

# TOPICAL RESEARCH ON LOCALISATION IN AFGHANISTAN

## Strengthening NGO - Private Sector Coordination

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Malan Ideal Impact  
In collaboration with the Humanitarian Advisory Group (HAG)



Research commissioned by ACBAR  
Supporting the LTWG



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## ACRONYMS

ACBAR	Agency Coordinating Body for Afghan Relief and Development
GoA	Government of Afghanistan
HAG	Humanitarian Advisory Group
INGO	International Non-Governmental Organization
KII	Key Informant Interview
LTWG	Localisation Technical Working Group
MoEC	Ministry of Economy
MoU	Memoranda of Understanding
MSME	Micro, Small, and Medium Enterprise
NGO	Non-Governmental Organization
OPD	Organisations for People with Disabilities
PPP	Public-Private Partnership
SME	Small and Medium Enterprise
UN	United Nations
WASH	Water, Sanitation and Hygiene

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Foreign, Commonwealth  
& Development Office

## EXECUTIVE SUMMARY

This study examines the current state of coordination between non-governmental organizations (NGOs) and private sector actors in Afghanistan, focusing on how these actors engage across humanitarian and development programming and how such engagement contributes to localisation and sustainable development outcomes. The evidence shows that while collaboration exists across multiple sectors, it remains largely fragmented, informal, and operational, with limited institutionalisation for long-term strategic partnership development.

Across NGOs collaboration is most commonly observed through bilateral partnerships, donor-facilitated coordination, government-mediated contracting, and informal relationship-based arrangements. These partnerships are most active in agriculture, water, sanitation and hygiene (WASH), telecommunications, small and medium enterprise (SME) development, and service delivery sectors, where private actors mainly contribute technical expertise, implementation capacity, or market access. NGOs typically retain leadership over programme design and resource allocation, while private sector actors are more frequently engaged through procurement and service delivery contracting but rarely as strategic partners involved in programme design, co-investment, or shared accountability. As a result, collaboration is strongest at the operational level, moderate at the programmatic level, and weakest at the system level where policy, investment, and coordination structures are defined. A key pattern in the evidence is that partnership effectiveness tends to be perceived more positively at the relationship and operational level where collaboration delivers clear value in livelihoods, enterprise support, or service provision than at the system level, where informants with broader coordination and policy roles were more skeptical about overall effectiveness.

Partnerships demonstrate clear value where they deliver practical results such as vocational training, micro, small and medium enterprise (MSME) support, infrastructure delivery, and service provision. Key informants noted, effectiveness is strongest when collaboration is supported by flexible procurement, cash-based approaches, strong community networks, and technical leadership from private actors such as vocational training, MSME support, infrastructure delivery, and service provision. Evidence also highlights that integrated and area-based programming, along with neutral conveners, such as organisations or platforms capable of facilitating dialogue, building trust, and aligning incentives across NGOs, private sector actors, and government, helps improve alignment and coordination. More successful cases combine market linkage, capacity building, and longer-term engagement, while weaker models are associated with short-term, fragmented, and poorly contextualised interventions.

Despite positive examples, the overall system is constrained less by lack of willingness among actors than by a weak enabling architecture – fragmented coordination mechanisms, short funding cycles, unequal risk distribution, and regulatory uncertainty that collectively shape how partnerships are designed and sustained. Coordination mechanisms remain fragmented and weakly institutionalised, with no consistent platform for structured partnership development. Key constraints include unclear policy and regulatory frameworks, fragmented institutional mandates, weak PPP structures, and limited legal clarity for SMEs and women-led enterprises. Financial constraints such as short-term funding cycles, rigid donor modalities, limited risk-sharing, and delayed payments further restrict effective collaboration. These are reinforced by market-level challenges, including weak value chains, limited infrastructure, low access to finance, skills gaps, and broader political and economic instability.

Collaboration contributes positively to inclusion, particularly for women and rural communities, through livelihoods, MSME development, vocational training, and targeted cash-for-work programmes. Women's economic participation is the most visible area of impact, especially in small enterprises and agriculture-based activities. However, inclusion of persons with disabilities and other vulnerable groups remains limited. Outcomes are strongest when interventions are deliberately designed, locally contextualised, and linked to markets and sustainable income opportunities rather than short-term assistance.

The findings indicate that localisation in Afghanistan is developing in form but remains constrained for local actors including NNGOs and private sector. Primary KII data from across stakeholder groups confirms that private sector actors are present but not consistently empowered, consulted but not given a decision-making role, and relied upon for delivery without corresponding influence over strategy or resources while decision-making authority, programme design, and financial control remain concentrated with NGOs and donors. This pattern mirrors what the ACBAR/LTWG Localisation Baseline Assessment found for NNGOs, and this study's primary data validates that it extends to locally owned private sector actors as well. Strengthening localisation requires shifting power to local actors through deeper participation in design and budgeting, improved access to finance, stronger institutional coordination, and more flexible funding mechanisms. The evidence suggests that localisation will remain limited unless constraints in funding, policy, and coordination are addressed.

This research identifies what ACBAR and the LTWG can contribute to NGO-private sector collaboration through their existing mandate functions but does not assess ACBAR or the LTWG's overall coordination performance, nor does it evaluate the full institutional landscape for private sector engagement in Afghanistan which includes the Afghanistan Chamber of Commerce and Investment, the Private Sector Advisory Body, and sector ministries including MRRD, the Ministry of Agriculture, and the Ministry of Commerce (each with its roles to play in the enabling environment). Existing coordination platforms, including the ACBAR's localisation technical working group (LTWG) and other sectoral forums, provide an important foundation for structured partnership development. Current engagement is largely information-sharing rather than joint planning or decision-making. Stakeholders consistently highlight the need to strengthen not duplicate existing mechanisms by moving toward formalised coordination systems that enable shared planning, co-investment, and accountability. Stronger coordination depends on combining institutional reform, funding reform, and trust-building governance practices. In response to these findings, this study sets out nine recommendations for consideration by ACBAR and the LTWG, organised around their four core institutional functions.

#### On information sharing and coordination

1. Extend ACBAR's platform to include structured, sector-based NGO-private sector dialogue. This will require dedicated resourcing from donors, government, or private sector partners
2. Commission a sector-level mapping of existing partnership models; and develop a shared market intelligence system organised by sector.

#### On advocacy

3. Advocate to donors for multi-year, sector-aligned funding modalities and de-risking instruments.
4. Lead joint NGO-private sector advocacy on sector-specific regulatory and financial barriers.

#### On capacity building for national actors

5. Develop partnership quality standards that define transformative, rather than transactional, collaboration in the Afghan context.
6. Invest in national NGO institutional strengthening aligned to those standards.
7. Strengthen inclusive programme design with a particular focus on sectors where women's economic participation is viable within current constraints.

#### On platform for effective humanitarian and development action

8. Integrate the findings of this research into a structured, sector-grounded NGO-private sector engagement roadmap within the LTWG's existing localisation plan.

9. Facilitate the transition from humanitarian coordination toward sector-based market systems facilitation in agriculture, livelihoods, and MSME development.

## INTRODUCTION

Afghanistan's humanitarian and development system is operating within a shrinking international aid landscape, driven by declining donor funding, political changes, and shifting global priorities. Since August 2021, when the Interim Taliban Authority returned to power, development funding largely ceased, and international assistance shifted heavily toward short-term humanitarian programming. This reduction in aid has placed increasing pressure on NGOs, with national organisations facing the most acute constraints given their greater dependence on project-based donor financing and lack of access to institutional reserves or diversified revenue streams. At the same time, assessments of the Afghan private sector show that despite severe constraints, including limited banking functionality, liquidity shortages, and reduced consumer demand, the private sector possesses market-linked financial resources rather than donor provided resources available to NGOs. In this context, private sector engagement is increasingly discussed as a potential source of resources, expertise, and sustainability as traditional aid flows contract. This dynamic has been further sharpened by significant US foreign aid cuts in 2025, removing the single largest source of humanitarian financing in the country which has accelerated the urgent need to explore more sustainable, locally grounded partnership models and reduce aid dependency.

This study examines the current state of coordination between NGOs and private sector actors in Afghanistan, with a focus on how these actors interact within humanitarian, livelihood and development programming. It identifies existing practices, key challenges, and opportunities for improving collaboration, particularly in relation to strengthening localisation, enhancing programme effectiveness, and supporting more sustainable development outcomes.

This research was commissioned by the Agency Coordinating Body for Afghan Relief and Development (ACBAR) – the largest NGO coordination platform in Afghanistan – through its Localisation Technical Working Group (LTWG), established in late 2023 to advance localisation through technical advice, evidence generation, and

advocacy. The LTWG aims to ensure that national and local actors are meaningfully positioned at the centre of humanitarian decision-making, planning, coordination, and implementation. While localisation discussions have largely focused on NGO-to-NGO partnerships and donor funding modalities, there remains limited evidence on how NGO programming engages with the Afghan private sector and how such engagement can support more sustainable, locally led outcomes.

The purpose of the research is to explore how NGOs and private sector actors can collaborate more effectively by improving coordination, addressing structural and operational barriers, and aligning humanitarian and development interventions with market systems and private sector investment. The findings are intended to support ACBAR and the LTWG in developing practical, evidence-based recommendations to strengthen NGO-private sector collaboration and promote locally led and sustainable approaches. Underpinning both objectives is a shared framing that national NGOs and locally owned private sector actors, including MSMEs and charitable foundations, are both local actors in Afghanistan's humanitarian and development system. Strengthening their coordination is therefore not a parallel concern to localisation but a direct expression of it, with improved operational collaboration as the near-term lever and reduced structural aid dependency as the medium-term goal.

### Research Questions

The study is guided by the following key research questions:

1. What existing models and coordination mechanisms are currently used to facilitate collaboration between NGOs and private sector actors in Afghanistan, and what lessons can be drawn from what has worked well or not worked in practice?
2. How do NGOs engage with locally owned and led private sector actors, including charitable foundations and MSMEs, in the delivery of humanitarian and development programming, and what factors influence the effectiveness of these partnerships?
3. In what ways can NGO-led humanitarian and basic needs programs be better aligned with private

sector investment and market-based approaches to support longer-term development and resilience?

4. How do current NGO efforts support livelihoods and MSMEs align with private sector and government priorities for economic growth and investment in Afghanistan?
5. What coordination gaps, policy constraints, or enabling conditions affect NGO-private sector collaboration, and how can coordination platforms and partnerships be strengthened?
6. How can improved NGO-private sector collaboration contribute to more inclusive outcomes for women, ethnic minorities, rural communities, and persons with disabilities?

