

# **Evaluating World Bank Support Structures and Entrepreneurship Development initiatives in Kandahar and Helmand Province of Afghanistan**

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## **Abstract**

*The study pursues to find out the function of World Bank support structures and entrepreneurship development initiatives in Kandahar and Helmand province of Afghanistan. Data was gathered through questionnaire, a sample of 121 respondents was drawn randomly from the population of 232 registered entrepreneurs of Afghanistan Rural Enterprise Development Programme (AREDP), a project of World Bank. According to the findings, there was evidence which showed that World Bank's support to entrepreneurs contributed to increased employment, sustainability of targeted local enterprises, and the income of rural men and women in Kandahar, Afghanistan. Recommendations are to cover more provinces of Afghanistan to alleviate poverty and to provide advance technology in order to bridge the technology lag. This article offers a deep understanding of the function of enterprise development programme support structures in Afghanistan, mainly employment generation, poverty reduction and long-term income sustainability of entrepreneurs.*

**Keywords:** World Bank, Support structures, Entrepreneurship, Kandahar, Helmand, Afghanistan

## **Introduction**

A multitude of competitive situations are in front of present times' entrepreneurs in least-developed countries like Afghanistan. These include challenges of poverty alleviation, employment creation, access to updated technology, efficient productivity and insufficiency of raw materials. Afghanistan Rural Enterprise Development Program 2009 (AREDP) strives to bring innovative

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enterprise development concepts into the rural areas of Afghanistan in order to create sustainable livelihood for poor people.<sup>1</sup> According to the constitution of Afghanistan,

*“The state shall formulate and implement effective programs for development of industries, growth of production, raising living standards, and support to craftsmanship.”*<sup>2</sup>

The emergence of enterprise development acts as a key part in inclusive financial development, employment creation as well as improvement of social capital in the country.<sup>3</sup>

Luckily, subsequent to reconstruction of Afghanistan after Taliban Government, Donor agencies especially World Bank, USAID, UNDP, CIDA, DFID etc boosted Ministry of Rural Rehabilitation and Development of Afghanistan<sup>4</sup> and have supported rural population’s economic activities; through Afghanistan Rural Enterprise Development Program.<sup>5</sup>

Literature shows that in Afghanistan, there are host challenges that encounter entrepreneurs. Major challenges include start-up capital, access to updated technology, lack of interest in enterprise development activities, short of knowledge about enterprise support structures, insufficient skillfulness and capabilities and not having proper entrée to marketplace. Based on remarkable thought-out strategy, purpose of governmental and World Bank support structures and innovations intended to develop enterprise growth in the country. The study aims to discover function of government led support initiatives and structures in promoting and developing entrepreneurship in Helmand and Kandahar provinces of Afghanistan. Both Helmand and Kandahar are less advantaged communities and are dominated by Pashtuns who speak Pashto.

### **Literature Review**

Business experts and economists are trying hard to compose an unambiguous and universally acknowledged meaning and description of entrepreneurship<sup>6</sup>. They argue that entrepreneurship has been studied by various disciplines, and this is the major cause of having difference of opinions on its definition<sup>7</sup>. However, within the context of this study, the scope of entrepreneurship is limited to creation and exploitation of opportunities with the help of acquired resources to initiate, or develop prevailing company by means of key objective of generating return and welfare of community. Entrepreneurship is the ultimate result of innovation and creativity which generate services and products adding worth

and resolve social and economic hurdles.<sup>8</sup> It aids economic independence, boosts self-esteem, improve the standard of living and may result political steadiness and countrywide harmony.<sup>9</sup>

In Afghanistan, an extensive focus on enterprise development was made after Taliban downfall in 2001. The Afghanistan government and donor agencies, especially the World Bank initiated Government led Programs to support entrepreneurs to re-build the war stricken economy. Afghanistan Ministry of commerce and Industry, with the objective of enhancing cost-effective development participated enthusiastically, has initiated an institutional framework to reinforce Small & medium enterprises with the aim of improving quality of entrepreneurs, alleviation of poverty and enhancing direct and indirect employment in the country.<sup>10</sup> In the country, there are various other institutions working on development of entrepreneurship by different projects in rural areas. These include Department for International Development (DFID), United States Agency for International Development (USAID) and Canadian International Development Agency (CIDA) running the Kick-start Program to start-up and raise entrepreneurial endeavor among rural Afghanistan.<sup>11</sup>

