65.8% replied two years or less, the highest ratio of the four cities with a further 23.7% having worked for their current company for between 3 and 5 years. The figure should be placed together with the high level of 15 to 24 year olds currently working and is a likely indicator of many new entrants into the labour market.

Conversely to Pul-i Khumri, employees in Kandahar work longer hours and are paid more on average.

**Table 6.9: Employee Salaries**

		Afs	Frequency	Trend
<b>12 months ago</b>	<b>Average Salary</b>	3,211	152	
	<b>Minus respondents who reported '0' salary</b>	4,357	'0' = 40	
<b>Current year</b>	<b>Average Salary</b>	5,495	152	+71.2%
	<b>Minus respondents who reported '0' salary</b>	5,682	'0' = 5	+30.4%
<b>Four-Cities</b>	<b>Average Current Salary</b>	4,727	656	+ 83.5%
	<b>Minus respondents who reported '0' salary</b>	5,187	60	+ 30.3%

The current average salary of surveyed employees in Kandahar is 5,495 Afs (US\$117), which increases to 5,682 Afs (US\$121) when employees that did not report a salary are excluded. Salaries were reported as increasing by 30.4% among paid employees over the past 12 months. Again among paid employees, Kandahar salaries are 9.5% above the four-city average.

## 6.2.5. Company Revenue and Expenses

Employers were asked to divulge their company's revenue as well as their operating costs in order to present a better understanding of the costs of doing business and monthly revenue streams.

**Table 6.10: Company Revenue (breakdown by revenue bracket)**

Revenue Bracket	Kandahar	Av. Four Cities
0-10,000	10.5%	8.9%
10,001-20,000	25.0%	25.8%
20,001-30,000	32.2%	26.9%
30,001-40,000	15.1%	14.7%
40,001-50,000	7.2%	8.0%
50,001-100,000	7.2%	11.4%
100,000+	1.3%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Frequency</b>	<b>152</b>	<b>654</b>

Of the 152 surveyed businesses, 32.2% of businesses reported monthly revenues between 20,001 Afs and 30,000 Afs (US\$213 to US\$425). At the lower end of the revenue scale, 10.5% of employers reported monthly revenues of 10,000 Afs (US\$213) or less a month.

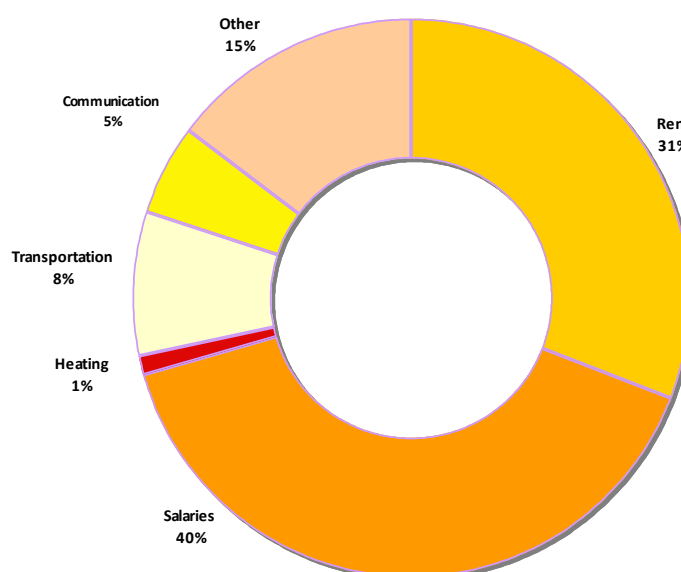
An average of all reported revenue by employers in Kandahar City amounted to 42, 161 Afs, approximately 1,000 Afs greater than the four-city average.

Business operating expenses are presented in Figure 6.2 with salaries representing the largest share of costs at 39.7%, slightly less than the average.

**Figure 6.2: Operating Costs (breakdown by category)**

Rent was recorded as the second highest cost facing employers at 30.9% of total costs, while 'other' (14.6%) was wholly comprised of businesses declaring food costs to be a major operating expense. Transportation (8.1%), communications (5.5%) and heating (1.2%) were the remaining costs.

A very basic calculation of income derived by subtracting operating costs from revenue produces an average monthly income of 8,848 Afs (US\$188), which produces a 21% income to revenue ratio, the highest among the four cities by approximately 10%.



## 6.2.6. Access to Credit and Financing

In Kandahar, 21.1% of business owners stated that they had accessed credit over the last twelve months.

**Table 6.11: Sources of Credit and Financing**

Source of Funds	Kandahar City	Av. Four Cities
Friends	46.5%	24.5%
Relatives	32.6%	12.9%
Bazaar	16.3%	29.0%
Micro Finance Institution	2.3%	0.0%
Bank	2.3%	0.0%
Local Land Owner	0.0%	14.6%
Money Lender	0.0%	19.0%
Mortgage	0.0%	0.0%
Total	100%	100%
Frequency	28	141

Of these 28 companies, only 4.6% went to a bank or micro-finance institution for a loan, in contrast to the vast majority who borrowed money from friends (46.5%), relatives (32.6%) or through connections in the local bazaar. The importance of informal social networks, in addition to a method of recruitment, is again highlighted by the way businesses access credit.

In Kandahar City, the average loan size of the 28 businesses amounted to 116,847 Afs (US\$2,486), which was 35,000 Afs higher than the four-city

average, primarily as a result of a number of large loans taken out by three particular firms.

Employers who had accessed credit were asked about the impact of the loan on the business and 68.8% responded that it had led to the expansion of the business and increased profits, whereas only 9.4% stated that the business had not grown and profits had decreased.

Both employers and employees were asked whether they intend to develop their business or establish a new business respectively and the results were both largely in the affirmative. From 153 employers, 58.7% have existing plans to further develop their current business and only 9.4% expressed no interest in doing so. A further 34.9% of employers would do so if the opportunity presents itself. The figures are in line with responses from the three other cities. On the employees side, 60.5% possess a plan to create a new business with a further 21.7% willing to if there is the chance.

Table 6.12 is a summary of employees and employers' financial options who declared that they would like to establish a business, either with an existing plan or if there is the chance. A greater number of employers have access to personal funds than employees and more than a third of each category does not have access to funds and does not know how to obtain the necessary funds. Only a small percentage of respondents (2.95% employers, 0.8% employees) stated that they would approach a formal financial institution.

**Table: 6.12: Do you have the needed funds to develop the current activity of your business?**

	Yes, I have enough personal funds	No, but my family/friends will assist	No, I plan to borrow money from an institution	No, and I still do not know how to obtain the funds	Frequency
Employers	50.4%	12.4%	2.9%	34.3%	137
Employees	36.0%	23.2%	0.8%	39.2%	125
Average Employers (Four Cities)	40.8%	14.4%	5.2%	39.6%	617
Average Employees (Four Cities)	24.5%	18.1%	3.4%	53.7%	531



### 6.3. Gender and Youth

This section addresses the key challenges for women and youth in accessing the labour market.

Kandahar is perceived as being more conservative than northern provinces in attitudes towards women working and this sentiment was supported by comments made in focus group discussions. The most frequently cited issue in focus groups was the difficulty of obtaining family permission to leave the house and by extension travel to a workplace. Ajib, a fine arts dresser, explained 'In our territory all decision making is the right of men and we do not have the right to interfere in any decision. There are many jobs for women but they do not have the right to work outdoors.' The local cultural environment has therefore left many women only being able to work from home in traditional roles, such as handicrafts, embroidery and clothes making as Qudsia, a women's tailor explained: 'our men go to market and bring sewing materials and tools, then they take our products to market to sell.'

**Table 6.13: What positions do women occupy in your company?**

	Kandahar	Four-city Average
No Positions	88.7%	84.9%
Apprenticeships (on the job training)	6.0%	10.8%
Manual/Labouring work	5.3%	3.5%
Day Labourers	0.0%	0.5%
Junior Management	0.0%	0.2%
Office work	0.0%	0.1%
Total	100.0%	100.0%
Frequency	304	1308

Referring back to Table 6.6, women occupy only 3.1% of positions within the 152 companies surveyed and this is reflected in Table 6.13. Employers and employees were asked what positions do women occupy within your company and 88.7% replied that there were no positions available or occupied by women. A further 6% of companies employ women as apprentices, most

likely in the handicraft sector, and a further 5.3% work in labouring jobs.

**Table 6.14: Obstacles women face to work in your sector?**

Both categories of respondents were asked what are the primary obstacles to women being able to access the labour market through yes or no answers. The responses are contained in Table 6.14. In line with the responses in focus group discussions, 59.9% of employers and 55.9% of employees stated that family permission is an obstacle, which was above the average and considered the largest obstacle by the 304 respondents. A lack of opportunities (42.8% employers, 43.4% employees) and lack of experience (39.5% employers, 32.9% employees) were the other main challenges facing women entering the labour market.

Obstacle	Employers	Employees	Combined Four-city Average
Family Permission	59.9%	55.9%	46.3%
Lack of opportunities	42.8%	43.4%	36.7%
Lack of experience	39.5%	32.9%	41.6%
Low Salaries	13.2%	14.5%	13.9%
Lack of qualifications (education)	5.3%	9.2%	15.7%
Sector not appropriate for women	7.2%	5.3%	15.4%
Lacking access to patronage networks	2.6%	3.3%	4.8%
Total	170.4%	164.5%	174.5%
Frequency	152	152	1308

Youth also face numerous challenges to access the labour market. In the districts around Kandahar City, beyond shop keeping in the local bazaar, most working youth are involved in agriculture and livestock, while in Kandahar City, many young workers work as day labourers, guards, drivers, join the ANSF or undertake 'illegal activities,' as it was referred to in focus group discussions, referring to either the insurgency or drug smuggling. The lack of employment opportunities was regularly cited in key informant interviews and focus group discussions in the four subject provinces as a precursor to involvement in the insurgency or as a cause of social ills including drug addiction.

Day labouring rates for youth can range between 100 Afs to 200Afs a day and is often irregular. Local day labourers also face competition from youth arriving from the surrounding districts and provinces to find work in southern Afghanistan's largest city. Pakistani labourers, similar to northern Afghanistan, are favoured in day labouring markets and construction sites in Kandahar City due to their perceived higher skill level and low wages, which are often less than local tradesmen.