## RESEARCH METHODOLOGY

This study adopts a mixed-methods approach, combining a desk review and key informant interviews (KIIs). The desk review was conducted prior to data collection to inform the research design and identify key themes and evidence gaps.

Primary data were collected through KIIs designed to capture both detailed qualitative insights and comparable inputs across respondents. To strengthen analytical rigour and enable comparison across stakeholder groups, the interview guides combined open-ended questions with the systematic capture of selected quantitative indicators such as rating scales, rankings, and categorical response options.

### Desk Review

A desk review was conducted prior to primary data collection to examine existing literature, policy documents, strategic frameworks, and programme reports related to localisation in Afghanistan. A total of 16 reports and articles were reviewed between 19–28 January 2026 (see Annex A).

The review was used to map current approaches to NGO-private sector engagement, identify recurring challenges, and highlight emerging practices relevant to localisation and sustainable development. It also helped clarify key concepts and analytical areas, including inclusive economic participation, market systems development, and institutional coordination. Findings from the desk review informed the design of data collection tools, particularly the development of

semi-structured KII guides. This ensured that interview questions were grounded in existing evidence, addressed identified gaps, and remained closely aligned with the research questions and objectives.

### Data Collection

A total of 35 KIIs were conducted between 9 February and 10 March 2026. The sample included a diverse range of stakeholders: LTWG members (3), donor agencies (5), INGOs (7), NNGOs (3), Community-based foundations (3), private sector actors (6), civil society and academia (4), and government institutions (4).



Interviews were conducted remotely and, where feasible, in person, depending on access and participant availability.

### Data Analysis

Qualitative data were analyzed using a matrix-based thematic approach aligned with the research questions. Following transcription, translation, and data cleaning, interview responses were organized in Excel by question and respondent. The analysis followed a step-wise process. First, key quotes were extracted from each response. These were then condensed into response summaries to capture the main point of each input. Based on these summaries, analytical codes were developed to reflect specific issues or ideas raised by respondents. Codes were then grouped into broader themes that captured patterns across stakeholders, including alignment areas, gaps, and cross-cutting constraints. Data were organized into question-wise matrices, allowing comparison of responses across different stakeholder groups. This enabled identification of similarities, differences, and recurring patterns in perspectives.

In parallel, quantitative responses collected through rating and categorical questions were compiled and analyzed using descriptive statistics, such as frequencies and averages. These were used to support comparison across stakeholders and to complement qualitative findings. The analysis focused on both recurring responses and issues with strong explanatory value, particularly in relation to coordination, funding constraints, inclusion, and private sector engagement. NVivo and Excel were used to support coding, organization, and retrieval of data.

### Limitations

This study is primarily qualitative, providing rich insights but potentially reflecting some subjectivity. Findings represent participants' perspectives and may not be fully generalizable. To enhance credibility and robustness, information was triangulated across multiple sources and diverse stakeholders were consulted.

## PART I - CURRENT LANDSCAPE OF NGO PRIVATE SECTOR COLLABORATION

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### PREDOMINANT PARTNERSHIP MODELS

Across stakeholder groups, coordination between NGOs and the private sector occurs in multiple sectors but remains largely informal and fragmented, relying primarily on bilateral, donor-facilitated, and operational contracting models, with limited institutionalised platforms for strategic collaboration. A key pattern emerging from the evidence is that partnership effectiveness tends to be perceived more positively at the operational and relationship level, particularly where collaboration delivers clear value in infrastructure, enterprise support, or service provision, than at the system level, where informants with broader coordination and policy roles were more sceptical about overall effectiveness. This distinction between operational functionality and systemic weakness is a recurring theme across the findings that follow.

### Procurement Relationships

Procurement relationships are the most common form of engagement between NGOs and private sector actors in Afghanistan. NGO data shows consistent collaboration with locally owned MSMEs, including women-led enterprises, primarily for sourcing goods and services within project cycles. Donor insights highlight that flexible procurement and cash-based programming enable these partnerships, while Community-based foundations and LTWG perspectives indicate they are often short-term, relationship-driven, and transactional in nature. Although procurement provides an entry point for local market participation, it remains limited in fostering long-term or strategic collaboration.

### Service Delivery Partnerships

Service delivery partnerships involve more direct collaboration in programme implementation, particularly in sectors such as health, education, and livelihoods. Private sector actors report engagement in both humanitarian and commercially oriented activities, while donors emphasize the importance of complementary roles NGOs offering community access and private firms providing technical expertise. However, these partnerships remain uneven and fragmented, with civil society and government stakeholders noting short project cycles, weak institutional alignment, and limited sustainability despite their higher potential for impact.

### Subcontracting Arrangements

Subcontracting arrangements are commonly used to engage private sector actors in specific components of project implementation, often through bilateral NGO partnerships and donor-funded programmes. Findings suggest these arrangements are largely ad hoc and weakly formalized, with limited coordination structures to support them. Community-based foundations and civil society highlight that such partnerships are opportunity-driven and lack continuity, while LTWG findings point to an absence of institutional mechanisms to scale or sustain them. Despite these limitations, subcontracting remains an important mechanism for accessing technical capacity and supporting implementation.

## Differences Across Sectors

### (a) Agriculture and Rural Livelihoods

NGOs and private sector actors collaborate in agribusiness development, value chain support, and microenterprise growth, often linking local resources with market opportunities. Success is enhanced through market assessments and vocational training that align skills with demand. However, sustainability is challenged by weak value chain integration, regional disparities, and limited private sector involvement in some rural areas.

### (b) Health and Service Delivery

Partnerships in health focus on joint program delivery, technical capacity, and community access. Donors and NGOs report effective coordination when intermediaries or convening agencies are involved, but fragmentation and weak institutionalization hinder wider impact. Private sector contributions are primarily in technical services and infrastructure support, and success depends on transparent governance and long-term planning.

### (c) Infrastructure and Construction

Private sector engagement in construction is mainly through contracting and subcontracting arrangements, enabling efficient project implementation. Partnerships are effective when roles are clearly defined and technical expertise is leveraged, though political restrictions, bureaucratic delays, and coordination gaps can limit outcomes. Long-term strategic collaboration remains limited.

### (d) MSME and Enterprise Development

MSME-focused partnerships emphasize skills development, seed capital, market access, and value chain linkages. NGOs and donors report alignment with private sector investment priorities where early consultation, market-based programming, and evidence-based planning occur. Constraints include fragmented markets, limited women's participation, and short donor funding cycles. Successful examples demonstrate long-term value chain development and sustainable enterprise growth, while weak coordination or contextual mismatch can undermine outcomes.

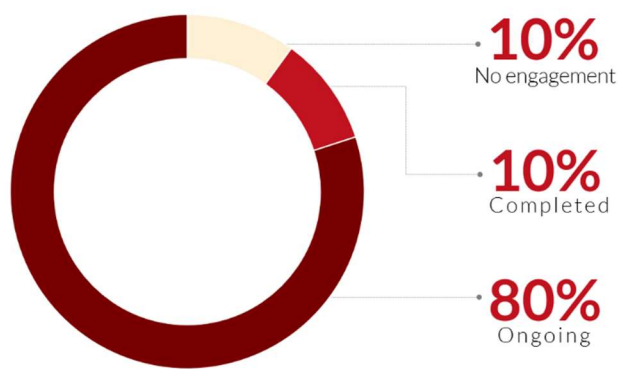
## Nature and Dynamics of NGO Coordination

### (e) Intermediaries Between Donors and Markets

Findings show that NGOs commonly act as operational and financial intermediaries that translate donor-financed grants and contracts into engagement with local private sector by channelling external resources into the local economy while managing compliance, reporting, and fiduciary requirements on behalf of donors. Through grants, contracts, compliance systems, and technical assistance mechanisms, NGOs translate donor priorities into partnerships with enterprises, particularly locally owned MSMEs and women-led businesses. This intermediary role helps private firms access funding opportunities, capacity building, and market linkages that would otherwise be difficult to secure.

Findings indicate a difference between INGOs and NNGOs in how decision-making is shared with private sector actors. Among INGOs, 50 percent reported partial involvement of private sector partners, 10 percent reported full involvement, and 10 percent described participation as well-established. In contrast, 30 percent of NNGOs reported partial involvement, while none reported full or well-established participation. However, respondents across donor, civil society, Community-based foundations, and private sector groups highlighted that this intermediation is often shaped by rigid financing modalities and short project cycles. Heavy reliance on grants, strict co-funding requirements, overhead limits, and reimbursement-based disbursement models can shift financial risks onto local actors and weaken genuine risk-sharing. Weak banking infrastructure, payment delays, and declining funding flows further constrain sustainability. Civil society perspectives also point to institutional capacity gaps and missing coordination mechanisms that reduce the effectiveness of NGO brokerage functions. Overall, NGOs connect donors to markets, but this role remains largely donor-driven and insufficiently structured to support long-term private sector development.

Figure 1. Percentage of NGOs partnering with the private sector in Afghanistan (last 3 years)



#### (f) Private Sector Participation in Programme Delivery

Private sector engagement in NGO programmes is most visible at the implementation stage rather than in strategic decision-making. NGOs reported using bilateral partnerships, donor-facilitated coordination, and government-led mechanisms to involve firms in service delivery, supply chains, training, and livelihood activities. Government respondents noted that ministries sometimes encourage or require NGOs to subcontract through private companies, particularly where firms have stronger local knowledge and community access.

Despite this participation, decision-making authority is often uneven. About 56 percent partnerships involve shared control over programme design, budgeting, and monitoring, while 44 percent remain NGO-dominated. Private sector respondents identified incentives for engagement such as economic opportunities, job creation, skills development, access to technology, and market expansion. At the same time, they highlighted discouraging factors including limited transparency, administrative inefficiencies, unrealistic costing, corruption concerns, gender-related restrictions in certain sectors, and weak coordination. These dynamics indicate that private actors are frequently engaged as delivery partners but less consistently as equal development partners.

#### (g) Role of Chambers and Business Associations

Evidence on chambers and business associations suggests a limited but potentially important role in strengthening NGO-private sector coordination. Civil society respondents emphasized that intermediary institutions can improve coordination quality, yet current mechanisms remain weak or fragmented. Platforms such as LTWG and broader NGO

coordination forums contribute mainly through advocacy, donor dialogue, and localisation efforts rather than direct brokerage of operational partnerships.

