

Promoting Rural Youth Employment in Afghanistan

through Entrepreneurship Education and Vocational Training

Analytical Study

The Development Alchemist



International Labour Organization



International Training Centre

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Foreword to the Analytical Study on Entrepreneurship Education

In the aftermath of conflict, livelihoods are destroyed, businesses are disrupted, and many workers lose their jobs and the social protection that accompanies them. Addressing these factors of insecurity is the key to building lasting and sustainable peace, as well as stable societies.

After decades of civil war, Afghanistan is now on the way to full recovery and reconstruction. The population is growing rapidly and life expectancy has greatly increased. More than 60 percent of the population are below 24 years of age, and only 6.5 percent are over 55.

However, many challenges still remain: hundreds of thousands of people are entering the labour market each year, putting a heavy strain on the country's economy. A large part of the population – and of the female population in particular – remains illiterate, further shrinking the chances of their finding employment in less vulnerable occupations.

The levels of unemployment and underemployment are also affected by the “youth bulge” in the country. At the same time, the social expectations placed on the shoulders of young people – that they will provide for their families – often give rise to frustration due to the lack of job opportunities or their lack of employable skills. Thus, the young population of Afghanistan, which could be the country's greatest asset in the reconstruction process, is also at greatest risk.

This study was developed during the inception phase of the project “Promoting Rural Youth Employment in Afghanistan through Entrepreneurship Education and Vocational

Training”, the aim of which is to provide a detailed analysis of the current situation in the country. It focuses on entrepreneurship education and on the promotion of entrepreneurship among young men and women in Afghanistan, particularly in rural settings.

It aims to offer a deeper understanding of the present circumstances, including an analysis of the risks and challenges but also, more importantly, of the country's assets and rich potential. It will serve as a starting point for the development of training activities designed to raise awareness of the opportunities for business, entrepreneurship and self-employment for young men and women in Afghanistan. In addition, it highlights the role of entrepreneurship as a way out of fragile situations through the creation of decent jobs and productive employment for all.

Project activities are being developed in close consultation with the Ministry of Labour, Social Affairs, Martyrs and Disabled (MoLSAMD) and other local constituents, to ensure that key needs are covered and to better align them with local priorities.

Ahmad Shah Salehi,
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This analytical study on **“Promoting rural youth employment in Afghanistan through entrepreneurship education and vocational training: focus on entrepreneurship”** has been commissioned by the ITC-ILO in the framework of the of the project: “Promoting rural youth employment in Afghanistan through entrepreneurship education and vocational training – AFG/15/01/NOR. It has been written by The Development Alchemists Ltd. and has benefited from major contributions and guidance from Joel Alcocer (Senior Programme Officer, ITCILO Torino). Other contributors to this report have included Michela Albertazzi

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Executive Summary

This report sets out a study of the current situation in Afghanistan regarding entrepreneurship education and how the **Technical Vocational Education and Training** (hereafter referred to as **TVET**) system might best address the needs of Afghan youth and women, particularly in rural settings. Afghanistan is a fragile state and the report addresses the nature of this particular fragile environment, recently emerging from conflict and presenting its own particular challenges to the setting up and running of small and medium enterprises. It examines how the social development of Afghanistan is progressing with particular reference to the world of work and the extent to which labour market actors can provide or access employment and decent work opportunities. Some of the entrepreneurial activity taking place in the ICT, Agriculture and Construction sectors currently taking place is assessed, as well as how this business activity is supported by various actors, including chambers of commerce and public administration.

The government strategy regarding new labour policies for the country is examined, as well as the national TVET strategy launched in January 2016, with particular focus on how robust and relevant TVET strategies can support existing and new entrepreneurial activity and where they currently fall short. These and other constraints to such activity, such as problems of qualifications and quality are presented along with the very real opportunities available for entrepreneurship in Afghanistan. The role of women in business is also examined, particularly focusing on how rural women might improve their livelihoods by starting small businesses.

Finally, the study presents “Strategic Options” for the Project to promote entrepreneurship, principally concentrated on what might be done practically on the ground. The following list presents the key strategic options to consider:

- **Supporting ICT – for Young Entrepreneurs in Mobile App Technology.** There are obviously numerous opportunities for entrepreneurship in Afghanistan. The service sector, including ICT, education, healthcare and telecommunications, is underdeveloped and offers significant growth potential. Increasing mobile App technology and its development by young Afghan entrepreneurs, via training and investment in ideas, is a focus area.
- **Business Development Services.** It is recommended that some parts of the TVET training centre run by both the public and private sector are devoted to entrepreneurship, along with the setting up of BDS services such as ‘Business Clinics’ or ‘One Stop Shops’ to give training and advice and specific help to women in business. The training centres of the Chamber of Commerce can also support such BDS services.
- **Encouraging Young Women in Business.** Government strategy, as expounded in both the National Labour and TVET policies, is prioritizing women’s full and equal participation in the economy and leveraging women-to-women economic networks, while promoting male endorsement. The project should promote and encourage women’s participation in all entrepreneurship activities and provide specialized support to promote women entrepreneurship development.
- **A Coaching and Mentoring Programme.** In tandem with the ILO SIYB package, a coaching and mentoring programme would significantly enhance the image of entrepreneurship in the country and support the rate of success of creation of new businesses.
- **Involving Academic Institutions in Entrepreneurial Training,** i.e. the founding of small business training units within universities and colleges is of growing importance.
- **Global Knowledge Sharing in Entrepreneurship.** A potential role for the project is fostering the global knowledge sharing and awareness-raising of Entrepreneurship in Fragile States, by holding fora and preparing reports on Youth Entrepreneurship initiatives which have worked in other fragile states.

- **Expos and Trade Fairs.** These kinds of event are effective ways for SMEs to promote their goods and services and make important contacts. There have been a number of regional exhibitions, such as the recent exhibition in Mazar-e-Sharif¹ reported by Pajhwok news, which brought together local Chambers of Commerce, entrepreneurs and local and national business representatives.
- **Start and Improve Your Business Programme.** The ILO SIYB programme is a management-training programme with a focus on starting and improving small businesses as a strategy for creating more and better employment in both developing economies and economies in transition.
- **Mazar-e-Sharif as a focus region.** This region has seen important progress in capacity-building via the ILO Project Road to Jobs (R2J). This project has been engaged in bringing decent work to rural households of the Northern Provinces in Afghanistan Project, where farmers have been engaged in training programmes, knowledge-sharing, embedded services and use of digital technology (audio SMS messaging) to improve their farming methodology. The project should closely coordinate and complement the interventions of R2J.

1 <http://www.pajhwok.com/en/2016/10/18/expo-held-balkh-increase-sales-local-products>

1. Fragile States and the Afghanistan Context

This report forms part of the ITCILO Project “Promoting rural youth employment in Afghanistan through entrepreneurship education and vocational training – INCEPTION STAGE”. The objectives of the study are to collect the data available on the range of activities relating to entrepreneurship, with a focus on youth and women and the current status of training and vocational training in Afghanistan. This study details the nature of supply and demand for capacity development in entrepreneurship for youth and women in Afghanistan and the current status of the technical vocational education and training offer in Afghanistan. It identifies the constraints on and opportunities for promoting an innovative entrepreneurship training programme to be offered by the TVETs to youth and women in Afghanistan, and the key strategic options which the Project could promote to develop an innovative entrepreneurship training programme with TVETs in Afghanistan.

1.1 Afghanistan – an overview

The ruggedly mountainous and land-locked South Asian republic of Afghanistan lies along historical trade routes and has considerable geopolitical importance, yet Afghanistan has very limited natural resources, industry or commerce apart from a rudimentary agricultural sector and a flourishing opium trade. The civil wars of the past 40 years have forced many families to survive by either growing opium poppies or by abandoning their homes and seeking refuge in neighbouring countries. Tribal warlords control the poppy-growing areas, limiting access to land and credit for much of the rural landless, and sharecroppers must agree to grow poppy to obtain access to the land and credit they need, their own crops growing on a part of this land.

Underpinning these land disputes are the bitter ethnic rivalries which are the main obstacle to peace; the major ethnic groups being the Pashtun (40 per cent), Tajik (27 per cent), Uzbek (9 per cent) and Hazara (9 per cent). Ethnic, tribal and clan loyalties have always been far stronger than any loyalty to central government, and tribal warlords exert varying

degrees of authority over their ethnic and regional populations by a combination of force – via their own militias – and patronage. As the central government struggles to exert any kind of authority beyond Kabul and the larger cities, the infrastructure, education and security have been provided by the warlords, often with the tacit agreement of central government. Tribal factions are thus reinforced, as the populace see the regional leaders and warlords as the source of service and sustenance, not the government.

Constant conflict over the last four decades has rendered the security situation precarious and this has a negative impact on the economic and investment climate. Despite reforms to the legal and regulatory framework, there are still serious shortcomings in terms of developing the private sector, which is not yet sufficiently competitive. Years of warfare have meant that successive regimes have struggled to govern centrally and are often impotent, largely due to the lack of a tax base or a legitimate indigenous source of revenue.