**Table 6.15: Positions occupied by 15-24 y.o in your company?**

	Kandahar	Four-city Average
<b>Apprenticeships (on the job training)</b>	68.3%	59.5%
<b>Day Labourers</b>	23.4%	18.8%
<b>Junior Management</b>	4.7%	1.7%
<b>Manual/Labouring work</b>	2.0%	7.1%
<b>No Position</b>	1.3%	12.4%
<b>Office work</b>	0.3%	0.6%
<b>Total</b>	100.0%	100.0%
<b>Frequency</b>	304	1308

Table 6.15 outlines the responses from employers and employees to a question on what positions do youth occupy in their respective companies. Apprenticeships comprised the largest percentage of responses with 68.3% declaring that 15-24 year olds are either informally trained on the job or undertake formal training while also working. A further 23.4% of

respondents declared that youth primarily occupy day labouring positions, while 4.7% worked as junior managers in their companies. Only 1.3% of respondents claimed that there were no positions open to youth or where youth did not work. Unemployment remains a significant problem in Kandahar, as in many provinces and is a result of several factors.

**Table 6.16: Obstacles youth face to work in your sector?**

Table 6.16 lists the primary obstacles to youth employment as declared by employers and employees. Approximately two thirds of all employers and employees stated that experience was the main obstacle in addition to a lack of opportunities (57.2%, 44.7%). Low salaries (48%, 44.7%) were an inhibitor to attracting youth and a lack of qualifications (30.3%, 36.2%) were all perceived as the major challenges for youth in accessing the labour market.

Obstacle	Employers	Employees	Combined Four-city Average
<b>Lack of experience</b>	66.4%	66.4%	62.1%
<b>Lack of opportunities</b>	57.2%	44.7%	60.5%
<b>Low salary</b>	48.0%	44.7%	42.0%
<b>Lack of qualifications (education)</b>	30.3%	36.2%	27.7%
<b>Lacking access to patronage networks</b>	13.8%	19.1%	20.4%
<b>Total</b>	215.8%	211.2%	212.7%
<b>Frequency</b>	152	152	1308

## 6.4. Obstacles to Business Development

The challenges facing businesses are manifold, however, although insecurity to the casual observer may seem as the largest challenge to businesses, in Kandahar only 23.7% of employers declared insecurity to be a major or very severe obstacle. Table 6.17 was formulated by combining the obstacles rated '4' and '5' or those considered as a 'major obstacle' or 'very severe obstacle,' respectively by employers.

**Table 6.17: Major and very severe obstacles to business development**

	Kandahar	Combined Four-city Average
Access to Electricity	70.4%	67.8%
Access to Land	70.4%	70.7%
Skills of the employees	67.8%	54.5%
Access to credit	61.2%	48.1%
Access to Communications	38.2%	21.0%
Access to Water	30.3%	30.3%
Corruption	23.7%	21.9%
Insecurity	23.7%	21.9%
Competition	20.4%	29.4%

As Kandahar does not have reliable access to electricity as does Pul-i Khumri, parts of Mazar and during certain hours Kunduz City, access to electricity was perceived by 70.4% of employers as a major or severe obstacle to their business. The high cost of generator electricity can ensure that some economic activities become unprofitable, as has recently occurred at the Kandahar Industrial Park. The high cost of land and rent, similar to the other three cities, was also considered a significant

concern by employers. Compared to the average, Kandahar employers also report that the poor skill levels of their employees and by extension the labour market has obstructed the development of their businesses. Abdul Karim, a hotel owner in Kandahar City, further expanded on the subject, 'I cannot employ young illiterate people in my hotel. It is very difficult to find professional labour because they are very few and not in a specific location.'

Access to credit was reported by 61.2% of employers as a major or severe obstacle, significantly higher than the four-city average of 48.1%. According to Spen, a wholesale and retail trader, 'business is adverse in Kandahar right now due to the lack of security and lack of capital. Most of people are not able to trade due to a lack of capital. If the problem is solved people will start business, if this is legal and based on Islam, they will happily do business.' The issue of *Shariat*-compliant loans is particularly important, with many trader and individuals unwilling to access loans that are not compliant.

Similar to other provinces, corruption and insecurity are placed at the lower end of what employers considered as obstacles to the development of their business. Therefore, even though Kandahar has witnessed some of the more intensive fighting across the country over the last two years, businesses in the urban centre appear to be resilient to its impact.

In addition to the listed obstacles, rising food costs in particular as well as the occasional closure of the border crossing were also burdens on local businesses. Nisar Ahmad, a baker, spoke of the rising food costs, '*the big obstacle for our business is that the gas and flour price is very high and we can not increase our business and bakery. There is more work in the months of April, May and June in the hotels and therefore demand increases for bakery (items) and breads, other obstacle for us is gas bottles which they sell AFN 10 in a higher price.*'

## 6.5. Training

Employee skill levels were declared by 67.8% of employers (see Table 6.17) to be a major or serious obstacle to the development of their business. The section is designed to provide a brief overview of training and perceptions of training within the labour market in Kandahar.

**Table 6.18: Training and Training Providers**

Training Provider	Employers		Employers on Employees		Employees	
	Employers	Four-city Average	Employer on Employees	Four-city Average	Employees	Four-city Average
<b>No Previous Training</b>	57.2%	61.2%	52.0%	61.9%	48.7%	62.1%
<b>Internal</b>	30.3%	22.5%	45.4%	30.8%	55.3%	34.2%
<b>NGO</b>	2.6%	1.4%	2.0%	0.9%	0.7%	0.9%
<b>Private Company</b>	0.7%	5.5%	0.7%	3.2%	0.7%	2.1%
<b>Education Institute</b>	8.6%	8.6%	11.8%	11.9%	12.5%	15.3%
<b>Government</b>	0.7%	0.8%	0.0%	0.8%	0.7%	0.7%
<b>Total</b>	100.0%	100.0%	111.8%	109.5%	118.4%	115.2%
<b>Frequency</b>	152	657	152	657	152	656

Table 6.18 provides information on prior training for employers or business owners, of their employees and the responses from the employees themselves. Broadly speaking, there are higher levels of reported training in Kandahar compared to the average with greater levels of internal or on the job training. Approximately half of employees responded that they had received no training, while the average of the four cities was 62.1%. For employees, 57.2% of all employees had received training and 52% of their employees had also received some form of training.

**Table 6.19: Perceptions of completed training**

Higher levels of on the job or internal training were reported in Kandahar City than in Kunduz City, Mazar or Pul-i Khumri. 55.3% of employees responded that they had received internally and employers reported that 45.4% of their employees had been also trained internally. Other providers including NGOs, private companies and the government collectively trained less than 4% of all three categories. Education institutes were the primary external training institute selected by employers (8.6%) and employees (12.5%). Education institutes are a growth industry in many of Afghanistan's urban areas, including Kandahar as they offer a variety of business courses including

Perception of Training	Employers on Employee	
	Training	Employees
<b>Learned a lot</b>	100.0%	100.0%
<b>Used new skills in workplace</b>	90.4%	60.3%
<b>Increased work performance</b>	97.3%	100.0%
<b>Helps chances of promotion</b>	100.0%	97.4%
<b>Assists towards salary increase</b>	98.6%	93.6%
<b>Would recommend training</b>	97.3%	87.2%
<b>Would like more training</b>	n/a	94.9%
<b>Increase chances of better job in another company</b>	n/a	98.7%
<b>Practical for Workplace</b>	n/a	93.6%
<b>Not practical Enough</b>	n/a	46.2%
<b>Boring</b>	n/a	17.9%
<b>Don't understand why I went to training</b>	n/a	11.5%

management, English, accounting and basic literacy.

Table 6.19 (above) relates the level of satisfaction with the various training providers. The table should more be considered an assessment of internal training considering the high percentages of employees and employers who reported being trained internally. Training was well received in terms of its relevance to the work place and assistance to the trainee's career. Only a minority of employees expressed negative views of the training.

Employers were asked what would be the best timing to offer training to their employees. The morning only received 0.7% support from employers, while 42.1% thought the evening would be convenient. When asked about the practicality of offering apprenticeships, 41.4% of employers were in favour.

When asked who had funded the training for their employees, 81.8% of employers stated that they paid for the training. Of the employees who had provided training either internally or externally for their employees, 50.7% would not pay for training, while the remaining percentage would pay an average of 257Afs per week. There was also a strong interest expressed for further training or skills development as 78.3% of employers expressing an interest in developing their business and 92.8% of employees who would like to set up business felt that they needed additional skills to pursue their business venture.

Table 5.20 details the major obstacles for employers and employees to provide future training. For employers, 62.5% of all employers stated that existing family obligations are a major obstacle to further training. For their employees, questions of family commitments (57.9%), time (56.6%) and cost (56.1%) were seen as severe constraints for their employees to receive training. For employees, family obligations were again considered as the largest detraction from attending training, followed by cost (56.1%).

**Table 6.20: Important or severe obstacle to training**

Important or Severe Obstacles	Cost	Time	Distance	Family Obligations	Frequency
<b>Employers</b>	47.3%	50.7%	40.3%	62.5%	152
<b>Employers on Employees</b>	53.0%	56.6%	40.5%	57.9%	152
<b>Employees</b>	56.1%	54.3%	44.6%	59.6%	152
<b>Average</b>	52.1%	53.8%	41.8%	60.0%	

Training certificates are typically viewed as an important commodity by both employers and employees, however in Kandahar almost a third of employers expressed a distrust of training certificates, while 41% responded that they were the most important criteria for their employees. A further 27.8% believe that they are important, but along with several other criteria.

### Box 3: Transition: The Economic Impact

In November 2011, the World Bank released a report entitled 'Transition in Afghanistan: Looking beyond 2014.' The report addresses the economic consequences of the transfer of security responsibilities from ISAF to the Afghan National Security Forces, which has already commenced, and the impending drawdown in the international military presence, expected to be accompanied by a reduction in development spending. Real GDP growth has been estimated at 9% a year for the last year, however this is likely to fall to around 5-6% during 2011 to 2018. The forecast is considered favourable and is dependent on mining investments being realised, a gradual rather than dramatic reduction in aid and the security situation remaining comparable or improving. If these factors are counted, then GDP could fall to 3-4%.



According to the World Bank, the amount of development aid totalled US\$15.7 billion approximately equal to the Gross Domestic Product (GDP) of the country. The majority of these funds have been off budget and channelled through Provincial Reconstruction Teams (PRTs), for-profit development groups, NGOs and through military programs including the Commander's Emergency Response Program (CERP). The current levels of public spending, both on and off budget, will be 'fiscally unsustainable for Afghanistan once donor funds decline.'

**Photo: Interviewing a construction supply shop owner in Kandahar**

The likely effect of the transition will be an increase in unemployment and underemployment, considering that between 6-10% of the working population has benefited from aid-financed jobs, with the services and construction sector being particularly hard hit, not only as they are labour intensive but also as they have been recipients, indirectly or directly, of the massive amounts of aid and associated military spending in the country. When this does occur at the provincial level, underemployment will likely increase the amount of day labourers and labour migrants to neighbouring countries, with the services and construction sectors particularly hard hit. The manufacturing sector, one of the targets of the intended vocational training, will be indirectly affected, however the creation of a local skills base would be advantageous for the local economy, jobs growth and possibly contribute to a reduction in the high levels of labour migration.