Government procedures and sector coordination meetings provide regulatory clarity and planning alignment but do not consistently integrate organized private sector bodies into partnership design. As a result, many collaborations rely on bilateral relationships and project-specific arrangements rather than institutionalized engagement through chambers or associations. This limits collective representation of business interests, reduces transparency, and creates fewer structured entry points for smaller firms—particularly local MSMEs and women-led enterprises—to participate in NGO-supported initiatives. This pattern extends to NGO-supported groups and associations including producer groups, women's enterprise groups, and community-based structures which frequently disintegrate once project support ends, consistent with broader evidence on the limits of short-cycle programming

#### (h) Local Charitable Foundations

Partnerships with locally owned charitable foundations represent a related but distinct category of engagement. The desk review notes that Afghan charitable foundations have played a visible role in humanitarian response, particularly during acute crises, operating through trusted community networks and providing assistance aligned with cultural and religious norms. However, KII findings confirm that such partnerships remain limited and poorly documented, and do not yet constitute a major operational model. Concerns around accountability, transparency, and limited monitoring capacity within local foundations constrain more systematic NGO engagement with these actors. Their potential, particularly in hard-to-reach areas, remains underutilised.

## EFFECTIVENESS OF PARTNERSHIPS

### Areas Collaboration Has Delivered Results

#### (a) Livelihood Programming

Collaboration has delivered results in livelihood programming where approaches are market-driven, skills-based, and supported by follow-up mechanisms. NGOs and private sector actors report that vocational training, combined with financial support and market

access, has enabled employment generation and small business creation. Findings from LTWG members shows that programmes linking skills training with grants and monitoring are more sustainable than short-term input support. Government stakeholders emphasize that success improves when programmes align with sector priorities such as agriculture and livelihoods, while Community-based foundations highlight the importance of long-term, resilience-focused collaboration. Civil society perspectives further reinforce the role of skills development in promoting economic empowerment.

### (b) Enterprise and MSME Support

Partnerships have been effective in MSME support where there is access to finance, supply chain integration, and market linkage facilitation. Findings from NGOs indicate that 50 percent of engagements with the private sector are effective, 40 percent are very effective, and 10 percent are not effective. Similarly, 67 percent of private sector actors consider these engagements effective, 17 percent very effective, and 17 percent not effective. Both NGOs and private sector respondents highlight that seed funding, enterprise support, and buyer linkages have contributed to business growth and job creation, including for women-led enterprises. Donors attribute success to flexible procurement, cash-based programming, and strong community networks, while also emphasizing the importance of complementary roles between NGOs and businesses. Civil society points to value chain partnerships and enabling regulatory environments as key drivers, while government stakeholders note that alignment improves when programmes support sector-based economic growth. Community-based foundations also stress the role of private sector engagement in sustaining and scaling interventions beyond project cycles.

### (c) Service Delivery and Infrastructure

Collaboration has delivered results in service delivery and infrastructure through technical partnerships, contracting arrangements, and integrated programming models. NGOs report successful partnerships with private companies in telecommunications, construction, and service provision, where private actors contribute technical

expertise and efficiency. Donors highlight that outcomes are strongest when supported by strategic coordination, convening agencies, and clear governance frameworks, particularly in sectors such as health and education. Government perspectives emphasize that effectiveness depends on alignment with national priorities and coordinated planning mechanisms, while private sector actors confirm that financial reliability and clear contractual arrangements enable smoother implementation. However, across stakeholders, sustained impact is linked to transparency, realistic costing, and the ability to transition from short-term projects to longer-term systems.

### Limits of Current Partnership Models

#### (a) Short Funding Cycles

Short funding cycles significantly constrain the effectiveness of NGO-private sector partnerships, limiting long-term planning, investment, and sustainability. Across NGO, donor, and LTWG responses, programmes are largely shaped by short-term humanitarian funding horizons, which restrict continuity and discourage private sector engagement. Government representatives highlight that delayed coordination and partial alignment with national priorities further weaken long-term outcomes. Findings demonstrate that only 25 percent of NGO-supported livelihoods and MSME programmes are aligned with

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Short funding cycles, centralized procurement and market constraints **limit** long-term private sector development.

*~An LTWG member*

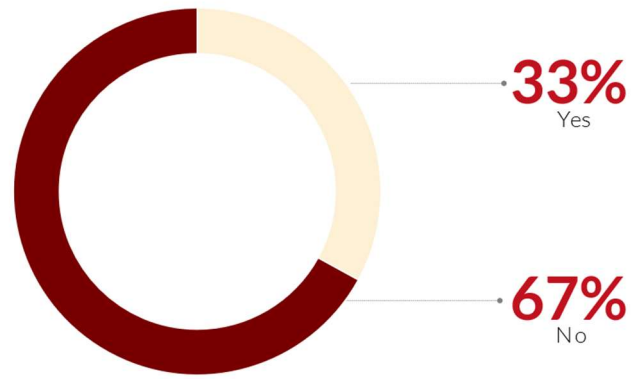
national plans for growth and job creation, while 75 percent partially aligned. Civil society and Community-based foundations emphasize that resource constraints, liquidity challenges, and fragmented systems exacerbate these limitations. In addition, broader contextual risks, including political instability, regulatory uncertainty, and market volatility, reinforce a short-term operational focus, undermining the transition to sustainable, private sector-led development.

### (b) Donor Procurement Incentives

Donor financing and procurement modalities create structural constraints that shape partnerships toward compliance-driven and transactional engagement. Donor data indicates heavy reliance on grants and contracts, with strict targets, overhead limits, and co-funding requirements that place disproportionate burdens on local actors and private firms. Community-based foundations report that reimbursement-based funding, banking constraints, and payment delays create cash flow risks, limiting their ability to participate effectively. Civil society and government perspectives further highlight institutional fragmentation, unclear policy frameworks, and weak coordination systems as additional barriers. While fiduciary controls and risk management systems exist, they often prioritize accountability over flexibility, limiting equitable risk-sharing and reducing incentives for sustained private sector investment.

### (c) Limited Sustainability Beyond Projects

Sustainability beyond project cycles remains a key weakness, with most partnerships failing to transition into long-term, market-driven systems. There is a direct relationship between private sector exclusion from programme design and poor sustainability outcomes. NGO and private sector responses indicate that programmes often lack robust market assessments, value chain integration, and private sector co-design, resulting in weak alignment with market realities and limited continuity after project completion. LTWG and civil society findings reinforce that structural market constraints, funding limitations, and institutional fragmentation further undermine sustainability. Government stakeholders point to planning mismatches, regulatory gaps, and weak coordination as additional challenges. While some progress is observed through improved programme design and adaptive approaches, overall sustainability is constrained by short-term funding models, weak enabling environments, and limited private sector ownership.



### Emerging Opportunities for Stronger Collaboration

#### (a) Enterprise Support Ecosystems

There is growing potential to strengthen collaboration through the development of integrated enterprise support ecosystems that combine finance, skills development, and market linkages. NGO and civil society data highlight opportunities in value chain development, skills programming, and regulatory improvements to support MSME growth. Donors emphasize the role of multi-year funding, blended finance instruments, and risk-sharing mechanisms in enabling sustainable enterprise development, while KIIs with LTWG members point to the importance of market-based strategies and policy alignment. Private sector actors further stress the need for improved access to finance, clearer partnership structures, and better market systems. Together, these insights suggest that more coordinated, ecosystem-based approaches can move partnerships beyond isolated interventions toward systemic economic development outcomes.

Stakeholders consistently highlighted the potential value of neutral convening actors such as organisations or platforms capable of facilitating dialogue, building trust, and aligning incentives across NGOs, private sector actors, and government.

Figure 2. LTWG member perspectives on whether current financing and funding models support equitable NGO-private sector partnerships in Afghanistan



First of all, we need a **platform** that could bring both NGOs and the private sector together, like **ACBAR**, which connects NGOs, donors, and UN agencies. So, we need the same type of platform that could bring NGOs and the private sector together in this case. After that, we can see the perspectives from both sides and complement the work of each other if needed, and this can also make programs more effective.

### (b) Local Service Providers

Local service providers present a key opportunity for strengthening partnerships by enhancing local ownership, capacity, and continuity. NGOs and Community-based foundations highlight the value of localisation, community participation, and phased capacity-building approaches in improving programme relevance and sustainability. Civil society and LTWG perspectives also underscore the role of intermediaries and coordination platforms in facilitating collaboration and bridging capacity gaps. Government stakeholders emphasize the need for clearer institutional frameworks and coordination systems, while private sector respondents point to the importance of transparency, reduced administrative burdens, and stronger implementation practices. Strengthening local service providers can therefore support more inclusive, accountable, and context-responsive partnerships.

### (c) Market Facilitation Approaches

Market facilitation approaches offer a pathway to shift partnerships from direct delivery toward sustainable, market-driven systems. NGOs and LTWG data emphasize the importance of early private sector engagement, market assessments, and value chain integration in improving programme effectiveness. Donors highlight the role of joint planning platforms, policy engagement, and financial innovation in enabling market-based collaboration, while civil society points to supply chain partnerships and co-investment models as effective strategies. Private

sector actors stress the need for improved market access, transparent operations, and long-term programming to align with business incentives. Across stakeholders, there is strong convergence around the need to transition toward facilitative models that strengthen market systems rather than substitute for them.

Brief Case 1. Effective NGO–Private Sector Collaboration in Practice<sup>1</sup>

ORD (an NGO) partnered with Hilal Yasin Cows Farm Services Company, a private dairy business in Khost province, to support the company's expansion in milk collection and market engagement. The NGO provided financial and technical support, while the company implemented agreed activities, mobilised its team, and expanded its operations. Despite initial challenges, regular communication and joint decision-making helped address issues during implementation. The collaboration led to increased milk sourcing from rural areas, business growth, improved market access, and formal registration of the company. It also created income opportunities for local households involved in the collection and milking process.