With the end of the ISAF (International Security Assistance Force) mission, led by NATO and mandated by the United Nations between 2003 and 2014, Afghanistan is now at the start of its transformation decade (2015-2024) and at a crucial phase of its political, economic and social development. The success of the country's current reform efforts depends on establishing effective administrative structures and stable conditions for all sections of the population. Economic recovery, an efficient administrative framework at regional and national level, higher educational standards, a functioning infrastructure and respect for human rights, particularly the rights of women and girls, are key objectives for Afghanistan. Only once these issues are addressed will it be possible to overcome the obstacles to development which affect the country. However, civil reconstruction is being made more difficult by the current security situation in several Afghan provinces. The Taliban, who imposed strict Islamic rule following a devastating civil war, were ousted by a US-led invasion in 2001 but have recently been making a comeback.

Despite the many and complex challenges presented by the situation above, Afghanistan has come a long way since 2001 and has made much progress: life expectancy has increased from 44 to 60 years, maternal mortality has decreased by more than three-quarters and, from almost none in 2001, the country now counts 18 million mobile phone subscribers. Yet, enormous hurdles remain to be overcome as nearly 40 per cent of Afghans live in poverty and almost 70 per cent of the population is illiterate. There is a sense of growing insecurity and the return of 5.8 million refugees and 1.2 million internally displaced people have put a strain on what public services do exist after almost four decades of conflict. Much also remains to create jobs for the nearly 400,000 people entering the labour market each year, as around half of the Afghan population is underemployed or unemployed, and the lack of work particularly affects women.

1.2 Promoting rural youth employment in Afghanistan through entrepreneurship education and vocational training – an Introduction

This report will examine how the social development of Afghanistan is progressing with particular reference to the world of work and the extent to which labour market actors are able to provide or access employment and decent work opportunities. It will focus on the current state of entrepreneurship in Afghanistan, on what Vocational Training Institutions are doing to support such entrepreneurial activity and proffer some suggestions as to how ILO's interventions may support the ability of labour market actors to provide or access employment, decent work opportunities and, in turn, reduce fragility.

According to the Afghan Central Statistics Organization, in 2014 almost 47 per cent of the country's 27.1 million people were under fifteen and 37 per cent between fifteen and thirty-nine. The participation of women in this labour force is low – only 29 per cent of women are economically active. Around 66 per cent of this female labour force is engaged in agriculture and 24 per cent in manufacturing. Currently, around 90 per cent of the labour force is

involved in low skilled occupations, an area that will need substantial investment and serious attention to how more people can be trained and moved to job sectors with higher skills, better incentives and brighter growth prospects. The need is pressing for strategies and policies to respond to the largest and fastest-growing segment of the population, those under fifteen, and to enable young people to engage meaningfully in their country's affairs.

1.3 Afghanistan as a Fragile State

Four decades of political instability, violent conflict, and socioeconomic crisis has had a devastating impact on the wellbeing of Afghan men, women, and children and rendered Afghanistan a Fragile State. A fragile community is one in which "... the social structures, systems and institutions intended to provide for the satisfaction of fundamental human needs such as subsistence, protection, identity, participation and understanding are dysfunctional for the purpose. This condition undermines the legitimacy of the social contract between state and society, the governors and the governed".²

According to the ILO (2016) the term 'Fragility' can be understood as sudden or cyclical situations in which one or more exogenous or endogenous risk factors exacerbate pre-existing or emerging political instability and social vulnerability. As regards the Fragile States Index³, these risk factors are found within Social, Economic, Political and Military Indicators and Afghanistan, currently on a state of High Alert and number 9 on the Fragile States Index, is experiencing situations which constitute risk factors under all three indicators. Current thinking and research highlights that the determining of fragility of a country is extremely complex, a comment from the World Bank noting:

"...Much like Tolstoy's quip that each 'unhappy family is unhappy in its own way', a fragile

2 Cordaid – https://eudevdays.eu/sites/default/files/Cordaid_position_FocusonFragility_new.pdf

3 FSI index www.fsi.org

state is unhappy in its own way. Therefore, it is all too often unhelpful to reduce the definition of fragility to standardized, static lists or indicators – in so doing, we miss the complexities and nuances of fragility in some situations, and miss other fragile situations all together.”⁴

1.3.1 Youth and Fragility

Demographic pressure in Afghanistan, particularly the ‘youth bulge’, is affecting levels of underemployment and employment and the group grievance factor, described in the FSI as: “...when tension and violence exists between groups, the state’s ability to provide security is undermined and fear and further violence may ensue”, is particularly marked, with ethnic, communal, sectarian and religious violence being frequent occurrences and discrimination and powerlessness endemic. Studies suggest that religious ideologies, socioeconomic and political grievances, poor governance and personal hardships drive some people, mostly youth, to radicalize and join violent extremist groups. In Afghanistan the typical explanation for violent extremism is that it arises in response to large-scale poverty and high employment, yet a 2015 study by Mercy Corps laid out the case that “the principal drivers of political violence are rooted not in poverty, but in experiences of injustice.”⁵

Political and social upheaval over many years has changed many aspects of Afghan lives, yet expectations of what young men and women should do for their families remain the same. Young men are expected to provide for their immediate and extended families and abide by strict social norms. Codes of honour, involving protecting one’s land and family with all means and at any cost are strictly enforced in rural, predominantly Pashtun areas. This is often impossible to carry out due to external circumstances, however, and “... frustration over real and perceived injustice, impunity and corruption, and lack of basic infrastructure and community support facilities is widespread,

4 blogs.worldbank.org/developmenttalk/what-fragile-state

5 Keith Proctor, ed., “Youth & Consequences: Unemployment, Injustice and Violence” (Portland, OR: Mercy Corps, 2015), www.mercycorps.org/research-resources/youth-consequences-unemployment-injustice-and-violence

especially among young men. These factors make it impossible for them to uphold their responsibilities, yet they are still blamed for undermining the family status.”⁶

1.3.2 Youth and Extremism

In these kinds of circumstances where young people are unable, through no direct fault of their own, to meet family expectations, extremism can thrive and the radical narratives offer heroic examples of sacrifice, declaring that victory is near and injustices will soon be reversed if one joins the noble cause. Tarana – e-Taliban songs and messages referring to religious battles, heroes and events and current grievances and the need to take action against government and invaders, are widely disseminated and are heady lures to violence. The narratives encourage youth to sacrifice their lives for their country and young men are invited to “man up” and take action. Violent extremist groups use traditional and modern media platforms to disseminate messages via CDs, SD cards and cell phone ringtones which are brief, powerful and emotionally appealing.

“Young people tend to be adventurous and to search for purpose, meaning and status in their lives. They have energy, passion and the physical and mental capability to improve their lives and their surroundings. When the government and society in general fail to channel this energy into positive actions, young people look for other sources of purpose.”⁷

The emergence from fragility for Afghanistan is dependent on short-, medium- and long-term strategies. In essence, the effectiveness of engagement with the world’s fragile and conflict-affected States does not only depend on the processing of increasing amounts of data but also requires strategies which adapt in real time to changing contextual realities. One of these strategies is enabling young citizens, through decent work and purpose, to engage meaningfully in their country’s civic and economic affairs and not seek recourse to violent extremism.

6 <https://www.usip.org/sites/default/files/PB188-Afghan-Youth-and-Extremists.pdf>

7 <https://www.usip.org/sites/default/files/PB188-Afghan-Youth-and-Extremists.pdf>

1.4 The Impact of Fragility on Entrepreneurial Enterprise in Afghanistan

1.4.1 The challenges faced by SMEs in Afghanistan

Inclusive economic growth is a vital condition for reducing fragility and fighting poverty, and investing in income generation activities such as SMEs and private sector development is an important strategy for peace. The fragility which creates a need for entrepreneurship is however the very factor which impedes entrepreneurial enterprise. Fragility feeds poverty, while poverty and inequality in turn breed fragility. Setting up in business with the concomitant needs for access to finance, understanding of regulations, marketing of services, being suitably qualified, and for recruitment and training of personnel is a complex and lengthy process in any circumstances, let alone in areas in which society is emerging from a destructive civil war or is still in conflict. Afghanistan stands at 183 out of 190 in the World Bank's Doing Business report (2017)⁸, as compared to 182 in 2016, which attests to the continuing difficulties in this particular area.

1.4.2 Access to Finance

In a fragile state such as Afghanistan potential investors are risk-averse and disconnected, which limits start-ups' access to capital. Investment would be more forthcoming if private companies were more confident that risk reduction measures were in place that would support them in the event of outbreaks of violence. Access to finance is key to fostering sustainable economic growth; however, in fragile and conflict-affected situations the vast majority of entrepreneurs have little or no access to cash loans, as they might not meet commercial bank requirements as regards collateral, formal registration, financial track record, references and so forth.

Foreign investors – the few that do take the risk – as well as local banks, are rarely willing to invest in small businesses, as the lack of a

⁸ <http://www.doingbusiness.org/data/exploreeconomies/afghanistan/>

well-functioning infrastructure, human resource skills and appropriate business development services make the costs of doing business very high. The kinds of financial services and products SMEs actually need are limited in availability. Addressing the issues associated with financial aid is fundamental to growing the entrepreneurial base in Afghanistan, as “The business case for conflict-sensitive investments is built at grassroots level, where instability hits hardest and the potential for social impact is at its highest”, according to Laure Wessemius Chibrac, Director of Cordaid Investments⁹.