See World Bank, 'Transition in Afghanistan: Looking Beyond 2014', November 2011. Available at: <http://go.worldbank.org/H6ANBPOV70>





## Kunduz City, Kunduz Province

Kunduz province is the third northern province in the study and is located adjacent to Balkh, while also bordering the provinces of Samangan to the southwest, Baghlan to the south and Takhar to the east. Similar to Balkh, Kunduz also hosts an international border crossing with Tajikistan to the north and has benefited from an increase in trade following the opening of ISAF's northern supply route in 2008. Kunduz City also links the northeastern provinces of Takhar and Badakhshan with both the north and central provinces.

**Table 7.1: NRVA: Key Economic and Labour Market Statistics**

NRVA Data	Kunduz	Average 4-Prov	National Average
<b>Populations (million)</b>	0.9	1.0	24.5
<b>Rural population (%)</b>	76	71.5	77
<b>Poverty rate (%)</b>	29.7	28.2	35.8
<b>Electricity (% of households)</b>	32	36.8	41.1
<b>Per capita monthly total consumption (Afs)</b>	1511	1675.5	1672
<b>Female literacy rate - age 16 and over (%)</b>	9.2	9.3	11.4
<b>Literacy rate - age 16 and over (%)</b>	19.7	19.5	25
<b>Enrolment rate - age 6-12 (%)</b>	49.7	44.1	46.3
<b>LABOUR MARKET</b>			
<b>Participation rate (%)</b>	73.7	66.6	66.5
<b>Unemployment rate (%)</b>	8.3	6.7	7.9
<b>Underemployment rate (%)</b>	63.3	40.7	48.2
<b>Literate labour force (%)</b>	19.7	20.1	25.8
<b>Child labour (% of children age 6-15 engaged in work)</b>	21.6	15.6	17.9
<b>EMPLOYMENT SECTORS</b>			
<b>Agriculture (%)</b>	58.2	52.9	59.1
<b>Manufacturing, construction, mining and quarrying (%)</b>	21.9	14.5	12.5
<b>Services (%)</b>	18.1	29.9	24.6
<b>Public administration (%)</b>	1.8	2.8	3.9

## 7.1 Economic Overview

Sharing an international border with Tajikistan, Kunduz's economy could be more closely compared to Baghlan than Balkh, as the province remains highly reliant on agriculture and livestock in the rural areas, aided by 85% of households having access to irrigated land.<sup>28</sup> In the capital, Kunduz City, there is a concentration of trading entities and service providers, which is mirrored to a similar degree in

<sup>28</sup> National Risk and Vulnerability Assessment (NRVA) 2005. 85% of rural households have access to irrigated land, while 84% of urban households benefit from irrigated land.

the district of Imam Sahib catering to the border town of Sher Khan as well as the large district population. Other district bazaars cater for the more basic needs of the local population.

As trade statistics remain scarce, interviews with government officials and business leaders in Kunduz suggest that the balance of trade overwhelmingly favours Tajikistan. Considering that 70% of Afghanistan's trade with Central Asia is comprised of imports from Uzbekistan, it is reasonable to assume considering the lack of data, that The border crossing at Sher Khan does not have a similar trading volume to Khairatan in neighbouring Balkh province.<sup>29</sup> Exports to Tajikistan include locally made clothes and oils, such as almond oil, as well as dried fruits, gemstones and jewellery, nuts, onions, potatoes, rice and cement, whereas imports include large capital equipment for the construction industry, automotive spare parts, foodstuffs, firewood, fuel, medicine, textiles and electricity, which supplies the Afghan energy market, including Kabul.<sup>30</sup> Plans are also reportedly advanced to establish a cross-border market in Sher Khan Bandar, which would have the potential to increase sales of locally grown or made products, including agriculture and handicrafts.

Although agriculture is the primary economic activity in the province, Kunduz, in recent years, has attempted to establish a light-manufacturing or industrial base, as it was often referred to. The initiatives have often benefited from preferential financing or grants from bi-lateral development agencies as well as capacity building of value chains, often by NGOs or consultants, in an attempt to ensure a measure of sustainability. According to the Kunduz chapter of the ACCI, industrial concerns include dairy production, flourmills, rice processing, a textile factory, tile making and toilet paper manufacturing.

Kunduz, in a similar manner to Pul-i Khumri, used to rely on an industrial sector to add value to local agricultural production, while also directly employing thousands of people. The Spinzer textile factory in Kunduz City formerly employed thousands of people, sourced cotton from local farmers and manufactured oil, soap and cotton. The factory, now virtually deserted, continues to act as a source of reference for the older generation as to what the province is capable of achieving. In place of industry, attempts have been made to develop the post-harvest sector considering Kunduz comparative advantage, although often these efforts appear to remain hostage to local capacity restraints.

Similar to other subject provinces, the main economic activity in the districts of Kunduz is agriculture. District bazaars provide basic services to the residents, however most residents travel to Kunduz City, considering the relative compact size of the province and short travel times, for more complex services and supplies, which has had the effect of centralising services in the provincial capital.

As Figure 4.1 illustrates, employers and employees view the local economy as being dependent on a number of sectors. For both groups, agriculture was reported as the leading economic contributor by 32% of employees and 31.3% of employers, which was closely followed by the education sector (30.6% of employers and 27.9% of employees). The contribution of education to the economy could be seen from two angles. Firstly, the plethora of institutes, training academies, language schools and

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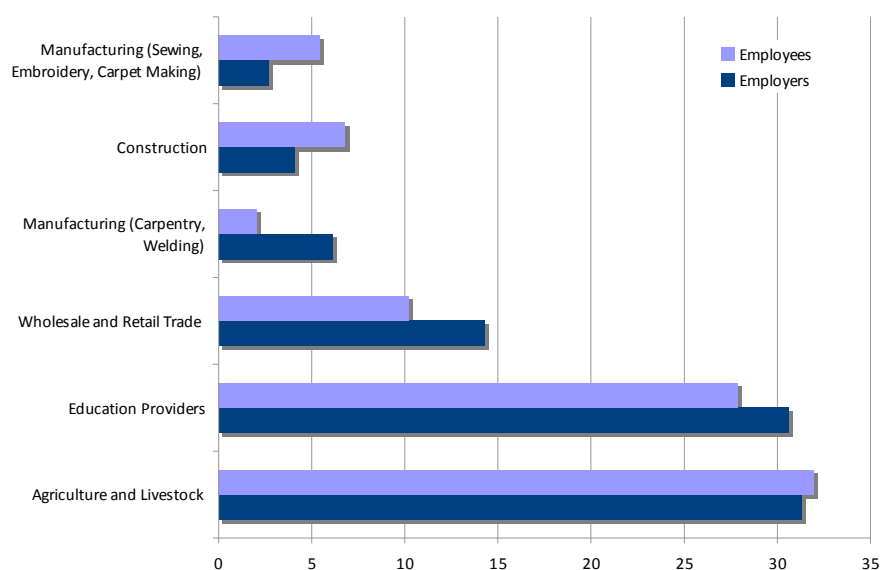
<sup>29</sup> Norling, 'Afghanistan's trade with Central Asia Revives,' *Central Asia Caucasus Institute*, 27 April 2011.

<sup>30</sup> Nabyeva, Dilafruz, 'Tajikistan enters Afghan energy market,' *Central Asia Online*, 19 September 2011. Available at: [http://centralasiaonline.com/en\\_GB/articles/caii/features/main/2011/09/19/feature-01](http://centralasiaonline.com/en_GB/articles/caii/features/main/2011/09/19/feature-01)

private secondary schools employs a significant number of teachers and administrators, and secondly, education is viewed as a prized asset, which has the potential to open up new areas of opportunity and raise families out of poverty.

Wholesale and retail trade was selected by an average of 12.25% of employers and employees as the leading economic sector most likely due to the bustling bazaar and trading sectors that service both Kunduz and the northeast provinces of Badakhshan and Takhar especially.

Manufacturing and construction were selected by less than 10% of respondents, which again is



indicative of the influence of agriculture over the Kunduz economy.

Table 4.2 is a representation of the primary source of household income among employers and employees. Although there is a similar level of concentration in the three sectors, the origins of household income are representative of urban income sources, rather than the economic sectors, which dominate the provincial economy.

**Figure 7.1: Perceptions of the leading sectors driving the economy**

In Kunduz City, 41.5% of employers and employees report that the wholesale and retail trading sector is the primary source of their household income.

**Table 7.2: Top Ten Primary Sources of Household Income**

Manufacturing, that includes both commercial-size output and bazaar craftsmen, was reported by 24.8% of employers and 15.5% of employees as their most important source of family income. In contrast, employees reported higher numbers of household income being derived from the agriculture and construction sectors, both of which are traditionally reliant on day labourers. Kunduz has a strong tradition of carpet production, primarily centred on Chahar Dara district, but also Kunduz City, Khanabad and Aliabad, which 7.5% of combined respondents claimed was their primary source of household income.

Sector	Employers	Employees	Mean
Wholesale and Retail Trade	47.7%	35.4%	41.5%
Manufacturing (Carpentry, Electrician, Welding)	24.8%	15.5%	20.2%
Manufacturing (Sewing, Embroidery, Carpet Making)	10.7%	4.3%	7.5%
Transportation	2.7%	11.2%	6.9%
Agriculture and Livestock	4.0%	8.1%	6.1%
Construction	2.0%	6.8%	4.4%
Hotels, Restaurants	2.0%	0.6%	1.3%
Telecoms, IT, Computers	2.0%	0.6%	1.3%
Banks, Money Changers, Hawala	0.7%	0.0%	0.3%
Mining and Quarrying	0.0%	0.0%	0.0%

In an attempt to measure business confidence, both employers and employees were asked several questions on revenue (employers), future hiring practices (both employers and employees) and intent to create a business (employees). Revenue was reported by 39.1% of employers as having increased in the last twelve months, while 22.5% declared that it had stayed the same. A higher number of responses (15.2%) declared that they did not know their company's revenue indicating either little knowledge about the financial affairs of their business or alternatively an unwillingness to divulge revenue figures.

As a basic measure of business confidence, employers and employees were asked whether new employees would be added to their companies over the next year, with 47.7% of employers answering in the affirmative and 45.4% of employees answering in a similar fashion. Employees appear to be more than willing to pursue an entrepreneurial path as 46.4% claimed that they have a plan to establish a new business in the future, which placed the province after Kandahar (60.5%) and before Baghlan and Balkh.



