



# Listening to Women Entrepreneurs in Afghanistan: Their Struggle and Resilience



**Research paper authors:** Feride Inan (Director of Geoeconomics Center, TEPAV), Sibel Guven (Director of Sustainable Governance Programme, TEPAV), Anil Ismet Aşçı (Researcher, TEPAV), Paul Vercoestre (Senior Assessment Officer, REACH), and Johannes Sahmland-Bowling (Private Sector Resilience Specialist, ICPSD UNDP)

## Acknowledgements

The key informant analysis and secondary data compilation was also conducted by Homayoon Yousoufi (REACH Assessment Officer). The report benefited from comments from Chris Paci, (REACH Global Cash and Markets Specialist), Muhammad Nassim Attahi (UNDP Country Economist), Fawaz Sabri (UNDP SDG Finance Specialist), Cosima Cloquet (Gender and Inclusion), IMPACT Initiatives Research Department, Luciana Trindade de Aguiar (UNDP ICPSD), Mélissa Cornet (GiHA Co-Chair, CARE), Rehab Al-Sanabani (Gender and Crisis Data Specialist, UNDP), Yunis Sharifli (SSTC Fellow, UNDP ICPSD), Devika Iyer (Regional Policy Specialist, Inclusive Growth UNDP), Nazneen Ahmed (Policy Advisor, UNDP), Doina Munteanu (Advisor for Countries in Crisis and Complex Situation, UNDP), and Stephen Rodrigues (Afghanistan Resident Representative, UNDP). The report was copy edited by Julia Stewart and designed by Tomas Bakos.

The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNDP, or the UN Member States.

Copyright © UNDP 2024. All rights reserved.  
United Nations Development Programme

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever of the United Nations Development Programme (UNDP) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.

The findings, analysis, and recommendations of this report do not represent the official position of the UNDP or of any of the UN Member States that are part of its Executive Board. They are also not necessarily endorsed by those mentioned in the acknowledgments or cited. Some of the figures included in the analytical part of the report where indicated have been estimated by the UNDP or other contributors to the Report and are not necessarily the official statistics of the concerned country, area or territory, which may use alternative methods. All reasonable precautions have been taken to verify the information contained in this publication. However, the published material is being distributed without warranty of any kind, either expressed or implied.

The responsibility for the interpretation and use of the material lies with the reader. In no event shall the UNDP be liable for damages arising from its use.

### Learn more at:

[www.undp.org](http://www.undp.org)

[www.twitter.com/UNDPaf](https://www.twitter.com/UNDPaf)

Cover photo: Afghan women walking field in Bamyan. © UNDP Afghanistan

Back-cover photo: Afghan entrepreneur in UNDP workshop. © UNDP Afghanistan

Layout & Design: BakOS DESIGN





## Foreword

### Amidst formidable challenges, Afghan women continue to build, sustain, and scale their businesses

Afghanistan is home to a wealth of talented and resilient women who possess tremendous potential to drive economic growth and create positive change within their communities. However, since the August 2021 takeover, the challenges faced by Afghan women have intensified – including bureaucratic, economic, and cultural constraints, alongside gender-based discrimination.

UNDP's latest report draws on the voices and perspectives of women-led businesses and entrepreneurs in the country to gather insights not only on the challenges they face, but also the opportunities and entry points for national and international partners and stakeholders to support their continued survival and growth. The report also recognises the remarkable resilience of these women entrepreneurs and women-led businesses, and the pragmatic approaches they have adopted to find solutions to ever-present obstacles. The report synthesizes insights gleaned from multiple UNDP-led primary data collection activities including in-depth individual interviews in 2022, focus groups discussions in 2023, and a quantitative survey in 2024. The report serves as a poignant portrait of the hurdles faced by women entrepreneurs in Afghanistan, ranging from limited access to finance and inputs, to discrimination against women. It exposes a stark reality: women-led enterprises rely heavily on personal savings, loans from friends and family, and the sale of personal assets as their primary sources of financing. Barriers to accessing finance have been compounded by restrictions on women's mobility, high collateral requirements, limited sharia-compliant products, elevated interest rates, and discouraging license/registration prerequisites. For women engaged in exporting goods such as carpets, honey, saffron, dried fruits, and nuts, the report unveils a significant reduction in business due to restrictions on payment systems, closed air corridors, and travel limitations, leading to women often selling their products domestically at lower prices.

The in-depth interviews conducted in 2022 revealed, among other things, that suppliers, shopkeepers, and wholesalers were reluctant to do business with women-led enterprises due to the policy environment. This reluctance further exacerbated the noticeable decline of women-led businesses observed over the period 2021-2022. The focus group discussions in 2023 highlighted the challenges that women-led businesses face, particularly in obtaining loans due to requirements such as the need for financial guarantors, shura approval and collateral. Despite this difficult situation, the 2024 survey of women-led enterprises showed a positive shift, with almost two-thirds of the 3,122 respondents reporting growth in their businesses.

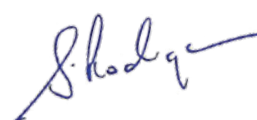
The underlying story behind the data is one of continued perseverance of women-led businesses which have demonstrated resilience and an admirable ability to thrive whilst navigating a myriad of challenges. Under the current de facto administration regulations, women are permitted to work in the private sector, and many have taken advantage of this relatively 'safe space'. These entrepreneurs continue to leverage the collective strength of women business associations, community savings and loans groups, families and friends, and international partners to access corridors of power, secure technical and financial support, find and enter new markets, and build supportive networks for their businesses.

Recognising the changed political, social, and economic environment since August 2021, UNDP has provided targeted support to over 75,000 women-led Micro, Small, and Medium Enterprises (MSMEs), generating or supporting more than 900,000 jobs for women and youth across 28 provinces. UNDP also continues to support women business associations across the country.

We firmly believe that women entrepreneurship is a pivotal driver of economic growth, social development, and gender equality in Afghanistan. Women entrepreneurs not only create job opportunities and generate income for themselves and their families but also contribute to the resilience and recovery of their communities and the country as a whole.

This report identifies the current challenges and gaps faced by women entrepreneurs in Afghanistan. It also offers a comprehensive set of recommendations to address these issues. These recommendations aim to unlock the full potential of women entrepreneurs and their contribution to the recovery and development of Afghanistan.

We hope this report will serve as a valuable resource and a catalyst for action for all those who are committed to supporting women entrepreneurship in Afghanistan. This report is dedicated to the Afghan women entrepreneurs and business leaders who have shown remarkable resilience in facing and overcoming significant challenges, and who continue to provide for themselves and their families.



Stephen Rodrigues  
Resident Representative  
UNDP Afghanistan

# Contents

<b>Executive Summary</b> .....	6
Lack of access to finance .....	6
Decrease in demand for local products .....	7
Decrease in exports for women-led businesses .....	8
Discrimination against women preventing access to suppliers and markets .....	8
Need for licensing .....	8
Concerns for safety and security .....	8
Supply-side challenges and needs .....	9
Skills, equipment, and networking needs.....	9
Absence of formal payment channels.....	9
<b>Introduction</b> .....	10
<b>Methodology</b> .....	11
<b>1. Afghan economy</b> .....	12
1.1 The Afghan economic situation .....	12
1.2 The Afghan economy, labour force and education over the prior two decades .....	12
1.3 Private sector .....	14
<b>2. Challenges for women entrepreneurs in Afghanistan</b> .....	15
2.1 Access to finance.....	16
2.2 Sources of finance.....	16
2.3 Reasons for limited access to finance .....	17
2.4 Addressing barriers to loan access.....	18
2.5 Payment systems.....	18
2.6 Reduced market demand.....	19
2.7 Export restrictions .....	20
2.8 Supply side challenges in different sectors .....	21

<b>3. Restrictions and discrimination against women after 15 August 2021</b> .....	23
3.1 Restrictions on women’s mobility .....	23
3.2 Reluctance of businessmen to interact with women .....	23
3.2.1 Loss of access to export markets and production inputs.....	24
3.3 Barriers to Employment .....	25
3.4 Safety for women entrepreneurs .....	26
3.5 Registration and licensing.....	27
3.6 Networking and information access .....	28
<b>4. Recommendations</b> .....	29
4.1 Strengthen business support and trade facilitation for women entrepreneurs .....	29
4.2 Provide vocational training and information-sharing .....	29
4.3 Support acquisition of equipment, inputs and infrastructure .....	30
4.4 Improve access to finance .....	30
4.5 Enhance digitalization initiatives.....	31
4.6 Facilitate market research and business expansion .....	31
4.7 Support licensing processes.....	31
4.8 Create safe and suitable workplaces.....	31
<b>5. Conclusion</b> .....	32
Annex 1: Sectors with export potential for Afghanistan.....	33
<b>References</b> .....	36

# Executive Summary

**The business activities of women entrepreneurs in Afghanistan were reduced significantly following the August 2021 takeover. To understand the situation, in September 2022, UNDP conducted in-depth interviews with 49 women entrepreneurs from six provinces in Afghanistan, encompassing both licensed (formally registered) and unlicensed businesses. In August 2023, UNDP conducted 10 focus group discussions in Bamyan, Herat and Balkh provinces, involving 100 women and 30 men entrepreneurs who corroborated the findings on the challenges faced by women entrepreneurs. Additionally, to capture the escalating impact of business situation of women-led businesses and increasing restrictions on women, UNDP surveyed 3,122 women-led small and medium-sized enterprises (SMEs) between February and March 2024 across 8 regions and 18 provinces of Afghanistan.**

---

The findings in this report summarize<sup>1</sup> the main insights gathered from these three data collection exercises which included qualitative interviews, focus group discussions, and a quantitative survey that analysed the difficulties encountered by women-led SMEs and women entrepreneurs in sectors vital for Afghanistan's export and growth potential. These sectors include carpet weaving, dried fruits and nuts, saffron, and honey production. Following the events of August 2021, the majority of respondents temporarily halted their activities but subsequently resumed them, albeit with reduced capacity. Women-led SMEs reported a significant decline in demand in 2022 compared to the period preceding August 2021. Among the respondents of the 2022 in-depth interviews, 34 out of 48 (who responded to this question) cited a decrease in demand as the primary reason for reduced revenue during 2021-2022.

The 2024 survey data highlighted a broad range of impediments. However, the results also indicated a positive shift, where 66% of respondents reported an increase in business activity. The main factors accounting for this positive shift were as follows: 59% cited the reduction in business operation costs due to donor assistance, 44% attributed it to higher demand, and 43% to higher product quality. Other contributing factors mentioned were lower prices (29%), cheaper inputs (13%) and reduced competition (9%).<sup>2</sup> Out of the 14% of respondents that declared a decline in business activity, 21% attributed the demise to the gender related mobility restrictions. However, women-led businesses in Afghanistan have persistently found entrepreneurial solutions to a gender-adverse business environment, such as adapting to household production, providing services in safe spaces for women, or switching to producing traditional clothing.

## Lack of access to finance

---

- ➊ According to the 2022 in-depth interviews, the majority of respondents reported that even before August 2021, the lack of access to finance for working capital was a significant challenge for their businesses. This continued into 2024 as, according to the UNDP 2024 survey of women-led SMEs, access to finance (52%) was identified as the main challenge for the respondents who reported a decrease in their business activity.<sup>3</sup> Moreover, 19% of women-led SMEs reported discrimination in accessing credit as one of the constraints affecting their business operations.
- ➋ The 2024 women-led SME survey revealed that the majority of women-led businesses obtained loans from family (61%), friends (45%), and other businesses (21%). A smaller percentage received loans from formal banks (5%) or remittances from abroad (5%), while 2% each obtained loans from microfinance institutions and community savings groups. Only 0.3% reported receiving loans from money service providers or hawala.
- ➌ Nine out of 43 in-depth interview respondents reported that discrimination against women entrepreneurs, along with physical limitations on their interactions with suppliers and buyers, has cut them off from valuable sources of finance. Moreover, sectors such as carpet weaving have significant requirements for working capital. However, wholesalers and suppliers who have previously provided cash advances to women-led enterprises for production were no longer willing to work with them because of pressure from the de facto authorities.

---

<sup>1</sup> The results of the interviews and the survey are presented in terms of valid cases or the number of respondents replying to a particular question.

<sup>2</sup> 2024 survey of women-led SMEs had selected multiple choice options.

---

<sup>3</sup> These findings were also corroborated by UN Women's 2022 survey, which identified lack of access to finance as the top challenge for women-owned businesses. 53% of respondents reported that their businesses had ceased to function, of which 89% cited lack of access to finance.



📷 Afghan entrepreneurs processing dried nuts. © UNDP Afghanistan

- Very few interviewed women entrepreneurs were willing to borrow from banks both prior to and following August 2021. None of the respondents (0/49) from the 2022 individual interviews received a bank loan between August 2021 and September 2022, and only a few (4/49) received a bank loan before.
- Nineteen percent of respondents (9/48) cited the inability of banks to provide sharia-compliant products as an impediment to obtaining bank loans, while others (9/48) pointed to new restrictions on women's mobility. For seven out of 48 respondents, high interest rates were a significant barrier in securing bank loans.
- In August 2023, focus group discussions with women entrepreneur MFI clients also highlighted the difficulty in obtaining financial guarantors and shura approval. For rural entrepreneurs, there were additional challenges in accessing financial institutions due to the long distances involved.
- According to the 2022 in-depth interviews, the most commonly perceived requirement to access bank loans was a license or legal business permit (18/43). The 2024 survey indicated that 70% of women-led businesses operate without a license in the informal sector, rendering them ineligible for formal financing from certain banks due to loan access requirements.<sup>4</sup>

<sup>4</sup> Not all financial institutions require registration or licensing. However, banks that provide larger SME or corporate loans require such documentation.

## Decrease in demand for local products

Between 2021 and 2022, 34 of 48 women-led businesses operating in the carpet, honey, valuable stones, and saffron sectors experienced a decrease in local demand for their products.

- Respondents in the clothing sector have also experienced a decline in demand for women's clothing, particularly school uniforms and professional attire. This decline is attributed to the ban on girls' and women's education and employment. Some respondents reported switching from production of fitted clothing to hijabs (head coverings) and burqas (outer garments).
- However, the 2024 survey of women-led SMEs indicates that 66% believed the business environment had improved over the last year. As the main reason for the increase in their business, 59% cited the reduction in business operation costs due to donor assistance, 44% attributed it to higher demand, and 43% to higher product quality. Other contributing factors mentioned were lower prices (29%), cheaper inputs (13%), and reduced competition (9%).<sup>5</sup>

<sup>5</sup> The 2024 women-led SMEs survey had select multiple choice options.



## Decrease in exports for women-led businesses

---

- For 2022, 14 of 49 women entrepreneurs reported a reduction in exports due to restrictions on payment systems and closures of air corridors. Women exporting carpets, honey, saffron, dried fruits, and nuts were no longer able to export to former customers, including those in Canada, Dubai, Germany, India, Kuwait, Russia, and the United States.
- The 2024 survey highlighted the small proportion of women-led SMEs selling their products to international markets. Whereas 93% of women-led enterprises sell their products in the Afghanistan market, 2% cater to both domestic and international markets, and only 4% are focused solely on exports.
- Carpet producers have reported a loss of European customers to Pakistan, which has led to a loss in market share for Afghan producers. The decrease in exports has caused these businesses to reduce their workforce.

## Discrimination against women preventing access to suppliers and markets

---

- A majority (36/49) of respondents highlighted discrimination-based operational challenges. These include prohibitions against women traveling to local markets, other provinces or abroad, or attending exhibitions without a mahram (a husband or close male family member).
- Due to the implicit pressures of the current policy environment and ambiguities in the de facto authorities' policy towards women, suppliers, shopkeepers, large traders and/or wholesalers were reported to be reluctant to interact with women entrepreneurs.
- Women-led SMEs (20/49) reported discrimination by the business community, especially in export-related sectors where women often work with large traders and wholesalers. As a result, some of these SMEs reported having to sell their products domestically at lower prices.
- The 2024 women-led SME survey also indicated that gender discrimination hindered 32% of respondents from accessing markets and 28% from sourcing inputs from suppliers.