1.4.3 Understanding Regulations

Entrepreneurs and SMEs also need clear regulatory frameworks and supportive policies that ease the setting up and operating of a business and that will also discourage corruption. Currently many regulations are unnecessarily complicated and obstructive, according to Mr. Ahmed Jawed Farhikta, Director of External Affairs, MoLSAMD, who commented that his department was addressing the opaque systems of rules and regulations as over-complicated and vulnerable to officials asking for payments for quick processing of documentation. Cordaid's report, 'Entrepreneurs: Fostering Economic Opportunities in Fragile Contexts'¹⁰ states:

‘Such frameworks (e.g. on land and property rights, and taxes) are also important in building trust among business partners and resolving conflicts effectively. Clear and fair regulations also have a positive impact on risk perceptions’.

1.4.4 Marketing and Distribution

In many fragile states – and Afghanistan is no exception – the marketing of goods produced by entrepreneurs can be fraught with difficulty as the insecurity of the country, the poor roads and transport networks and fractious cross-border trade mean that markets do not function well. Caps in value chains such as poor input sourcing add to this problem. Significant losses can occur in the production, storage and

⁹ Cordaid – https://eudevdays.eu/sites/default/files/Cordaid_position_FocusonFragility_new.pdf

¹⁰ Cordaid – https://eudevdays.eu/sites/default/files/Cordaid_position_FocusonFragility_new.pdf

distribution stages of agricultural and other value chains and entrepreneurs often lack relevant market information on costs, markets and quality and availability of inputs.

The ILO Road to Jobs project¹¹ aims to address these issues by focusing on local economic development, tapping the economic potential of Afghanistan's sprawling rural road network and thus offering rural communities an opportunity for better connections to markets. The work includes the participation of key stakeholders along selected value chains. By supporting the development of market systems, the Road to Jobs (R2J) project aims to address opportunities for better employment, improve livelihoods and reduce poverty in both rural areas and urban centres of Balkh and Samangan provinces. Beginning on 1 January last year the project will run until 31 December 2017 and is in partnership with the Swedish International Development Cooperation Agency (SIDA).

1.4.5 Trained Personnel

A small business can neither start nor flourish without adequately trained or experienced people to work in it, and investing in the skills and competences of personnel are essential to business success. This is particularly the case in a fragile state such as Afghanistan, where individual needs for sustenance and the need to support family networks might override a requirement for social cohesion in the workplace. Current government policy in Afghanistan has recognized that the country urgently needs electricians, carpenters, ICT technicians and so forth to rebuild the economy as a scarcity of technically skilled labour means that the recruitment of expensive foreign workers is often necessary. There is renewed government focus on equipping young people with the skills needed to contribute to the economy, including entrepreneurial skills.

1.4.6 Decent work to end fragility

The UN High – Level Panel (HLP) of Eminent Persons on the Post-2015 Development Agenda singled out 'Transforming Economies for jobs and inclusive growth' as one of five transformative shifts needed to eradicate poverty. Inclusive growth is considered vital for addressing the growing inequalities within and between countries, which are breeding grounds for conflict and fragility. The Sustainable Development Goals (SDGs) thus focused on Goal 8: Create Jobs, Sustainable Livelihoods and Equitable Growth, which will:

- Increase the number of good and decent jobs and livelihoods
- Decrease the number of people not in education, employment or training
- Strengthen productive capacity by providing universal access to financial services and infrastructure such as transportation and ICT
- Increase new start-ups and value added from new products through creating an enabling business environment and boosting entrepreneurship.

In its 2014 report 'Ending conflict & building peace in Africa: a call to action', the African Development Bank (AfDB) stresses that in countries transitioning out of conflict, the private sector can be a force for stabilisation and renewal, creating alternatives to conflict economies based on illicit activity'.¹² In a country such as Afghanistan which is defined as a whole as fragile, the economy will only grow if the enabling business environment which will boost entrepreneurship also sees improvements in governance and services, for example access to basic education, vocational training, security and justice – which entails building of institutions and fair macroeconomic policies.

11 http://www.ilo.org/asia/whatwedo/projects/WCMS_428968/lang-en/index.htm

12 Ending Conflict and Building Peace in Africa: A Call to Action – www.afdb.org

1.5 Conclusions

The challenges, therefore, are many for the reconstruction and renewal of Afghanistan. The country is emerging from conflict and therefore, as stated above, must above all seek stabilization. Young Afghans need to feel there is a future for them and be given the opportunities to construct such a future. This youthful energy needs to be harvested in a positive direction if it is not to be diverted into negative expressions of anger and extremism. Such efforts require

concrete investment in financial services, clarification of rules and regulations, and above all training in the skills required for running a business such as marketing and distribution as well as production. If, however, these initiatives are to have a successful outcome the macroeconomic policies need to be in place to create the stability needed for growth. The following chapters will examine the current conditions conducive to entrepreneurship and what may be done to encourage entrepreneurs, particularly rural youth and rural women.



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2. Supply and demand relating to entrepreneurship in Afghanistan

With the labour force increasing by over 400,000 each year, Afghanistan has an increasing need to generate employment opportunities for its new labour market entrants, along with those individuals who are already unemployed or underemployed. Young employees generally occupy temporary and precarious positions such as “apprentices” or “trainees” in a labour market with no contractual or regulatory obligations for employers. Furthermore, although the legal age of employment in Afghanistan is 15, enforcement of this restriction is weak, with UNICEF estimating that 30% of Afghan children work. Children tend to work more significantly in rural areas (pastoral and agricultural activities), although in urban and peri-urban areas young children – especially boys – from poor households also tend to contribute to the family income (in brick kilns, carpet weaving factories, and also through begging).

It goes without saying that for the young people of Afghanistan a reduction in aid dependency in the future is desirable, and entrepreneurship reduces aid dependency in two important ways: first it provides an alternative to employment and contracting directly tied to donor aid and projects (typical of many post-conflict regions); second, it helps lay the foundation for sustained and diversified economic growth. Progressively, tax receipts and export earnings from such growth would eventually reduce fiscal dependence on budgetary and programme assistance.

Promoting entrepreneurship could help spur job growth and increase the demand for skilled workers. Although the labour market might be slow to respond in the initial months, longer-term benefits will accrue. Therefore it is important to train the ‘entrepreneur enablers’ of young people such as teachers, consultants, advisers and informal investors who can identify and support entrepreneurs since many entrepreneurs are often unlikely to self-identify.

2.1 Entrepreneurship in the Afghanistan context

An entrepreneurial household in Afghanistan is defined in this report as one that earns parts or all of its income from a ‘small business’. Entrepreneurs discover and exploit new opportunities and initiates and motivate the process of change in the businesses they start. An entrepreneur accepts a certain amount of risk and needs to use intuition and stay alert to the need to identify and explore new business opportunities.

Based on a recent survey¹³ it is estimated that 9% of households in Afghanistan rely on a small business as a source of income. One of the striking findings is that entrepreneurs in Afghanistan tend to adapt to ongoing conflict and continue to operate across districts with very different levels of security and conflict activity. Some entrepreneurial activity has even increased during violent conflicts rather than diminished, yet studies¹⁴ show that entrepreneurship under fire does not contribute to economic development. In the case of Afghanistan increased conflict induces an increase in low-value-added entrepreneurial activities and a decrease in higher-value-added activities. Violent conflict, including when driven by a foreign coalition, moves a country to increased autarchy, characterized by a higher number of people casually self-employed with lower income (if we exclude the income generated by aid and military operations). Such regression may require a long time before the country can change direction again. Therefore the long-term effect of conflict on the economy is likely to be negative, even though people tend to resume their lives quickly and hold on to their entrepreneurial – some would say survival – capabilities.

13 <https://www.wider.unu.edu/publication/conflict-and-entrepreneurship-afghanistan>

14 <http://voxeu.org/article/entrepreneurship-conflict-and-growth-evidence-afghanistan>

This ability to adapt entrepreneurial activity to different levels of infrastructure and social provision highlights the fact that much entrepreneurial activity in Afghanistan is mainly a means to survival, rather than of an entrepreneurial 'spirit' and is therefore rather risk averse. It is **productive** entrepreneurship rather than entrepreneurship per se which nurtures development. On the other hand conflict is likely to have an impact, directly or indirectly, both on the possibility of pursuing an entrepreneurial activity and on the motivation to do so (whether for survival or for exploitation of new business opportunities).

2.2 Entrepreneurial activity in diverse sectors

Despite the constraints on productive entrepreneurship described above, there is clear evidence of entrepreneurial activity in many areas of Afghan life. Below are described some of the entrepreneurial activities of Afghan youth and women in a number of sectors and small business activities in ICT, Agriculture and Construction.