The significance of small business structure is recognized in worldwide economies, especially in less developed countries. The contribution towards job creation, poverty reduction and social development is highly valued and regarded as essential elements for achieving inclusive economic and social growth.<sup>12</sup> Researchers argue that SMEs employ almost 22% of the adult population in under developed countries.<sup>13</sup> According to UNDP (1999) estimates small businesses represent over 60% of business and contribute about 35% of GDP in most of South Asian countries.<sup>14</sup> Despite this acknowledged importance and SME contribution to economic growth, SME across the globe and in Afghanistan in particular, are still confronted with abundant challenges that hinder entrepreneurial growth. Apart from SME financial and technical support, SMEs in Afghanistan also suffer from managerial skills due to lack of education and business training. This results a low scale of enterprise development in Afghanistan. The presence of these Government and Non-Government initiatives and support structures attest that nurturing approach of enterprise development in rural Afghanistan somehow hooks the interest of different stakeholders. However, it would augment enterprise growth, mainly in Southern Afghanistan, if it fits out to be the case in Helmand and Kandahar, where this study is instigated.

### Research Methodology

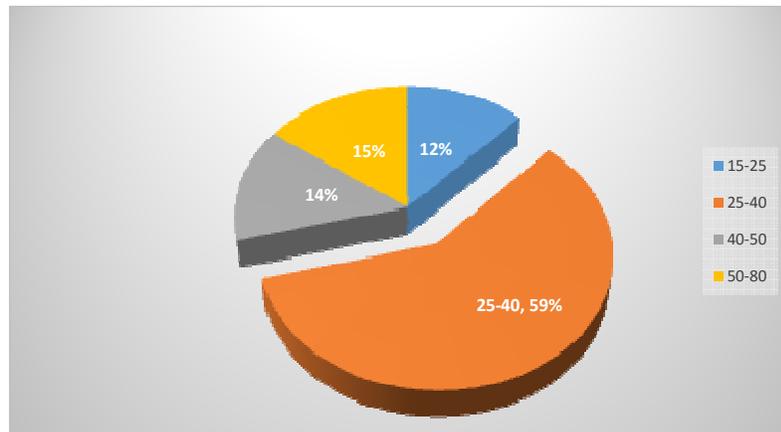
Data was collected through open and closed ended semi structured questionnaire from 121 entrepreneurs randomly selected from population of 232 entrepreneurs listed on the database of Afghanistan Rural Enterprise Development Program. Corporations were excluded in this research as they were not supported progressively after Post-Taliban regime in Afghanistan. The study population was decided on with confidence that it will furnish valuable facts. The research questionnaire was personally controlled at a local training center, by one investigator to the participants where they had their monthly conference.

A test re-test procedure upon ten participants was adopted for ensuring reliability of the instrument and consistency was recorded in the instrument prepared. Minor changes were made for increasing validity and reliability.

### Findings

This part states major results of the research. Tables, Pie charts and bars are utilized to present findings of the research.

Figure 1: Entrepreneurs Age group



The figure 1 shows that majority of entrepreneurs 59% comprised those who were between the ages of 25-40years, 15% were among the ages of 50-80 years. Similarly 14% of the participants were of the age of 40-50 year while 12% of the participants were young having ages of 15-25 years. The data shows that majority of the entrepreneurs are in the young ages of 25-40 years. Some of the renowned entrepreneurs such as Bill gates<sup>15</sup> of Microsoft and

Richard Branson<sup>16</sup> of the virgin group started their entrepreneurial undertakings very early.<sup>17</sup>