## Need for licensing

---

- In the 2022 in-depth interviews, a majority of respondents indicated the necessity of a business license, particularly among women, yet 31 out of 49 respondents lacked one. This was reaffirmed in the 2024 survey of women-led SMEs, which showed that only 28% of women-led enterprises were registered and licensed.
- Respondents highlighted that holding a business license allows companies to operate formally, leading to increased sales and exports, access to business exhibitions, improved relations with de facto authorities, and reduced likelihood of fines. In the 2024 survey of women-led SMEs, 24% of respondents admitted to making unofficial payments to sustain their businesses. Among this group, the majority (60%) operated without proper licensing or registration.
- In-depth interview respondents (4/48) highlighted the advantages of being licensed, such as access to bank loans, participation in exhibitions (8/48), involvement in export trade (5/48), and collaboration with non-governmental organizations for projects.
- Unregistered respondents cited financial constraints or lack of information as reasons for not obtaining a licence. According to the Afghanistan Central Business Registry (ACBR), the fee for a business license increased from AFN 2,500 (USD 30) in 2018 to AFN 17,500 (USD 200) in 2022, and further to AFN 16,000 (USD 223) in 2024. Such high fees render licenses unaffordable for most women-led SMEs.
- The de facto authorities are strictly enforcing the business license requirement, leading to pressure and intimidation against women. Many women entrepreneurs operating without a license reported facing interrogation, fines, or threats of business closure.

## Concerns for safety and security

---

- Despite some improvements in the overall security situation after August 2021, safety concerns remain a major challenge for women's businesses. In the 2022 in-depth interviews, more than half of respondents expressed feeling unsafe in operating their business, primarily due to newly imposed restrictions on women's activities. The lack of access to a safe work environment has a detrimental impact on production.



Half of the respondents reported having changed their business location due to new restrictions on women.

- ➡ However, the findings from the 2024 survey indicate an improvement in the safety of women-led businesses from 2023 to 2024. When asked about their sense of safety while operating their businesses, 89% responded positively, while 11% expressed feeling unsafe.

## Supply-side challenges and needs

---

- ➡ Production and profits of women-led enterprises have declined due to rising prices of raw materials and diminishing supply. Businesses in Afghanistan are grappling with high prices of increasingly scarce domestically produced inputs, further exacerbated by inflation and closures of input-producing businesses.
- ➡ Among the women-led businesses surveyed in 2024 that reported a decrease in business activity, 41% attributed the decline to the lack of access to inputs. Border closures, soaring prices, and challenges in accessing international payment systems all contributed to disrupting access to inputs (World Bank, 2022a).
- ➡ The country has faced a series of disasters over the reporting period, including droughts, floods, and earthquakes, which have significantly impacted industries such as honey, dried fruits, and nuts. Climate change is projected to intensify extreme weather events in Afghanistan, with prolonged droughts already leading to reduced crop yields and honey production. These challenges further compound the difficulties encountered by women-led SMEs.

## Skills, equipment, and networking needs

---

- ➡ The migration of skilled workers appears to have particularly affected sectors such as carpet weaving, clothing, and handicrafts. Respondents in these sectors highlighted the pressing need for additional skills training.

- ➡ Respondents across sectors emphasized the need for skills training in marketing and business management. Specifically, those in the handicraft sector underscored the necessity of acquiring marketing skills to facilitate access to international markets.

- ➡ Respondents from the food processing and saffron sectors expressed a demand for modern technology, improved processing and packaging facilities, and enhanced storage capabilities.

- ➡ During the 2022 in-depth interviews, more than half of respondents reported membership in a business organization, which remains important for networking and keeping up to date with current economic issues. However, the vast majority reported disruptions to the business organizations' activities.

- ➡ The majority of the respondents pointed to new restrictions on women's mobility as a reason for the disruption of their organizational activities, in particular the inability to attend meetings without a mahram. In response, online meetings replaced in-person meetings, but active participation of women decreased.

## Absence of formal payment channels

---

- ➡ Most respondents (36/49) used cash-based payments both before and after August 2021, including for workers' salaries. Among focus group participants, 16 out of 49 indicated a shift in their payment methods after 2021. The majority of these respondents transitioned from formal banking to using informal money traders (hawalas) or strictly cash transactions.<sup>6</sup>

- ➡ Among key challenges identified by respondents in utilising informal money traders include the need to travel to the market with a mahram, as well as the high fees collected by hawalas.

- ➡ The majority of respondents (34/49) reported an inability to use digital payment systems. This limitation was attributed to factors such as inaccessibility to computers and smartphones, which also extended to their employees (19/49).

<sup>6</sup> According to World Bank Private Sector Rapid Assessment 2024, businesses using banks for domestic payments dropped from 45% to 13%, and cash usage rose from 30% to 89% between August 2021 and April 2023.

# Introduction

**Within the past two years, Afghan women have faced numerous challenges and barriers to economic empowerment and entrepreneurship. The decrees and restrictions imposed by the de facto authorities have prevented women from accessing formal education from primary school to university, prohibited the operation of beauty salons which employed 60,000 people across Afghanistan, and imposed restrictions on women's work in certain sectors. UNDP model-based estimates suggest that restrictions on women's employment could lead to an annual 3 to 5 percent reduction in GDP, translating to an economic impact of USD 600 million to USD 1 billion (UNDP, 2024a).**

In spite of these obstacles, women entrepreneurs and business leaders have demonstrated tremendous resilience, adaptability and creativity. They have found practical ways to survive and, in some cases, grow their businesses. They continue to tap into the supportive networks of families and friends, local communities, business associations and, importantly, national and international development partners to find the strength and resources needed to sustain their operations. Some have also relocated business operations, adjusted production processes, switched to new products and services, and adopted e-commerce and digital payment systems as pragmatic solutions and workarounds to the challenges which emerged in the wake of the unconstitutional change of government in August 2021.

This study draws on in-depth interviews conducted in 2022, focus group discussions in 2023, and a survey of women-led SMEs in 2024, all led by UNDP. A large proportion of the respondents are entrepreneurs engaged in carpet weaving, dried fruits and nuts, saffron, and honey production. Dried fruits, carpets, and rugs, and saffron collectively represented 23% of Afghanistan's total exports in 2023, equivalent to 441,000 USD (NSIA, 2023). These sectors not only hold significant potential for growth, but also play a critical role in the Afghan economy, benefiting both women entrepreneurs and workers.

The United Nations Development Programme - Istanbul International Center for Private Sector in Development (UNDP-ICPSD), the Economic Policy Research Foundation of Turkey (TEPAV) and REACH undertook this joint research to investigate the challenges encountered by women-led SMEs in Afghanistan after August 2021.

The initial phase of the data collection involved in-depth individual interviews conducted in September 2022 with 49 women entrepreneurs from six provinces in Afghanistan. This sample included licensed (formally registered) and unlicensed businesses. The data collected during this phase shed light on numerous

challenges and barriers faced by women-led businesses, including issues related to accessing international markets, transportation, securing business financing, and obtaining vocational skills.

For the second round of data collection, UNDP conducted focus group discussions in 2023 with 100 women entrepreneurs and 30 male entrepreneurs in the provinces of Balkh, Herat and Bamyan. Additionally, UNDP conducted a survey of women-led SMEs between February and March 2024, covering eight regions and 18 provinces of Afghanistan. A total of 3,122 women-led SMEs participated in this survey,<sup>7</sup> providing valuable insights into the prevailing conditions and challenges faced by women entrepreneurs.

The report also utilizes secondary quantitative data sources from REACH to analyze gender-related and economic indicators, leveraging their Humanitarian Situation Monitoring (HSM), Joint Market Monitoring Initiative (JMMI) and Whole of Afghanistan (WoAA) assessments. The information was complemented by other secondary data, including the UN Women Rapid Needs Assessment for Women-Owned Businesses and the World Bank's Private Sector Rapid Survey. By triangulating data from multiple sources, both primary and secondary, the study aims to provide a comprehensive understanding of the experiences and complex challenges faced by women entrepreneurs and women-led businesses.

In the final section of the paper, policy recommendations are provided to address the challenges faced by women entrepreneurs involved in both domestic and export markets. These recommendations particularly emphasize issues faced by women who produce solely for the domestic market in sectors such as food production and processing (i.e., jams, pickles, homemade sweets, pastry, bakery, dairy, poultry, mushrooms, tomato paste), clothing (i.e., burqa, traditional clothing, tailoring, shawls) and handicrafts (engravings, woodcraft, furniture, etc.).

<sup>7</sup> The provinces where interviews were conducted: Badghis, Baghlan, Balkh, Bamyan, Daikundi, Farah, Faryab, Ghor, Herat, Jawzjan, Kabul, Kandahar, Kapisa, Khost, Kunduz, Nangarhar, Samangan, and Sar-e-Pul.

# Methodology

**The research aims to analyze the key challenges confronting women-led enterprises in Afghanistan. The study relies on three sets of primary data collected between 2022 and 2024: in-depth individual interviews conducted in 2022, focus group discussions in 2023, and a quantitative phone survey carried out in February-March 2024.**

The 2022 in-depth interview sample is representative of the regional distribution of women-led enterprises, aligning with data provided by the Afghanistan Women Chamber of Commerce and Industry (AWCCI), which indicates that the majority of women-led enterprises are concentrated in the Balkh, Herat and Kabul regions (AWCCI, 2021). The sample included enterprises from Baghlan (3), Balkh (12), Herat (7), Jawzjan (1), Kabul (23) and Paktya (3).

Within the sample, 20 respondents held a business license, 17 did not, and 12 were uncertain about their licensing status. Business size ranged from 1 to 250 employees, with an average of 33 employees. Some 33% of businesses had between 1 and 10 employees, 45% had between 10 and 50 employees, and 21% had more than 50 employees. The average age of businesses was nine years, ranging from 3 to 18 years. Only 17% of the sample indicated that they were operating in multiple provinces.

**Respondents of 2022 in-depth interview were working in the following sectors** - Percentage (Number of Women-led Businesses) and specific subcategories:<sup>8</sup>

- **Food production and processing – 45% (22):**  
Jams, honey, pickles, homemade sweets, pastry, bakery, dairy, poultry, mushrooms, tomato paste
- **Dried fruits and nuts – 8% (4)**
- **Honey production – 10% (5)**
- **Handicraft – 55% (27):** Carpets, valuable stones, engravings, woodcraft, furniture
- **Carpet weaving – 16% (8)**
- **Valuable stones – 6% (3)**
- **Clothing – 16% (8):** Bags, clothes, burqas, traditional clothing, tailoring, shawls
- **Saffron – 4% (2)**

Although the sample size of 49 may seem small, the findings, combined with insights from the focus group discussions and the subsequent 2024 survey, provide an empirical understanding of the challenges faced by women entrepreneurs in Afghanistan. The study did not address specific regional infrastructure needs, which may require further investigation.

In August 2023, UNDP conducted 10 focus group discussions in Bamyán, Herat, and Balkh provinces, involving a total of 100 women entrepreneurs and 30 men entrepreneurs. These discussions validated the findings and confirmed the ongoing challenges faced by women entrepreneurs in 2023. Geographically distributed, the focus group discussions consisted of three sessions with 40 participants in Bamyán, three sessions with 50 participants in Balkh, and four sessions with 50 participants in Herat.

The 2024 survey was carried out between February and March 2024, encompassing 3,122 women-led SMEs across eight regions and 18 provinces of Afghanistan. The sample included enterprises from various provinces, including Badghis (73), Baghlan (1), Balkh (395), Bamyán (320), Daikundi (245), Farah (4), Faryab (1), Ghor (98), Herat (121), Jawzjan (2), Kabul (380), Kandahar (361), Kapisa (96), Khost (316), Kunduz (303), Nangarhar (401), Samangan (3), and Sar-e-Pul (2). Within the sample, 28% of the women-led SMEs had a license, while 63% were unlicensed or unregistered; the remaining 9% were uncertain of their legal status. The surveyed enterprises spanned a wide range of sectors, with 43% engaged in manufacturing, 30% in services, 19% in trade, 7% in livestock and agriculture, and 1% in agribusiness, healthcare, information and communication, and sales.

<sup>8</sup> Some women entrepreneurs were engaged in more than one sector.



# 1. Afghan economy

## 1.1 The Afghan economic situation

---

Since August 2021, Afghanistan has faced a severe humanitarian and economic crisis. The economy contracted sharply, with real gross domestic product (GDP) reported to have declined by 6.2% in 2022, following a 20.7% contraction in 2021 (UNDP, 2024c). The sudden reduction in international aid, which previously constituted 75% of total on-budget and off-budget expenditures and contributed nearly 40% of the GDP, led to cash shortages, depreciation of the national currency, inflation, decline in trade and production, and macroeconomic instability.

Despite a relative increase in security throughout the country following August 2021, the private sector continued to face significant constraints due to suppressed demand and financial restrictions. All enterprises have been impacted by low consumer demand and purchasing power. The current situation, marked by disruptions in payment systems and closure of air corridors, exacerbates this trend.

Both SMEs and large enterprises report that most businesses continue to operate below capacity, despite initial signs of recovery with a larger percentage of enterprises resuming operations.<sup>9</sup> In 2023, the World Bank Private Sector Rapid Survey reported 57% of enterprises operating at reduced capacity or closing their businesses, compared to 75% in 2022 (World Bank, 2024). It is clear from all data sources that women-led businesses are the most negatively impacted by the changes that have occurred since August 2021. According to the 2022 World Bank Private Sector Rapid Survey (PSRS), 42% of the women-owned firms surveyed had temporarily closed, compared to 26% of firms owned by men (World Bank, 2022b).

---

<sup>9</sup> WB June 2022 data compared to November 2021), (World Bank, 2022a).

<sup>10</sup> Afghanistan's economic sophistication, as measured by the Economic Complexity Index showing the level of diversification and complexity in a country's export basket, has dropped significantly, from 0.32 in 2001 to -0.88 in 2020. Moreover, Afghanistan's Economic Complexity Outlook Index (COI), which captures the ease of diversification for a country, has dropped from -0.08 to -0.69. The share of cross-border exports to neighbours in total exports increased from 11% to 48% between 2000 and 2020 pointing to a lack of presence and competitiveness of Afghan goods in global markets.