2.2.1 Entrepreneurial Enterprise for Youth

The government in Afghanistan defines youth as persons between the ages of 18 and 30. However, the ANYP (Afghanistan National Youth Policy) also provides guidelines for programming for adolescents (13-18 years) since the government recognizes that for many sectors, including health and education, the return on investment is particularly high when made at earlier stages in life. Childhood (in line with the Convention on the Rights of the Child defined as anyone below the age of 18) is identified on the basis of physical, mental and psychological changes that prepare a person for maturity. According to the legal system in Afghanistan, the childhood period is divided into three phases: undiscerning minor aged 0-7 years, discerning minor aged 7-13 years and adolescents (juvenile) aged 13-18 years. Afghan criminal law states that a minor is a child between the ages of 7 and 13 and that a juvenile is a person between 14 and 18.

The Afghanistan National Youth Policy

The Afghanistan National Youth Policy¹⁵, published in August 2014, describes employment opportunities for youth in Afghanistan as severely limited and states that where jobs for youth do exist they often lack quality. Afghanistan's youth employment situation is constrained by challenges relating to the demand side (slow job growth), supply side (lack and mismatch of skills), and an overall unfavourable policy and coordination context. On the demand side continuing security concerns, apprehension about the process of the post-2014 transition, and weak institutional capacity continue to create an unfavourable investment climate and has resulted in declining growth rates (World Bank, 2012). Afghanistan's economy and jobs are not growing enough to absorb the annual 400,000 new labour market entrants (ILO, 2012).

The 2007/2008 National Risk and Vulnerability Assessment (NRVA) reports high pockets of unemployment among youth, the rates being 10 per cent for young men and 15 per cent for young women. Most unemployed youth in the country are illiterate with low skills levels but there are also high levels of unemployment among university graduates in urban areas.

The report points out that opportunities for youth entrepreneurship are limited by a lack of access to finances, low overall financial literacy and widespread poverty among Afghanistan's youth population, which force many young women and men to take on whatever work is available to them and lead to high levels of vulnerable forms of employment and working poverty. Afghanistan's informal sector (including illicit activities) accounts for 80-90 per cent of total economic activity. According to the 2007/2008 NRVA, most employed people (77 per cent) have insecure jobs as own-account workers or unpaid family workers. 60 per cent of the employed labour force is working in agriculture in low-productivity and subsistence-type production (in 2011, agriculture contributed to only 23 per cent of Afghanistan's gross domestic product (GDP) (ILO, 2012).

¹⁵ http://afghanistan.unfpa.org/sites/asiapacific/files/pub-pdf/youth_policy_english_fianl_low_res.pdf



The supply-side related challenges are severe. According to government estimates there is currently a supply gap of between 15,000 and 20,000 persons per year at the existing level of economic development across the primary, secondary and tertiary sectors. There are several factors that act as barriers to achieving so many certified and skilled people, and employment data in Afghanistan is highly controversial. Given the high level of poverty most young people cannot afford to be unemployed and the relatively low rates of unemployment indicate high levels of underemployment (ILO, 2012). The first challenge is the small number of high school graduates who opt for technical and vocational education and training (TVET). Although there are about 200,000 high school graduates every year who are not admitted to universities or private colleges, only about 5 per cent of this number opt for a formal VET programme as a career option. The TVET sector in Afghanistan also suffers from being supply-driven and service providers in general show little or no concern about the employability of graduates or the market relevance of the skills they impart. The sector also continues to remain unattractive to potential students owing to the absence of a robust system of licensing and certification, the lack of regulatory control over both public and private training and service providers, and the low technical and

pedagogical skill levels of teachers and trainers of VET. The virtual absence of employment and career counselling services for most of Afghanistan's youth contributes to the mismatch between skills supply and demand in the labour market. Many youth are not aware of the available job and training opportunities or of the skills needed by employers. Labour market and youth employment data on Afghanistan is either absent or unreliable, which presents an obstacle to evidence-based and effective youth employment policies and interventions.

Despite the obstacles presented in the ANYP there are some encouraging stories of young entrepreneurs which bode well for the future.

2.2.2 Inayat Ullah – A Success Story

Inayat Ullah was a student in Pakistan in 2001 when he started taking an interest in the IT industry; on completion of his degree in 2003 he returned to Afghanistan and, wishing to start a computer accessories business in Kabul, was able to scrape together a starting fund of a few hundred dollars via loans from family and friends. He was also greatly encouraged when the owner of an office rented it to him at a 70% discount because he wanted to support a young entrepreneur. He became the owner of a computer trading business in 2005 with the

intention of providing good quality products to his customers and job opportunities to other young people. Initially he was dependent on other suppliers but as the business grew he himself became a supplier of computer accessories and IT equipment as AFL (Afghan Focus Limited). Currently various ISPs and projects operated by the government and international NGOs are customers of AFL. AFL was granted the licence of sole distribution by A4TECH, a multinational IT company, in Afghanistan in the year 2007. With the partnership of A4TECH and outstanding services to customers, AFL has continued to raise its image and market share, opening another branch in the heart of Kabul city at Shahr-e-Nau in 2008.

Conscious of his own background, Mr. Ullah employs students as part-time employees at AFL and most of the full-time employees are educated. He is trying to support educated Afghan youth in technical and vocational education and to help them in their education by offering them jobs in his business as well as discount hardware and software for their studies. His business still faces a number of challenges, of course, particularly due to the worsening security situation in Kabul, declining economic conditions, and new tax laws which are putting more pressure on

small and medium enterprises, but he is still optimistic about the future of the business and expects a turning point in the economic stability of the country in the near future that will provide further growth, profit and market share opportunities to AFL. He is formulating a marketing strategy to be used in the near future to respond effectively to the country's changing and challenging market conditions.

2.2.3 Entrepreneurial Enterprise for Rural Women

Since 2011 the UNDP's Gender Equality Project (GEP)¹⁶ has trained nearly 200 women in Herat in small and artisanal livelihoods, helping them to market their products and expand their businesses. As most women who participate have had no formal education, the programme also offers a month-long class that teaches the necessary business skills, including reading and calculation. Business Development Services (BDS) packages also provide an integrated set of services ranging from needs assessment, activity identification, and credit management to marketing and communication skills, business planning, and product presentation.

¹⁶ <http://www.undp.org/content/undp/en/home/ourwork/ourstories/afghani-women-entrepreneurs-expand-their-markets.html>



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Gaining ground in provincial and Kabul-area markets is essential for these women entrepreneurs and the UNDP recently (August 2016) facilitated the participation of ten Herati businesswomen in the Rural Women Exhibition in Kabul, where they showcased saffron, soap, dried fruit and a variety of handicrafts consisting of jewellery, silk garments and hand embroidered dresses. The two-day exhibition attracted more than 5,000 visitors including suppliers, handicraft dealers, and other Kabul-area business owners interested in these women's products.

Each of the participating businesses sold an average of 100,000 Afghanis-worth (US\$ 1,700) of their products and established useful links with handicrafts stores and dried fruit dealers from Kabul markets. Habiba Karimi, a jewellery producer and Nasrin Anwari, owner of a dried fruit processing business, were among the participants who showcased their products, and secured sales of 95,000 and 100,000 Afghanis (US\$1,625 and \$1,700) respectively.

"We learned how to set up our booths, what products to showcase, and how to attract the attention of potential buyers in an exhibition like this," said Karimi. "...the exhibit helped us sell our products and enjoy profitable deals."

Karimi forged several business links with a number of dealers in Kabul. After her return to Herat, she has been able to supply 110 sets of jewellery and 60 sets of bathroom accessories to three separate vendors in Kabul. She is optimistic that the demand for her products will grow, expanding her business network and bringing her profitable deals. Anwari's exposure at the Kabul exhibit enabled her to sign a contract with a Kabul dried fruit dealer.

The exhibit in Kabul also revealed an emerging phenomenon, with men are becoming more supportive of women earning their own income and more comfortable for women to step out of the confines of their homes. Encouraged and inspired by the support she received from the GEP, Karimi has trained 150 other women from Herat city. She currently employs 50 women in her small-scale handicrafts facility, each earning an average of 5,000 Afghanis (US\$82) a month. Anwari has created jobs for 23 women, each earning an average monthly income of 3,500 Afghanis (US\$58).

GEP participants also benefit from exchange visits with women entrepreneurs in other provinces, as well as visits to projects in Pakistan and Kyrgyzstan. Exposing them to local and international business models improved the entrepreneurship skills and knowledge of women, increasing their chances of expanding their businesses and generating more income. GEP also provided capacity-building training to women-managed cooperatives, improving their functionality and increasing access to resources.

2.2.4 ICT – Information and Communications Technology

The ICT sector in the country has witnessed remarkable growth, with as many as 12 million mobile phone users. Four private mobile companies and one state-owned company operate in the country; private investments in telecommunications now exceed US\$1.6 billion. A recent survey conducted by USAID¹⁷ noted that around 80 per cent of women in the country have regular or occasional access to a mobile phone.¹⁸

Mobile Applications and the Afghan Government

The Government is also adopting ICT to expand service delivery and support good governance, and private firms have been quick to adopt advanced technologies. In 2011 the Afghan Minister of Communications and IT was presented with the mobile industry's prestigious annual Government Leadership award, recognizing the monumental achievements made by the government in promoting and expanding mobile communications. This is an important achievement as investment in this sector has potential for high returns and could provide employment with a number of far-reaching applications, particularly in the development of mobile Apps. In agriculture, where Afghanistan's demanding terrain limits many farmers' physical access to services, mobile Apps could give information on crop rotation, market prices, meteorological conditions and so forth. Afghanistan is by all accounts a promising territory for spurring a flourishing mobile App economy.