## PART II – STRUCTURAL DYNAMICS AND SYSTEM CONSTRAINTS

### STRUCTURAL BARRIERS TO COLLABORATION

#### Regulatory and Policy Constraints

Public–Private Partnership (PPP) frameworks in Afghanistan exist primarily in a fragmented and procedural form rather than as a unified national system for strategic collaboration. Findings across government, NGOs, private sector actors, donors, civil society, LTWG, and local stakeholders indicate that coordination between actors is largely managed through administrative instruments such as Memoranda of Understanding (MoUs), compliance requirements, and sector-specific coordination meetings. While government institutions play a role in steering development priorities particularly in agriculture and livelihoods, and occasionally facilitate subcontracting

<sup>1</sup> For further details on this case, including partnership processes, challenges, and outcomes, please refer to the case study 1.

arrangements between NGOs and private firms, these efforts remain inconsistent and weakly institutionalized. Coordination tends to depend on early consultation processes and donor-supported platforms rather than a standardized PPP framework. In addition, NGOs, private sector actors, and local stakeholders reported that complex bureaucratic procedures and excessive documentation requirements slow implementation timelines and reduce programme effectiveness. Administrative approvals, compliance processes, and time-consuming paperwork were consistently identified as operational constraints that limit the agility of partnerships and increase transaction costs.

“

Complex bureaucratic processes, excessive paperwork, and time-consuming procedures **AFFECT** the effectiveness of our collaboration.  
*~A Private Sector Actor*

Furthermore, legal and regulatory uncertainty is widely identified as a critical constraint affecting NGO-private sector collaboration and long-term development outcomes in Afghanistan. Across all stakeholder groups, there is strong agreement that overlapping institutional mandates, fragmented regulatory authority, and weak enforcement mechanisms create an unpredictable operating environment. NGOs and private sector actors highlight bureaucratic delays, administrative complexity, and weak contract enforcement as key barriers, while also noting the influence of political instability, market volatility, and financial system constraints on operational risk. Donors and civil society further emphasise the absence of harmonised legal frameworks and the need for regulatory reform to improve transparency and coordination. Collectively, these factors contribute to a high level of policy uncertainty that discourages sustained private sector engagement and limits the shift from short-term humanitarian programming toward long-term development-oriented partnerships.

## Financing and Risk-Sharing Barriers

Financing and risk-sharing arrangements across Afghanistan's development ecosystem are shaped by interconnected constraints related to donor funding cycles, limited capital access for local firms, and unequal risk distribution between NGOs and private sector actors. Across donors, NGOs, private sector respondents, government institutions, LTWG, civil society, and Community-based foundations, findings consistently highlight that financing structures remain short-term, fragmented, and heavily dependent on donor-driven modalities, which limits sustainable collaboration and private sector participation.

### (a) Donor Funding Cycles

Donor financing modalities are primarily structured around short-term grants and contracts, shaped by declining international funding and limited private sector investment. This funding structure constrains long-term risk-sharing arrangements and reduces predictability for implementing partners. Donors often provide technical assistance and co-finance pilot initiatives aimed at attracting investment and distributing risk; however, funding mechanisms remain strongly compliance-oriented, with emphasis on fiduciary oversight and contractual accountability.

Strict overhead ceilings, high co-funding requirements, and rigid performance targets create operational pressure for NGOs and local partners. Stakeholders highlighted that short funding horizons limit opportunities for institutional investment, adaptive programming, and partnership continuity. Respondents also referred to the need for more flexible multi-year arrangements, improved cost-recovery provisions, risk-guarantee mechanisms, and stronger coordination with government and private sector actors.

### (b) Limited Capital Access for Local Firms

Access to capital continues to shape the scope and nature of private sector participation in development partnerships. Financial system constraints, liquidity shortages, and underdeveloped banking and payment infrastructure affect firms' ability to commit resources to longer-term collaboration. Private sector respondents described varied experiences regarding payment processes, with some indicating predictable disbursements while others referred to delays, limited

budget transparency, and reliance on traditional financial management practices.

Reimbursement-based financing modalities influence cash-flow management for both NGOs and firms, particularly in contexts where organizations have limited operational reserves. Weak financial transfer systems and administrative bottlenecks were also described as factors affecting the timing of implementation activities and contractual performance.

### **(c) Risk Allocation Between NGOs and Private Actors**

Risk allocation arrangements between NGOs and private sector partners are shaped by donor financing structures, contracting practices, and project timeframes. While stakeholders indicated that legal frameworks do not significantly prevent NGO-private sector engagement, annual funding models and expectations regarding equitable distribution of assistance influence the structure and duration of partnerships.

Private sector actors reported differing experiences related to contractual clarity, payment predictability, and implementation practices. Government stakeholders also referred to fragmented institutional mandates in relation to NGO oversight, which affects coordination processes and decision-making authority. These dynamics influence how financial and operational uncertainties are managed across partnership arrangements.

### **(d) Relational and Trust Deficits**

Beyond technical and financial constraints, key informants consistently identify a relational deficit as a significant barrier. Limited mutual understanding of each other's mandates, incentives, and operating constraints between NGOs and private sector actors undermines the foundation for effective partnership. Private sector respondents describe a need for 'mutual understanding, greater coordination, and agreement' before formal partnerships can function, while NGO respondents note that donor timeframes frequently prevent the relationship-building that effective private sector engagement requires. Structured dialogue mechanisms that go beyond information sharing are therefore an important component of any coordination strengthening effort.

Several respondents point to mindset, incentives, and institutional culture as underlying barriers that are harder to address through policy or platform reform alone. Where NGOs default to treating private sector actors as vendors rather than partners, and where procurement compliance crowds out relational investment, the structural conditions for transformative partnership cannot take hold even when financing and regulatory environments improve. Addressing these barriers requires deliberate attention to how partnership norms are modelled, incentivised, and rewarded within organisations and coordination systems.

## **Coordination and Information Gaps**

### **(a) Weak Market Intelligence**

Limited availability and use of market intelligence emerges as a recurring issue affecting NGO-private sector collaboration and the sustainability of interventions. Stakeholders across civil society, NGOs, and the private sector describe programme design processes that are not consistently informed by systematic market assessments or reliable sectoral data. This contributes to weak alignment between interventions and prevailing economic conditions, including variations in local demand, labour absorption capacity, and enterprise readiness.

Although some respondents referred to gradual improvements in recent programme cycles, market information systems were described as fragmented, unevenly accessible, and insufficiently integrated into planning and investment decisions. Constraints were also noted in relation to data sharing practices, institutional capacity for market analysis, and the availability of updated sector intelligence at sub-national levels.

### **(b) Fragmented Coordination Platforms**

Coordination arrangements linking NGOs, private sector actors, and government institutions are commonly described as informal and uneven across sectors. Civil society organizations and LTWG members referred to the absence of a structured national platform dedicated to facilitating sustained engagement between NGOs and private firms. Existing coordination practices often rely on donor-led facilitation, project-specific partnerships, or periodic government consultations.

Government stakeholders noted some progress through sectoral meetings and early consultation processes; however, the consistency and institutionalisation of these mechanisms were described as varying across ministries and thematic areas.



A **UNIFIED PLATFORM** is needed so all actors understand roles, responsibilities, and activities.

*~A Government Key Informant*

### (c) Limited Data Sharing Across Actors

Limited data sharing between stakeholders significantly constrains coordination, transparency, and effective decision-making in NGO–private sector collaboration. Across donors, NGOs, private sector actors, and government institutions, there is consistent evidence of weak information exchange regarding planning, procurement, and market conditions. Civil society highlights the absence of a unified platform connecting key actors, while private sector respondents emphasize gaps in transparency and role clarity. LTWG members also confirm that existing systems primarily function as information-sharing forums rather than integrated data platforms. Overall, fragmented data flows reduce trust, weaken coordination, and limit evidence-based programme design.

## COORDINATION DYNAMICS

### Role of NGOs as Market Intermediaries

#### (a) Linking Communities to Markets

NGOs perform intermediary functions that connect communities to markets through value chain support, local procurement initiatives, and facilitation of relationships between producers and buyers. These efforts are associated with improved access to market opportunities in some sectors, particularly where programmes engage directly with private firms and local traders. Stakeholders frequently highlight the importance of grounding such interventions in market intelligence, including data on demand patterns and investment priorities.

At the same time, coordination challenges shape how these intermediary roles are operationalised.

Respondents describe the absence of institutionalised mechanisms that consistently bring NGOs and private sector actors together, resulting in variations in the extent to which market linkages are sustained beyond project cycles.

#### (b) Supporting Enterprise Development

NGOs contribute to enterprise development through vocational skills training, MSME support initiatives, and facilitation of financial linkages. These interventions are linked to livelihood diversification and entry into small-scale business activities, particularly in agriculture and service sectors. Donor and coordination actors emphasise the increasing use of market-oriented approaches, including cost-sharing arrangements, value chain strengthening, and promotion of local procurement.

Implementation dynamics are shaped by programme timeframes, donor compliance requirements, and varying levels of engagement with informal or smaller enterprises. Private sector stakeholders point to the relevance of joint market assessments and early consultation during programme design processes, particularly where investment risks and commercial viability considerations are significant.

#### (c) Engagement with Government and Institutions

Engagement between NGOs and government institutions takes place through formal arrangements such as MoUs, coordination meetings, and subcontracting frameworks. These mechanisms structure operational collaboration in sectors including agriculture, livelihoods, and vocational training. Government respondents refer to sectoral steering roles, while NGOs describe alignment efforts with institutional priorities and regulatory procedures.

Programme design processes often involve multiple institutional actors with overlapping mandates, influencing coordination practices and implementation timelines. Stakeholders refer to varying degrees of government participation during project formulation and execution, alongside administrative procedures that shape partnership modalities. Donor support for coordination platforms, policy reform initiatives, and financing mechanisms contributes to the broader

institutional environment within which these engagements occur.

Civil society organisations and Community-based foundations draw attention to regulatory conditions affecting SME development, community participation in programme planning, and institutional capacity considerations. Private sector respondents highlight operational factors such as clarity of roles, procedural requirements, and value chain functionality in shaping the nature of collaboration with NGOs and public institutions.

### **Need for Multi-Stakeholder Coordination Platforms**

#### **(a) Role of ACBAR**

ACBAR and its LTWG provide coordination functions that include facilitating dialogue between NGOs and donors, supporting information exchange, and contributing to localisation processes. Stakeholder accounts describe engagement patterns that are more prominent in advocacy and sectoral discussion forums than in direct partnership brokerage involving private sector actors.

Perspectives from civil society and local organisations refer to the limited availability of structured platforms that routinely bring together NGOs, business actors, and community representatives for joint planning or programme alignment. LTWG activities are commonly associated with consultation processes, technical discussions, and coordination updates across participating organisations.

#### **(b) Potential Coordination Mechanisms**

Across stakeholder groups, there is strong consensus on the need for more inclusive and formalised coordination systems. Suggested mechanisms include joint planning forums, clearly defined institutional roles, and transparent information-sharing processes. Government actors emphasise the importance of structured coordination frameworks, while local stakeholders highlight trust deficits and the need for rule-based engagement platforms.