<sup>11</sup> The average annual growth of the Human Development Index of Afghanistan decreased from an average of 2.95% between 2000 and 2010 to an average of 0.59% between 2010 and 2021. This is one of the sharpest drops among countries that have low human development even prior to the pandemic and political change. (UNDP, 2022a)

## 1.2 The Afghan economy, labour force and education over the prior two decades

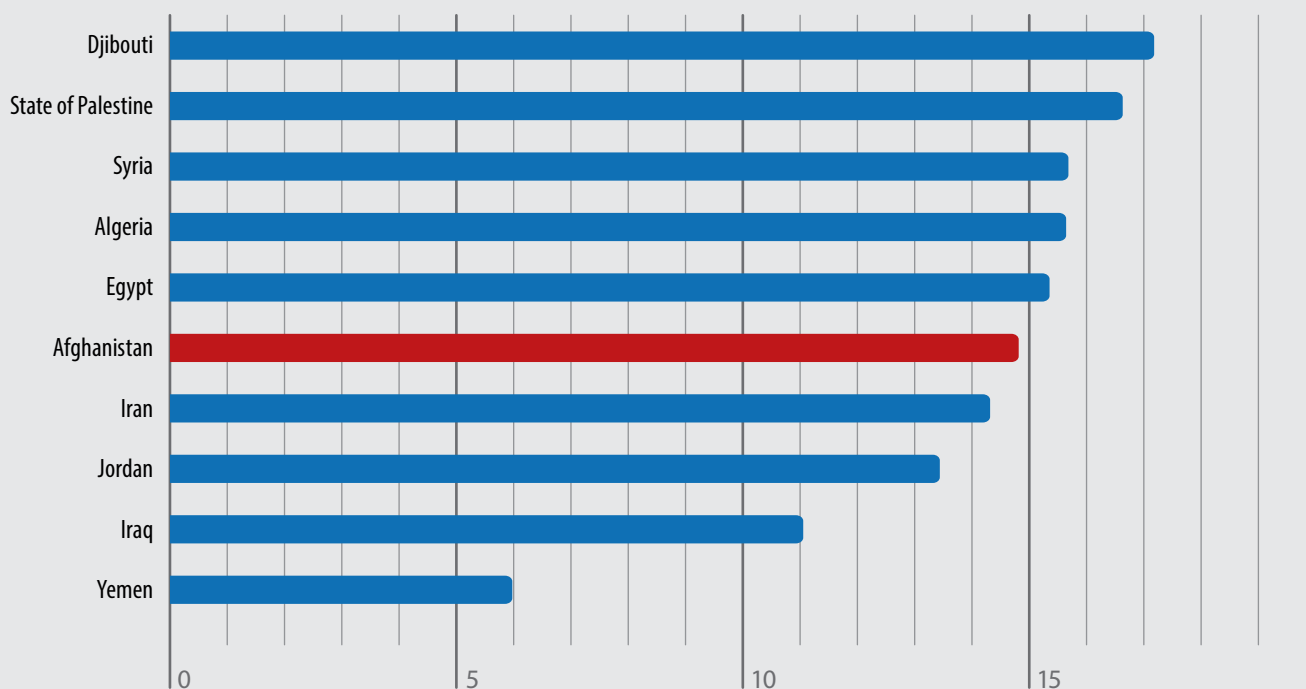
---

During 2001-2021, international aid was the main driver of economic growth in Afghanistan. Official development aid inflows to the country reached a peak of over 50% of GDP in the late 2000s, gradually declining to about 21% of GDP in 2020 (World Bank). Throughout this timeframe, the Afghan economy transitioned from being agriculture-based to service-based. The share of agricultural and manufacturing sectors in the economy decreased, while Afghanistan's export sophistication<sup>10</sup> and human capital indicators<sup>11</sup> also saw a decline. In 2002, the agriculture and service sectors contributed equally to the Afghan GDP, accounting for 39% and 36% respectively. However, by 2020, services, dominated by transport and storage, constituted over half of GDP (55%), while the agriculture sector contributed 27% (OECD, 2019).

Gender inequality remains a significant challenge in Afghanistan. In 2022, Afghanistan ranked 162<sup>nd</sup> globally on the Gender Inequality Index out of 166 countries with available data (UNDP, 2024b). Recent additional restrictions on women's participation in public life since August 2021 have further exacerbated women's rights in the country (UNDP, 2023b). The literacy rate amongst women in Afghanistan remains alarmingly low, standing at just 23% in 2021. This is in stark contrast to neighbouring countries like Uzbekistan, which reported a 100% women's literacy rate in 2022, and Iran, where the rate was 85% in 2022 (World Bank, 2022c).

Although there have been improvements in secondary school enrolment rates in Afghanistan, with total enrolment increasing from 13% in 2003 to 55% in 2018, challenges persist, particularly for girls. In 2019, 44% of women in Afghanistan completed lower secondary

**Figure 1:** Countries with the lowest female labor force participation rates (% of ages 15 and older; 2021)



school, compared to 93% in Uzbekistan (World Bank, 2019b). The resumption of school for Afghan girls over the age of 12 has been indefinitely delayed since September 2021, affecting 1.1 million girls and young women who are now deprived of formal education. Currently, 80% of school-age Afghan girls and young women, totalling 2.5 million, are out of school, with nearly 30% of them never having enrolled in primary school (UNESCO, 2023). Comparatively, the expected years of schooling for women in Afghanistan is 7.7 years, while it is 14.7 years in Iran and 12.4 years in Uzbekistan (UNDP, 2023b).

These restrictions on education for female students worsen the already low female enrolment rate compared to the region. In 2017, nearly 65% of young women and girls in Afghanistan were not in education, employment, or training, marking the highest proportion in the world. In contrast, the figure for men stood at 20% (World Bank, 2021a). By 2023, there was a noticeable decline in education attendance among girls in Afghanistan, while boys saw an increase. Following the bans on women’s education, girls’ attendance dropped from 44% in 2022 to 39% in 2023, contrasting with boys whose attendance rose from 63% in 2022 to 75% in 2023 (UNDP, 2024c).

Female labour force participation in Afghanistan has fluctuated over the years. It increased from 15% in 2000 to 21% in 2019, but then dropped back to 19% in 2020 and 18% in 2021 (World Bank, 2021b). Although total household employment increased from 41% in 2022 to 44% in 2023, the proportion of female workers decreased from 11% in 2022 to 6% in 2023 (UNDP, 2024c). With the most recent restrictions on women’s ability to work at NGOs and UN agencies coupled with the closure of beauty parlours in Afghanistan, female labour force participation and women’s income are likely to have declined even further. The lack of formal labour contracts, social protection, and safety nets characterize Afghanistan’s labour market, explaining why women’s vulnerable employment stood at 91%, compared to 76% in South Asia (World Bank, 2022d).



📷 Beehive keeper in Afghanistan. © UNDP Afghanistan

### 1.3 Private sector

According to a study by Rasoli et al. (2019), 55% of Afghan businesses have fewer than 10 employees, while 30% have 10 to 24 workers, 12% have 25 to 49 workers, and 3% have 50 to 100 workers.<sup>12</sup> A reported 80% of Afghanistan's economic activity is informal (UNDP, 2022b). Only 3.1% of the private sector received domestic credit in 2020 (World Bank, 2020).

The share of women business owners was a mere 2% in Afghanistan in 2018, indicating severe gender disparity in entrepreneurship (World Bank, 2018a). As of March 2021, 56,910 women-led businesses were registered with the AWCCI, however it is understood that many more unregistered women-led businesses operate in Afghanistan. Among 17,639 businesses for which detailed information is available, a staggering 95.7% are unlicensed. According to AWCCI data, among the 2,471 licensed businesswomen, the majority hail from Balkh, Herat, and Kabul, while the 54,539 unlicensed businesswomen are concentrated in Baghlan, Balkh, Herat, Jowzjan, Kabul, and Paktia (AWCCI, 2021).

The 2024 UNDP survey of women-led SMEs also indicated high informality with 64% of women-led enterprises being unlicensed. Some 47% of women entrepreneurs were operating their businesses in rural areas, while 40% were operating in urban areas. The remaining 13% of women-led SMEs were operating in both rural and urban settings. Notably, many women-led enterprises are situated in border regions, indicating that cross-border trade plays a pivotal role in their operation and in private sector-led development. Furthermore, women entrepreneurs serve as significant employers of women: a study by the AWCCI, based on a sample of 1,325 women-led businesses, revealed that women comprised 88% of the aggregate workforce employed by these enterprises.

<sup>12</sup> According to the Afghanistan Ministry of Industry and Commerce definition, a micro-enterprise has fewer than five employees (Ministry of Industry and Commerce, 2018).



## 2. Challenges for women entrepreneurs in Afghanistan

**This section analyses both challenges common to the private sector and those specific to women, based on semi-structured interviews carried out with women-led SMEs across different regions and sectors of Afghanistan. Women employers and employees are prominent in horticulture, including almonds, grapes, honey, raisins and saffron (Afghanistan Research and Evaluation Unit, 2017). In 2020, 54% of the female labour force was employed in the agricultural sector, 26% in the industrial sector, and 20% in the service sector.**

By 2021, female employment accounted for 20% of the 7 million employed, playing a crucial role in providing services in education, health, and infrastructure (UNDP, 2024a). Women workers and entrepreneurs dominate the carpet weaving sector, which in 2019 employed over one million Afghans, making it the second largest employer in the country after agriculture. Women make up 90% of workers in textile manufacturing, mostly in carpet weaving (World Bank, 2019a). Carpet weaving, dried fruits and nuts, honey and saffron production sectors are critical not only for women entrepreneurs but also for Afghanistan's business landscape and exports (See Annex 1).

Among the main challenges identified from the interviews are low demand and export restrictions due to payment blockages, supply side challenges (including access to inputs and finance), and restrictions on women's economic activities due to discrimination and mobility constraints. These findings primarily focus on women entrepreneurs in handicrafts (carpet weaving), food production (honey and dried fruit and nuts), and saffron, which form the main body of Afghanistan's exports. The power shift in August 2021, the shutting down of air routes, and the limitations imposed on payment systems have taken a toll on the export capabilities of carpet weavers and producers of dried fruits and nuts. While direct exports to western markets have diminished considerably, re-exports from Pakistan appear to be helping to mitigate the decline.

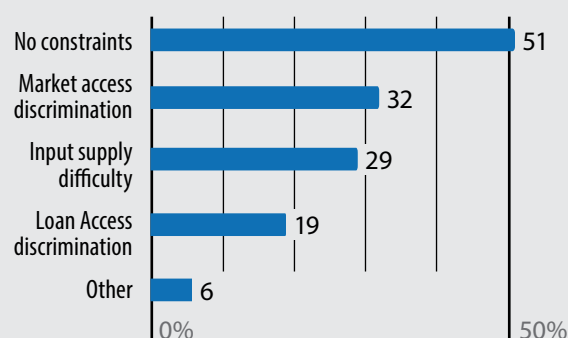
Even prior to August 2021, SMEs faced challenges in their economic activities amidst ongoing warfare. Poor security, weak and underfinanced public institutions, corruption, lack of access to finance and credit, and inadequate infrastructure (roads, electricity, water, internet, etc.) contributed to disruptions in production, low productivity, low demand, and poor access to markets, both internal and external. The Covid-19

pandemic further exacerbated these challenges. Before the takeover, security concerns were the most frequently cited challenge among women entrepreneurs interviewed (37/49 respondents). Respondents also mentioned a lack of access to finance or credit (14/49) and corruption (14/49) as significant obstacles. During the Covid-19 pandemic, decreased or insufficient market demand (12/49) and pandemic restrictions (10/49) were common challenges.

In the 2024 survey of women-led SMEs, when asked about the challenges of operating a business, 51% reported no constraints, while 32% cited discrimination in accessing markets, and 28% mentioned difficulties in sourcing input supplies. Additionally, 19% noted discrimination in accessing loans (formal or informal), while 6% mentioned other constraints, such as financial issues, operational challenges (e.g., marketing, machinery, and skills/training), restrictions on women imposed by the de facto authorities, and power supply challenges.

During the 2022 in-depth interviews, respondents, especially those in handicrafts and food production and processing sectors, highlighted a lack of equipment and

**Figure 2: Being a woman, what constraints do you face in the operation of your business?**



access to raw materials (10/49). They also mentioned the lack of support from de facto authorities for women-led businesses (8/49) and cultural barriers (6/49) as factors constraining business performance. These issues resulted in reduced production, limited business opportunities, and challenges in collecting payments. Many women entrepreneurs shut down their business operations in the months following the takeover, only slowly resuming at a reduced capacity. The majority of respondents pointed to a decrease in profit/revenue (33/49).

The 2024 women-led SMEs survey reveals a steady improvement, with 66% of respondents reporting an increase in business activity. However, 14% of women-led businesses also reported a deterioration in their business situation due to factors such as lack of demand, limited access to finance, and discrimination against women.

## 2.1 Access to finance

Nearly all respondents in the 2022 in-depth interviews expressed concerns about business disruption due to lack of access to credit. Financial issues, such as access to finance, were cited as the most pressing challenges for women entrepreneurs. These findings are supported by UN Women's 2022 survey, in which 53% of respondents reported that their businesses were no longer functional, 89% of them attributing this to the lack of access to financial resources (UN Women, 2022).

Even before August 2021, respondents reported lack of access to working capital as a major challenge. According to the 2019 OECD Social Institutions and Gender Index (SIGI), 45.6% of Afghan women had restricted access to productive and financial resources (OECD Statistics). Few women in Afghanistan own land or agricultural assets, limiting their ability to provide collateral guarantees (USAID, 2012). Unfavourable inheritance and land titling systems, along with limited income and savings, collectively undermine women's ability to access formal loans (OECD, 2019).

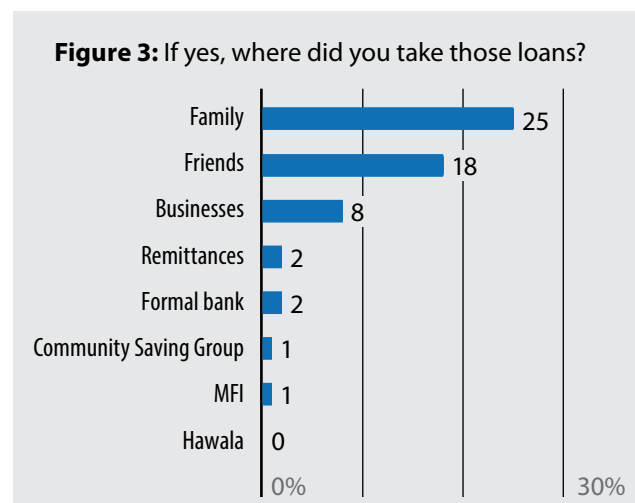
In 2021, the disparity in women's access to financial services between Afghanistan and its neighbours was stark. Only 5% of Afghan women owned accounts at financial institutions, a significantly lower rate than in Uzbekistan (39%) and Pakistan (13%) (World Bank, 2021c). Furthermore, when it came to borrowing money from formal financial institutions, only 1% of women in Afghanistan engaged in such transactions (World Bank, 2021d). These disparities underscore the challenges that women in Afghanistan face regarding financial inclusion.

According to the 2023 Women Peace and Security Index, women's financial inclusion in Afghanistan is at 4.7%, significantly lower than in Pakistan (13.5%) and Uzbekistan (38%) (WPS, 2023).

## 2.2 Sources of finance

In-depth interviews conducted in 2022 revealed a variety of financing sources relied upon by women-led enterprises. The most reported sources of finance were personal savings (35/49), loans from relatives and friends (16/49), and sale of personal assets (11/49). The reliance on borrowing from family and friends is significantly higher in Afghanistan than in other countries in the region. In 2021, 64% of women-led enterprises in Afghanistan borrowed from family and friends, whereas the corresponding rates for the same year were 24% in Kazakhstan, 20% in Pakistan, and 18% in Uzbekistan (World Bank, 2021e). None of the respondents had received a bank loan since 15 August 2021. Two respondents mentioned relying on bank loans as a secondary source of finance, while two others indicated receiving assistance from international non-governmental organizations as their primary source of finance.

Among the respondents, over half (28/49) reported no changes in their sources of finance for their business since 15 August. Three respondents believed that their relatives and friends were no longer able to provide financial support after the economic contraction following 15 August 2021. Another three respondents explained that their primary source of finance was now their business. The number of respondents who said they were using credit (some only when necessary) (11/49) and not using credit (15/49) was similar. When asked about their preferred source of credit, most respondents (25/49) cited borrowing from relatives and friends, with a few reporting obtaining a bank loan.



## Box 1: Sources of Finance: Joint Market Monitoring Initiative (JMMI) data

The data from JMMI regarding traders illustrates shift in the sources of finance utilized by traders between and after August 2021. In June 2021, among traders who reported borrowing money to support their business, 67% of key informants (Kis) indicated borrowing from their suppliers, while 27% borrowed from family and friends. By October 2022, borrowing from suppliers had decreased to 51%, while borrowing from family and friends had increased to 36%. Additionally, during the same period, the percentage of Kis reporting borrowing from informal financial services, such as hawalas, saw an increase from 3% to 11% (REACH, 2022a).