Photo: A young apprentice in Kandahar

## 7.2 Kunduz City Labour Market

### 7.2.1 Companies' Profile

The table below describes the different companies that were surveyed (according to the “cluster then random” sampling methodology describe in paragraph 1.22.

**Table 7.3: Quantitative Sampling Description**

ISIC Code	Kunduz City			Four Cities		
	Employers (%)	Employees (%)	Mean (%)	Employers (%)	Employees (%)	Mean (%)
<b>A - Agriculture and Livestock</b>	3.3	2.0	2.7	1.8	1.2	1.5
<b>B - Mining and Quarrying</b>	0.0	0.0	0.0	1.1	1.1	1.1
<b>C - Manufacturing (Sewing, Embroidery, Carpet Making)</b>	19.3	19.6	19.5	16.2	15.5	15.8
<b>C - Manufacturing (Bakeries, Carpentry, Textiles)</b>	26.0	25.6	25.8	32.0	34.3	33.1
<b>F - Construction</b>	0.0	0.7	0.3	0.8	1.2	1.0
<b>G - Wholesale and Retail Trade</b>	48.0	48.5	48.3	40.0	38.6	39.3
<b>H - Transportation</b>	1.3	1.3	1.3	1.5	1.5	1.5
<b>I - Hotels, Restaurants</b>	2.0	2.0	2.0	2.9	3.5	3.2
<b>J – Communications, Telecoms, IT, Computers</b>	0.0	0.0	0.0	1.7	2.2	1.9
<b>K - Finance - Banks, Money Changers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>O - Public Administration</b>	0.0	0.0	0.0	0.2	0.2	0.2
<b>P - Education Providers</b>	0.0	0.0	0.0	1.7	1.2	1.5
<b>Q - Health Providers</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>U - NGOs/IOs</b>	0.0	0	0.0	0.2	0	0.1
<b>TOTAL</b>	100	100	100	100	100	100

In Kunduz City, the survey of the labour market produced a concentration of businesses in the wholesale and retail-trading sector followed by manufacturing. Of 150 employers and 150 employees surveyed, 48.3% worked in the wholesale and retail trade sector. The figure is 9% higher than the average for the four cities and could be explained by the thriving local bazaars, agricultural trade with adjoining provinces and being the centre of economic activity for north-eastern Afghanistan in addition to providing a hub for imports and to a more limited degree, exports.

Manufacturing is the second most represented sector, which has been divided into two sections in an attempt to assess possible training needs based on groups of vocational skills. Manufacturers, including furniture makers, metalworkers and textile producers comprise an average of 25.8% of businesses, while those manufacturing businesses that produce embroidery and carpets totalled 19.5% of both employers and employees. Agriculture (2.7%), hotels and restaurants (2%) and transportation (1.3%) businesses are also represented.

## 7.2.2 Ownership, Foundation and Licensing

**Table 7.4: Year of Company Formation**

	Kunduz City	Mean (Four Cities)
1961-70	0.0%	0.9%
1971-80	0.7%	1.8%
1981-90	4.6%	4.1%
1991-2000	12.6%	20.2%
2001-2006	32.5%	35.3%
2006 -2011	49.7%	37.4%
Total	0.0%	100%
Frequency	152	655

Almost 50% of businesses surveyed were established in the past six years and 82.2% were created since 2001 suggesting how far the economic landscape has changed over the past ten years. Compared to the four-city average, Kunduz City has a higher percentage of businesses (49.7% to 37.4%) that have been formed in the past six years and is most likely based on the wealth generation derived from a strong agricultural base and the city's position as a trading hub.

**Table 7.5: Business Registration**

Department/Agency	Kunduz City	Mean (Four Cities)
Yes, Municipality	79.6%	73.8%
Yes, Department of Finance	8.8%	12.9%
Yes, Department of Economy	0.0%	1.0%
Yes, AISA	0.7%	0.8%
Yes, Department of Commerce	0.0%	0.3%
No	10.9%	11.2%

The vast majority of businesses (79.6%) reported being registered with the municipality, which is approximately in line with the other cities surveyed. The high figure registering with the municipality could be viewed as an indication of the size and trading outlook of the businesses that have been surveyed. Registering with AISA, DoCI or

the DoE generally requires a certain size, revenue and business outlook, whereas registering with the municipality suggests more localised business practices and outlook. From 151 businesses surveyed 10.9% are not registered with any authority.



**Photo: An apprentice machine lather in Kunduz City**



### 7.2.3. Staffing and Recruitment Channels

Of the 151 employers surveyed, the average number of employees per business was reported to be 4, which approximated the four-city average of 4.5 employees (see Table 7.6).

**Table 7.6: Average Number of employees (breakdown by age category)**

	Male <15	Female <15	Male 15-24	Female 15-24	Male 24+	Female 24+	Av. No. Employees	Frequency
<b>Kunduz City</b>	0.55	0.09	1.67	0.37	1.15	0.18	4.0	151
<b>Percentage</b>	13.8%	2.3%	41.8%	9.3%	28.8%	4.5%	100.0%	
<b>Four-City Average</b>	0.54	0.11	2.02	0.26	1.40	0.15	4.5	657

Table 7.6 presents the average number of employees per business by age group. Males aged between 15 and 24 are the most represented comprising 41.6% of all employees of the surveyed companies. Males overall equate to 84% of all employees. Traditional women's roles such as carpet making, embroidery, handicrafts and clothes making are primarily undertaken from the home in an informal basis and therefore these women are unlikely to be represented in the above data.

Table 7.7 details the methods that employers recruit staff as well as how employees found their current position. Both employees and employers reported that friends were the method chosen by both groups to recruit staff and access the job market. Relatives were the second favoured channel used by employees (26.5%) and the third for employers (21.4%). Connections in the bazaar were also a favoured option.

**Table 7.7: Recruitment Channels (breakdown by category)**

Recruitment Channel	Employers	Employees	Mean (4 cities)
<b>Friends</b>	32.4%	32.7%	26.9%
<b>Relatives</b>	21.4%	26.5%	25.8%
<b>Bazaar</b>	23.7%	15.6%	15.6%
<b>Relatives of employee</b>	9.9%	13.6%	12.1%
<b>Friend of employee</b>	11.5%	9.5%	17.0%
<b>Mosque</b>	1.1%	2.0%	1.6%
<b>Newspaper Advertisement</b>	0.0%	0.0%	0.1%
<b>Radio/TV Advertisement</b>	0.0%	0.0%	0.2%
<b>Other</b>	0.0%	0.3%	1.4%
<b>Total</b>	100.0%	100.0%	100.6%
<b>Frequency</b>	153	150	657

Advertising in newspapers or the radio did not feature in responses by either category. Employees appeared to confirm the trend of many businesses employing relatives with 56.3% of respondents stating that they are related to their current employer, only slightly above the four-city average of 45.3%.

## 7.2.4. Employee Contracts and Salaries

Table 7.8 lists the different status of employees within their companies. Only 2% of employees report a formalised contract with their employer, while 95.3% work part time or full time without any contract.

**Table 7.8: Employee Status**

	Kunduz	Mean
Permanent Full Time w/ Formal Contract	2.0%	5.2%
Permanent Full Time, No Formal Contract	49.3%	54.3%
Permanent Part Time w/ Formal Contract	2.0%	4.0%
Permanent Part Time, No Formal Contract	46.0%	28.9%
Self Employed	0.7%	7.6%
Total	100.0%	100.0%
Frequency	151	655

Employees surveyed in Kunduz City also appear to work more hours (57.3) than the four-city average (51.8), which is possibly a result of the high number of employees (56.3%) being related to their employer. Family businesses are more likely to involve working long hours and could

explain the longer hours worked in Kunduz – an idea that was lent support in key informant interviews in Kunduz city.

In terms of length of service, approximately 65% of employees declared that they have been working for their current employer for two years or less, while a further 23.8% for between 3 and 5 years. Both figures are closely aligned with the average of 59.6% and 25.8% respectively.

An average of current salaries as reported by all employees were comparable to the average and once non-paid employees were excluded, the average salary was 4% lower than the average.

**Table 7.9: Employee Salaries**

		Afs	Frequency	Trend
12 months ago	Average Salary	2,275	150	
	Minus respondents who reported '0' salary	3,669	'0' = 59	
Current year	Average Salary	4,013	150	115.8%
	Minus respondents who reported '0' salary	4,561	'0' = 17	48.2%
Four-Cities	Average Current Salary	4,727	656	+ 83.5%
	Minus respondents who reported '0' salary	5,187	60	+ 30.3%

The average salary of all surveyed employees amounted to 4,013 (US\$86) Afs per month and when non-paid employees are excluded, the average salary of paid employees is 4,561 Afs (US\$97). Salaries also appear to have increased significantly since the year prior, which can be partially explained by 59 of the 150 respondents not reporting a salary for the same period year before and only 17 declaring that they are currently not paid. When non-paid employees are excluded, the rise in salaries is reduced from 115.8% to 48.2%, which still presents a significant increase in salary, although from a low base.

## 7.2.5. Company Revenue and Expenses

Employers were surveyed on both their monthly revenue and expenses in an attempt to ascertain the average revenue and deviation (Table 7.10) as well as the major business costs (Figure 7.2).

**Table 7.10: Monthly company Revenue (breakdown by revenue bracket)**

Revenue Bracket	Kunduz City	Av. Four Cities
0-10,000	13.2%	8.9%
10,001-20,000	30.5%	25.8%
20,001-30,000	25.2%	26.9%
30,001-40,000	8.6%	14.7%
40,001-50,000	6.6%	8.0%
50,001-100,000	9.9%	11.4%
100,000+	6.0%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Frequency</b>	<b>151</b>	<b>654</b>

In the breakdown of monthly revenue in Table 7.10, the highest percentage of businesses (30.5%) reported revenue of between 10,001 Afs to 20,000 Afs (US\$213 to US\$426) followed by business declaring revenue between 20,000 Afs to 30,000 Afs (US\$426 to US\$638).

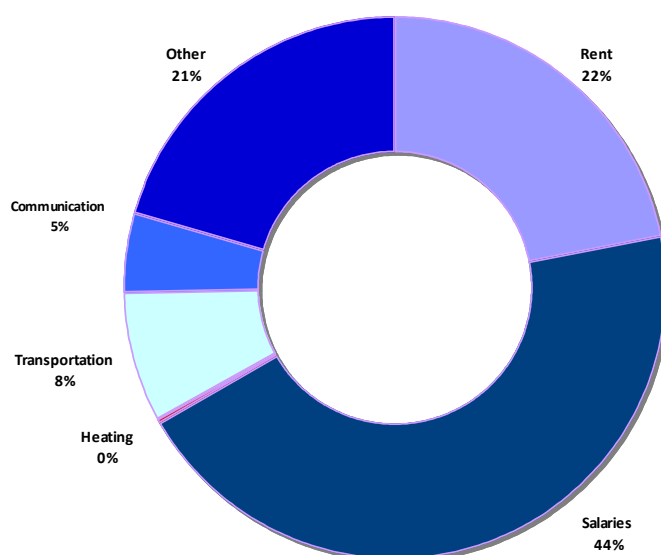
The average revenue of the 151 surveyed businesses was recorded as 39,652 Afs slightly lower than the four-city average of 41,260 Afs.