Figure 2: Entrepreneur Gender

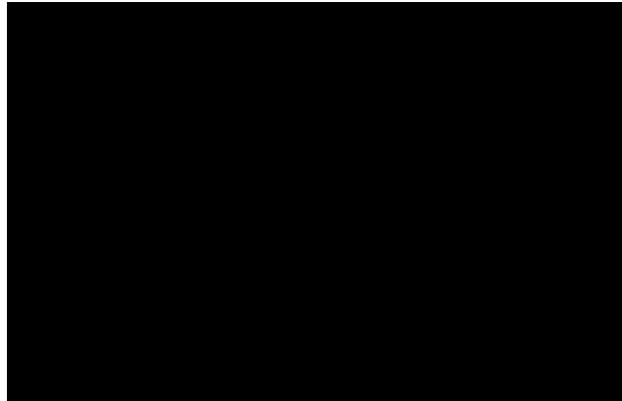
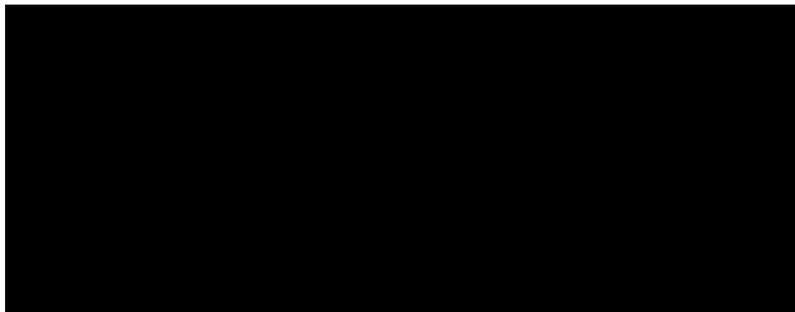


Figure 2, shows that great fraction (90%) of the Entrepreneurs were male whereas just 10% were female. These results may well be allied with research findings of previous studies that social-cultural constraints have a negative correlation with female entrepreneurship.<sup>18</sup> According to a research this difference may be because of gender discrimination, negative social-cultural attitudes, personal difficulties and harmonizing business and family errands.<sup>19</sup> In Afghanistan, predominantly in such an underprivileged society as Kandahar and Helmand females have a tendency to procreate near the beginning of ages of 15-20 years. This may limit their chances of being successful entrepreneurs and their innovative ideas may be affected negatively as their primacies begin to change.

Figure 3: Entrepreneurs' Level of education



The results of the entrepreneurs' literacy indicate that 55% of the entrepreneurs have primary education. 22% of entrepreneurs have attained secondary school certificates. A small proportion (12%) of the respondents had only managed to study university and the most tragic that 11% of the entrepreneurs are illiterate. Despite the reality that most of the entrepreneurs are literate, several have no business or economic training and education. Conceivably this draws attention to the requirement and want for business education and decision-making skills acquaintance among these entrepreneurs so as the entrepreneurs can play an effective role in the economic growth of the country.

Table 1: Summarized Descriptive Statistics of entrepreneurs' responses

Item	Response Categories	Frequency	Valid Percentage
Awareness about current initiatives and support structures for entrepreneurs	I) Agree	18	20.7 %
	II) Strongly agree	59	67.82 %
	III) Disagree	10	11.48 %
Easy access to business funding for entrepreneurs	I) Agree	22	25.29 %
	II) Strongly agree	48	55.17%
	III) Disagree	17	19.54%
Positive role of support structures to entrepreneurs (Such as World Bank, DFID, CIDA and USAID etc.) to enterprise development	I) Agree	13	14.94 %
	II) Strongly agree	62	71.24 %
	III) Disagree	12	13.82 %

Table 1 shows that majority of the respondents (88.52 %) indicated that they were aware of the existing initiatives and support structure for enterprise development in Afghanistan. However a small proportion of respondents (11.48%) were unaware about the support structures program. Therefore the existing system of

communication needs to be established to inform more entrepreneurs about the programme.