Responses to the 2024 survey of women-led SMEs revealed that the main sources of loans for women-led businesses were family (61%), friends (45%), and loans from other businesses (21%). A smaller percentage reported receiving loans from formal banks (5%) or remittances from abroad (5%), while 2% each obtained loans from microfinance institutions and community savings groups. Only 0.3% reported receiving loans from money service providers or hawalas. In urban areas, 19% and 22% of women-led SMEs reported receiving loans from friends and family, respectively. In rural areas, these figures were slightly higher, at 19% and 29%, respectively. Regarding loans from formal sources, only 2.1% and 1.2% of respondents in urban areas reported receiving loans from formal banks and microfinance institutions, while in rural areas, these figures dropped to 1% and 0.2%, respectively.

The 2024 survey of women-led SMEs found that 59% of respondents had no debt. Among urban respondents, 39% reported having debt, compared to 43% in rural areas.

### 2.3 Reasons for limited access to finance

Among the obstacles to accessing finance, several of the 2022 in-depth interview respondents cited lack of bank financing, gender-related mobility restrictions, or the inability to meet documentation prerequisites essential for loan approval. Among key concerns preventing access to bank loans, most respondents cited the lack of sharia-compliant financial products, new restrictions on women's mobility making it difficult to visit banks, and high interest rates. Other reasons included uncertainty about ability to repay on time, inflexible deadlines, and inability to meet the bank's requirements.

The majority of respondents refrained from applying for bank loans due to negative experiences recounted by their relatives in accessing loans. When asked their perception of the most common requirements to access bank loans, having a license or legal business permit emerged as the most frequently cited requirement (18/49), particularly amongst unlicensed respondents.<sup>13</sup> Other perceived requirements included collateral or bank guarantees, property guarantees or statement of assets (mentioned by 8 out of 49 respondents), and credit history (7/49) or history/background of the business. The time required to receive formal loans may also act as a deterrent, as noted by respondents who had previously received a loan from the bank before 15 August (5/49), with some indicating the process took one to three months.

In August 2023, focus group discussions with women MFI clients underscored the difficulty in obtaining financial guarantors and shura approval. Rural entrepreneurs faced additional hurdles in accessing financial institutions, given the considerable distances involved in travel. Discrimination against women entrepreneurs and restrictions on their interaction with suppliers and buyers might have deprived those entrepreneurs of valuable sources of finance. Respondents in sectors like carpet weaving expressed substantial demands for working capital. However, wholesalers and suppliers, who previously provided cash advances for production purposes, might now be reluctant to engage with women-led businesses due to ambiguous gender-related edicts issued by the de facto authorities. Given that loans from other businesses were cited as a prevalent financial source, discrimination from business partners is likely to severely impact women-led SMEs' access to finance.

<sup>13</sup> Many microfinance institutions in Afghanistan provide loans to unlicensed businesses.



## Box 2: Money transfer systems: JMMI data

The JMMI data indicates a consistent preference for hawalas as the most frequently used functional money transfer system, with their usage gradually increasing post- August 2021. 86% of key informants (Kis) reported using hawalas in June 2021, which rose to 91% in October 2022. Conversely, the utilization of banks, the second most reported money transfer system, experienced a notable decline after August 2021 - 55% of KIs reported utilizing banks in June 2021, dropping to 27% of KIs in September 2021. While banks are increasingly utilized by KIs for money transfers, the usage remains below pre-August 2021 levels, with 40% of KIs reporting bank usage in October 2022 (REACH, 2022a).

*Note: This analysis does not differentiate between domestic and international money transfers, with domestic transfers being less impacted than international ones.*

## 2.4 Addressing barriers to loan access

When asked about solutions to barriers in accessing loans, respondents suggested various measures. First, they emphasized the importance of removing the restrictions on women, as well as easing loan conditions, such as reducing collateral requirements or simplifying the documentation process (12/49). Additionally, some respondents (6/49) proposed solutions involving the international community, such as providing international assistance, supporting Afghan banks, and assistance in enhancing women's capacity building. Others (4/49) suggested that international organizations and non-governmental organizations could provide support. There were suggestions to remove restrictions on banks by the international community and address the lack of cash. Several (4/49) mentioned the need to make interest-free loans available specifically to women's businesses. Lastly, a few (4/49) suggested easing bureaucratic procedures to secure loans for businesswomen.

During the focus group discussions in 2023, participants advocated for group guarantor mechanisms in which a cluster of three to five MFI clients would guarantee each other, as opposed to relying on individual financial guarantors, which are harder to obtain. They also stressed the importance of flexible repayment deadlines aligned with seasonal cycles for agricultural producers. Finally, respondents expressed a preference for the ability to use movable collateral, such as livestock or vehicles, as opposed to property deeds.

## 2.5 Payment systems

A majority of respondents stated that prior to 15 August 2021, they primarily made payments in cash (36/49), especially for workers' salaries. A smaller proportion (14/49) also made payments through banks. However, as noted in earlier sections, the collapse of international payment systems posed a significant challenge for women exporters in sectors such as carpet making, honey, saffron, and dried fruits.

After 2021, 16 out of 49 respondents indicated changing their payment methods, mostly transitioning from formal banking to using informal hawalas or relying solely on cash transactions. Among women entrepreneurs, 4 out of 48 respondents reported switching to hawalas for payments. However, some reported difficulties with this system due to its high costs and challenges in travelling to the bazaar to access money exchange offices, especially due to the mahram requirement.

Digital payment channels remain limited in Afghanistan. Data shows that only 4% of women made or received digital payments in recent years, compared to higher rates in Tajikistan (34%), Uzbekistan (36%), and Pakistan (11%).<sup>14</sup> Moreover, women's cell phone usage rate in Afghanistan was 37% in 2022, down from 52% in 2017 (WPS, 2023).

The majority of respondents (34/49) reported an inability to use digital payment systems, citing inaccessibility of computers and smartphones (19/49), including for their employees. In the carpet sector, one respondent expressed an interest in digital payment systems and online sales but lacked access to the internet and ICT equipment.

<sup>14</sup> World Bank, 2021f.

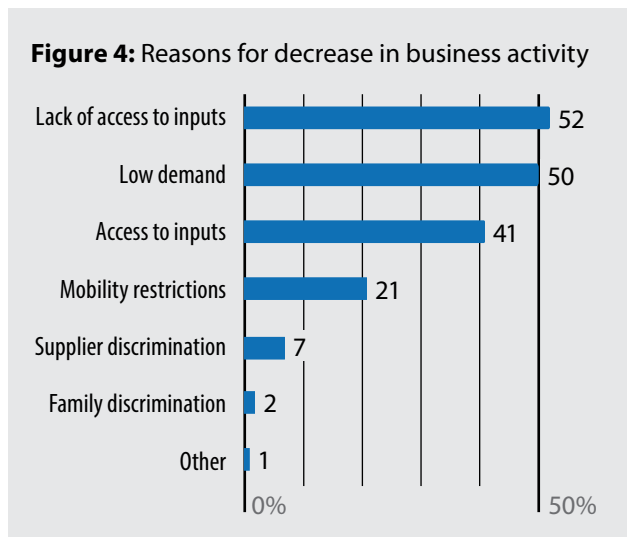
Enabling digital payment systems by providing affordable access to the internet and ICT equipment, as well as training in digital skills, would circumvent restrictions on women’s mobility and thus support women businesses. This would eliminate the need for additional travel to markets for hawala exchanges and avoid the high fees collected by hawaladars.

## 2.6 Reduced market demand

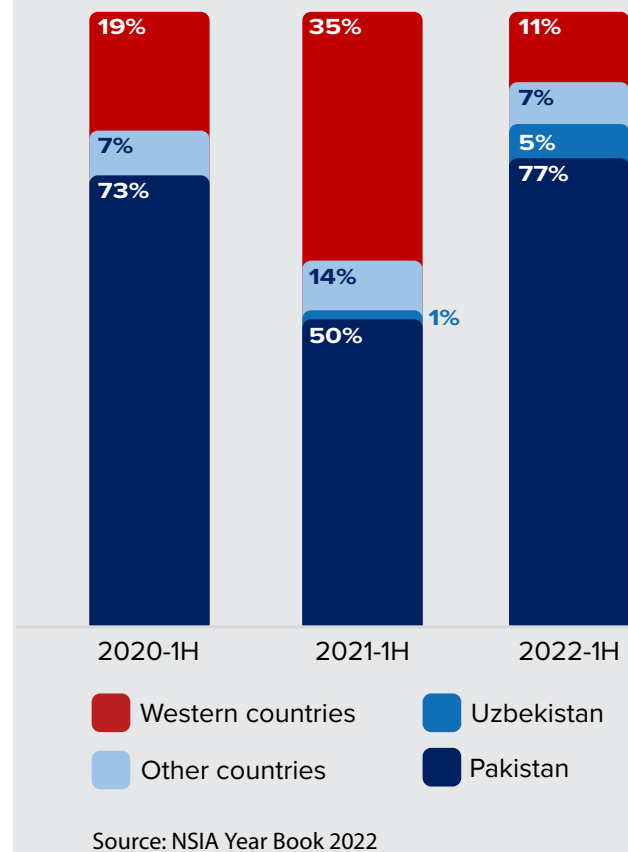
In 2022 in-depth interviews, the majority of women entrepreneurs (34/49) cited a drop in demand as the main reason for reduced revenues. Respondents mentioned factors such as loss of customers, decrease in purchasing power and the country’s economic crisis as key contributors to this trend. Though some respondents noted a gradual increase in demand in the months leading up to September 2022, it remained lower than prior to August 2021.

JMMI data also reflected the impact of the takeover on customer demand. Key informants from the trade sector reported a decline in demand for non-food items from August 2021 (66% of KIs) through October 2022 (57% of KIs). Additionally, household economic capacity decreased significantly between August 2021 and August 2022, with average income dropping by 17% and average expenditure by 16% (REACH 2021, 2022c).

The decrease in demand can largely be attributed to income losses and the increased cost of living. Respondents in the clothing sector also noted a reduction in demand for school uniforms and hospital garments due to restrictions on girls’ school attendance and women’s work. Similarly, businesses in sectors such as carpet making, honey, dried fruits, valuable stones,



**Figure 5: Proportion of Afghan carpet exports by region**



and saffron attributed the decline in demand to the departure of wealthy clients and foreigners who had previously resided in Afghanistan.<sup>15</sup>

Findings from the 2024 survey of women-led SMEs revealed varying trends in business activity. While 64% of respondents reported an increase in their business activity over the past year, indicating a positive trajectory, 20% indicated no change, while 14% reported a decrease in business activity. Among those experiencing a decline, 50% cited the lack of demand as a contributing factor. Conversely, among those reporting increased activity, 44% attributed it to higher demand, suggesting that demand fluctuations continue to play a significant role in business performance.

<sup>15</sup> In the domestic market, Afghan carpets may be non-competitive vis-a-vis cheaper machine made, carpets from Iran, Pakistan and Turkey (Nasrat and Karimi, 2016). With declining income levels, this trend may have been further aggravated.

## 2.7 Export restrictions

The 2024 survey of women-led SMEs revealed that 94% of the businesses exclusively sell in the Afghanistan market, while 4% focus solely on exports, and 2% cater to both the Afghanistan market and exports. According to the in-depth interviews conducted in 2022, women entrepreneurs (14/49) who used to export earlier indicated that they are either no longer able to do so or their exports have significantly reduced due to restrictions on payment systems and closure of air corridors. Women exporters in carpets, honey, saffron and dried fruits, and nuts indicated that they are no longer able to export to their former customers, including those in Canada, Dubai, Germany, India, Kuwait, Russia, and the United States. Some women exporters reported having had to reduce their workforce as a result.

The value of carpet exports to western countries dropped from USD 4.85 million to USD 1.8 million between the first half of 2021 and the first half of 2022, while carpet exports to Pakistan almost doubled (from USD 6.94 million to USD 12.48 million<sup>16</sup>). Reports from 2018 already indicated that traders from Pakistan bought Afghan carpets for re-export (Nickel, 2018). An earlier study in 2016 found that Pakistani tradesmen benefited as much as 80% through carpet exports from Afghanistan by re-exporting these items (Nasrat and Karimi, 2016).

The delinking from western markets poses a significant challenge and represents a missed opportunity for producers of carpets, dried fruits and nuts, saffron, and honey, as a large proportion of demand originates from these markets. In 2021, Western markets, including the United States, Germany, UK, Japan and Switzerland, accounted for 72.9% of total global imports of hand-made carpets. Similarly, the share of western markets in total imports of dried fruits and nuts,<sup>17</sup> saffron<sup>18</sup> and honey<sup>19</sup> were 50.2%, 41% and 77.6%, respectively.

With barriers to exports arising from restrictions in payment systems and the closure of air corridors, coupled with low demand in domestic markets, some women-led SMEs (14/49) switched to producing goods with local demand or adjusted their production offerings. In addition to decreased demand, some

entrepreneurs reported a shortage of skilled labour and raw materials as reasons for altering their production activities.

Several respondents moved away from carpet weaving to other products. One respondent from Kabul, who employed 362 workers and engaged in diverse production, including carpet weaving, leather making (bags and shoes) and clothing, discontinued her carpet weaving and leathercraft activities after 15 August 2021. Their main clients had been wealthy local customers and export traders, exporting products to Australia, Belgium, Canada and the United States.

Another respondent from Kabul reported a reduction in carpet weaving activities and started a new production line for wool thread. Before August 2021, their main clients were exporters of carpets and large traders who exported their products to Germany and the United States, as well as big internal markets, production corporations, and trading corporations. However, after 15 August 2021, their clients decreased to 20%, and they now trade with only one domestic company purchasing their goods at a lower price. Restrictions on women impacted their dealings with large traders, as well as the composition of the workforce.

“*Our business relations with larger traders to sell our products is cut. Imposed restrictions on women affected our business activities or products. We also lost young women workers.*”

In the carpet sector, one respondent reported a reduction in exports to Pakistan. Two carpet producers from Mezar-ı Şerif noted losing their European customers to Pakistan.

Online sales in the honey sector, including those to foreign countries, were interrupted after August 2021. All three respondents interviewed from Kabul used to sell their products online, but only one continues to do so. The other two no longer engage in online sales.

<sup>16</sup> Exports in the first half of 2020 also appear to be low, possibly in response to the Covid-19 pandemic.

<sup>17</sup> In 2021, the largest importers of dried fruits and nuts worldwide were Germany, China, Italy, India and Spain, important potential markets for Afghanistan.

<sup>18</sup> In 2021, the largest importers of saffron worldwide were China, India, Saudi Arabia, Spain and the United States, important potential markets for Afghanistan.

<sup>19</sup> In 2021, the largest importers of honey worldwide were China, France, Germany, Japan, the United Kingdom and the United States, important potential markets for Afghanistan.



## 2.8 Supply side challenges in different sectors

### 2.8.1 High input prices and lack of input availability

Among the numerous challenges facing Afghan businesses are the high prices of domestically produced inputs and their unavailability due to inflation and to closures of input-producing businesses. Additionally, access to imported inputs has been interrupted by border closures, high prices, and difficulties in accessing international payment systems (World Bank, 2022a).

During in-depth interviews conducted in 2022, women entrepreneurs reported a decrease in revenue due to a surge in the price of raw materials and a decline in their supply, particularly notable in 2021. As a result, 13 out of 49 respondents' businesses were impacted by additional costs in their production process, a decrease in production, stoppages or delayed production, and issues accessing raw materials in time or using them prior to expiration. Many respondents cited the high cost of raw materials combined with high transportation costs, mainly attributed to the significant increase in fuel costs. Among the women-led businesses surveyed in 2024 that reported a decrease in business activity, 41% attributed the decline to the lack of access to inputs.

Changes in prices were further exacerbated by natural disasters and climate change. Respondents in the dried fruits and nuts and the honey sectors reported that droughts led to further increases in the price of raw materials and reduced production. For instance, the surge in extreme weather phenomena due to climate change and natural disasters destroyed honeybee boxes, leading to a decrease in bee populations.