Operating costs, were categorised by salaries, rent, communication, transportation, heating and other, which allowed employers to detail additional expenses. Of the total expenses, salaries amounted to the highest cost bracket at 44% of costs. Rent was the second highest operating cost and equal to half the salary expenses at 22%.

**Figure 7.2: Operating Costs (breakdown by category)**

‘Other’ was reported as the third largest expense and a breakdown of the category finds that other expenses are wholly those of food costs, thereby making food costs equal to 21% of operating costs for surveyed businesses in Kunduz city. Transportation (8%), communication (5%) and heating (0.2%) costs were reported as the remaining operating expenses.

A basic addition of revenue and operating costs provides a gross income figure of 4,013 Afs, which should be considered indicative at best.



## 7.2.6. Access to Credit and Financing

In Kunduz City, only 18.5% of employers reported borrowing money in the last year, which was the lowest figure among the four subject cities.

**Table 7.11: Sources of Credit and Financing**

Source of Funds	Kunduz City	Av. Four Cities
Relatives	25.7%	24.5%
Friends	25.7%	29.0%
Bazaar	20.0%	19.0%
Bank	20.0%	14.6%
Micro Finance Institution	8.6%	12.9%
Local Land Owner	0.0%	0.0%
Money Lender	0.0%	0.0%
Mortgage	0.0%	0.0%
Total	100%	100%
Frequency	28	141

Table 7.11 lists the different sources of credit available to business owners, which underlines the preference for informal lines of credit as relatives, friends and contacts in the bazaar provided 71.4% of loans to businesses. Formal institutions, including microfinance organisations and banks, lent to 28.6% of businesses. In key informant interviews, there is degree of reticence to engage microfinance institutions or banks that charge interest on loans as this can be viewed as not being *Shariat*-compliant. Onerous

interest rates and regular interest payments also were reported as limiting a greater number of businesses accessing formal institutions.

The average loan amount accessed by the 28 businesses was 34,111 Afs (US\$726), less than half the average loan amount from the four cities combined, which was 81,809 Afs (US\$1,741). Employers were asked whether the extension of credit had had an impact on their business and 67.9% declared that both profits and the businesses itself had grown, while 14.3% stated that profits had declined and the business had not expanded. Employees and employers were also asked whether they intend on creating a new business or developing their existing enterprise, respectively. Among the 152 responding employees 46.4% said they had an existing plan to set up a new business and a 34.4% would if the opportunity presents itself. For employers, 54.2% have a plan to further develop their existing business and a further 44.4% would consider it if the circumstances are favourable. 14.3% of employers and 19.2% of employees did not express any interest in either developing or creating a business, respectively.

Table 7.12 examines the availability and options of funds to develop or set up a business. More pronounced than other provinces, few employees (7.1%) have the assets to fund their business idea, nor have the ability to access family funds (8.75) or the intention to borrow from a financial institution (4.7%), thereby leaving 78.7% of employees not knowing where they are able to access a credit facility. For employers, a greater number are able to access personal funds (31.3%), while 44.7% claimed that they do not know how to access credit.

**Table: 7.12: Do you have the needed funds to develop the current activity of your business?**

	Yes, I have enough personal funds	No, but my family/friends will assist	No, I plan to borrow money from an institution	No, and I still do not know how to obtain the funds	Frequency
Employers	31.3%	14.0%	10.0%	44.7%	142
Employees	7.1%	8.7%	4.7%	78.7%	122
Average Employers (Four Cities)	40.8%	14.4%	5.2%	39.6%	617
Average Employees (Four Cities)	24.5%	18.1%	3.4%	53.7%	531

### 7.3. Gender and Youth

Different challenges exist for different segments of the labour market. This section examines the case of women and youth in accessing employment opportunities.

In focus group discussions, women in Kunduz spoke of illiteracy, a lack of opportunities as customary behaviour by men, which seeks to stop women from working outside the house. DoLSA in Kunduz City stated that the main challenges stopping women accessing the labour market include high levels of illiteracy, traditions keeping women from working combined with family violence and insecurity, which 'restrict active women,' especially so in the district of Kunduz.

**Table 7.13: What positions do women occupy in your company?**

	Kunduz City	Four-city Average
No Positions	80.1%	84.9%
Apprenticeships (on the job training)	11.3%	10.8%
Manual/Labouring work	8.6%	3.5%
Day Labourers	0.0%	0.5%
Junior Management	0.0%	0.2%
Office work	0.0%	0.1%
Total	100.0%	100.0%
Frequency	302	1308

Table 7.13 illustrates the particular roles that women occupy within the companies surveyed in Kunduz City. Similar to the average, 80.1% of respondents declared that there were no women or positions for women in their company. Women do have access to on the job training as 11.3% of employers and employers answered that women pursue apprenticeships in their firm. Women also were reported to work

in manual or labouring work, which often involves cleaning and cooking positions within businesses. No women were reported to be working in office work or junior management. Opportunities for women in the districts, according to interviews and discussions in Kunduz, are based primarily around agriculture and include fish farming, wool processing, beekeeping, poultry farming and small dairy outputs, such as milk, butter and cream production. In both the districts and Kunduz city, women are also very active in handicrafts, particularly clothes making, embroidery and carpet making.

Women face unique challenges, unlike other segments of the labour market, as family permission is often required to leave the home as articulated by Hayderi, a focus group participant in Kunduz City, *'the big obstacle for women to work outdoors is the violent action of men who do not let the women to work.'* Women not only face threats from within the home, but also by anti-government actors, as described by Rana Jan, another participant, *'the basic obstacle for women who can not work is that the security situation is not good, there are threats and warnings from the Taliban side that stick (notices) on people doors that any women who want to work will be killed.'*

In Table 7.14, both employers and employees were provided several options and asked to respond if they were considered obstacles for women accessing the labour market. A lack of opportunities was identified by 41.2% of employers and 38.7% of employees as the major obstacle facing women. Closely behind, family permission, which was deemed by 36.7% of respondents across the four subject cities, also received similar response levels in Kunduz. A lack of experience was reported by 30.1% of employers and 32% of employees, which could be seen as a conservative figure considering so few women are actually participating in the labour market.

**Table 7.14: Obstacles women face to work in your sector?**

One sixth of employers and one fifth of employees also stated that their sector is not appropriate for women, which may be the result of the use of manual labour or a traditionally male dominant environment. For the director of

Obstacle	Employers	Employees	Combined Four-city Average
Lack of opportunities	41.2%	38.7%	46.3%
Family Permission	39.2%	36.7%	36.7%
Lack of experience	30.1%	32.0%	41.6%
Lack of qualifications (education)	25.5%	26.0%	13.9%
Sector not appropriate for women	17.0%	19.3%	15.7%
Low Salaries	11.1%	14.0%	15.4%
Lacking access to patronage networks	0.7%	2.0%	4.8%
<b>Total</b>	<b>164.7%</b>	<b>168.7%</b>	<b>174.5%</b>
<b>Frequency</b>	<b>151</b>	<b>151</b>	<b>1308</b>

DoWA in Kunduz, however, *'women are able to do anything,'* from working in agriculture and livestock in rural areas to *'carpentry, mobile and TV repairing as well as photography'* in urban areas.

Youth face a similar set of problems throughout Afghanistan and in Kunduz it is no different. The absence of employment opportunities produces a palpable sense of frustration amongst job seekers. For DoLSA the lack of jobs for young people is related to the underlying security environment, *'If the people are busy, we won't have the security problems we currently have.'* The shortage of jobs has also resulted in many youth migrating to Iran and Pakistan for several years or longer in some instances. Although labour migrants provide an important source of household income, a significant percentage, according to focus group discussions and key informant interviews, return from Iran as addicts and from Pakistan more inclined to pursue anti-government activities.

Poverty in the families of youth was also reported as an obstacle to both training and finding employment as short-term income generation is prioritised over long term career planning. Abdul Manan, a butcher in Kunduz City, stated *'we suffer very hard poverty and we have numerous family members and our income is very little.'* Many youth, therefore, will migrate, work as day labourers, join the ANSF and in some cases the insurgency to provide for their families.

**Table 7.15: Positions occupied by 15-24 year olds in your company?**

	Kunduz City	Four-city Average
Apprenticeships (on the job training)	54.0%	59.5%
No Position	22.8%	12.4%
Day Labourers	14.8%	18.8%
Manual/Labouring work	8.0%	7.1%
Office work	0.3%	0.6%
Junior Management	0.0%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Frequency</b>	<b>302</b>	<b>1308</b>

Employers and employees were asked to identify roles within their companies where youth have a particular presence. Combining both response groups, 54% declared that youth are primarily working as apprentices or being trained on the job, while a relative high number of 22.8% stated that 15-24 year olds held no positions within their firm. Day labourers and manual labouring jobs within

businesses comprised 22.8% of answers.