¹⁷ <https://www.usaid.gov/afghanistan>

¹⁸ <http://blogs.worldbank.org/psd/next-afghan-mobile-entrepreneur>

Opportunities for Entrepreneurs in ICT

A feasibility study by infoDev¹⁹ in 2014 mapped the business environment for SMEs in the ICT sector and assessed the overall ecosystem for business incubation, measuring the opportunity for creating and supporting the incubation of mobile applications and providing recommendations on the way forward for implementation. According to the study the right conditions are there: for example, the existence of a dynamic mobile industry, increasingly affordable internet access and strong commitment from donors and the government of Afghanistan. In addition, pressing social issues provide a window of opportunity for creative solutions to be provided through technology-oriented initiatives.

The study estimated that the mobile App market will grow from the estimated US\$ 20–33 million to US\$ 48–60 million by 2017. The main potential, be it mobile content or software providers, relates to SMEs. However, increased awareness, relevant skills and access to practical experience in the mobile industry are a top priority. In addition, developers need more access to tools that are localized. Above all there must be an emphasis on building local capacity to deliver relevant training and education to application developers and entrepreneurs. There are some critical gaps, relating for example to skill levels and the literacy of end-users, which need to be filled in order to seize this opportunity.

Surveys and analyses have demonstrated that there is a lack of awareness of mobile technology and of the opportunities it could present in Afghanistan. Many Afghans, including IT students, are not aware of the prospects that would be available using this market, and the workforce lacks the relevant skills and experience required for the job opportunities presented by this sector. Hand in hand with the lack of skills is the fact that, as the majority of Afghans speak little or no English, Afghans interested in mobile App development do not have the ability to access the necessary tools to create them, the

majority of which are open source and easily available online. Of course, the availability of compatible handsets is also a factor, along with the means of paying for Apps and other mobile services, as a majority of Afghans do not have access to credit cards or payment means to purchase the Apps. Therefore three areas need to be developed: (1) increased awareness, skills, and access to practical experience, (2) provision of tools, derived and localized, from mobile open source software to accelerate entrepreneurs' adoption of mobile technology, and (3) access to the mass market and the capacity to monetize services through creation of an alternative application distribution mechanism for SMEs. In other countries where InfoDev have implemented similar initiatives, youth and women have been the main beneficiaries of the various training programmes.

Roya Mahboob – A Success story

Roya Mahboob is an Afghan woman entrepreneur from Herat, who took an innovative idea and made it into a successful tech company. She was named on the 2013 Time 100 list, an annual list of the world's most influential people:

“Though women's rights in Afghanistan have improved since the fall of the repressive Taliban regime 12 years ago, many Afghans still believe that a woman should work only in the home, caring for her family. Technology entrepreneur Roya Mahboob is working in clever new ways to change this continuing cultural stereotype. Mahboob's Afghan Citadel Software Co., an IT consulting firm founded in 2010, employs 25 people, 18 of whom are women. Her employees develop software and databases for private companies, government ministries and NATO. To make these jobs more accessible to Afghan women, five of the employees are able to work from home.

Mahboob's plans are even more ambitious. Most public access to the Internet in Afghanistan is restricted to urban Internet cafés, which are often uncomfortable or unsafe places for women. That doesn't work for Mahboob — so she is building 40 free Internet-enabled classrooms across Afghanistan to allow more than 160,000 female students to connect to the

19 <https://www.infodev.org/infodev-files/afghanistan-mobile-feasibility-assessment.pdf>

world. She also founded a multilingual blog and video site to give these women a platform for telling their stories. Nearly 300 female student bloggers have posted on the site, making themselves heard and changing the way the world sees Afghanistan ... and how Afghan girls and women see themselves.”

2.2.5 Agriculture

The population of Afghanistan is largely rural; recent estimates put it as about 77 per cent in spite of displacement to urban areas in search of income-generating activities and the likelihood of returnees from Iran and Pakistan remaining in the cities rather than returning to the insecurity of rural homes. Many rural families are poor and between one-third and one-quarter own no land, yet legal agriculture (i.e. excluding the cultivation of opium poppies), mostly carried out by small-scale farmers, contributes approximately 50 per cent to gross domestic product (GDP) and is seen as a high priority for development.

Entrepreneurial activities in this sector, particularly involving rural women, are

increasingly evident, particularly in the fruit-growing sector (grapes and apricots); however the capacity of women in Afghanistan to become economically active is severely constrained by the highly patriarchal society and the sharply-delineated gender roles, particularly predominant in rural areas. Women’s literacy levels are much lower than those of men and sociocultural norms often discourage women from contact with men who are not family members. Some women do engage in income-generating activities, but these women must match social and cultural expectations. Recent CEDAW recommendations specifically addressed the needs of rural women in recommending the Afghan Government to “elaborate a comprehensive development plan for rural areas with the full involvement of rural women in its elaboration and implementation” and “strengthen its efforts to address the needs of rural women and provide them with better access to health, education, clean water and sanitation services, fertile land and income-generating projects” (United Nations Committee on the Elimination of Discrimination against Women, 2013).



Integrated Dairy Schemes (IDS)

A recent FAO report (2015), Empowering Women in Afghanistan – Reducing gender gaps through IDS (Integrated Dairy Schemes), recounts the success of schemes which allow women to milk their livestock and sell their milk to Milk Unions.²⁰ These schemes allow women to generate their own income, giving them a modicum of control over family spending and earning them the respect of male family members. What is clear from the report, however, is that women remain almost exclusively at the first stage of the dairy value chain, as milk producers, while men play various roles along all the links in the value chain. It is important to note that the unions are run almost exclusively by men. The four dairy unions currently have 5,574 registered members, of whom approximately 28 per cent, or 1,540, are women. Of these, only in one IDS, Herat, do six women participate in the leadership of the union as members of its governing body.

From a gender perspective IDS can be seen as the first stepping-stone for a large number of rural women to start consolidating a better place for themselves in this strongly patriarchal society. The IDS model is continuously improving and, above all, it is upgrading the status of women participants. However, to realize the full potential of IDS, women farmers need to be able to obtain increased benefits from their participation in the dairy value chains. Unions have to promote women milk producers across the value chain and increase their participation as registered members and decision-makers in the union. Furthermore, IDS needs to increase the numbers of employed women, especially at the dairy processing plant and in the union.

An example of entrepreneurial activity in the dairy industry

The Tala Dairy Production Co. in Kabul was founded in 2012 by a group of ambitious and experienced entrepreneurs who sourced their milk from one of the dairy unions described above and now produce yogurt, buttermilk, cream and cheese, with a home delivery service to around 250 families throughout Kabul and

Maidan Wardak. They started with 12 employees but soon realised that to compete with imported international dairy products from global companies, which were readily available in the city's markets, they had to meet international production requirements and globally respected standards which, despite the company's commitment to quality, necessitated more modern machinery and more staff.

To make their local products competitive the company asked for a USAID-sponsored \$20,000 loan from the First Microfinance Bank of Afghanistan (FMFB) in 2012. USAID, through the [Financial Access for Investing in the Development of Afghanistan](#)²¹ programme, has helped dozens of small and medium-sized businesses to expand and hire new employees. Tala was able via the loan to obtain the new equipment and packaging expertise and with the ensuing demand were able to expand the workforce by 16 new employees and expand to eight locations.

Entrepreneurial activity for rural women in the fruit-growing sector

Before the Soviet invasion in 1979 Afghanistan was known throughout the world for its apricots and grapes, yet after the fighting and the return of millions of refugees there were neither the means nor the knowledge to rebuild the fruit orchards and grape vineyards which had been the drivers of the economy in the 1970s, while in the refugee camps a whole generation had lost the art of farming. The Global Partnership for Afghanistan (2004-2016) launched a project in 2004 to help 50 male farmers develop fruit orchards. The agreement with the village leaders was that in subsequent years, women would also participate in the projects and be owners of the newly-restarted businesses with women agronomists and horticulturalists on the staff to train the women farmers. Of the 30,000 farm business owners whom GPFA has helped, more than one-third are women.