Donors are viewed as critical in promoting system-level solutions, including multi-year funding arrangements and support for coordination infrastructure. At the same time, private sector actors underline operational barriers – particularly lengthy administrative procedures and limited transparency –

which discourage deeper engagement. These perspectives collectively suggest that future coordination mechanisms must integrate policy alignment, accountability measures, and practical incentives for participation.

#### **(c) Information Sharing and Joint Planning**

Weak information systems and limited data exchange continue to undermine coordination effectiveness and programme relevance. Current coordination practices are often informal and reliant on ad hoc communication channels rather than institutionalised knowledge-sharing platforms. Stakeholders emphasise the importance of improved market intelligence systems, including stronger engagement with intermediary institutions such as business chambers.

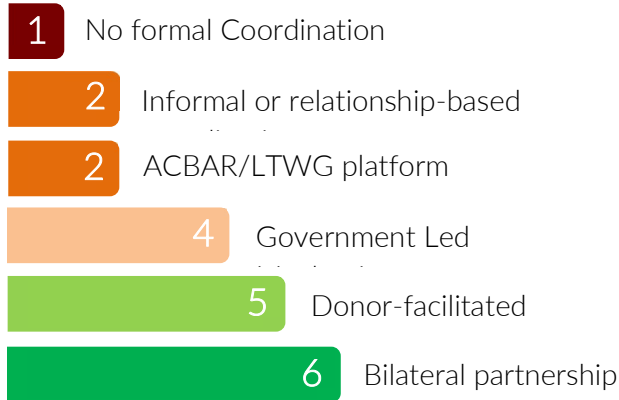
The desk review identifies several specific gaps in the current information and coordination architecture: the absence of shared market intelligence systems accessible to both NGOs and private actors; limited joint advocacy platforms where NGOs and businesses can align on regulatory and financial barriers; weak certification and digital financial systems that could otherwise support more transparent procurement and payment processes; and insufficient donor-government policy alignment that would give actors a clearer framework within which to plan.

Both NGOs and private sector actors stress that programme design should be informed by systematic data collection and participatory planning processes. Strengthening structured information-sharing mechanisms, alongside joint needs and market assessments, is therefore essential to improving coordination quality, enhancing programme responsiveness, and supporting sustainable market integration outcomes.

Evidence from the desk review points to several practical mechanisms through which power can be redistributed: joint programme design processes where private sector actors and NNGOs co-develop objectives and budgets from inception, shared governance structures for coordination platforms that give local actors formal decision-making roles rather than advisory roles, and accountability mechanisms that report to local stakeholders rather than exclusively to international donors. KII respondents describe early

private sector consultation and value-chain co-design as the factors most associated with stronger sustainability outcomes, suggesting these mechanisms are viable within the Afghan context.

Figure 3. Coordination methods that work best for engaging private-sector actors from NGOs perspective.



## PART III – DEVELOPMENT PATHWAYS AND FUTURE OPPORTUNITIES

### ALIGNING HUMANITARIAN ASSISTANCE WITH MARKET-BASED DEVELOPMENT

Evidence from this study indicates that while there is growing intent to align humanitarian assistance with market-based development approaches, current alignment remains uneven and often partial. Across NGOs and donors, alignment with private sector investment priorities is seen as more consistent at the operational level than at the strategic level of larger investment or national growth planning. Evidence suggests humanitarian assistance alone cannot substitute for broader economic recovery and functioning market systems. The subsections below examine where progress is occurring, where alignment breaks down, and what conditions enable a more deliberate transition.

#### Transition from Aid Delivery to Market Systems

##### (a) Market-oriented humanitarian programming

Stakeholders across sectors describe a gradual shift toward more market-oriented humanitarian programming, particularly through initiatives that engage value chains, support local procurement, and promote enterprise recovery. These approaches are

associated with attempts to connect humanitarian assistance and basic needs programming to existing economic activities, including agriculture and small business development.

At the same time, respondents refer to constraints that shape the pace and scope of this transition. These include short funding cycles, compliance requirements that limit engagement with smaller or informal enterprises, and broader market conditions such as liquidity constraints, regulatory barriers in the banking sector, and limited property rights protections. Gender-related restrictions and uneven institutional capacity are also cited as influencing programme reach and participation.

Programme design considerations are frequently discussed in relation to market alignment. Stakeholders refer to the importance of grounding interventions in demand patterns and business investment priorities, as well as involving private sector actors at earlier stages of project planning. Coordination actors note ongoing efforts to reduce reliance on free distributions and introduce approaches that link humanitarian assistance more directly to market participation.

##### (b) Linking assistance to economic opportunity

Efforts to connect humanitarian assistance with economic opportunity are commonly framed around skills development, value chain integration, and localised production arrangements. Respondents refer to vocational training initiatives, access to finance mechanisms, and partnerships with local firms as pathways through which humanitarian support can contribute to income generation and business activity.

Examples highlighted by stakeholders include agricultural initiatives that engage local companies in input production and service delivery, as well as cases where humanitarian support has enabled private actors to sustain or expand services after initial project phases. These experiences are discussed alongside challenges related to enterprise continuity, with some respondents noting that small businesses established through short-term assistance programmes face difficulties in sustaining operations without continued market access, follow-up support, or integration into wider value chains.

Donor and private sector perspectives refer to the relevance of coordinated approaches that combine investor support, market assessments, and post-training monitoring mechanisms. Programme planning processes that involve private firms in budgeting and implementation discussions are described as influencing how assistance transitions into longer-term economic engagement.

## Aligning Livelihood Programs with Economic Growth Priorities

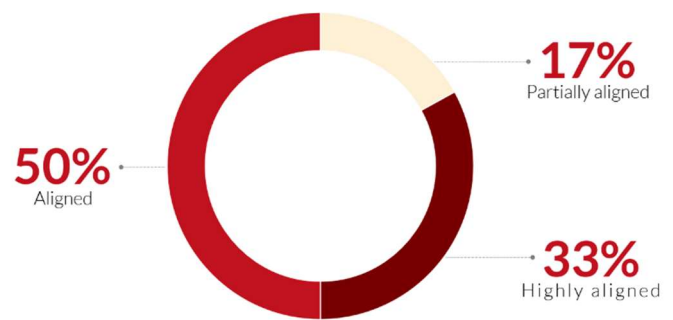
### (a) Agriculture Value Chains

Agriculture value chains are widely identified as a key entry point for linking livelihood interventions with broader economic activity. Stakeholders refer to initiatives that connect farmers with processors and local markets, as well as programmes that incorporate cash-for-work modalities, local procurement, and micro-enterprise recovery components. These interventions are discussed in relation to sectoral priorities promoted by government institutions and donor agencies.

Participation in value chain initiatives is shaped by regulatory conditions, institutional capacity, and programme eligibility requirements. Respondents note that smaller enterprises may face barriers in accessing support due to compliance criteria or limited technical capacity. Government actors refer to alignment processes that occur when programmes are designed in consultation with sector ministries or business development actors, while also describing coordination challenges that influence implementation timelines.

NGO and private sector stakeholders emphasise programme design features such as market analysis, investment alignment, and early engagement with commercial actors. Instances where interventions proceed without systematic market assessments are described as affecting continuity and the integration of supported producers into functioning market systems.

Figure 4. Alignment of NGO programmes with private sector needs from the perspective of private sector actors.



### (c) MSME Development

MSME development is frequently discussed as a pathway for linking livelihood interventions with economic activity, particularly through vocational training, access to finance mechanisms, and enterprise recovery initiatives. Stakeholders refer to programmes supporting women's economic participation, microenterprise start-ups, and small business expansion. Donor actors highlight the relevance of MSME support within broader recovery and market development strategies, while also noting constraints related to short funding cycles and fragmented support systems.

Government respondents describe coordination challenges that influence MSME programming, including limited institutional involvement during early assessment phases and uneven alignment with regulatory or licensing processes. NGOs refer to structured support models that combine capacity development, administrative facilitation, and market linkage efforts. Private sector stakeholders emphasise programme design considerations such as clarity of objectives, sequencing of support, and integration of business planning processes.

Examples of enterprise establishment through seed capital provision and buyer linkage initiatives are discussed by respondents as part of programme experience. Continuity of supported enterprises is often shaped by access to markets, follow-up support mechanisms, and the availability of longer-term financing arrangements.

### (d) Local Service Providers

Alignment of livelihood programming with local service systems varies across sectors and geographic contexts. Government actors refer to relatively stronger coordination in service areas such as health and education, while noting regulatory gaps and institutional capacity limitations affecting broader service provision

systems. Local organisations describe differing levels of inclusion and benefit distribution across communities.

NGOs highlight localisation approaches aimed at identifying context-specific needs and facilitating service provision through private actors rather than direct implementation. Private sector respondents emphasise planning processes such as market surveys and feasibility assessments as factors influencing the sustainability of service-related interventions. Programme experiences involving market access facilitation and buyer linkage are discussed as shaping service delivery outcomes in some contexts.

### Opportunities for Private Sector–Led Service Delivery

#### (a) Infrastructure

Infrastructure interventions are frequently identified as entry points for private sector participation through contracting arrangements and implementation partnerships. Stakeholders refer to service continuity considerations in areas such as water systems and post-disaster reconstruction, particularly where private firms remain engaged beyond initial project phases.

NGOs and donors describe implementation modalities that integrate local contractors in construction and maintenance activities. These arrangements are associated with operational efficiency in some cases, while respondents also refer to funding fragmentation and short project cycles as influencing long-term infrastructure management and service provision arrangements.

#### (b) Health Services

Health services are discussed as an expanding area for collaboration between NGOs and private actors, particularly in technical service provision, training initiatives, and complementary support systems. Government and private sector stakeholders refer to partnership arrangements structured through agreements that define roles and responsibilities.

Programme experiences include training pathways linked to employment opportunities and engagement of professional service providers. Donor and NGO respondents describe stronger collaboration patterns in structured service sectors, alongside references to

coordination challenges and regulatory complexities affecting scalability. Private sector actors also highlight administrative procedures and bureaucratic requirements as factors shaping participation in health-related partnerships.

#### (c) Local Supply Chains

Local supply chain development is widely referenced in relation to agriculture, MSME support, and decentralised production systems. Stakeholders describe complementarities between NGO financing mechanisms and private sector technical capacities in strengthening production and distribution networks. Interventions linking producers with input suppliers, processors, or local markets are discussed as part of programme experience.