The findings of the study reveal that a majority (80.46 %) of the respondents claim that funding from donor agencies and microfinance institutions is easy and they support entrepreneurial developmental activities. These findings are coherent with previous research in the similar context.<sup>20</sup> Among other factors better advertisement, availability of funds from funding agencies and developing clusters of entrepreneurs were the main sources of funding to entrepreneurs. Similarly, other researchers also contend that access to business funding is a major bottleneck particularly when starting new business initiatives.<sup>21</sup>

Majority of respondents (86.18%) approved that support structures for enterprise development such as the World Bank, DFID, CIDA and USAID playing a tremendous role in developing entrepreneurs in Helmand and Kandahar provinces of Afghanistan while the rest (13.82%) disagreed with this stance. It is interesting that since the World Bank and other donor agencies are facilitating entrepreneurs in Afghanistan, it seems that in Helmand/Kandahar area this responsibility has been discharged sincerely by the international community through donor agencies and government led support structures. The availability of entrepreneurs advisory services in these areas ample testimony this claim. Hence, it is safe to say that the knowledge about enterprise development structures is owed to the availability of these structures in Helmand and Kandahar.

### **Conclusion and Recommendations**

Based on the satisfactory business atmosphere in Helmand and Kandahar, the study pursues to decide the role of initiatives and donors support structures in developing entrepreneurship in Helmand and Kandahar provinces of Afghanistan. The confirmation can be map out by a previous study where a large number of entrepreneurs argued that they started their ventures through support from financial institutions.<sup>22</sup> Business funding is the liability of the government.<sup>23</sup> Conceivably, it is owed to the element that the state exists to profit more in terms of revenues, inclusive development, work diversification, when fresh business enterprises are established having sustainable growth in economy.<sup>24</sup> Consequently, government of Afghanistan must expedite the process of enterprise development support structures to cover more area of the country. It may be in the shape of women empowerment, entrepreneurial education and related training.

Towards achieving Gross Domestic Product growth targets in Afghanistan, the government should attract more funds from donor agencies to strengthen the current enterprise development programs. Consequently, it will not only raise GDP but will also show its positive effects on employment, production, backward and forward linkages. This is impressive that majority of the participants approves the initiatives and support structures for entrepreneurs available in Helmand and Kandahar. Additionally, after the formation of such support structures, enhanced promotion tactics to build understanding of their presence as well as the services they offer for entrepreneurs would be among their prime concerns. This could also aid access to business information, which is an important element in the success of this program.

According to AREDP Annual Report (2013) enterprise growth is equal responsibility of all; government, private sector, financial institutions, donor agencies and entrepreneurs themselves. It demands for broad alliance of sorts to steady entrepreneurship growth. This can help to discover the important and essential enterprise support services that are desirable imperatively. Thus private donors will be able to correctly locate their involvement. Conclusively, it may be argued that access to business support services, including financial and non-financial products, principally from state led initiatives lead to satisfactory enterprise setting. Thus positive attitude towards entrepreneurship in Helmand and Kandahar may be achieved.

Findings reveal that government support structures in Afghanistan are better discharging their responsibility towards enterprise development in Helmand and Kandahar. It is also evident from AREDP Annual Report (2013), which admits that the key drivers for inclusive growth in the country are entrepreneurial initiatives. Reliance of entrepreneurs on grants from government, self-esteem and standards of living and economic growth among others, may positively be affected.<sup>25</sup> This emphasizes the want of government of Afghanistan to put extra concentration in launching initiatives and support structures in Helmand and Kandahar. Correspondingly, after formation such support structures would act together in the company of stakeholders, such entrepreneurial organizations, colleges etc, to spot and offer potential support to entrepreneurs without difficulty so that entrepreneurial targets may be achieved.

**Limitation of the study**

This paper was limited to entrepreneurs that are listed on the database of a national organization, which fosters and develops entrepreneurship in Helmand and Kandahar provinces of Afghanistan. Consequently, it may not be of value to formulate generality of its results to elsewhere. Additionally, this research focused on profit driven entrepreneurial initiatives that covenant with products and services. A future trend of this research will be to observe the imprint of entrepreneurs in job creation opportunities and poverty alleviation in Helmand and Kandahar.

## Notes & References

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