

Job Creation in Afghanistan: Putting Aid to Work Local procurement setting in motion employment & investment

Frequently Asked Questions

What is the context and purpose of this report?

This report adds to the current body of knowledge on jobs created through local procurement. It describes the impact that 'host-nation first' policies and approaches have had on job creation in Afghanistan, and describes the nature of these jobs. It shows how, in the first three months of 2011 alone, locally procured contracts are estimated to employ the equivalent of 35,000 people for jobs lasting six months. This is nearly the same number of people currently employed in Afghanistan's fast-growing telecoms industry. However, the lack of data on job creation in Afghanistan by international contracts means that PDT cannot quantify how many extra jobs would have been created had these contracts gone to non-Afghan-owned businesses. The report also presents data on investments made by these businesses as a result of winning contracts.

The results presented fill an important gap in studies undertaken on this topic – including new quantitative data and perspectives provided directly by local businesses. The report also offers insight into investments made by these businesses, the broader impact of winning international contracts on businesses, and the most significant challenges faced by the Kabul private sector.

Who was asked to participate in this study?

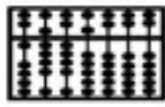
Businesses that had won contracts through PDT's Marketplace project in Afghanistan from 2006 to the end of March 2011.

What data was used to carry out the analysis?

The evidence presented in this report comes from a survey undertaken with Kabul-based firms that won international contracts with the help of PDT. In order to estimate the number of jobs created across Afghanistan we used the data PDT regularly collects on the contracts it facilitates for local businesses. The majority of these contracts were confirmed in a telephone survey undertaken in August 2011.

What were the major findings of the research?

Based on the survey results, it is estimated that from 2006 until the end of March 2011, approximately 118,000 jobs were created or sustained through Marketplace activities. In the first three months of 2011 alone, locally awarded contracts from international organizations led to the creation of the equivalent of 35,000 jobs lasting for six months. This is comparable to the 50,000 people currently employed by Afghanistan's fast-growing telecoms industry.



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Other key findings

In Kabul alone, 148 contracts have generated \$210m in revenue for 146 businesses since 2006 and created or sustained 26,000 jobs. The survey also revealed that:

- During contracts, businesses expanded their employee base on average by over 300%. Smaller businesses increased employment by the greatest proportion.
- The majority of jobs went to skilled workers.
- For the typical contract, one month of employment was created or sustained for every \$600 spent. This includes all non-employment expenses such as materials and running costs.
- The majority of businesses invested profits in both physical capital (purchase of equipment, etc.) and increasing the skills of their staff.
- The biggest challenges reported by businesses were corruption, security, and access to capital.

Were there any major caveats to this research?

Yes. This report should not be read as a statement on the impact of the Peace Dividend Marketplace on job creation, but rather as an attempt to understand the effects that locally awarded contracts have on Afghan businesses. While the results presented here do not quantify the impact of Peace Dividend Trust, they do help to understand the ways in which the organization's services benefit local businesses and will feed into the design and provision of more effective services and resources. Furthermore, findings in this report provide new data and insights for the wider international community on the positive effects that local procurement can have on crisis and post-crisis countries.

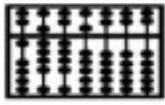
Of note, the lack of data on employment effects in Afghanistan from non-locally awarded contracts means that we cannot say how many of the jobs created or sustained from local procurement would not have existed had contracts not gone to local businesses.

What were the major barriers to carrying out the study?

Security - businesses feared information falling into the wrong hands, administrative capacity of businesses - many businesses struggled to provide accurate information on, for example, contract start and end dates, defining the sectors that businesses work in - many Afghan businesses are trying to expand into several fields which makes them difficult to classify, low levels of feedback - Not all awarded contracts were recorded because businesses were not eager to share information regarding annual revenues, and many buyers do not provide regular feedback to suppliers. While PDT's systematic feedback surveys do capture a portion of contracts awarded, this is almost certainly an underestimate.

What recommendations were made to address some of the concerns identified in the report?

While local procurement has had a positive effect in order for this to be sustained international organizations need to create a predictable and stable environment for Afghan businesses by:



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1. Increasing transparency in contracting including making acquisition plans available so that businesses have time to adjust their operation including retaining employees with necessary skills.
2. Continuing to procure locally where ever possible with an increased view towards the most labor-intensive and sustainable industries.
3. Actively providing references for businesses with good track records to enhance their ability to find other markets for their services.
4. Apply lessons from other Islamic countries on providing capital to businesses so that Afghan companies can compete for larger contracts.
5. Allow businesses to bid in their local language.

Who funded this project?

The Canadian International Development Agency (CIDA)