In the carpet sector, women entrepreneurs faced a significant challenge in accessing high-quality raw materials, particularly top-grade wool. Even before August 2021, the Afghan carpet industry grappled with substantial obstacles, including the scarcity of high-quality wool due to a reduction in livestock numbers during wartime conditions. Despite the superior quality of local wool compared to imports, the disruption in wool production exacerbated the situation. This shortage also affected thread and yarn businesses, leading to increased dependence on imports. With Afghanistan being a landlocked nation with inadequate road infrastructure, carpet producers were compelled to rely on lesser-quality wool from Iran and Pakistan, adversely impacting the global competitiveness of Afghan handmade carpet (Nasrat and Karimi, 2016).

### 2.8.2 Skills and equipment

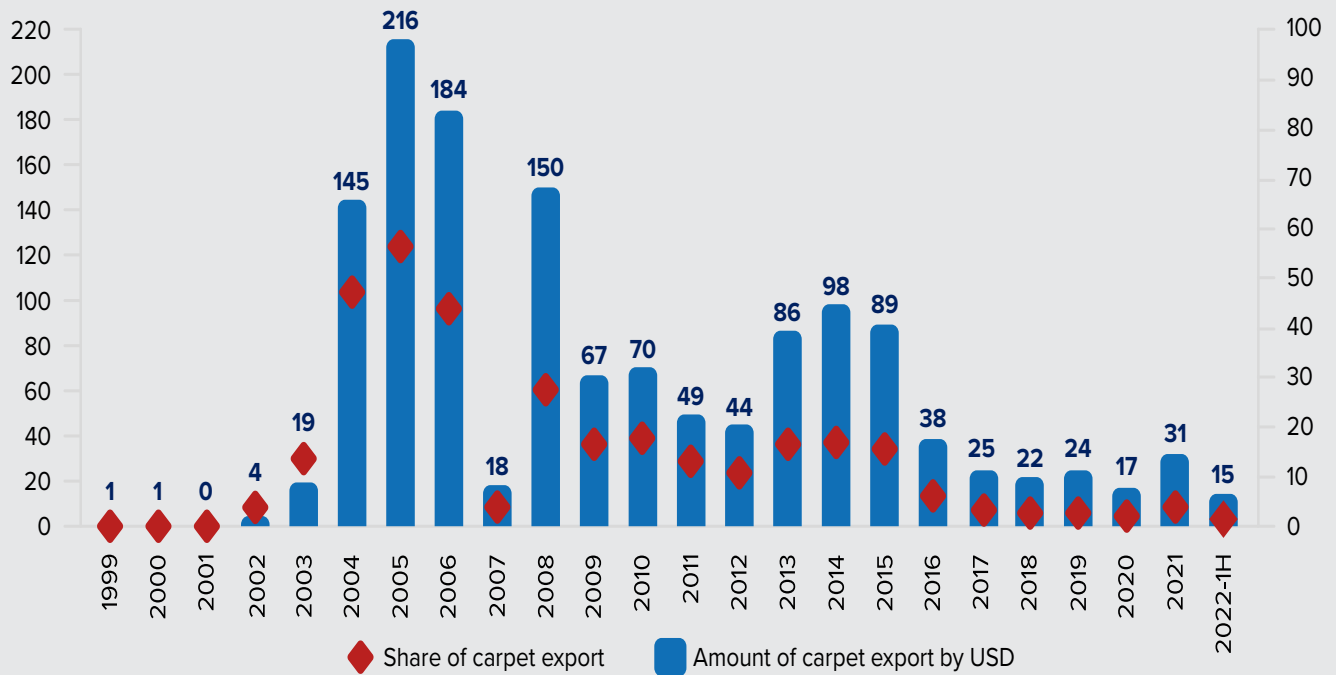
A migration of skilled workers, or "skills drain," seems to have primarily affected respondents from the carpet weaving, clothing, and handicraft sectors, with women entrepreneurs in these sectors emphasizing the need for skills training. Exporters among women entrepreneurs in the carpet, handicraft, honey, and valuable stones sectors, emphasized the need to acquire marketing skills to access international markets, with a specific focus on digital marketing.

Digital marketing holds significant potential for women to access international markets, offering a means to circumvent gender-related restrictions and third-party sellers that discriminate against them. However, for women entrepreneurs to fully leverage digital marketing, they need access to affordable internet, ICT equipment, and digital skills. While mobile apps and QR payments are accessible, they remain in severely limited use. In 2017, only 9% of the Afghan population had experienced digital payments, according to the Findex 2017 report, with just 2.7% of women having used these services. As of 2021, the situation has worsened, particularly for women, with the percentage of women recipients of digital payments dropping to just 1.6%, according to 2021 Findex data (UNCDF, 2023).

### Box 3: Pricing trends in Afghanistan

JMMI data indicates the 36% increase of the petrol price and 67% of diesel price between August 2021 and October 2022. The percentage of vendors reporting difficulties in obtaining adequate commodities rose from 10% of KIs in June 2021 to 38% of KIs in August 2021. However, these supply chain issues have gradually decreased since then, with only 8.2% of KIs reporting such difficulties in October 2022. The most prevalent reason reported by traders facing difficulties to supply commodities was insufficient cash, which increased from 61% in June 2021 to 91% in August 2021. (REACH, 2022a).

**Figure 6:** Afghanistan Hand-made Carpet Export (Source: NSIA Year Book 2022)



### 2.8.3 Packaging and processing facilities

Women entrepreneurs in the dried fruits, honey and saffron sectors emphasized the pressing need for processing and packaging equipment, machinery, and storage facilities. In particular, inadequate processing and packaging facilities have long posed challenges for Afghan honey exporters. Raw honey is often sent to Pakistan for processing and packaging before being re-exported under the ‘made in Pakistan’ label. Similarly, in the dried fruit sector, a respondent from Herat expressed the need for production machinery.

A Kabul-based respondent who recently transitioned to dried fruits and dairy production emphasized the need for financial investment in dry fruit processing. Another respondent from Kabul stressed the importance of acquiring standard machinery, especially for packaging, along with support for building cold storage facilities and obtaining chemical fertilizers.

Packaging also presents a significant challenge for saffron producers. A small-scale saffron producer from Paktia stated that she faces challenges in exporting due to the lack of standardized packaging facilities. Another respondent from Kabul, who exported saffron before August 2021, previously outsourced packaging to Iran. However, border closure had rendered this option unavailable. This respondent used to procure chemical fertilizers, bottles of various sizes, and decorative boxes for packaging of saffron from Iran.

Although not explicitly mentioned by the women surveyed, the carpet sector also grapples with inadequate cut, wash, and finishing facilities, primarily due to electricity and water shortages and limited accessibility. As a result, a significant portion of Afghan carpets are sent to Pakistan for these services, from where they are sold wholesale.<sup>20</sup>

<sup>20</sup> In 2009, 85% of Afghan carpet cutting, washing, and wholesaling was performed in Pakistan (Ministry of Commerce and Industry, 2009)

# 3.

## Restrictions and discrimination against women after 15 August 2021

### 3.1 Restrictions on women's mobility

---

During the data collection period spanning 2022, 2023, and 2024, the de facto authorities enacted additional decrees, including prohibiting women from attending formal education from primary school to university, banning the operation of beauty salons, and imposing further restrictions on women's mobility and access to employment.

These restrictions have limited women entrepreneurs' ability to access markets and exhibit their products, while also increasing their transaction costs, particularly for transportation. According to JMMI data, access to markets for women has decreased, with more women reporting having no access to markets at all (4% in June 2021 compared to 11% in October 2022). In June 2021, 61% of respondents reported that women could access markets unaccompanied, compared to 50% in October 2022 (REACH, 2022a). Importantly, the modalities of access to markets for women have shifted, with a growing necessity for women to be accompanied by a mahram (REACH, 2022b). Without a mahram, they are not allowed to travel to local markets, other provinces, or abroad to attend exhibitions (26/49). This requirement poses an additional burden, as it doubles travel costs.

A few respondents (7/49) pointed to security issues as the main obstacle in accessing marketplaces. For instance, a respondent from Mazar highlighted difficulties in accessing marketplaces due to the inappropriate behaviour of wholesalers towards women, along with restrictions on women's mobility and lack of transportation facilities. An additional challenge raised during focus group discussions with women entrepreneurs in August 2023 is that many businesses employing women exclusively were being hassled by de facto authorities for being located close to businesses with male employees.

### 3.2 Reluctance of businessmen to interact with women

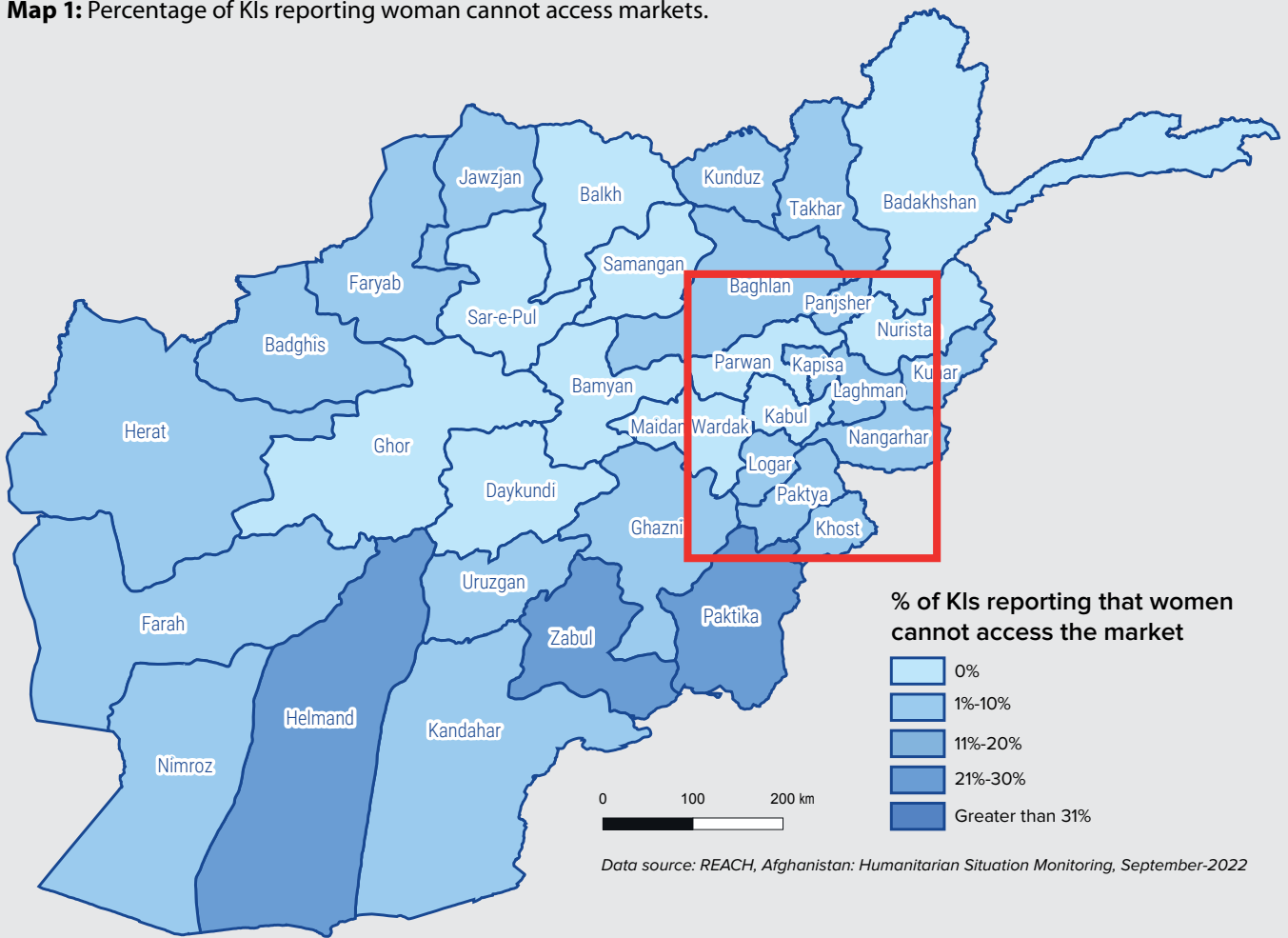
---

Women-led SME respondents (20/49) indicated that they faced discrimination and apprehension from the business community. Suppliers, shopkeepers, large traders, and wholesalers are reluctant to engage professionally with women due to concerns about reprisals from the de facto authorities. This discrimination has particularly impacted respondents in export sectors. The reluctance of these stakeholders to engage in business with women poses a significant obstacle to women entrepreneurs in sectors such as carpet weaving, honey production, valuable stones, saffron, dried fruits and nuts, clothing, and handicrafts (including engravings, woodcraft, and furniture). The 2024 survey of women-led SMEs further confirmed this challenge, with 32% citing discrimination as a barrier to accessing markets.

For instance, an entrepreneur from Herat who produces dried fruit described how she used to collaborate with large traders in the past. However, after 15 August 2021, due to new restrictions and fear of reprisals from the de facto authorities, large traders prefer to conduct business with men rather than women. She stated:

**“**After 15 August and the implementing of restrictions, businessmen do not want to show their interest in business with professional businesswomen because they prefer to avoid challenges with the authorities.”

**Map 1:** Percentage of KIs reporting woman cannot access markets.



### 3.2.1 Loss of access to export markets and production inputs

The reluctance of large traders to work with women entrepreneurs makes women-led businesses vulnerable, compelling them to sell their products at reduced prices. This has been the experience reported by two respondents (2022 survey) in the carpet sector, who continue to export.

Another businesswoman reported losing foreign traders after 15 August 2021, with a decline in the number of national traders with which her business interacts. Currently, her business sells products in Mazar and Kabul marketplaces, with export activity restricted to dealing with a single large trader in India. She noted that business interactions with large traders have been impacted by restrictions on women, leading to reduced exports and an inability to receive payment.

In the carpet sector, the reluctance of businesspeople to work with women has forced respondents to sell their products at street markets or to male wholesalers who have fewer challenges accessing international markets.

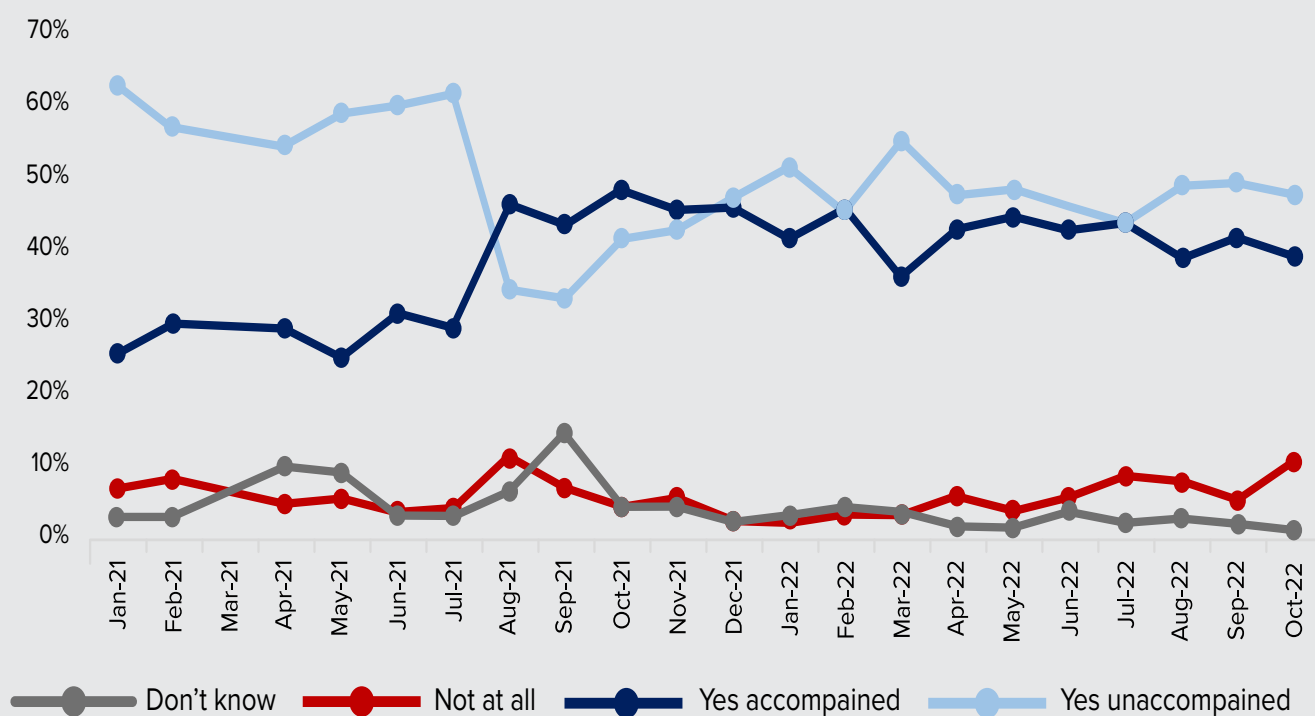
An entrepreneur who recently entered the carpet sector and aims to export carpets in foreign markets explained:

**“** We are forced to sell our carpets to domestic wholesalers for a small amount of money, and they subsequently sell to foreign markets at much higher profits.”