NGOs emphasise participatory planning processes and the involvement of private firms in needs assessments and decision-making. Community-based foundations refer to examples where integration of production inputs into supply chain initiatives has influenced income generation opportunities. Private sector respondents highlight considerations related to market access conditions, availability of commercial information, and continuity of demand as factors shaping enterprise engagement.

#### (d) Cross-Cutting Insight

Across sectors, respondents refer to programme features such as timing of private sector involvement, use of market assessments, and financing arrangements as influencing collaboration dynamics. Stakeholder accounts describe variations in partnership continuity, coordination modalities, and implementation sequencing in relation to service delivery initiatives involving private actors.

Respondents also highlighted linking microenterprises with larger firms and strengthening logistics, energy and digital infrastructure can improve scalability and investment readiness. The specific mechanisms through which NGOs can most effectively facilitate linkages between microenterprises and larger firms remain an evidence gap in this study and represent a priority area for further research by the LTWG. Stronger coordination between livelihood programs, market actors and longer-term economic initiatives may improve the sustainability of outcomes.

## **INCLUSION AND EQUITY IMPLICATIONS**

### **Women's Economic Participation**

Women's economic participation is widely referenced in relation to livelihood, enterprise, and service delivery programmes supported by NGOs, donors, and private sector partnerships. Stakeholders describe variation in participation levels across sectors, geographic areas, and programme modalities, shaped by regulatory conditions, market access dynamics, socio-cultural factors, and programme design approaches.

Institutional and regulatory environments are frequently discussed as influencing women's engagement in economic activities. Respondents refer to gaps in SME legal frameworks, licensing systems, and employment policies affecting women-led business formation and access to formal support structures. Data from government KIIs indicate that 50 percent of NGO-private sector initiatives support inclusive economic opportunities for women, rural communities, ethnic minorities, and persons with disabilities very well, while the remaining 50 percent do so only partially. Government actors also highlight the role of policy reform processes and vulnerability-based targeting approaches in livelihood programming, while noting that programme priorities and inclusion modalities are often shaped by donor frameworks.

Programme design features are described as shaping inclusion outcomes, particularly where initiatives incorporate participatory planning, local procurement arrangements, and targeted support mechanisms. Donor and coordination actors refer to structured programming frameworks that prioritise vulnerable and marginalised groups, including women and persons with disabilities. Flexibility in funding modalities, adaptive implementation strategies, and reduced administrative delays are discussed as factors influencing programme responsiveness to inclusion needs.

Market access and economic continuity are also raised in relation to women's participation. Stakeholders describe livelihood initiatives involving vocational training, access to finance, enterprise incubation, and business hub development as contributing to income-

generating opportunities in some contexts. Examples include handicraft production, reintegration support for returnee women, and small-scale enterprise establishment through seed capital provision. Participation experiences are discussed alongside challenges related to enterprise sustainability, exposure to markets, and integration into functioning value chains. Key informant evidence provides a mixed picture of viability. Programmes grounded in prior market assessment and connected to existing demand as in handicraft hubs and sector-specific vocational training are examples of self-sustaining outcomes. However, NGO respondents also describe cases where similar interventions failed due to poor market assessment or absence of follow-on support, with local actors noting that small women's projects "usually end quickly and are not sustainable". Market viability is therefore context- and sector-specific and should be assessed explicitly at the programme design stage rather than assumed.

Socio-cultural and contextual constraints are frequently highlighted by Community-based foundations and private sector respondents. These include gender-related mobility restrictions, workplace regulations, and social norms affecting women's ability to engage in economic activities. Programme inclusion is also discussed in relation to broader governance and trust considerations, including perceptions of administrative complexity and institutional effectiveness.

### **Inclusion of Rural Communities**

Inclusion of rural communities is discussed by stakeholders in relation to livelihood programming, market participation opportunities, and access to institutional support systems. Participation experiences vary across locations and programme types, shaped by regulatory conditions, infrastructure limitations, socio-cultural factors, and the design of donor-supported interventions.

Institutional and policy environments are frequently referenced as influencing rural inclusion. Respondents describe gaps in SME regulatory frameworks, licensing systems, and administrative procedures that affect the ability of rural enterprises to formalise and access programme support. Government actors refer to the role of policy reform processes and vulnerability-based targeting approaches in shaping livelihood interventions,

while also noting that programme priorities are often defined within donor funding frameworks.

Programme design and implementation approaches are described as affecting rural participation outcomes. Stakeholders refer to participatory planning mechanisms, local procurement strategies, and capacity-building initiatives targeting community-based organisations and local foundations. Structured donor frameworks that prioritise vulnerable or marginalised populations are discussed as contributing to participation in some programme contexts. At the same time, respondents highlight the importance of adaptive implementation modalities and flexibility in funding arrangements in addressing rural livelihood needs.

Market access constraints emerge prominently in stakeholder accounts of rural inclusion. Respondents refer to geographic isolation, limited connectivity to provincial markets, and weak value chain integration as factors influencing the continuity of livelihood activities. Programme interventions involving vocational training, cash-for-work schemes, handicraft production support, and enterprise development initiatives are discussed as shaping income-generation opportunities in remote areas. Experiences of uneven coverage and variable awareness of programme partnerships are also noted.

Socio-cultural and regulatory barriers affecting participation are described by Community-based foundations and private sector respondents, particularly in relation to women, ethnic minorities, and persons with disabilities. These constraints are discussed alongside governance considerations, including perceptions of declining organisational presence in rural areas and administrative challenges influencing programme reach.

### **Inclusion of Ethnic Minorities**

Inclusion of ethnic minorities in livelihood, enterprise, and service delivery programmes is described by stakeholders as uneven across regions and sectors. Participation experiences are shaped by institutional arrangements, programme targeting approaches, socio-political dynamics, and access to economic opportunities. In many cases, ethnic minority inclusion is addressed within broader vulnerability-based

frameworks rather than through explicitly targeted mechanisms.

Institutional and policy environments are frequently referenced in relation to minority participation. Respondents describe limitations in SME regulatory systems, licensing procedures, and local administrative capacity affecting the ability of minority-led enterprises to formalise or engage with programme support. Government actors refer to needs-based targeting models that prioritise households facing higher levels of economic vulnerability rather than categorising beneficiaries by ethnicity. This approach is discussed alongside policy and implementation processes that influence how inclusion criteria are operationalised at programme level.

Programme design features are described as influencing participation outcomes for minority groups. Stakeholders refer to participatory planning approaches, local procurement strategies, and capacity-building initiatives involving community-based organisations. Donor-supported frameworks that prioritise marginalised populations are associated with participation opportunities in some contexts, while uneven awareness of programme modalities and variation in regional coverage are also highlighted.

Market access conditions are raised in relation to economic inclusion experiences of minority communities. Respondents refer to geographic and structural barriers affecting connectivity to provincial markets, value chain participation, and continuity of livelihood activities. Interventions involving skills development, enterprise support, and income-generation initiatives are discussed as shaping opportunities for minority engagement in local economies. Community-based foundations and private sector respondents also highlight socio-cultural and regulatory factors influencing participation. These include mobility constraints, social norms affecting leadership roles, and administrative procedures shaping programme reach. Stakeholders refer to changing patterns in organisational presence and support systems across regions, which influence access to livelihood and enterprise initiatives.

## Inclusion of Persons with Disabilities

Inclusion of persons with disabilities in livelihood, enterprise, and service delivery programmes is described by stakeholders as variable across sectors, locations, and implementation approaches.

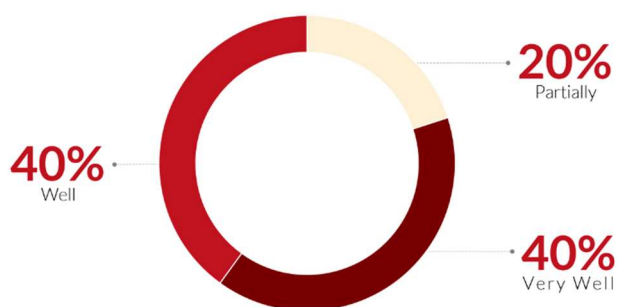
Participation experiences are shaped by accessibility conditions, programme design features, institutional arrangements, and broader socio-economic constraints affecting engagement in market activities.

Institutional and regulatory environments are frequently referenced in relation to disability inclusion. Respondents describe gaps in SME support systems, administrative procedures, and targeted policy instruments affecting opportunities for persons with disabilities to formalise enterprises or access programme support. Government actors refer to vulnerability-based targeting approaches that prioritise households facing higher levels of need rather than applying disability-specific inclusion mechanisms. This approach is discussed alongside policy narratives emphasising economic self-reliance and livelihood participation. Programme design and implementation practices are described as influencing inclusion outcomes. Stakeholders refer to initiatives incorporating accessibility standards in infrastructure development, tailored livelihood training, and enterprise support schemes adapted to the needs of persons with disabilities. Examples include microenterprise initiatives, humanitarian service delivery in remote areas, and infrastructure projects requiring contractors to integrate accessible facilities. Participation is also discussed in relation to localisation approaches, community engagement processes, and institutional capacity-building efforts involving local organisations.

Market access and spatial factors are highlighted in stakeholder accounts of disability inclusion. Respondents refer to geographic isolation, transport limitations, and weak integration into value chains as shaping livelihood continuity. Access to commercial information, financial services, and buyer networks is also discussed as influencing the ability of persons with disabilities to sustain income-generating activities. Community-based foundations and private sector respondents emphasise contextual and social dynamics affecting participation. These include social

norms influencing employment opportunities, administrative procedures shaping programme eligibility, and perceptions of declining organisational presence in certain areas. Stakeholders also refer to governance and coordination considerations affecting programme reach and continuity.

Figure 5. Effectiveness of NGO-private sector partnerships in supporting women, rural communities, ethnic minorities, and persons with disabilities.



Programme-level participation targets indicate engagement of diverse beneficiary groups, including women, persons with disabilities, minority populations, and rural communities, across livelihood and service delivery interventions. However, evidence suggests that participation alone does not ensure meaningful inclusion. The effectiveness of these approaches is influenced by the extent to which programme strategies are aligned with contextual realities, including accessibility constraints, institutional capacity, market conditions, and local socio-economic dynamics. NGOs and private sector actors further highlight the importance of engaging target groups throughout the programme cycle, particularly during design, assessment, and implementation phases, as a factor shaping inclusion processes. Where such alignment and engagement are present, participation is more likely to translate into tangible economic and social outcomes; conversely, gaps in access to resources, services, and opportunities may limit the depth and sustainability of inclusion.