In 2012 it became apparent that the biggest hurdle for growing the small farm businesses was the lack of access to large markets to sell their goods. The GPFA received funding from

²⁰ <http://www.fao.org/3/a-i4585e.pdf>

²¹ <https://www.usaid.gov/news-information/fact-sheets/financial-access-investing-development-afghanistan-faida>

the U.S. State Department in 2013 to work with more than 1,000 women producers and farm businesswomen to help link them to markets. GPFA's [Women's Catalyst Fund](#), established in 2013, continues that effort: 'Global Partnership for Afghanistan (GPFA) has launched the Afghan Women's Catalyst Fund to raise an initial \$100,000 to continue to mobilize and motivate our women farmers, build their confidence, and provide the hands-on training and technical skills development they need to expand their agriculture businesses and move up the value chain—whether in wholesale marketing, dried produce packaging, honey production or cash crop conversion. Our farmers aren't simply out in the fields planting, weeding and harvesting anymore. They are moving up the value chain and becoming successful business owners.'²²

When rural women are able to run their own businesses, there are wider effects than a simple increase in the family's income. Women will send their children to school and their business activity can act as a force for stability in their communities. They stand up to insurgents and gain the respect of the men in their community.

It is clear from the above examples that fostering efficient entrepreneurship in youth and rural women is not simply a question of providing funding, but also one of support and training. Without these the businesswomen and businessmen will remain at the bottom of the value chain, producing goods but unable to access or expand markets, run a business or progress through the value chain. Rather than being productive entrepreneurship these activities remain those of self-employment as a subsistence level, that is to say survival rather than progression. In effect, the approach is not only one of funding through government and private sector loans, but also of training in literacy and basic finance and other essential skills, and constant support and exposure to markets further afield, which is particularly important in the remoter regions of Afghanistan where the infrastructure makes communications difficult.

2.2.6 Construction

The Construction sector provides a myriad of opportunities for business activity in Afghanistan, with recent Memoranda of Understanding signed by the government with the Indian and South Korean governments for Construction projects seen by Ministers (Mr. Ahmed Jawed Farhikta, Director of External Affairs, MoLSAMD) as positive developments in creating jobs for youth.

here is a serious lack of adequate physical infrastructure, and any existing roads and bridges have been damaged by years of war and civil strife. Any developments in business obviously rely on an underpinning of adequate infrastructure; goods and produce need to be moved to market and access to food, education and health services are essential, so expanding the Construction sector is arguably the most important area for development. If this issue is not addressed, then entrepreneurship cannot expand and young entrepreneurs cannot move up the value chain.

An eight year-long UNOPS programme²³, from 2014 – 2022, is building and repairing over 1,000km of roads and 20 bridges in isolated regions of Northern Afghanistan. This is a \$60 million project funded by the Swedish International Development Cooperation Agency (SIDA) and implemented in cooperation with the national Rural Access Programme (NRAP), the Ministry of Public Works, the Ministry of Rural Rehabilitation and Development, and provincial authorities. This Rural Access Improvement Project seeks to empower women by including them in construction work. It entered its fourth phase from 1 November 2016 and now includes a greater focus on capacity development and gender. Dr. Mohammad Haider Reza, Director and Representative of UNOPS Afghanistan, has commented that with the SIDA programme higher numbers of students are attending school, women are using health centres more frequently and farmers are better able to transport their produce to market.

²² http://gpfa.org/wp-content/uploads/2013/11/GPFA_Catalyst_Fund_Overview_SHORT_November_Updated.pdf

²³ <https://www.unops.org/english/News/UNOPS-in-action/Pages/Baking-bread,-building-roads.aspx>

Women in Construction

These are encouraging reports, yet successfully promoting gender equality and empowering women requires creativity, persistence and strong engagement with local communities. Much had to be done with these local communities to get them on board and break through the cultural barriers that traditionally prevent Afghan women from leaving their homes. Dedicated female outreach officers were hired to persuade local community leaders to let women work. Literate women from the area were also hired as Gender Inclusion Assistants to help mobilize the women. The women subsequently produced the small stone chips for road maintenance and wove wire baskets. They also started supplying stone chips for similar projects and selling the wire baskets to NGOs to use for flood protection. As well as precious new financial freedom through income earned, working together helped the women to form informal social groups in which they could share knowledge and exchange ideas.

The construction projects also had a knock-on effect on encouraging other entrepreneurial activity. The construction workers needed to buy food on-site, so some women set up a bakery to sell bread to workers and bus passengers. This worked so well that five women's groups were trained to start similar ventures. Another group produced protective clothing for the project's snow clearing crew, and other UN agencies enquired about buying winter wear from the group.

2.3 A view of the labour market and the weaknesses of the private sector

As can be understood from these success stories, opportunities abound for entrepreneurial activities but the important questions are: where do projects to encourage entrepreneurial activity for young people and rural women in Afghanistan sit within the general labour market and what can be done to increase public and private sector involvement in entrepreneurship?

As is common in fragile states, Afghanistan's economy has a complex mix of informal,

formal, illicit and aid-sustained elements. This is foremost the product of a decades-long convergence of protracted conflict, low state capacity, foreign interference and external aid dependence. A comprehensive report from the Swedish International Development Cooperation Agency published in 2015²⁴ reports that the formal Afghan private sector contributes only 10–12 per cent of the country's official gross domestic product (GDP). In its current state the Afghan private sector is not the engine of economic growth or instrument of social inclusion it has the potential to be. There is unequal access to economic resources and many public services are vulnerable to corruption. The continuing lack of security makes investors risk-averse.

2.3.1 Facilitating the Private Sector

The Afghan Government will need to create a more facilitating environment for the private sector, particularly for the many disadvantaged SMEs that form the bulk of the economy. In the light of weak state capacity, new partnerships with the private sector are recommended. Support from the international community through private sector development (PSD) is needed. However several critical conditions for effective PSD apply. The Afghan Government, national stakeholders and the international community will need to facilitate a more inclusive, productive and competitive Afghan private sector.

Before 1979 and the Russian Invasion, Afghanistan's private sector was predominantly informal, agrarian and subsistence-based. As a war economy emerged, formal institutions collapsed, the social fabric was torn, and illicit crops and criminal cross-border activities became ingrained in the country's economy. This resulted in a complex backdrop and a very low baseline from which internationally-assisted state rebuilding and economic growth efforts began in 2001. However, the introduction of new organizational structures after 2001 did not constitute a decisive break with preceding economic patterns, processes or players. The Karzai administration allowed the post-intervention conflict and aid economy to create

²⁴ <https://www.sipri.org/sites/default/files/2016-04/SIPRI-Afghanistans-Private-Sector-Report-2015.pdf>

new revenue channels for an existing and emerging dominance of Tribal Warlords. Lack of interest and incapacity by political authorities have resulted in weak formal economic institutions, largely unaccommodating economic policies and regulatory failure.

2.3.2 Constraints on Private Sector Development

International community PSD efforts were slow and limited throughout the first decade of engagement by the many and varied security challenges. In the absence of a free market with functioning State regulation, the local power holders determine access to economic resources in many markets across the country. Critical infrastructure is largely absent, particularly in rural Afghanistan. Both these factors inhibit economic activity and integration. These constraints are compounded by extra-market conditions: concerns over the National Unity Government's (NUG) longevity and effectiveness, lingering and rampant corruption, a deteriorating security situation and the initial transition landscape have generated little confidence that the security situation will improve in the short term. While the NUG has initiated a number of economic reform processes, unpredictability and uncertainty remain key negative factors for the private sector. An improved security situation is necessary to stimulate foreign as well as domestic private investment.

Currently there is much welcome focus from the Afghan Government and other public and private stakeholders on supporting full value-chain development projects in the agricultural sector, which have high labour-intensity and job creation potential, including for women and incorporating consumer demand perspectives into PSD programming. Demand is a critical component of commercial feasibility and sustainability for PSD programmes and should be a strong factor in designing training programmes, (see Chapter Three for a further explanation of TVET availability). With the best will in the world, spending money on vocational courses for jobs and professions for which there is little or no demand is clearly not cost-effective. Reports such as that cited above come to similar conclusions, namely that the capacity, transparency and member representation of organized business is of paramount importance

and that the views of smaller-scale business actors, including informal and rural-based businesses, should be given greater weight in considering how to move the Afghan economy forward.

2.4 The NLP (National Labour Policy) 2016-2020 Islamic Republic of Afghanistan – Ministry of Labour, Social Affairs, Martyrs and Disabled

Some of the points made in the NLP are specifically focused on creating work for young people, with plans to:

- Provide a framework for decent job creation through sustainable growth in all sectors of the economy – from public works to the informal sector;
- Provide direction to reduce unemployment and underemployment;
- Guide a process of prioritizing employment creation strategies through targeted policies and programmes among the youth and labour market entrants, women, and the disabled.

Of particular importance for the scope of this report is the resolution stating that the government will 'Promote a culture of labour-market-responsive entrepreneurship, training, and a national environment that rewards productivity, effort and initiative'. The role and partnership of the private sector is essential in this, as a key driver of national development and in labour-related planning and decision-making to achieve optimal labour market outcomes.

As part of the transitional agenda for Afghanistan the Government has recognized that Afghanistan's real wealth is its human capital and it is '...therefore committed to creating conditions necessary for the growth and welfare of this important national asset.'

The policy also states that it will encourage training programmes at tertiary and lower education levels as well as at a higher level to facilitate entrepreneurial ability and self-employment. It states that the government will

adapt and enhance participation by women in the private sector as well as the status of and participation of women in communities and civil institutions.

