

Doing Business in Afghanistan 2017



Doing Business in Afghanistan 2017 is the first subnational report studying business regulations affecting small to midsize domestic firms in Afghanistan. Regulations relevant to four stages in the life of a small to medium-size firm are measured: starting a business, dealing with construction permits, getting electricity and registering property. The report, which covers Kabul and four other provinces, finds that regulatory quality and efficiency vary considerably across locations.

DOING BUSINESS IN AFGHANISTAN 2017

Doing Business in Afghanistan 2017 goes beyond the largest business city—Kabul—by covering the provinces of Balkh, Herat, Kandahar and Nangarhar, where the largest business cities are Mazar-i-Sharif, Herat, Kandahar and Jalalabad, respectively.

It uncovers administrative bottlenecks, highlights good practices that can be leveraged to empower local entrepreneurs and firms, and recommends reforms based on examples from the country and the other 189 economies measured by the *Doing Business* project in four regulatory areas:

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property

The report was produced by the Global Indicators Group of the World Bank Group as a component of the Investment Climate Program in Afghanistan. Data collection was done in partnership with Samuelli Hall.



MAIN FINDINGS

- Afghan entrepreneurs face different regulatory hurdles depending on where they establish their businesses. Regulatory quality and efficiency vary across locations in the four areas benchmarked because of differences in local interpretations of the law and in the efficiency of local agencies responsible for administering regulation.
- Afghan provinces can improve ease of doing business by learning from each other. Reform-minded policy makers can make tangible improvements by replicating measures already successfully implemented within the country.
- By adopting all the good practices found at the subnational level, Afghanistan would jump 11 places in the global ranking of 190 economies on the ease of doing business, moving up from 183 to 172.
- Kabul leads in starting a business and getting electricity, as a result of reforms that were implemented only in the capital. Rolling the reforms implemented in Kabul out across Afghanistan would benefit entrepreneurs in other provinces and urban centers.
- Kandahar ranks first in dealing with construction permits and registering property, while Balkh comes in a steady second in all four areas measured by the report.
- Stronger local governments would enhance efficiency in the provinces and free up resources in Kabul, where many bureaucratic processes are centralized. It is important, at first, to strengthen the

legitimacy, accountability and capacity of the public sector at the subnational level by reducing overlapping institutional mandates and by clarifying unclear roles and responsibilities.

- Afghanistan has made important strides since 2008 in simplifying the start-up process. Today the country, represented by Kabul, ranks among the top 50 economies worldwide on the ease of starting a business.
- On average in the five provinces, completing the construction permitting process takes five weeks less than the regional average for South Asia, but it costs more than twice as much.
- To improve safety in the construction industry, the Kabul municipality recently adopted a regulation specifying the rules and requirements for getting final approval for a newly constructed building. Local initiatives like this one could converge into a national construction law.
- On average in the five provinces, getting an electricity connection takes three weeks less than the regional average for South Asia, but it costs almost 70% more.
- Faced with the challenge of having less than 30% of urban land formally registered, Afghanistan remains one of the most difficult places globally to transfer land. Procedural complexity, low levels of transparency and lack of adequate record-keeping infrastructure are some of the major obstacles to improving the reliability of the land administration system.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational *Doing Business* studies capture differences in business regulations and their enforcement across locations in a single country. The reports provide data on the ease of doing business in selected areas, rank each location, and recommend reforms to improve performance at the local level in each area. Since 2005, subnational Doing Business projects have benchmarked more than 438 locations in 65 countries.

WHY SUBNATIONAL?

▪ Offers a new diagnostic tool

Applying the methodology used in the cross-country global *Doing Business* report in a number of locations in the same country or region, the projects create micro-level data on various areas of business regulation. This allows the participating locations to compare their business regulations among themselves and with 189 economies worldwide.

▪ Motivates regulatory improvements

The studies uncover bottlenecks, provide policy recommendations and identify local good practices that can easily be replicated without changing the country's legal and regulatory framework. The studies motivate regulatory improvements, mainly through peer-to-peer learning.

▪ Measures progress over time

Repeated benchmarking measures progress over time and creates incentives to maintain the reform effort, even when governments change. The studies become a public-policy tool to guide policymakers throughout the business regulatory reform cycle.

FULL REPORT AVAILABLE AT:

www.doingbusiness.org/Afghanistan

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