## What Inclusive Market Engagement Requires

### (a) Targeted Program Design

Stakeholders frequently refer to programme design processes as shaping the extent to which market engagement becomes inclusive. Discussions focus on alignment with local economic conditions, labour market dynamics, and sector-specific demand patterns. Respondents describe the relevance of incorporating

market assessments, sequencing of support interventions, and engagement with private sector actors during early planning stages.

Institutional and structural considerations are also raised in relation to enterprise participation. Stakeholders refer to regulatory gaps affecting small-scale business formalisation, as well as administrative requirements influencing access to programme support. Donor actors describe funding modalities such as multi-year or area-based facilities as influencing planning horizons and the structuring of livelihood and enterprise initiatives. Local organisations and NGOs refer to participatory design approaches that involve community representatives and local market actors in identifying priorities and implementation pathways.

### **(b) Local Outreach**

Community-level outreach is discussed as an element influencing awareness, trust, and participation in market-oriented interventions. Stakeholders refer to the role of communication processes, accountability mechanisms, and engagement strategies that facilitate understanding of programme objectives and participation modalities. Community-based foundations emphasise transparency in implementation and interaction between NGOs, private firms, and communities as shaping perceptions of programme legitimacy.

NGOs describe localisation approaches that involve needs assessments conducted with community input and collaboration with local institutions. Donor and coordination actors refer to outreach strategies that incorporate inclusion advocacy, promotion of local procurement, and efforts to transition programming approaches toward longer-term livelihood engagement. Variations in outreach effectiveness are discussed in relation to contextual conditions, organisational capacity, and geographic accessibility.

### **(c) Institutional Partnerships**

Stakeholders frequently refer to coordination arrangements among government institutions, NGOs, donors, and private sector actors as influencing inclusive market engagement processes. Government respondents highlight structured interaction mechanisms such as consultation forums, technical

working groups, and collaborative planning processes related to employment generation and business support initiatives.

Donor and coordination actors refer to system-level mechanisms including joint planning platforms, financing instruments, and policy dialogue processes that shape partnership modalities. Discussions also include institutional capacity considerations, harmonisation of regulatory approaches, and risk-sharing arrangements influencing private sector participation. NGOs describe collaboration practices involving labour market analysis, sectoral alignment, and engagement with business associations or professional networks as part of programme implementation experiences.

Across all four groups, the evidence converges on a consistent set of enabling conditions: participatory planning processes that involve marginalised groups from the design stage; clear inclusion standards rather than general targeting language; capacity support for local actors who can reach excluded communities; stronger monitoring of whether participation translates into meaningful economic outcomes; and context-sensitive approaches that directly address structural barriers – mobility restrictions, stigma, geographic isolation, and licensing constraints – rather than treating inclusion as a compliance requirement. Inclusion outcomes that depend on short-term, project-based interventions without these structural features are likely to remain partial or symbolic.

## **PART IV – STRATEGIC IMPLICATIONS**

### **IMPLICATIONS FOR LOCALISATION AND SUSTAINABLE DEVELOPMENT**

The findings from this study indicate that localisation in Afghanistan is progressing but remains largely operational rather than systemic. Local NGOs, MSMEs, and service providers are increasingly engaged in programme delivery, but decision-making authority, financial control, and strategic planning functions continue to be concentrated among international actors and donors. This gap between participation and power is the defining localisation challenge that the evidence reveals.

The findings of this study are directly relevant to ongoing global discussions on humanitarian system reform and the 'reset' agenda, which calls for fundamentally rethinking how aid is structured, financed, and delivered. The structural constraints identified here are precisely the systemic features that the reform agenda targets. Strengthening NGO-private sector coordination in Afghanistan therefore contributes not only to local programme effectiveness but to the broader project of demonstrating what more locally led, market-integrated, and sustainable humanitarian and development systems can look like in practice.

### **Role of Local NGOs and Civil Society**

Findings indicate that local NGOs and civil society organisations play a central role in programme implementation through their proximity to communities, contextual knowledge, and capacity to facilitate participatory engagement processes. Stakeholder accounts describe their contribution to enhancing local relevance of livelihood and service delivery interventions, particularly through community mobilisation, local procurement practices, and needs-based planning approaches.

Despite these contributions, the evidence consistently indicates that local NGOs and civil society organisations remain structurally positioned as implementers rather than strategic partners. Decision-making authority over programme design, budgeting, and resource allocation continues to be concentrated with international actors and donors, while risk and compliance responsibilities are frequently transferred downward to local organisations without corresponding authority or resourcing. Local actors possess deep contextual knowledge, strong community acceptance, and sustained operational presence however, these strengths are not consistently translated into greater influence over strategic decisions.

At the same time, institutional and capacity constraints influence the extent to which local actors can shape programme design and strategic decision-making processes. Respondents refer to limitations in financial sustainability, organisational systems, and regulatory environments affecting the ability of local organisations to scale interventions or engage more

substantively in coordination and planning spaces. Capacity development needs, including monitoring systems and technical support mechanisms, are also discussed in relation to strengthening local ownership and accountability practices.

Local NGOs are also described as playing a facilitative role in building trust between communities, implementing partners, and private sector actors. Engagement processes that emphasise transparency, communication, and inclusive planning are associated with increased awareness of programme objectives and participation pathways. Variations in organisational reach, resource availability, and institutional recognition shape how effectively local actors can contribute to localisation agendas.

### **Private sector development and market resilience**

Stakeholders frequently refer to the enabling environment for private sector development as an important dimension of sustainable local economic systems. Discussions highlight regulatory conditions, access to finance, labour market alignment, and value chain functionality as influencing enterprise growth and resilience. Agricultural value chains are often cited as entry points for connecting producers with processing and market systems, alongside broader efforts to strengthen local investment ecosystems.

Coordination dynamics are described as shaping how economic ecosystem strengthening initiatives are implemented. Respondents refer to the relevance of long-term planning horizons, improved institutional collaboration, and evidence-based programming approaches informed by labour market assessments and market demand analysis. Programme experiences also point to the importance of context-sensitive planning that considers climate risks, infrastructure limitations, and local economic priorities.

Operational constraints affecting private sector engagement are discussed in relation to administrative procedures, governance considerations, and fragmented coordination mechanisms. Stakeholders describe variations in transparency, policy harmonisation, and incentive structures influencing business participation in livelihood and enterprise initiatives.

## Transition from Humanitarian Dependency to Economic Resilience

Stakeholder accounts describe evolving efforts to link humanitarian assistance with longer-term livelihood opportunities through increased collaboration between NGOs and private sector actors. These include partnership arrangements combining financial resources, technical expertise, and implementation capacity to support enterprise development and service continuity. Programme experiences in areas such as agriculture, infrastructure, and disaster recovery are discussed as shaping pathways through which humanitarian interventions connect to economic activity.

At the same time, respondents refer to the influence of funding modalities and programming timeframes on livelihood sustainability. Short-term assistance approaches are associated with challenges in enterprise continuity and market integration, particularly where follow-up support or access to investment mechanisms remains limited. Coordination actors and implementing organisations describe shifts toward longer funding cycles, market-based programming modalities, and reduced reliance on free distributions as part of broader transitions in aid approaches. Key informant responses point to several complementary mechanisms including guarantee schemes and insurance instruments to reduce private sector risk, cost-sharing models in which enterprises contribute directly to programme investment, and multi-year, area-based funding facilities that bring humanitarian, development, and private sector financing together within a single framework.

Private sector perspectives highlight the relevance of improved planning processes, transparency in implementation arrangements, and engagement in budgeting and investment discussions. Infrastructure gaps, financial constraints, and energy access limitations are also discussed as shaping opportunities for sustained economic engagement across sectors.

Across stakeholder groups, there is broad agreement on what a stronger transition model would require: flexible multi-year funding, early private sector co-design, risk-sharing mechanisms, local procurement systems, value chain strengthening, and de-risking instruments such as guarantees and concessional

finance. Respondents particularly emphasise the importance of aligning NGO livelihood programming with private sector investment in specific value chains so that NGO-supported enterprise development feeds into, rather than runs parallel to, existing market structures. Respondents also highlighted that better results are likely where NGO programming is embedded in coordinated national or provincial strategies, aligned with government priorities, and designed around real community and market demand rather than donor funding cycles. The gap between this understood model and current practice is not primarily a knowledge gap – it is a structural and incentive gap that requires deliberate reform of funding modalities, coordination mechanisms, and partnership design standards.

## RECOMMENDATIONS FOR ACBAR AND THE LTWG

The following recommendations are crafted primarily for the consideration of ACBAR and the LTWG as the commissioning body and primary vehicle for translating these findings into action. They are organised around ACBAR's four core functions, information sharing and coordination; advocacy and enabling environment; capacity building for national actors; and platform for effective humanitarian and development action. Where relevant, recommendations also identify actions for donors, international NGOs, and private sector actors whose cooperation is necessary for ACBAR-led efforts to succeed. Each recommendation is grounded in specific findings from this research.

### **Core function 1: Information Sharing and Coordination**

**Recommendation 1:** Extend ACBAR's platform to include structured, sector-based NGO–private sector dialogue.

KII findings consistently identify the absence of a structured national platform connecting NGOs and the private sector as the single most commonly cited coordination gap. ACBAR should strengthen communication channels and enhance dialogue between NGOs and private sector actors. Sector-based coordination is more likely to attract sustained private sector participation than generic cross-sector forums, because it connects directly to the operational and investment interests of relevant firms and associations. Enhanced coordination can contribute to better geographic distribution of programmes, reduced duplication of interventions, and stronger integration of humanitarian and development approaches. The Localisation Lab, as an existing space for piloting locally led approaches and facilitating dialogue between actors, should be explicitly incorporated as a partner mechanism for testing new NGO–private sector partnership models before scaling through the ACBAR platform.

**Recommendation 2:** Commission a sector-level mapping of existing partnership models; and develop a shared market intelligence system organised by sector.

The research demonstrates that collaboration between NGOs and the private sector is sector specific and details of which partnership models operate in these sectors, how they function, and what results they produce is systematically weak and beyond the scope of this research.