In terms of training and TVET planning the Government also wishes to encourage the private sector, given that private TVET providers are more directly connected to the actual market. The policy sets out to ensure a stronger representation and voice for the private sector on the TVET board to encourage the market responsiveness of the TVET system and also encourage the private sector to leverage its self-financing and self-organizing capacities.

In developing the TVET system the Government wishes to address the skill needs of productive sectors, particularly those with higher growth and jobs potential such as agriculture, construction, and commerce and business. These market demands will influence educational curricula and academic planning, as the Government is committed to re-channelling the resources from supply-driven TVET to market-relevant TVET interventions, possibly including the financing of mechanisms partially conditional on the labour market placement success for TVET graduates. The policy states that new technologies and rapidly-changing labour market dynamics at home and abroad demand competent professionals with specialized and recognized skills, and the skills development and training programmes must address this competitiveness and productivity deficit, the resolution being that 'the Government will work with all relevant partners and stakeholders in the local and international labour markets to nurture a workforce with the right skills, qualifications and mindset to meet the requirements of the modern day labour market.'

2.5 What entrepreneurial training currently exists?

2.5.1 Government Skills Development Centres

As outlined in the National Labour Policy, the Afghan Government is heavily concentrating on skills, with 45 Skills Development Centres.

There is clear evidence that many people are benefiting from these new strategies for capacity-building in terms of skills acquisition, as outlined in the success stories earlier in this chapter.

2.5.2 Specific Training for Women Entrepreneurs

As already pointed out, women are at the forefront of the government's efforts to increase the number and efficacy of SMEs in Afghanistan and, as well as training in the specific skills required for the business – for example yoghurt production for the wider consumer market – there is also a need for essential literacy skills and business development skills such as marketing. An example of such was offered within a four-year project (2012- 2016) with ABADe – the Assistance in Building Afghanistan by Developing Enterprises. ABADe²⁵ offered a 45-day training programme on Basic Outreach and Marketing Skills to nine Afghan women business owners and managers. The training comprised 21 days of lectures and actual exercises and 24 days of video production. The graduation ceremony was held at the American University of Afghanistan and was hosted by the International Center for Afghan Women's Economic Development (ICAWED), one of ABADe's partners in business activities for women.

Focusing on marketing and promotions, particularly on the production of compelling marketing materials for local and international target consumers – the output being promotional videos for each participant – this training is a good example of the importance of BDS for Afghan Women. The training participants spoke highly of the training, saying they received useful practical inputs to improve the image of their company and on how to effectively position their products in the market, as well as gaining new perspectives in marketing and starting to apply what they learned.

²⁵ <http://www.abade.org/9-afghan-women-entrepreneurs-complete-promotions-training-3/>

2.5.3 Training the support systems for entrepreneurs

As well as training which targets those who will be running their own businesses, it is important to recognize that there is a need for training, and for organizing and sustaining those in administrative positions who will be supporting entrepreneurial activity. The NLP has put forward enabling conditions for developing the private sector at the top of its agenda, but administrative units in Kabul and the rest of the country are often unable to implement measures geared to economic promotion as staff lack the necessary know-how and administrative systems are not sufficiently organized to handle the task.

A recent (2010-2014) project²⁶ commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) on sustainable economic development in northern Afghanistan and Kabul, with the Afghan Ministry of Commerce and Industries (MoCI) as the lead executing agency, concentrated on the structures which support the private sector.

Focusing on five provinces in northern Afghanistan: Balkh, Baghlan, Kunduz, Takhar and Badakhshan, the project concentrated on how certain micro, small and medium-sized enterprises in selected value chains, namely processing of semi-precious stones, milk production and dairy processing, cashmere products, wool spinning and carpet weaving, fruit juices, dried fruits, leather processing and tomato concentrate might be supported. The project subsequently helped with the reorganization of the Export Promotion Agency of Afghanistan and worked with the Afghanistan Chamber of Commerce (ACCI). It supported ACCI during its nationwide elections which improved its potential to influence government policy where the interests of the private sector are concerned.

Twenty-one provincial chambers have been set up to improve the range of services for companies at provincial level. A gender department was also set up to handle enquiries specifically from female entrepreneurs.

The project also worked with the umbrella association of the guilds to broaden its range of services and helped expand them into new provinces. In addition it provided support to the umbrella association in representing the interests of micro, small and medium-sized enterprises in public-private dialogue. At government level the project advised sectoral working groups seeking to further improve existing value chains. The working groups are currently in the process of implementing action plans they developed for various industries.

The Ministry of Commerce and Industries (MoCI) were also assisted by this project on introducing simplified export procedures, concluding regional trade agreements and establishing legal initiatives to promote the private sector. At the same time it supported accession to the World Trade Organization (WTO) and the signing of the Afghanistan-Pakistan Transit and Trade Agreement. Since September 2013 Afghanistan has been an official member of the Customs Convention on the International Transport of Goods (TIR). This has opened up new trade routes from the Persian Gulf to China.

As a result of this intervention the processes for the production and sale of local products such as carpets, cashmere, wool, fruit and semi-precious stones was improved, resulting in the creation of almost 4,000 new jobs in the northern provinces of Afghanistan, with 15,000 people achieving a higher rate of income.

2.5.4 Training administration staff to support entrepreneurship

Within the programme to strengthen administrative structures in Afghanistan²⁷ GIZ has, since 2012, been working on behalf of the German Federal Foreign Office to support development of effective administration in line with the rule of law in Afghanistan. Key factors here include the introduction and strengthening of higher education provision for the public sector, particularly for experts and managers, and laying the foundation for a standardized and citizen-centred skills development programme. Bachelor of Public Administration courses have been launched in five Afghan universities, while

²⁶ <https://www.giz.de/en/worldwide/14582.html>

²⁷ <https://www.giz.de/expertise/html/2358.html>

public administration faculties – including premises housing more than 2,000 students – have been set up. To ensure that teaching is standardized across the country, a joint curriculum has been developed and more than 1,300 Afghan students have so far benefited from initial and continuing training under it. Moreover, staff have been taking part in academic conferences and partner universities have been set up, boosting networking, advisory provision and cooperation. To help guarantee public management expertise and exchange programmes, Afghan lecturers receive support with their public management courses from German academic staff prior to the start of each semester.

2.6 Conclusions

In this chapter are given numerous and wide-ranging examples of entrepreneurship in Afghanistan, with small businesses being set up or already active in a range of sectors. Women, particularly in rural settings, are engaged in many different areas, from construction to grape juice production. There is excitement about what can be done in the ICT sector and there have been notable success stories. Clearly, both the public and private sector must be involved in making progress and of particular importance are the support systems for these new

enterprises, namely Chambers of Commerce, Guilds and Business Administrators.

For young entrepreneurs, clearly identifying themselves as entrepreneurs is the first step towards their eventual success, which would initially begin with educational programmes and awareness building at school. However, many potential entrepreneurs do not have the training and skills needed to open and operate a business. Thus a successful entrepreneurial ecosystem requires an educational framework that transfers knowledge and builds up human capital. Entrepreneurs also need to be connected both to other entrepreneurs and to veteran business leaders as mentors so as to continually develop their business acumen. Inayat Ullah was helped in his enterprise by the discounted rent from an office owner who believed in young entrepreneurship, which he in turn has reciprocated by his own mentorship and support of young students.

Funding, of course, is the lifeblood of any successful business, insuring that entrepreneurs have the financial means to build on business ideas. Entrepreneurs must also be assisted by an economic, legal and cultural environment which is conducive to starting a business. Finally, entrepreneurship must be celebrated within the culture as a desirable and socially valuable career path.

3. Supply and demand relating to TVET

The situation in Afghanistan as regards TVET is currently extremely active, with the (MoE) Ministry of Education and MoLSAMD (Ministry of Labour, Social Affairs, Martyrs and Disabled) having published the National TVET Strategy for Afghanistan (3.1) earlier this year (January 2016).

In terms of Higher Education, according to the Afghan Central Statistics Organization public university enrolment increased from 7,800 in 2001 to 174,425 in 2015, 21% of which are women, and demand for higher education continues to grow. USAID is helping Afghanistan's higher education professionals to manage effectively the growth in demand for higher education while also improving academic quality. The University Support and Workforce Development Programme helps improve the management capacity of the Ministry of Higher Education and 11 public universities to manage this growth, improve academics, and create new opportunities for Afghan students pursuing higher education.

USAID helped develop Afghanistan's first Information Technology associates degree at Kabul Polytechnic University to link students with growing industries; launched the first associate degree in Bio-Medical Equipment Technology at Kabul Medical University to develop local healthcare talents; and established a new Master's Degree of Educational Leadership and Management at Shaheed Rabbani Education University to cultivate Afghan educational leaders. Similarly, with USAID's assistance 41% of students enrolled by the American University of Afghanistan (AUAF) are female – one of the highest percentages of female enrolment in Afghanistan. AUAF has since 2011 offered Afghanistan's first western-style Master of Business Administration degree as well as opened the Professional Development Institute to provide professional training and certification programmes.