Discrimination against women entrepreneurs limits their access to resources for production activities, particularly in industries with high capital requirements, such as carpet-making. Wholesalers who previously provided cash advances to women-led enterprises for production may hesitate to collaborate with women, fearing repercussions due to gender-related restrictions. This was validated by the 2024 survey of women-led SMEs, where 29% of women entrepreneurs reported that gender discrimination hindered their ability to source input supplies.



**Figure 7:** Percentage of KIs reporting on women’s access to markets.



A carpet producer described the effects of businessmen’s reluctance to do business with women producers:

“Before 15 August 2021, our products were ordered by businessmen and wholesalers and were supplied to the market through them. However, after 15 August 2021, we lost our previous customers, and we only have access to the free markets. With the latest changes in the country and the restrictions imposed on women, we faced many problems. For example, we cannot go to the market to sell our products without mahram and paying the mahram is an additional cost, as well as transporting the products to national markets and paying the rent for the transportation.”

### 3.3 Barriers to Employment

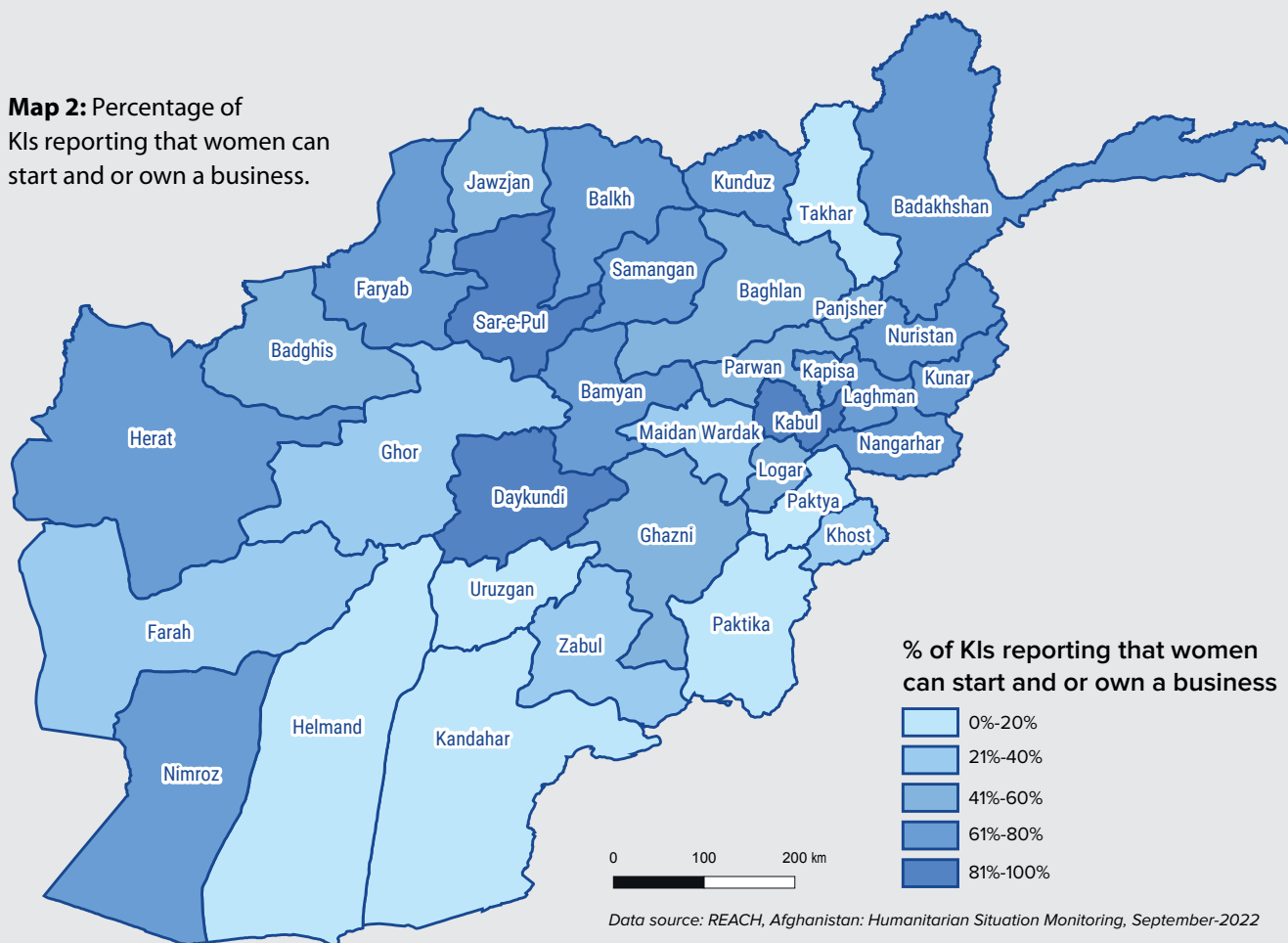
In 2023, women’s employment decreased by almost half, while men’s employment increased proportionally by 11%, reflecting the impact of the de facto authorities’ bans on women’s activities (UNDP, 2024c).

The 2024 survey of women-led SMEs indicated that 60% of women-led businesses are situated in female-headed households. This highlights the pivotal role of women’s business earnings in their family income, as 80% of women-led enterprises depend on business revenues as the primary source of income.

Households that include at least one employed woman tend to earn more than those without any women workers, and when those households lose the income from a woman employed in the formal sector, their per-person income could decrease by nearly 50%. Prohibiting women from working could lower the earnings of 5.3 million families by an average of 6% (UNDP, 2024a)

According to the Humanitarian Situation Monitoring (HSM) data (September 2022), 47% of the KIs reported that women are not able to start or own a business in their settlement, while 33% reported that women

**Map 2:** Percentage of KIs reporting that women can start and or own a business.



cannot be employed. Among the KIs that reported women cannot be employed, 54% cited long-term cultural barriers or that women have never been able to be employed in their settlement, 16% pointed to new bans or restrictions on women’s movement, and 14% cited lack of training opportunities for women to access local job opportunities (REACH, 2022b).<sup>21</sup> The below map highlights the stark differences between provinces in Afghanistan of community leaders’ perceptions in the ability for women to start a business, ranging from 6% in Helmand to 99% in Sar-e-Pul.

### 3.4 Safety for women entrepreneurs

During the in-depth interviews conducted in 2022, respondents noted persistent security concerns, although these were reported less frequently than in the period before August 2021. According to a 2019 survey conducted by the Asia Foundation, 18% of respondents identified violence as the most significant problem faced by women. Among those who believe women

should not work outside the home, 11.3% highlighted security concerns as the primary reason (Cesifo Network, 2022). The 2023 Women, Peace, and Security Index reported women’s perception of community safety in Afghanistan at 39%, contrasting with 56% in Pakistan and notably higher at 90% in Tajikistan. Respondents of the 2022 in-depth interviews cited new restrictions on women as the primary reason for not feeling safe. Among those reporting feeling safe while doing business, some mentioned feeling safe only at their home or workplace. One respondent reported being harassed by wholesalers, while a few reported an increase in incidents of robbery.

Half of the respondents (24/49) reported being forced to change business location after August 2021. The most cited reasons for moving were security concerns, increased rent and/or the need to downsize business, restrictions on women’s mobility, or requests by elders or family to relocate.

Access to a safe work environment is impacting business activities, especially for women entrepreneurs engaged in activities outside of the home. Women entrepreneur

<sup>21</sup> HSM sampling strategy includes a broad range of population groups from host households, cross-border returnee households, IDPs households, and Pakistani refugee households.



📷 Afghan women working in greenhouse. © UNDP Afghanistan

respondents in the saffron, valuable stones, handicraft, and clothing sectors emphasized the need for a safe and suitable workplace. Additionally, 11% of the respondents from the 2024 survey felt physically unsafe operating their businesses, while the remaining 89% reported having only minimum safety for continued business operations.

### 3.5 Registration and licensing

According to the Afghan Women's Chamber of Commerce and Investment (AWCCI), a large majority (95.7%) of women-led businesses were unlicensed in 2021 (see Section 3.1). The types of licenses issued to women entrepreneurs varied, including municipality permits, licenses from de facto authorities for commerce, industrial licenses, or general business licenses, with regional variations also observed.

The 2024 survey of women-led SMEs indicated that 64% of women-led enterprises were unregistered or unlicensed, 28% affirmed holding licenses, while 7% were unsure, and 2% chose not to disclose. Urban areas showed a higher proportion of registered and licensed businesses, with 40% of respondents confirming, compared to only 20% in rural areas. Further analysis

revealed that 52% of respondents in urban areas lacked registration and licensing, while this figure rose to 71% for respondents in rural areas. Sector-wise analysis showed that 18% of respondents engaged in food production and processing, 23% in handicrafts, and 50% in clothing indicated that they were registered and licensed. Conversely, 17%, 26%, and 40% of businesses in the same sectors were not registered and licensed, respectively.

A significant number of respondents, especially unlicensed business owners, reported being questioned by the de facto authorities (19/49) about their license (7/49), their general activities (5/49), or issues specific to the new restrictions, including being inspected for men and women working together in their place of business (5/49), being told not to allow men in their production site (2/49), or being asked to follow hijab rules (3/49). A businesswoman in Kabul reported that the authorities questioned her several times regarding her business license and the activities in the market and expressed concern about her hijab.

Moreover, the de facto regime appears to insist on licensing for reasons of security and taxation. The license requirement makes informal enterprises especially vulnerable to pressure, intimidation, and persecution. This is concerning as a significant portion of women-led



SMEs in Afghanistan operate in the informal sector and work without a license (REACH, 2022).

### 3.5.1 Need for a license

Most respondents (31/49) reported that they needed a license to operate their businesses, and some (9/49) highlighted the importance of having a license, despite not having one. Members of business organizations are more likely to have a license than those who are not.

Respondents reported that a business license provides enterprises opportunities for increased sales and exports (13/49) as well as access to business exhibitions (8/49). Furthermore, official recognition from a governing body means better relations with the de facto authorities, less likelihood of paying fines, and ensuring public trust. Respondents (4/49) also reported that being licensed provides access to bank loans.

As previously discussed, holding a business license, has provided grounds for pressure and intimidation of women. Respondents reported that without a license, people were less able to continue their businesses freely and could be questioned, fined, or even shut down. According to the 2024 survey of women-led SMEs, 24% of respondents admitted to making unofficial payments to sustain their businesses. However, the majority, comprising 72%, did not engage in any unofficial payments, while 4% preferred not to disclose whether they made such payments. Among the businesses making unofficial payments, a significant portion (60%) were unlicensed or unregistered, compared to 40% that had proper business documentation.

On the other hand, a few respondents spoke of the disadvantages of having a license. They mentioned that being licensed meant more reporting to authorities or being investigated by them. A few others mentioned that being licensed could lead to restrictions in participation in meetings for women.

### 3.5.2 Barriers to obtaining a license for women entrepreneurs

Women who operate without a license often face financial constraints, either due to the escalating license fees or a lack of awareness about the registration process. As noted by one respondent, the high cost of business licenses makes them unattainable for many women-led enterprises. According to the Afghanistan Central Business Registry (ACBR), the fee for a business license was AFN 2,500 (USD 30) in 2018. However, this fee increased to AFN 17,500 (USD 200) in 2022, and further rose to AFN 16,000 (USD 223) in 2024. Furthermore,

many respondents reported being unaware of the process required for registering their business. When asked about the procedure for obtaining a license, many cited different institutions and procedures, which may account for the 12 respondents uncertain about their registration status. This highlights the complexity and lack of accessible information for women entrepreneurs seeking to obtain a license.

Additionally, a respondent from Kabul noted that a marriage certification was necessary to acquire a license. She also recounted facing improper behaviour from officials and being denied entry to the directorate when attempting to obtain a license.

## 3.6 Networking and information access

More than half of the women entrepreneurs (26/49) interviewed during the 2022 in-depth interviews are members of a business chamber or association. The majority of them belong to the Afghanistan Chamber of Commerce and Investment (ACCI) (15/26) and to the Afghanistan Women's Chamber of Commerce and Industry (AWCCI) (14/26), or to both.

Respondents confirmed the importance of membership in business organizations for networking and staying informed about current economic issues. Nearly all (25/26) of the women entrepreneurs with organizational membership confirmed disruptions in their organization's activities after 15 August 2021. Approximately half of those respondents (10/26) pointed to new restrictions on women's mobility as a primary reason for the disruption of their activities, particularly their inability to attend meetings without a mahram or to physically meet with other businesspeople, which has reduced networking opportunities and access to information.

The transition from face-to-face to online meetings has further hindered women's active participation, driven by significant disparities in internet access. In 2022, while 25% of men reported having internet access, only 6% of women did. Moreover, there is a noticeable urban-rural divide, with 9% of urban women having internet access compared to only 2% of women in rural areas (Gallup, 2023). These considerable disparities in internet connectivity are likely to exacerbate women's challenges in maintaining business networks and relationships, underscoring the urgency of addressing digital inequalities for more inclusive professional engagement.



# 4.

## Recommendations

### 4.1 Strengthen business support and trade facilitation for women entrepreneurs

---

The main recommendation of this report is to strengthen local trade facilitation and business support functions by identifying and leveraging local private networks, such as chambers of commerce, guilds, and women's cooperatives. Trade facilitation and business support platforms can support in various aspects, including product development, input support, access to finance, digitalization, technical assistance, market research, support for expansion, e-commerce platforms, networking, access to information, and licensing assistance.

Establishing dedicated platforms within existing business support structures can effectively bring together individual enterprises and cooperatives to pool resources and seek external contributions, such as from non-governmental institutions. Enabling a collaborative environment can reduce expenses related to electricity, rent, equipment, licensing, business organizations membership fees, internet, and ICT equipment, while also strengthening the bargaining position of women entrepreneurs vis-à-vis large traders, input suppliers, credit providers, de facto authorities, banks, etc.

Finally, these platforms can facilitate the formalization of women-led enterprises by enabling licensing and membership in business organizations. One potential approach is to organize enterprises within a specific sector and region into clusters, functioning as a unified entity for taxation, licensing, and business organization membership. This strategy would significantly lower costs and promote local solidarity among enterprises.

### 4.2 Provide vocational training and information-sharing

---

Vocational training plays a crucial role in equipping enterprises with much needed skilled labour, enabling them to diversify their skills and business activities. Given the ongoing restrictions on women's education hindering access to technical and vocational training, there is a pressing need to enhance community-based training initiatives. These programmes should focus on technical skills, such as marketing, digital proficiency, accounting, and information-sharing on international certification, quality control, markets, and emerging technologies. Additionally, they could provide guidance on export/import procedures, customs regulations, shipping logistics, documentation requirements, and accessing financing or grants for international trade. Training sessions could be integrated into the above-mentioned business support platforms.