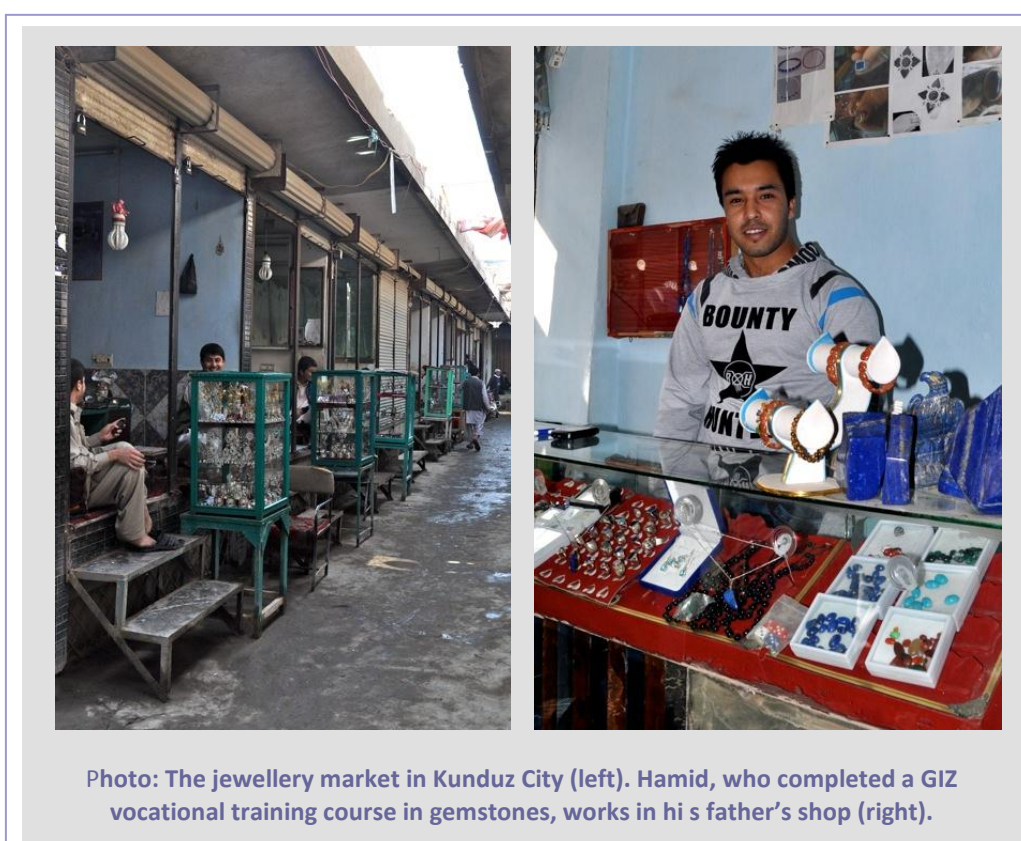
Both survey groups were then asked what are the major obstacles facing youth in accessing the labour and multiple answers were recorded.



**Table 7.16: Obstacles youth face to work in your sector?**

Two thirds of both employers and employees believed that a lack of experience was the major impediment for youth, which cannot be isolated from a lack of opportunities, which 65.6% of employers and 44.7% of employees though was a major obstacle. With few employment opportunities, then it is very difficult to gain the experience that many businesses may be looking for. Low salaries were also prioritised as an obstacle for employment, more so for employees (44.7%) than employers (35.8%), while qualifications were seen by employees (36.2%) more so than employers (13.9%) as a barrier to accessing the labour market.

Obstacle	Employers	Employees	Combined Four-city Average
Lack of experience	67.5%	66.4%	60.5%
Lack of opportunities	65.6%	44.7%	62.1%
Low Salary	35.8%	44.7%	42.0%
Lack of qualifications (education)	13.9%	36.2%	27.7%
Lacking access to patronage networks	22.5%	19.1%	20.4%
Total	220.3%	213.3%	212.7%



## 7.4. Obstacles to Business Development

Businesses and the provincial economy are faced with numerous difficulties ranging from insecurity to cheap imports, rising costs and rampant corruption. The following section details the obstacles that were raised by employers in the labour market survey. Employers were asked to prioritise the obstacles to the development of their business on a five-point scale. Table 7.17 combines the obstacles rated '4' and '5' or those considered as a 'major obstacle' or 'very severe obstacle,' respectively.

**Table 7.17: Major and very severe obstacles to business development**

	Kunduz City	Combined Four-city Average
Access to Land	76.8%	70.7%
Access to Electricity	70.2%	67.8%
Access to credit	65.6%	48.1%
Skills of the employees	62.3%	54.5%
Access to Water	27.8%	30.3%
Competition in your sector	26.5%	29.4%
Corruption	22.5%	21.9%
Insecurity	22.5%	21.9%
Access to Communications	15.2%	21.0%

151 employers reported access to affordable land or shop space as the largest obstacle for their business. High rent prices in urban centres reduce the profitability and even viability of many small businesses as competition for wholesale and retail space pushes prices up. 70.2% of respondents also claimed that access to electricity affects their business as an unreliable supply of electricity will require more expensive generator power for machine-intensive businesses.

Access to credit was cited as the third largest challenge for business, which was also discussed in section 7.2.6. 44.7% of employees and 78.7% of employees intending on establishing their own business in Kunduz city stated that they did not have the money to set up their business and that they were not sure how they would source the funds, no doubt contributing as to why it was placed third in Table 7.17. From a vocational training point of view, 62.3% of employers found that the skills of their employees limited the further development of their business, which appears to suggest that there is high demand for the skills associated with vocational training centres.

Corruption and security (both 22.5%), although measuring lower down the scale of challenges that businesses are facing have become factored into business calculations. In focus group discussions and other interviews in Kunduz City, business leaders declared that corruption is factored into the cost of business, which is then transferred on to consumers. An example frequently raised was transportation – as '*bakshish*' or bribe payments had increased in recent years, so had the costs associated with transportation. Mohammad Hatam, a baker in Kunduz City, explained how he '*brings flour from other locations and the fare of the truck has increased as they have to pay (along the) highways due to corruption.*'

Insecurity has a similar effect. An individual working for a bilateral development agency with a deep understanding of the issue explained that traders from Tajikistan are less willing to come to Kunduz and Afghan traders that travel to Tajikistan often have to hire bodyguards to defend against kidnapping gangs that work along the Sher Khan to Kunduz City Road. Costs have also risen due to higher insurance premiums and payments to anti-government groups for transport along the highways and payments to similar groups were reported in agricultural areas by farmers and traders.

## 7.5. Training

The following section details the percentage of employers and employees who have been trained and by whom as well as the perceived level of satisfaction from the trainings. Table 7.20 also lists the major obstacles facing both survey groups to access further training courses.

**Table 7.18: Training and Training Providers**

Training Provider	Employers		Employers on Employees		Employees	
	Employers	Four-city Average	Employer on Employees	Four-city Average	Employees	Four-city Average
<b>No Previous Training</b>	21.2%	61.2%	35.1%	61.9%	29.8%	62.1%
<b>Internal</b>	56.3%	22.5%	63.6%	30.8%	72.8%	34.2%
<b>NGO</b>	0.7%	1.4%	0.0%	0.9%	0.7%	0.9%
<b>Private Company</b>	5.3%	5.5%	1.3%	3.2%	0.0%	2.1%
<b>Education Institute</b>	16.6%	8.6%	24.5%	11.9%	33.8%	15.3%
<b>Government</b>	0.0%	0.8%	0.0%	0.8%	0.0%	0.7%
<b>Total</b>	100.0%	100.0%	124.5%	109.5%	137.1%	115.2%
<b>Frequency</b>	151	657	151	657	151	656

Both Kandahar as well as Kunduz report a high percentage of companies favouring training with a majority conducting the training internally. Only 21% of business owners report not having received training, compared to the average of 61.2% with approximately 30% of employees also reporting that they had not received training during their current employment. Provided with several options, 72.8% of employees responded that had received training internally with some employees also receiving training from education institutes (33.8%) and a small number from NGOs (0.7%).

**Table 7.19: Perceptions of completed training**

Training, overall, was well received by employers and employees (see Table 7.19). For the 70.2% of employees who have undergone training, while responses were very positive regarding assistance to their career, how useful the training was to their current employment remained far from universal as 52% of respondents claimed they had used the new skills in their workplace and 47.2% supported the statement that the training was not practical enough, both statements mutually supporting each other.

Perception of Training	Employers on Employee Training	
	Employers	Employees
<b>Learned a lot</b>	100.0%	100.0%
<b>Used new skills in workplace</b>	96.9%	52.8%
<b>Increased work performance</b>	99.0%	99.1%
<b>Helps chances of promotion</b>	100.0%	100.0%
<b>Assists towards salary increase</b>	100.0%	98.1%
<b>Would recommend training</b>	100.0%	96.2%
<b>Would like more training</b>	n/a	96.2%
<b>Increase chances of better job in another company</b>	n/a	99.1%
<b>Practical for Workplace</b>	n/a	99.1%
<b>Not practical Enough</b>	n/a	47.2%
<b>Boring</b>	n/a	3.8%
<b>Don't understand why I went to training</b>	n/a	5.7%

Timing is an important consideration for employers, considering that many business are either small or medium sized enterprises. 47% of employers were in favour of evening training sessions for their employees; thereby training would not encroach on their working day, while 28.5% would support apprenticeship or on the job training. Less than 1% of employers favoured morning training.

Cost is also a distinct concern for small businesses and 60% of employers who had provided training to their employees stated that they would not be willing to pay for training, as most likely they provide internal training to their employees while they are working and not viewing this as a cost. Of the remaining businesses that would be willing to pay for training, an average figure of 249 Afs a week was calculated.



## Annex 1: Vocational Training

This annex provides information on employer and employee perceptions of the utility of vocational training for their current place of work. The responses for employers represent their views on training for their employees.

For each subject city , respondents were firstly asked ‘which of the following training courses are necessary for you (your employee) to fulfil their tasks?’ followed by ‘which vocational skills do you (your employees) need to perform better at the workplace?’ The responses to the first question are graphically illustrated and the second question is tabulated.

## Annex 1.1: Pul-i Khumri

In Pul-i Khumri, both basic (27.1%) and advanced (26.4%) English were considered to be very useful or essential with more than 50% of respondents stating that it was of little or no benefit. Basic and Advanced accounting were seen as being more beneficial than both English and information technology (IT) by the 300 respondents. Almost three quarters of employers and employees stated that advanced accounting courses are either very useful or essential. The highest demands for training or belief that it would be the most beneficial for the work environment were for advanced vocational training (90.1%), which was higher than shorter courses or courses intended for an introductory audience (67%).