ACBAR and the LTWG should commission a structured mapping exercise, drawing on member reporting, KII data, and existing coordination platform knowledge, that documents current NGO–private sector partnership models by sector, identifying the types of actors involved, the modalities used, what has worked and what has not, and where the most significant gaps and opportunities lie. This mapping should be conducted at both national and sub-national levels, given that regional variation in market conditions, private sector capacity, and NGO presence significantly shapes what models are viable. The outputs should feed directly into the sector-based coordination mechanisms proposed in Recommendation 1 and the market intelligence system proposed in Recommendation 3, giving both a grounded empirical foundation rather than relying on general perceptions of the landscape. This will enable the first recommendation to be implemented, as sectoral interest will be established.

### **Core function 2: Advocacy and Enabling Environment**

**Recommendation 3:** Advocate to donors for multi-year, sector-aligned funding modalities and de-risking instruments. Modalities toward market-oriented and longer-term approaches

Short funding cycles are the single most consistently identified structural barrier to effective NGO–private sector collaboration across all stakeholder groups. ACBAR should use this research as an evidence base for targeted advocacy with donors on three specific reforms: multi-year, area-based funding facilities aligned to the sectors where NGO–private sector collaboration has the strongest track record; realistic overhead and core funding provisions for national NGOs engaging in these sectors; and de-risking instruments, guarantees, co-investment mechanisms, and simplified due diligence, that reduce financial barriers to private sector participation.

**Recommendation 4:** Lead joint NGO–private sector advocacy on sector-specific regulatory and financial barriers.

The findings identify joint NGO–private sector advocacy on regulatory and financial constraints as a consistently underutilised opportunity. NGOs and private sector actors face many of the same operational barriers including banking restrictions, licensing complexity, payment delays, and unclear PPP frameworks however, advocacy efforts remain fragmented.

ACBAR should convene joint advocacy working groups organised around the sectors where NGO–private sector collaboration is most active, bringing together relevant NGO members, sector-specific business associations, and the Afghanistan Chamber of Commerce and Industry to develop shared, sector-grounded policy positions on regulatory and financial barriers. This approach connects directly to ACBAR's existing advocacy mandate and builds on the sector-based coordination function proposed in Recommendation 1.

### **Core function 3: Capacity Building for National Actors**

**Recommendation 5:** Develop partnership quality standards that define transformative, rather than transactional, collaboration in the Afghan context.

Whilst there are global principles from the World Economic Forum and the UN Office for the Coordination of Humanitarian Affairs on public-private collaboration for humanitarian action, the development of a contextualized set of standards for the current situation in Afghanistan would be an enabling factor for future initiatives.

The research confirms that most current NGO–private sector partnerships remain transactional, rather than transformative, involving shared power, joint decision-making, and accountability to communities.

ACBAR, through the LTWG, should develop a practical set of partnership quality standards for use by members adapted from existing tools including the LTWG Making Partnerships Work principles that define what equitable NGO–private sector collaboration looks like in the Afghan context. This process could build on the recommendation around mapping partnership models, would continue to increase awareness of the breadth of organisations, both NGO and private sector, working in the humanitarian sector and lead to more meaningful partnerships. These standards should address power-sharing in design and budgeting, risk allocation, and accountability arrangements, with sector-specific guidance on how transformative partnership principles apply in agriculture, MSME development, health, and service delivery contexts.

**Recommendation 6:** Invest in national NGO institutional strengthening aligned to those standards.

The LTWG Baseline Assessment and ACAPS Localisation and Power report both identify a self-reinforcing cycle: donors cite limited NNGO capacity as a reason for not sharing power or direct funding; limited funding and authority in turn prevent NNGOs from investing in the systems needed to demonstrate that capacity. Breaking this cycle requires deliberate institutional investment targeted at key compliance systems (financial management, monitoring, evaluation and learning, governance, and proposal development that enable national NGOs to engage as strategic partners rather than implementers. The need is particularly acute in the sectors where NGO–private sector collaboration has the most potential but also the highest technical complexity, including agriculture value chains, MSME enterprise support, and health service delivery.

ACBAR should prioritise institutional strengthening for national NGO members that is directly aligned with the partnership quality standards recommended above and targeted toward the sectors where collaboration opportunities are strongest. Donor support for this investment should be integrated into ACBAR's advocacy agenda under Recommendation 5, making the case that capacity building and funding reform must advance together rather than sequentially.

**Recommendation 7:** Strengthen inclusive programme design with a particular focus on sectors where women's economic participation is viable within current constraints.

#### Market Participation Through Context-Responsive Programming

Women's economic participation is the most visible and evidenced area of inclusion impact in NGO–private sector partnerships, but remains constrained by restrictions on women's mobility, leadership, and business

registration. ACBAR should support members in strengthening inclusive programme design by promoting models for women's economic participation that are viable within current operating constraints, focusing on the sectors where home-based and informal enterprise activity is already occurring. This approach can also be used to then to boost the inclusion of other under-served groups such as people living with disabilities and ethnic minority groups. Market engagement can be strengthened through participatory design processes, targeted capacity development initiatives, and improved accessibility of financial, physical, and institutional support systems.

Aligning inclusion strategies with socio-cultural dynamics, geographic realities, and market conditions can improve the outcomes. Stronger institutional capacity can help ensure that participation translates into meaningful economic opportunities.

#### **Core function 4: Platform for Effective Humanitarian and Development Action**

**Recommendation 8:** Integrate the findings of this research into a structured, sector-grounded NGO-private sector engagement roadmap within the LTWG's existing localisation plan.

ACBAR's LTWG mandate includes developing a three-year strategic action plan to move localisation from principle to practice. This research provides the empirical foundation for extending that roadmap to include NGO-private sector coordination as a core component of the localisation agenda. The evidence is clear that sector-specific engagement offers the most immediate and actionable entry points for structured collaboration, while cross-sector coordination mechanisms provide the institutional architecture to sustain it. Stakeholders across all groups highlight that the gap between ACBAR's current coordination function and the structured NGO-private sector engagement role that the evidence calls for represents the clearest institutional opportunity identified by this research.

ACBAR and the LTWG should integrate the findings of this study into the localisation roadmap, establishing time-bound sector-specific commitments on private sector engagement, market intelligence, partnership quality, and advocacy. A follow-up assessment in 18–24 months, using this study as a baseline, would enable ACBAR to track progress by sector and adapt the roadmap in response to changing conditions, including the evolving funding environment following the 2025 US aid cuts.

**Recommendation 9:** Facilitate the transition from humanitarian coordination toward sector-based market systems facilitation in agriculture, livelihoods, and MSME development.

The evidence confirms that NGO-private sector collaboration contributes most to sustainable outcomes when it moves from direct service delivery toward market facilitation for example, connecting producers to buyers, supporting value chain integration, and enabling private actors to sustain services beyond project cycles. Current coordination platforms, including the LTWG, are primarily oriented toward humanitarian response coordination rather than sector-based market systems facilitation, a gap that limits their ability to support this transition.

ACBAR should expand its platform function in key sectors, agriculture, livelihoods, and MSME development, with health and infrastructure as emerging areas, to support market facilitation alongside humanitarian coordination. This means convening joint planning sessions that include sector-relevant private sector actors alongside NGO members; promoting area-based programming approaches that align humanitarian and development instruments within specific sectors and geographies; and supporting the shift away from free distribution models toward market-linked assistance in sectors where this transition is operationally feasible. This does not require creating new structures but rather extending ACBAR's existing convening role into a deliberate sector-based market systems facilitation function.

## CONCLUSION

This research confirms what the desk review anticipated and the KII evidence makes concrete: that localisation in Afghanistan is developing in form but remains constrained in function, and that NGO–private sector coordination, while active and widespread, has not yet evolved into the structured, market-oriented, and locally anchored system that sustainable development requires. While engagement is visible across sectors such as livelihoods, MSME development, infrastructure, and service delivery, collaboration is most commonly driven by programme implementation needs rather than long-term strategic alignment. As a result, partnerships frequently deliver practical outputs but are less consistently embedded within sustainable market systems or institutional coordination frameworks.

The evidence indicates that the main constraints to stronger collaboration are not related to lack of willingness among actors, but rather to structural conditions that shape how partnerships are designed and sustained. The default use of implementing partner and subcontracting arrangements formalises unequal power relations, concentrates strategic and financial authority with international actors, and transfers operational risk downward to local organisations without corresponding authority or resources. In this sense, the challenge is not simply to remove barriers to collaboration but to reform the partnership structures through which collaboration currently occurs. Fragmented coordination mechanisms, short funding cycles, limited risk-sharing arrangements, and regulatory uncertainty collectively influence the depth and continuity of NGO–private sector engagement. These factors also affect how effectively humanitarian assistance can transition toward development-oriented and market-based approaches.

At the same time, the findings demonstrate clear opportunities to strengthen collaboration where programmes are grounded in market realities, informed by labour market and sectoral analysis, and supported by early engagement of private actors and local institutions. More sustainable outcomes are associated with integrated programming approaches that combine skills development, enterprise support, value chain facilitation, and community participation. These approaches are particularly relevant in strengthening inclusive economic participation among women and rural populations, although inclusion outcomes remain uneven across vulnerable groups and geographic contexts.

The research further highlights that localisation is progressing but remains largely operational rather than systemic. Local NGOs, MSMEs, and service providers are increasingly involved in programme delivery; however, decision-making authority, financial control, and strategic planning functions continue to be concentrated among external actors. Advancing localisation will therefore depend not only on increasing local participation but also on addressing broader enabling environment challenges, including access to finance, institutional coordination capacity, and policy coherence.

Overall, strengthening NGO–private sector collaboration in Afghanistan requires a shift from fragmented, project-based engagement toward more coordinated, market-oriented, and institutionally supported partnership models. Progress will depend on aligning funding modalities, regulatory frameworks, and coordination mechanisms in ways that enable long-term planning, shared risk management, and locally grounded economic development. In this context, improving trust, transparency, and evidence-based decision-making across actors will be central to supporting more resilient livelihood systems and sustainable development pathways.

## ANNEXES

### Annex A - Desk Review Sources

1. ACAPS. (2023). Afghanistan Analysis Hub: Forward-looking analysis – Snapshot of the economy. ACAPS.
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14. <https://www.groundtruthsolutions.org/projects/strengthening-accountability-for-women-and-girls-in-afghanistan>
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### Annex B – Case Studies

1. Partnership between Organization for Relief Development (ORD) and Hilal Yasin Cows Farm Services Company
2. Partnership between World Vision Afghanistan (WVA) and Afghan Pharma Ltd.