#### Specific industry needs include the following:

- ➡ Women entrepreneurs in sectors like carpet weaving, clothing, and handicraft require trade-specific technical skills to address the challenges of skilled labour migration.
- ➡ Women entrepreneurs in the dried fruits and saffron sectors require training in the use of modern technologies, administering chemical preservers, and storage techniques.
- ➡ Women need a dedicated fund, in collaboration with international organizations and non-governmental organizations, to facilitate internships and apprenticeships in order to gain both theoretical knowledge and essential practical experience.



📷 Afghan women demonstrating machinery at UNDP workshop. © UNDP Afghanistan

### 4.3 Support acquisition of equipment, inputs and infrastructure

The productivity and profitability of women-led enterprises, as well as others, have been adversely affected by the increasing prices and diminishing supply of raw materials. Discrimination against women entrepreneurs further hampers their access to essential inputs for production activities. Insufficient processing and packaging facilities have long been a challenge for Afghan producers in key exports sectors, such as carpet weaving, honey, saffron, dried fruits, and nuts. Specific industry needs are mentioned below:

- **Carpet sector:** Producers require cutting, washing, and finishing facilities, which depend on essential infrastructure such as water and electricity.
- **Saffron sector:** Packaging facilities are essential for standardizing products.
- **Dried fruits and nuts sectors:** Producers need cold storage facilities and chemical fertilizers.
- **Honey sector:** producers require access to bee medicine.

### 4.4 Improve access to finance

Even before 15 August 2021, restrictive collateral requirements for bank loans affected women more than men. Women entrepreneurs often relied on personal savings and loans from family and friends to finance their businesses. However, with the depletion of such sources in the post-15 August era, women entrepreneurs face significant challenges in financing their businesses. Although many women prefer not to pursue formal loans, some respondents noted banks' reluctance to lend to women. Moreover, obtaining a licence, often a prerequisite for bank loans, proves challenging for most women-led enterprises due to high fees. According to the 2022 in-depth interviews and 2023 FGDs, respondents proposed to reduce the bureaucratic burden and costs in obtaining loans.

The pooling of resources by women's businesses can facilitate access to loans by increasing the potential for providing the collateral required for bank loans. For example, implementing group guarantor mechanisms to replace collateral may enable women-led micro and small businesses to easier navigate the requirements for financing. This model has been adopted by certain Afghan microfinance organizations for small loans. Increasing access to finance may also enable acquisition of equipment and other facilities through leasing mechanisms.

## 4.5 Enhance digitalization initiatives

---

Affordable and accessible internet, ICT equipment and digital literacy are key for improving the survival chances of women's businesses in Afghanistan, especially considering the current restrictions on women's mobility. Digital technologies offer women the opportunity to access international markets without intermediaries or encountering discrimination from the de facto authorities. Moreover, digital payment systems can help women avoid high fees charged by hawalas. Importantly, women entrepreneurs who have access to the necessary equipment and infrastructure have attributed the continuation of their business activities to digital initiatives.

Local community groups can help women-led businesses to pool resources and provide a venue where women can access the internet and computers. Local platforms, situated within local Chambers of Commerce and Investment, can serve as hubs for women to receive training in digital literacy, marketing, and digital financial training and tools.

The reluctance of large traders and wholesalers to engage with women entrepreneurs poses a significant challenge for women exporters across various sectors (carpet weaving, honey producers, valuable stones, saffron, dried fruits and nuts, handicrafts, and clothing). This reluctance leaves women vulnerable, compelling them to sell their products at reduced prices. Moreover, the requirement for women to be accompanied by a mahram when travelling outside the home increases transaction costs, particularly transportation expenses.

Establishing an e-trade platform could alleviate the dependence on intermediaries, like large traders and reduce transport costs. However, the success of such a platform would depend on robust digitalization efforts and targeted training, supported by local initiatives and infrastructure.

## 4.6 Facilitate market research and business expansion

---

Across various sectors, respondents emphasized the importance of marketing and business development skills to support women entrepreneurs in accessing international markets and expanding their businesses. Local platforms can provide businesswomen with research and know-how on market opportunities and trends. These platforms could offer tailored information services to collect and analyse data targeted at women entrepreneurs, identify competitive advantages, and pinpoint market gaps. Consideration should be given to implementing acceleration and incubation programmes to support business expansion and capitalize on broader market opportunities. Collaborating with business organizations, local platforms can facilitate networking opportunities and access to crucial information for women entrepreneur members and non-members.

## 4.7 Support licensing processes

---

Official recognition through a business license is critical for conducting business activities in Afghanistan, gaining tax benefits, accessing finance and, not least, reducing the occurrence of intimidations from the de facto authorities. Local platforms and groupings can streamline licensing processes by registering multiple businesses under a unified cooperative. This approach would significantly reduce license fees and address challenges related to understanding and navigating the licensing requirements.

## 4.8 Create safe and suitable workplaces

---

The absence of safe work environments impacts business activities for many women entrepreneurs engaged in activities outside their homes. Establishing shared workspaces for women entrepreneurs can address some safety and security concerns, as well as enhance cost-effectiveness. By strengthening the already established safe spaces, women-led businesses will be better able to thrive.





📷 Woman farming in Afghanistan. © UNDP Afghanistan

## 5. Conclusion

**Following August 2021, the business activity of women entrepreneurs and women-led enterprises, like that of other enterprises, was significantly reduced. The main challenge facing the private sector is a decline in demand and a shortage of financial resources, along with reduced exports. Businesses of all sizes are grappling with diminished demand, weakened purchasing power, and high input costs, compounded by a dysfunctional banking system, all contributing to declining revenues. Traditional sources of finance, including personal savings and loans from family and friends, have dried up, placing enterprises under considerable strain to meet their working capital requirements and sustain operations.**

These developments have had a disproportionate impact on women entrepreneurs and women-led businesses, which face the dual burden of economic recession and gender-based discriminatory policies that restrict women's economic participation. Discrimination has especially affected women in export sectors where they must engage with men traders and wholesalers. Mobility restrictions have further limited the ability of women entrepreneurs and women-led businesses to access markets and business networks, and to exhibit their products. Moreover, safety concerns continue to pose significant constraints on women's business activities, despite a general improvement in security after August 2021.

Women entrepreneurs and women-led businesses play a pivotal role in Afghanistan's transition from an aid-dependent to a private sector-led economy. Key export sectors where women entrepreneurs and workers are prominent actors, including handicrafts (carpets) and food processing (dried fruits, nuts, and honey) are also key for increasing income levels. Within this framework, addressing the challenges faced by women, in addition to meeting their immediate needs to remain in business, can significantly contribute to the country's poverty alleviation goals, enable the creation of new employment opportunities, boost local economic growth, and improve human development outcomes.



# Annex 1: Sectors with export potential for Afghanistan<sup>22</sup>

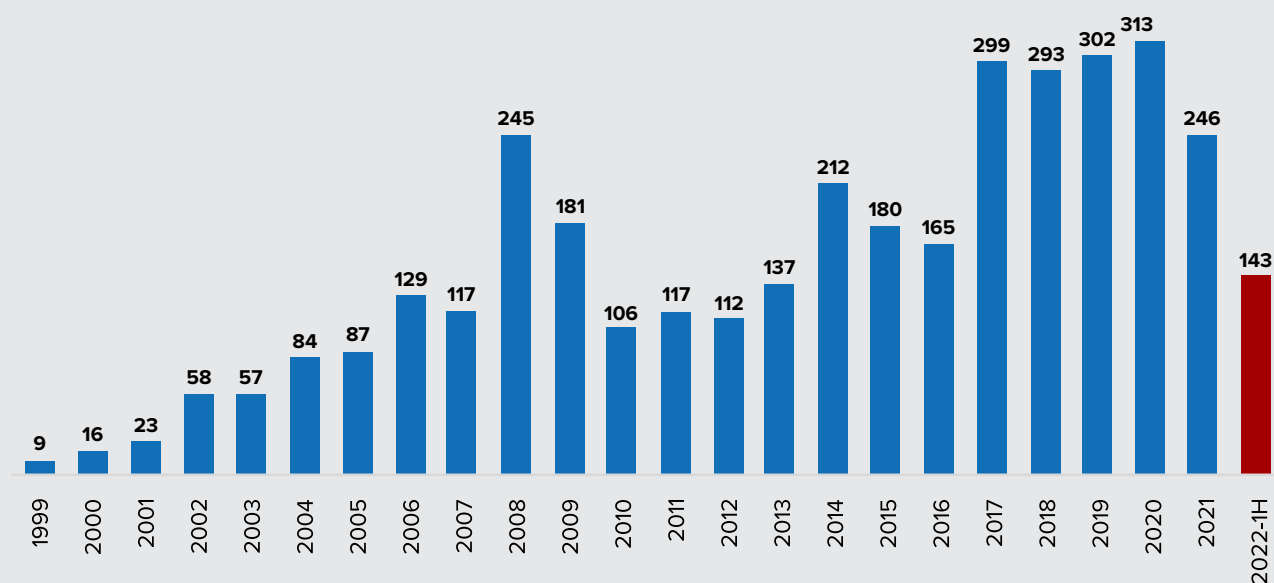
In the past two decades, the main commodities that Afghanistan exported were dried fruits and nuts, carpets, saffron and valuable stones. Amidst the Covid-19 pandemic and prior to the shift in power, exports of dried fruits and nuts reached their peak in 2020 at 313 million USD accounting for 44.2% of Afghanistan’s total exports. In the same year, Afghanistan was the 17th largest exporter of dried fruits and nuts in the world with the main destination of exports being India (12 million USD), Pakistan (9.05 million USD), China (1.42 million USD), United States (996,000 USD), and Canada (724,000 USD) in 2020.

Carpets vied with dried fruits and nuts as the country’s most important export, though production for exports has been volatile. During its peak in 2005 carpets constituted 56.2% of Afghanistan’s total exports. Carpet exports started to drop in 2008 and picked up again in 2013. However, there has been an almost steady decline since 2016.

As in the dried fruits and nuts sector, exports of saffron reached their peak in 2020 at 45.4 million USD, accounting for 5.8% of Afghanistan’s total exports. Afghanistan is the 3rd largest exporter of saffron in the world, only behind Iran and Spain and its share of saffron exports globally was as high as 18.94% in 2020. Afghan saffron is reputed to be among the best in the world (Afghan Embassy Ottawa, 2021). The Herat Province produces large proportion of Afghanistan’s saffron, and it has replaced opium cultivation in this region because it fetches higher prices in foreign markets.

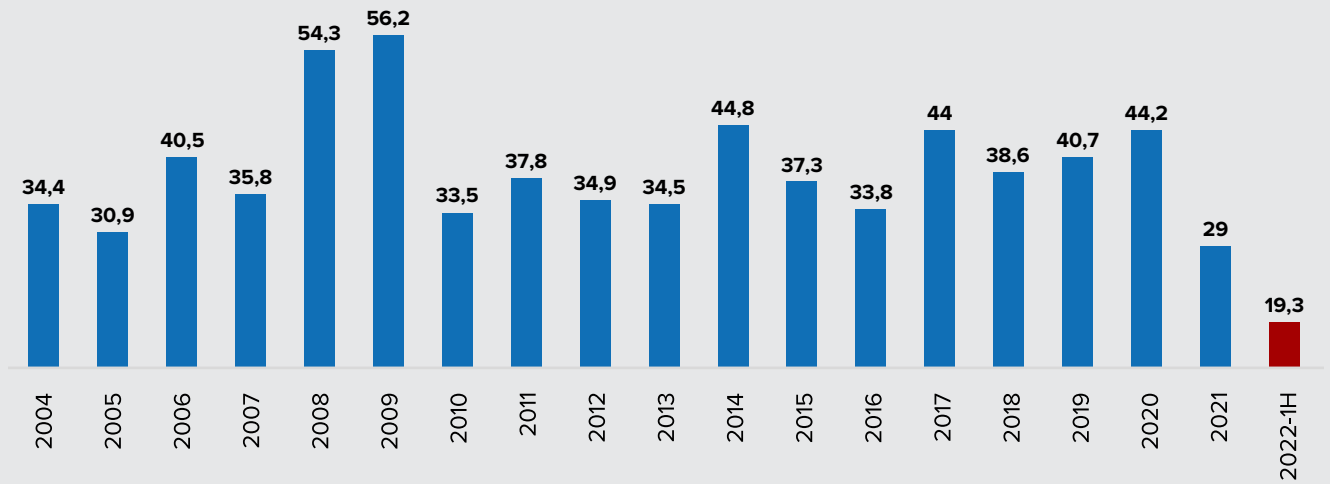
Finally, beekeeping and honey production in Afghanistan is a growing sector with export potential and presents important livelihood opportunities. In addition to honey, beekeeping can produce other valuable products with export potential such as wax, pollen, and venom. Honey, in addition to being a highly nutritious food product, is used in the perfume industry and in traditional medicine. In 2020, Afghanistan’s high-quality honey was exported to Saudi Arabia, Kuwait and UAE, and has further growth potential.

**Figure 8:** Afghanistan Dried Fruits and Nuts Export, Million USD, 1999-2022-1H

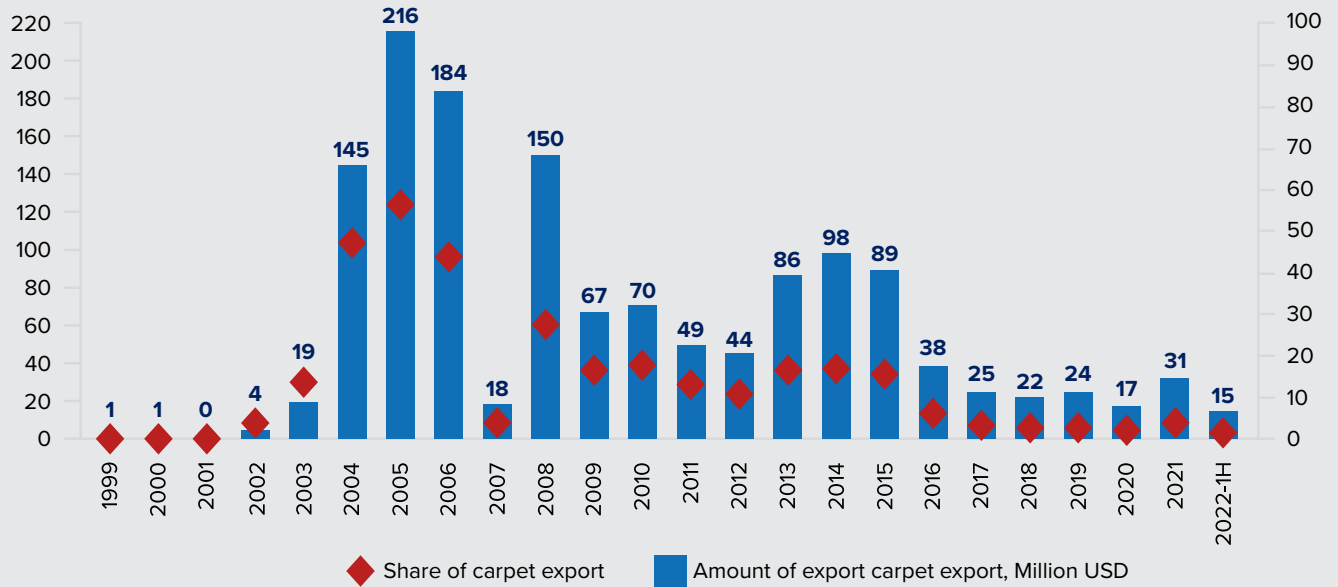


<sup>22</sup> For carpet weaving and dried fruits sectors trade data was taken from the Afghanistan Statistical Yearbook. However, for honey and saffron this data was not fully available. After the change in classification of trade items published by Afghanistan Statistical Yearbook, saffron trade data only became available after 2018. Due to restrictions in data, BACI dataset, the CEPII database of international trade at the product-level, used as proxy.