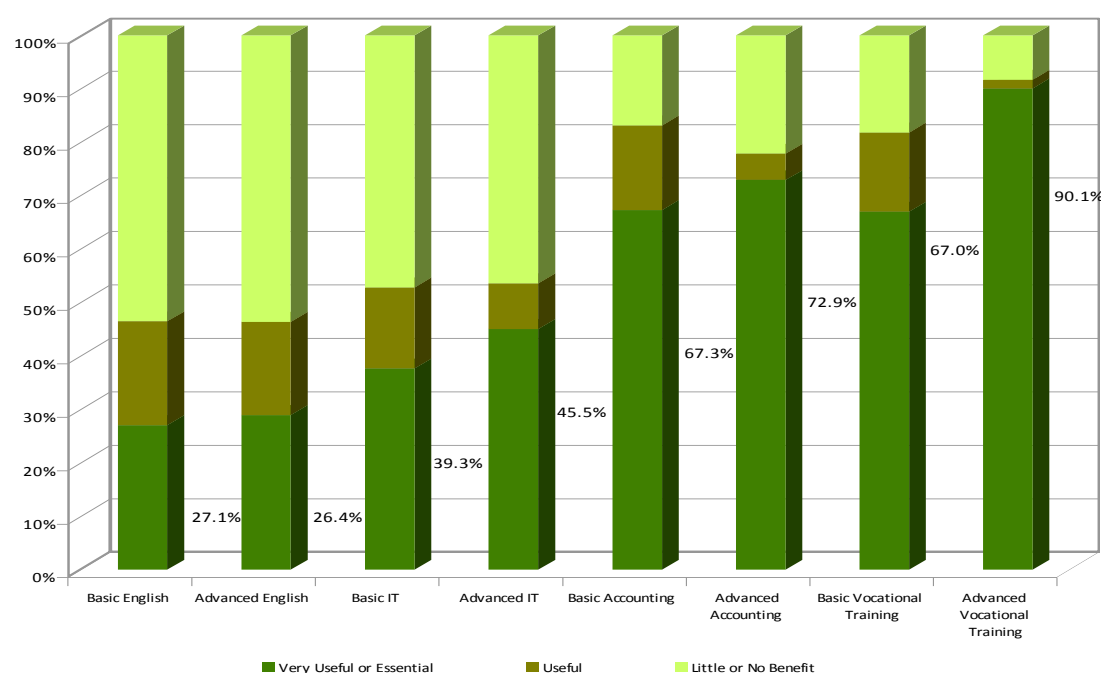


Figure 1: Utility of skill sets in the fulfilment of mandated roles (employers and employees grouped)<sup>31</sup>

Respondents were asked to expand on the utility of vocational training and the answers are represented in tabular format in Table 1.

Of the choices provided to respondents, an agricultural option, 'Animal Husbandry' was perceived as offering little value, (85% little or no value) which is to be understood in an urban environment, while 'bazaar trades' such as bicycle repair (95%), masonry (85%), machine lathing (78%) and generator repair (77%) offered similar levels of perceived utility. Sewing/Embroidery and Carpet making were reported to be very useful or essential by 37% of grouped respondents, followed by tailoring (36%) and welding/metalwork (29%).

<sup>31</sup> Answers of 'Not at all' and 'Little Use' were grouped into 'Little or no benefit,' while answers of 'very useful' and 'essential' were grouped into 'Very useful or essential.' 'Useful' – 3 on a five point scale stayed the same.

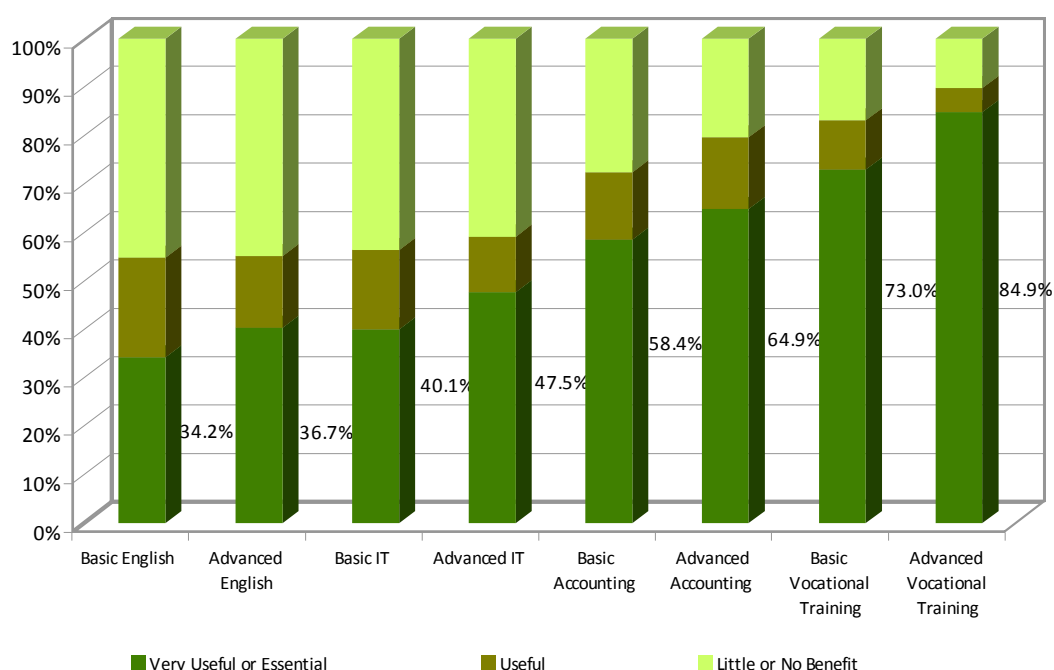


Table 1: Utility of vocational trainings in the fulfilment of mandated roles (tabular format)

Vocational Training	Perceived Utility	Employers (%)	Employees (%)	Mean (%)
<b>Animal Husbandry</b>	<i>Little or None</i>	83	86	85
	<i>Useful</i>	2	3	3
	<i>Very or Essential</i>	15	11	13
<b>Bicycle Repair</b>	<i>Little or None</i>	97	93	95
	<i>Useful</i>	3	3	3
	<i>Very or Essential</i>	1	4	2
<b>Machine Lathing</b>	<i>Little or None</i>	79	77	78
	<i>Useful</i>	5	5	5
	<i>Very or Essential</i>	16	18	17
<b>Carpentry</b>	<i>Little or None</i>	69	73	71
	<i>Useful</i>	6	5	6
	<i>Very or Essential</i>	25	22	23
<b>Construction</b>	<i>Little or None</i>	69	67	68
	<i>Useful</i>	10	11	11
	<i>Very or Essential</i>	21	21	21
<b>Generator Repair</b>	<i>Little or None</i>	78	76	77
	<i>Useful</i>	12	9	11
	<i>Very or Essential</i>	10	15	13
<b>Masonry</b>	<i>Little or None</i>	86	85	85
	<i>Useful</i>	5	5	5
	<i>Very or Essential</i>	10	10	10
<b>Mechanics</b>	<i>Little or None</i>	71	71	71
	<i>Useful</i>	10	5	7
	<i>Very or Essential</i>	20	25	22
<b>Sewing/Embroidery/ Carpet Making</b>	<i>Little or None</i>	63	57	60
	<i>Useful</i>	2	5	3
	<i>Very or Essential</i>	35	39	37
<b>Welding/ Blacksmith</b>	<i>Little or None</i>	66	61	64
	<i>Useful</i>	5	9	7
	<i>Very or Essential</i>	29	30	29
<b>Tailoring</b>	<i>Little or None</i>	57	55	56
	<i>Useful</i>	12	5	8
	<i>Very or Essential</i>	31	41	36

## Annex 1.2: Mazar-i Sharif

As illustrated in Figure 2, slightly more than 50% of respondents believe that English, either basic or advanced is either useful, very useful or essential, which is slightly higher than Pul-i Khumri and may be accounted for by a more trading orientated labour market and the need to converse with trading partners combined with a desire to increase an employees knowledge of English for greater employment opportunities, which was often reported during key informant interviews in Mazar. Demand for IT courses, whether basic or advanced, were similar to levels of interest in English courses and remain useful, very useful or essential for close to half of employer and employee respondents.



**Figure 2: Utility of skill sets in the fulfilment of mandated roles (employers and employees grouped)**

Accounting was also perceived as a beneficial skill for the workplace as 58.4% of combined respondents reported that basic accounting is very useful or essential and 64.9% claimed the same sentiment towards advance accounting skills. Advanced vocational training courses, according to the 400 respondents, are most in demand with a strong belief (almost 85%) that they are either essential or very useful for the respondent's current position.

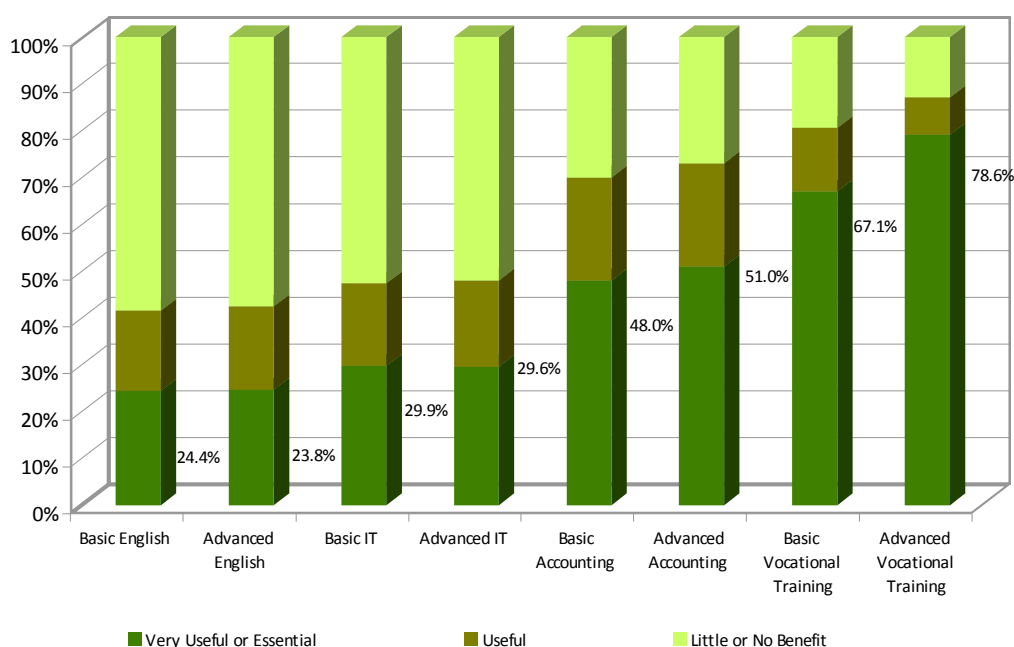
The vocational training skills perceived to be the most beneficial for both employers and employees were reported as tailoring (36%), sewing and carpet making (36%), construction (34%), welding and blacksmithing and (34%) (see Table 2 for complete breakdown). There is little discrepancy between the responses from employers and employ with the primary demands closely aligning with the economic sectors reported in qualitative interviews: the construction and services sectors.