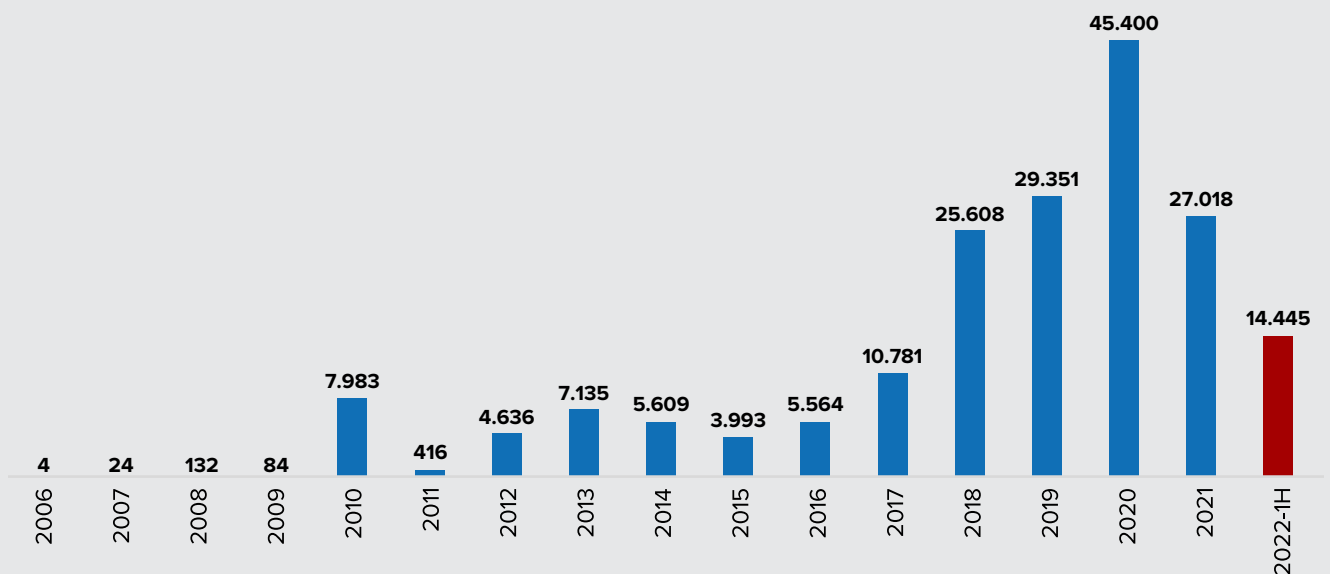
**Figure 9:** Share of Dried Fruits and Nuts Export in Exports, %, 2004-2022-1H



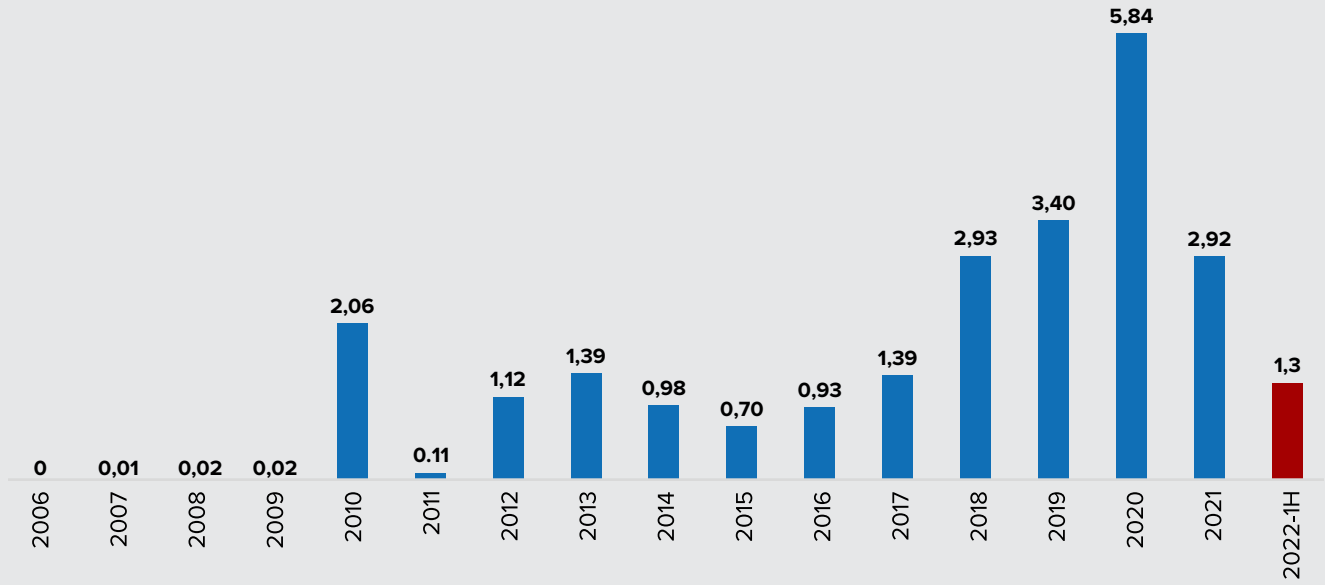
**Figure 10:** Afghanistan Hand-made Carpet Export (Source: NSIA Year Book 2022)



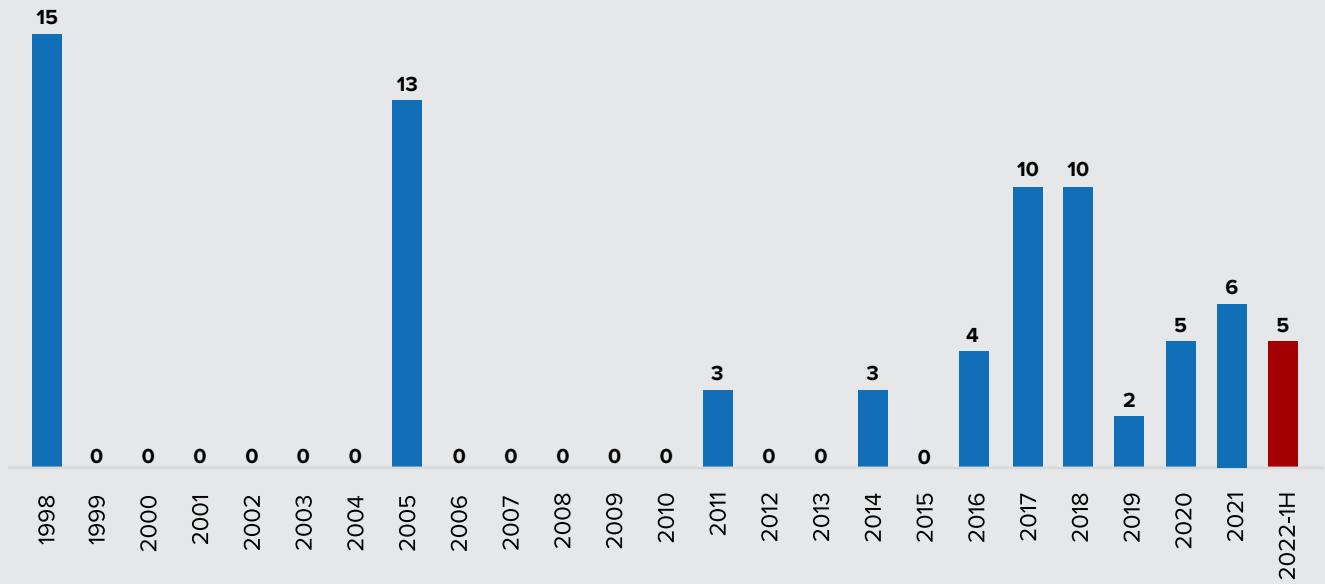
**Figure 11:** Afghanistan Saffron Export, Thousand USD, 2006-2022-1H



**Figure 12:** Saffron's Export Share in Afghanistan's Export, %, 2006-2022-1H



**Figure 13:** Afghanistan Honey Export, Thousand USD, 1998-2022-H1



## References

- Afghan Embassy Ottawa (2021), *The Afghan Saffron Granted the Diamond Taste Award by the International Taste and Quality Institute*, Afghan Embassy Ottawa News, 16 January. <https://bit.ly/48IMK9M>.
- Afghanistan Microfinance Association (AMA) (2021), *Microview Report 34*, Kabul.
- Afghanistan Women's Chamber of Commerce and Industry (AWCCI) (2021), *Women's National Business Agenda - A roadmap for Afghan women's economic empowerment*.
- Afghanistan Research and Evaluation Unit (2017), *Women in Agriculture in Afghanistan*, <https://areu.org.af/publication/1707/>.
- Akseer, T., Hayat, K., Keats, E.C., Kazimi, Sayed. R., Maxwell-Jones, C., Shiwan, M.S., Swift, D., Yadgari, M., F. A. Yousufzai, (2019), *A Survey of the Afghan People - Afghanistan in 2019*, The Asia Foundation. <https://bit.ly/3vuQnSx>.
- Cesifo Network (2022), *Women in Afghanistan: Developments over the Last 20 Years and the Return of the Taliban*. <https://bit.ly/3TO8g7k>.
- Cusck, J. and E. Malmstrom (2010), *Bactrian gold: Challenges and hope for private sector development in Afghanistan*, Presentation at Council of Foreign Relations In: Ghiasy, R., Z. Jiayi and H. Hallgren (2015).
- DataReportal (2023), *Digital 2023: Afghanistan*, <https://bit.ly/3wSuVYc>.
- Ferrant, G., L. Fuirot and E. Zambrano (2020), *The Social Institutions and Gender Index (SIGI) 2019: A revised framework for better advocacy*, OECD Development Centre Working Papers, No. 342, OECD Publishing, Paris, <https://doi.org/10.1787/022d5e7b-en>.
- Gallup (2023), *Digital Freedom Out of Reach for Most Afghan Women*, <https://bit.ly/3Ty4Czg>.
- International Labor Organization (ILO) (2019), *Country Profile*.
- International Labor Organization (ILO) (2020), *Afghanistan Labor Force Survey 2020*.
- Ministry of Commerce and Industry (2009). *Afghanistan SME Development Strategy*.
- Ministry of Commerce and Industry (2018), *MSMEs definition in Afghanistan by World Bank Financial and Private Sector Development*.
- Nasrat, S and A. T. Karimi (2016), *The Afghan Carpet Industry: Issues and Challenges, Economic Alternatives*, University of National and World Economy, Sofia, Bulgaria, issue 4, pages 475-490, December.
- National Statistics and Information Authority (NSIA) (2023), *Statistical Yearbook*, <http://nsia.gov.af/library>.
- Nickel, R. (2018), *Sales of Afghanistan's renowned carpets unravel as war intensifies*, Reuters, <https://bit.ly/3PUut2b>.
- Organisation for Economic Co-operation and Development (OECD) (2019), *Boosting Private Sector Development and Entrepreneurship in Afghanistan*, OECD Publishing, Paris.
- Rasoli, A., & Mirza, A. (2019). *Financing small and medium enterprises in Afghanistan*. *Kardan Journal of Economics and Management Sciences*. <https://bit.ly/4aMDyCa>.
- REACH (2021). *Whole of Afghanistan Assessment*.
- REACH (2022a), *Joint Market Monitoring Initiative*.
- REACH (2022b), *Humanitarian Situation Monitoring*.
- REACH (2022c). *Whole of Afghanistan Assessment*.
- The United Nations Capital Development Fund (UNCDF) (2023), *Interoperability Of Financial Services Providers Afghanistan*.
- UN Women (2022), *Rapid Needs Assessment Report on Challenges and Opportunities for Women-Owned Businesses in Afghanistan March/May 2022*.
- United Nations Development Program (UNDP) (2022a), *Human Development Report 2021/2022: Uncertain times, unsettled lives - Shaping our future in a transforming world*, UNDP-HDRO, New York.
- United Nations Development Program (UNDP) (2022b), *UNDP and the European Union Launch US \$16.9 Million Programme to Support Women Entrepreneurs in Afghanistan*, <https://bit.ly/49vegaN>.
- United Nations Development Program (UNDP) (2023a), *Socio-economic Outlook 2023*, <https://bit.ly/3TRvUQ8>.



United Nations Development Program (UNDP) (2024c), *Two Years In Review: Changes In Afghan Economy, Households And Cross-Cutting Sectors* (August 2021 to August 2023), <https://bit.ly/48VffRj>.

United Nations Development Programme (2023b), *2023 Gender Social Norms Index (GSNI)*, <https://bit.ly/4caOmf5>.

United Nations Development Programme (2024a), *2024 Regional Human Development Report*, <https://bit.ly/4cfxFil>.

United Nations Development Programme (2024b), *Human Development Report 2023/2024.: Breaking the gridlock: Reimagining cooperation in a polarized world*. UNDP–HDRO, New York <https://bit.ly/3TRVEvW>.

United Nations Educational, Scientific and Cultural Organization (UNESCO) (2023), *Let girls and women in Afghanistan learn!*, <https://bit.ly/3PjzEZw>.

United States Agency for International Development (USAID) (2012), *Land Reform in Afghanistan: Gender Assessment*.

WFP (2022), *Afghanistan: Countrywide Weekly Market Price Bulletin*, Issue 133: Week 4 December 2022, Rome. <https://bit.ly/3Sanxzt>.

Women Peace and Security Index (2023), *Country Profile: Afghanistan*, <https://bit.ly/3PizGRc>.

World Bank (2015), *Women participating in decisions related to health care, purchases, visiting family, and cooking (%)*, <https://bit.ly/3TCIRQk>.

World Bank (2018a), *Share of business owners (% of total business owners)*, <https://bit.ly/3wP66MW>.

World Bank (2018b), *Women participating in decisions related to health care, purchases, visiting family, and cooking (%)*, <https://bit.ly/3TBleXb>.

World Bank (2019a), *Fair trade carpet exports for women's empowerment?* <https://bit.ly/4b2QEfR>.

World Bank (2019b), *Lower secondary completion rate (% of relevant age group)*, <https://bit.ly/4aeWTvP>.

World Bank (2020), *Domestic credit to private sector (% of GDP) – Afghanistan*, <https://bit.ly/3PO93Uj>.

World Bank (2021a), *Share of youth not in education, employment or training (% of youth population)*, <https://bit.ly/43OSZHO>.

World Bank (2021b), *Labor force, female (% of total labor force) – Afghanistan*, <https://bit.ly/4cJRHBX>.

World Bank (2021c), *Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+)*, <https://bit.ly/3J8zJLN>.

World Bank (2021d), *Borrowed from a financial institution (% age 15+)*, <https://bit.ly/48TQwwA>.

World Bank (2021e), *Borrowed from family or friends (% age 15+)*, <https://bit.ly/3TigOTs>.

World Bank (2021f), *Made or received digital payments in the past year (% age 15+)*, <https://bit.ly/3lyvj0A>.

World Bank (2022a), *Afghanistan Private Sector Rapid Survey: A Snapshot of the Business Environment – Round 1*, March 2022.

World Bank (2022b), *Private Sector Rapid Survey (PSRS)- An Assessment of the Business Environment – Round 2*, September 2022.

World Bank (2022c), *Literacy rate (%)*, <https://bit.ly/48YkQpP>.

World Bank (2022d), *Vulnerable employment (% of employment) (modeled ILO estimate)*, <https://bit.ly/3VQj5s3>.

World Bank (2024), *Afghanistan Private Sector Rapid Survey. An Assessment Of The Business Environment - Round 3*, February 2024.









**UNOCA Complex,  
Jalalabad Road,  
Kabul Afghanistan**

Email: [registry.af@undp.org](mailto:registry.af@undp.org)

Tel: +93 (0) 728 99 9001

[www.facebook.com/UNDPinAfghanistan](https://www.facebook.com/UNDPinAfghanistan)

[www.twitter.com/UNDPAf](https://www.twitter.com/UNDPAf)

[www.youtube.com/UNDPafghanistan](https://www.youtube.com/UNDPafghanistan)

[www.instagram.com/UNDPafghanistan](https://www.instagram.com/UNDPafghanistan)

[www.flickr.com/photos/UNDPAfghanistan](https://www.flickr.com/photos/UNDPAfghanistan)