**Table 2: Utility of vocational trainings in the fulfilment of mandated roles (tabular format)**

<b>Vocational Training</b>	<b>Perceived Utility</b>	<b>Employers (%)</b>	<b>Employees (%)</b>	<b>Mean (%)</b>
<b>Animal Husbandry</b>	<i>Little or None</i>	80	84	<b>82</b>
	<i>Useful</i>	3	4	<b>4</b>
	<i>Very or Essential</i>	17	12	<b>14</b>
<b>Bicycle Repair</b>	<i>Little or None</i>	90	90	<b>90</b>
	<i>Useful</i>	3	4	<b>4</b>
	<i>Very or Essential</i>	7	5	<b>6</b>
<b>Machine Lathing</b>	<i>Little or None</i>	82	82	<b>82</b>
	<i>Useful</i>	2	3	<b>3</b>
	<i>Very or Essential</i>	16	15	<b>16</b>
<b>Carpentry</b>	<i>Little or None</i>	69	69	<b>69</b>
	<i>Useful</i>	5	7	<b>6</b>
	<i>Very or Essential</i>	25	24	<b>25</b>
<b>Construction</b>	<i>Little or None</i>	59	60	<b>59</b>
	<i>Useful</i>	6	7	<b>7</b>
	<i>Very or Essential</i>	35	33	<b>34</b>
<b>Generator Repair</b>	<i>Little or None</i>	61	64	<b>62</b>
	<i>Useful</i>	15	11	<b>13</b>
	<i>Very or Essential</i>	24	25	<b>25</b>
<b>Masonry</b>	<i>Little or None</i>	81	81	<b>81</b>
	<i>Useful</i>	4	6	<b>5</b>
	<i>Very or Essential</i>	15	13	<b>14</b>
<b>Mechanics</b>	<i>Little or None</i>	72	74	<b>73</b>
	<i>Useful</i>	7	7	<b>7</b>
	<i>Very or Essential</i>	21	19	<b>20</b>
<b>Sewing/Embroidery/ Carpet Making</b>	<i>Little or None</i>	57	57	<b>57</b>
	<i>Useful</i>	5	8	<b>7</b>
	<i>Very or Essential</i>	38	35	<b>36</b>
<b>Welding/ Blacksmith</b>	<i>Little or None</i>	63	61	<b>62</b>
	<i>Useful</i>	1	7	<b>4</b>
	<i>Very or Essential</i>	36	32	<b>34</b>
<b>Tailoring</b>	<i>Little or None</i>	58	55	<b>56</b>
	<i>Useful</i>	9	6	<b>8</b>
	<i>Very or Essential</i>	33	39	<b>36</b>

## Annex 1.3: Kandahar City

Kandahar differs to the cities of Pul-Khumri and Mazar-e Sharif in that there appears to be a greater appreciation for vocational trades, such as mechanics or tailoring, in place of an English language ability, IT skills and basic accounting. Advanced vocational training, for example, was recorded as three times as beneficial in the workplace than advanced English (75% to 25%) of respondents. In regards to IT, there was a slight preference for basic IT skills (29.9%) in contrast to advanced IT skills (29.6%), suggesting that firms are more looking at IT as a functional tool, rather than a method to create efficiencies, although other factors are also mot likely at play.



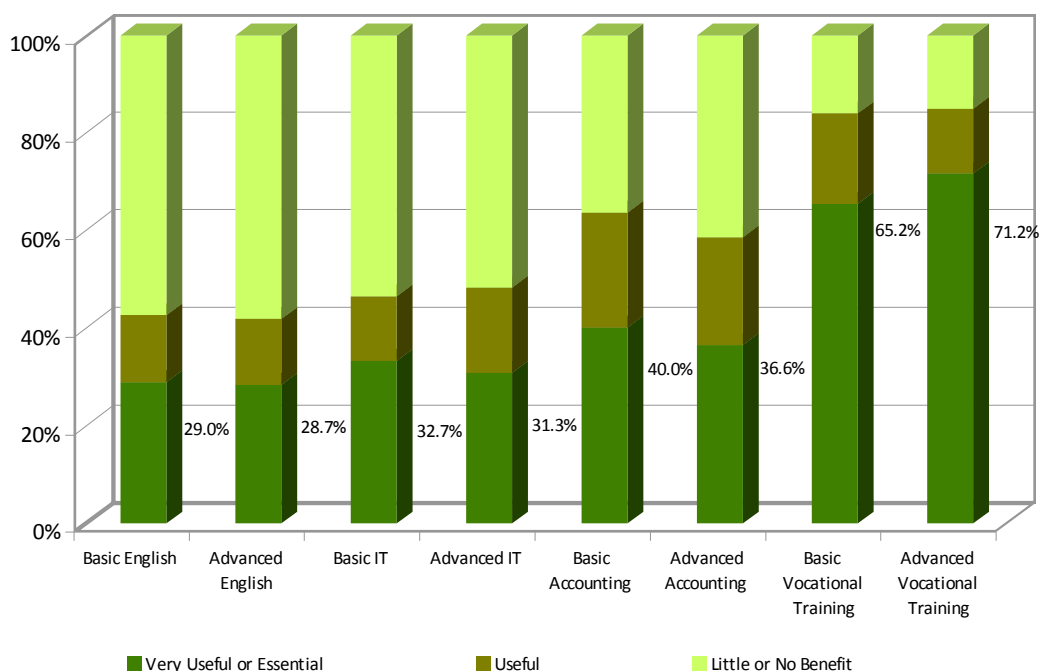
**Figure 3: Utility of skill sets in the fulfilment of mandated roles (employers and employees grouped)**

**Table 3: Utility of vocational trainings in the fulfilment of mandated roles (tabular format)**

Vocational Training	Perceived Utility	Employers (%)	Employees (%)	Mean (%)
<b>Animal Husbandry</b>	<i>Little or None</i>	54	57	<b>56</b>
	<i>Useful</i>	22	25	<b>23</b>
	<i>Very or Essential</i>	24	18	<b>21</b>
<b>Bicycle Repair</b>	<i>Little or None</i>	61	55	<b>58</b>
	<i>Useful</i>	23	25	<b>24</b>
	<i>Very or Essential</i>	16	20	<b>18</b>
<b>Machine Lathing</b>	<i>Little or None</i>	32	37	<b>35</b>
	<i>Useful</i>	27	30	<b>29</b>
	<i>Very or Essential</i>	40	33	<b>37</b>
<b>Carpentry</b>	<i>Little or None</i>	38	34	<b>36</b>
	<i>Useful</i>	27	32	<b>29</b>
	<i>Very or Essential</i>	35	34	<b>35</b>
<b>Construction</b>	<i>Little or None</i>	19	17	<b>18</b>
	<i>Useful</i>	19	22	<b>20</b>
	<i>Very or Essential</i>	62	61	<b>61</b>
<b>Generator Repair</b>	<i>Little or None</i>	26	31	<b>29</b>
	<i>Useful</i>	24	23	<b>23</b>
	<i>Very or Essential</i>	50	46	<b>48</b>
<b>Masonry</b>	<i>Little or None</i>	68	64	<b>66</b>
	<i>Useful</i>	16	16	<b>16</b>
	<i>Very or Essential</i>	16	20	<b>18</b>
<b>Mechanics</b>	<i>Little or None</i>	18	14	<b>16</b>
	<i>Useful</i>	30	27	<b>28</b>
	<i>Very or Essential</i>	52	59	<b>55</b>
<b>Sewing/Embroidery/ Carpet Making</b>	<i>Little or None</i>	21	25	<b>23</b>
	<i>Useful</i>	26	26	<b>26</b>
	<i>Very or Essential</i>	53	50	<b>51</b>
<b>Welding/ Blacksmith</b>	<i>Little or None</i>	26	26	<b>26</b>
	<i>Useful</i>	29	25	<b>27</b>
	<i>Very or Essential</i>	45	49	<b>47</b>
<b>Tailoring</b>	<i>Little or None</i>	20	16	<b>18</b>
	<i>Useful</i>	19	18	<b>18</b>
	<i>Very or Essential</i>	61	66	<b>63</b>

## Annex 1.4: Kunduz City

Similar to Kandahar, there is a greater reliance in and belief that the more practical skills of vocational training and skill sets are of greater benefit than an education in English, IT and accounting. For example approximately 29% of respondents (both employers and employees) responded that both basic and advanced English were very useful or essential in contrast to 71.2% of people who claimed that advanced vocational training was essential or very useful. (for the complete figures, please see Figure 4).



**Figure 4: Utility of skill sets in the fulfilment of mandated roles (employers and employees grouped)**

The trend of turning towards more practical skills is maintained in the question to respondents on, which forms of vocational training they would believe would be beneficial to their current workplace. Skills such as welding, construction, mechanics as well as tailoring and carpet weaving all were considered as very useful or essential by close or greater than 50% of combined employers and employees. When combined with respondents who claimed that the trades would be 'useful' the same trades are therefore favoured by the overwhelming number of respondents as providing added value to their current occupation.



**Table 4: Utility of vocational trainings in the fulfilment of mandated roles (tabular format)**

Vocational Training	Perceived Utility	Employers (%)	Employees (%)	Mean (%)
<b>Animal Husbandry</b>	<i>Little or None</i>	57	61	<b>59</b>
	<i>Useful</i>	19	18	<b>19</b>
	<i>Very or Essential</i>	24	21	<b>22</b>
<b>Bicycle Repair</b>	<i>Little or None</i>	77	81	<b>79</b>
	<i>Useful</i>	18	13	<b>16</b>
	<i>Very or Essential</i>	5	5	<b>5</b>
<b>Machine Lathing</b>	<i>Little or None</i>	46	48	<b>47</b>
	<i>Useful</i>	24	32	<b>28</b>
	<i>Very or Essential</i>	30	20	<b>25</b>
<b>Carpentry</b>	<i>Little or None</i>	48	43	<b>46</b>
	<i>Useful</i>	24	26	<b>25</b>
	<i>Very or Essential</i>	28	31	<b>29</b>
<b>Construction</b>	<i>Little or None</i>	31	34	<b>33</b>
	<i>Useful</i>	19	22	<b>20</b>
	<i>Very or Essential</i>	50	44	<b>47</b>
<b>Generator Repair</b>	<i>Little or None</i>	45	40	<b>42</b>
	<i>Useful</i>	28	28	<b>28</b>
	<i>Very or Essential</i>	28	32	<b>30</b>
<b>Masonry</b>	<i>Little or None</i>	75	68	<b>71</b>
	<i>Useful</i>	9	15	<b>12</b>
	<i>Very or Essential</i>	16	18	<b>17</b>
<b>Mechanics</b>	<i>Little or None</i>	23	22	<b>22</b>
	<i>Useful</i>	22	21	<b>21</b>
	<i>Very or Essential</i>	55	57	<b>56</b>
<b>Sewing/Embroidery/ Carpet Making</b>	<i>Little or None</i>	27	23	<b>25</b>
	<i>Useful</i>	23	27	<b>25</b>
	<i>Very or Essential</i>	50	51	<b>50</b>
<b>Welding/ Blacksmith</b>	<i>Little or None</i>	30	30	<b>30</b>
	<i>Useful</i>	23	20	<b>22</b>
	<i>Very or Essential</i>	46	50	<b>48</b>
<b>Tailoring</b>	<i>Little or None</i>	28	22	<b>25</b>
	<i>Useful</i>	16	19	<b>17</b>
	<i>Very or Essential</i>	56	59	<b>58</b>

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