3.1 TVET and Afghanistan

The development of TVET is an essential cornerstone for the recovery process and poverty alleviation in Afghanistan. In recent times this sub-sector has been under stress from war and from significant under-investment in both new knowledge and infrastructure. A recent (2012) report²⁸, written as an overview of TVET provision in Afghanistan, described the Afghan labour market as currently facing an acute demand for skilled and semi-skilled people to cope with the rapid pace of reconstruction of the country. However unemployment remains persistent among young Afghans because many do not have the technical skills that are urgently needed for reconstruction efforts as well as for the overall economic development of the country. In the absence of sufficient local skilled labour, the country has to hire skilled workers from other countries and pay them high wages.

Access to TVET is severely hampered by the lack of sufficient and properly equipped learning spaces and facilities and is still low compared to the number of Afghan youth. The participation of girls raises issues related to the social constraints they are facing and the relevance of the training opportunities offered to them.

Other criticisms of the TVET provision were that the existing curriculum offered in the TVIs does not fully match the needs of the labour market (e.g. ITC) and needs to be updated so as to strengthen the quality of TVET in the country. Other factors cited in the above report, such as the low qualifications of teachers, low salary levels that make it difficult to recruit people with the necessary qualifications and professional experience, and high pupil-teacher ratios also affect the current quality of TVET. The shortage of qualified teachers is a major challenge for the current TVET system in the country. In addition, the management capacity and systems necessary for a rapid response to the emerging needs – from the central Ministry down to school level – are weak. Linkages

²⁸ http://www.cesp.gov.af/anqa/Documents/TVET_Overview.pdf

between training centres and job markets and industry are still tenuous and need to be strengthened.

3.2 The National TVET Strategy for Afghanistan

As a response to the above situation the Afghan government has spent the last three years in collaboration and consultation with development partners, civil society and the private sector to create the National TVET Strategy²⁹ which was launched on 19 January 2016. This policy is jointly owned by the MoE and MoLSAMD with coordination by the Human Resources Development Board (HRDB) TVET Working Group and technical support from UNESCO through its Capacity Development for Education for All (CapEFA) programme.

This plan is seen as a watershed for the provision of vocational training and skills development in Afghanistan. Most importantly it marks a renewed commitment to a coordinated approach to TVET and is a guiding document for all stakeholders for strengthening the four main pillars of the TVET system: governance, access, quality and financing. It is the first ever sector-wide TVET plan for the country and sets out a national framework and common platform from which to implement TV programmes over the next five years (rather than the fragmented, often low-quality and uncertified training of previous TVET incarnations). It is also a vehicle for aligning international aid on the national agenda and increasing donor support for education and labour, and it provides a central platform for renewing coordination in the TVET sector and bringing together government, civil society and the private sector. There is a recognized need for a harmonized and coordinated approach between all partners to implement this effectively.

In terms of training and TVET planning the Government also wants to encourage the private sector, seeing that private TVET providers are more directly connected to the actual market. The policy sets out to ensure

a stronger representation and voice for the private sector on the TVET board so as to improve the market responsiveness of the TVET system and encourage the private sector to leverage their self-financing and self-organizing capacities. In developing the TVET system the Government wishes it to address the skills needs of productive sectors, particularly those with higher growth and jobs potential such as agriculture, construction, and commerce and business. These market demands will influence educational curricula and academic planning, as the Government is committed to re-channelling resources from supply-driven TVET to market-relevant TVET interventions, possibly including financing mechanisms partially conditional on the success of labour market placement for TVET graduates. The policy states that new technologies and rapidly changing labour market dynamics at home and abroad demand competent professionals with specialized and recognized skills, and the skills development and training programmes must address this competitiveness and productivity deficit, the resolution being that 'the Government will work with all relevant partners and stakeholders in the local and international labour markets to nurture a workforce with the right skills, qualifications and mindset to meet the requirements of the modern day labour market.'

3.2.1 The Training Outlined in the National TVET Strategy

Mr. Ahmed Jawed Farhikta, Director of External Affairs, MoLSAMD, describes the training strategies set out in the National TVET Strategy as being the key to a brighter future for Afghan youth, with the greater emphasis on a good education for all being at the heart of the associated publicity (billboards, social media etc.) which he felt was playing a central part in inspiring youth. The combination of the public Skills Development Centres, the private-sector-funded training, and the recognition of the traditional informal apprenticeship system described below, was proving effective. He sees the Memos of Understanding recently signed by his government with the Indian and South Korean governments for construction projects in Afghanistan as ways of creating jobs for youth.

29 <http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/Kabul/pdf/NationalTVetStrategyEnglish.pdf>

As outlined in the National Labour Policy, the Afghan Government is heavily concentrating on skills, with 45 Skills Development Centres opened in the last two years. The private sector is, however, the largest TVET provider in Afghanistan (50.7 percent). There are 40 licensed private institutions, and 120 others are in the process of being licensed by the MOE/DMTVET. Private sector for profit providers offer training to an estimated 150,000 students, predominantly in areas of information and communications technology, management, accounting, and languages (mainly English). In the absence of a policy or framework for accreditation and national standards for vocational education and training, institutions themselves are not registered or accredited. Thus courses are not validated and certificates or credits for learning are arbitrary. This situation denies employers reliable information regarding the competence of graduate trainees, and denies trainees a recognized qualification as a basis for accessing decent employment or for continuing their education.

NGOs offer training to around 30,000 students, particularly in basic vocational skills (10.1 percent). Based on a survey conducted by NSDP in 2009 (which can be regarded as baseline data for the quality of TVET provision in Afghanistan), there are about 100 national and international NGOs providing vocational training in Afghanistan. Their enrolment capacity is about 30,000 trainees annually, and they provide training in rural and urban areas. Course duration varies from three to 18 months. There is no accreditation and certification system for these NGOs. Their training is not recognized in the formal TVET system, which means that trainees cannot easily continue their education to gain higher-level skills in their trade.

The largest provider of technical skills in Afghanistan is the traditional informal apprenticeship system, which is also recognized as an effective pathway to employment. Anecdotal evidence suggests that the traditional informal apprenticeship system in the country has an intake capacity of about 300,000 apprentices per year, probably making it the main provider of technical skills in Afghanistan. The ILO estimated that of 530,000 companies about 60% had fewer than five employees. Within the 75,000 “bazaar” companies

surveyed, there are on average five people engaged in the company: three journeymen and two apprentices. A provisional estimate by GIZ indicates that between 600,000 and 1 million apprentices are working in small companies operating in bazaars in Afghanistan. If confirmed, the informal apprenticeship system would therefore have a capacity for skills transmission that is about ten times higher than the formal TVET system.

3.3 Designing Skills Training which is Appropriate for the Workplace: Training of Trainers

An interesting venture has been developed by the Afghanistan Workforce Development Program³⁰ in training Afghan women as ‘master trainers’. These women completed a seven-day master trainer’s course, learning the key components of vocational training design and methods for assessing employers’ labour market needs and developing corresponding job training curricula. As certified master trainers, these women are key links in the chain for growing the capacity of other trainers to equip job seekers and employees, especially women, for the needs of the market. Master trainers also learn how to conduct labour market demand assessments and guide others in carrying them out and translating their findings into targeted vocational training.

“The good thing about the demand assessment is it follows market needs and builds [workers’] capacity specifically to that, and gives them the opportunity to learn what their employers require,” says Tahmina Haidare who, as a master trainer, helped implement project management and marketing training and placement programmes.

The programme — which is funded by USAID and implemented by Creative Associates International, along with local partners — is designed to fill Afghanistan’s skills gap with local mid-level employees by building up the capacity of technical and vocational training

³⁰ <http://www.creativeassociatesinternational.com/feature-story/in-afghanistan-women-master-trainers-propel-economy/>

providers to assess employers' needs and design curricula that prepares Afghans for those in-demand positions.

3.3.1 Increasing the skills base for women

Training women to be trainers is directly helping women enter the workplace as these trainers enable women to be placed and promoted in semi-professional work or start their own businesses. Prior to the recent focus on TVET, private technical and vocational training providers' courses had an estimated 25 per cent participation rate by women. Unfortunately, most of those training events focused on low-skilled sectors such as beauty, handicraft and sewing work, rather than in-demand skilled sectors. The Afghanistan Workforce Development Programme aimed to train, place and promote 25,000 skilled Afghans in semi-professional work, with the goal of a 25 per cent participation rate for women. Fortunately the programme has far exceeded its goal—36 per cent of placements are for women in sectors such as project and financial management, marketing and information and communications technology. Through the programme, more than 5,000 women in Kabul, Herat, Mazar-i-Sharif, Kandahar, Kunduz and Jalalabad have been placed or promoted with salary increases in mid-level work.

Building the capacity of Afghanistan's female trainers has been crucial to this success. The master trainers develop their own professional skills and then empower other women job seekers and workers to do the same and obtain mid-level jobs and promotions.

3.4 Examples of TVET in action in Afghanistan

Fareed Ud-Din-Noori (Annex 1) reports on some successes of the NATEJA³¹ programme – Non-formal Approach to Training, Education and Jobs – in Afghanistan which has been running since January 2014. The project is aiming to engage unskilled, illiterate and unemployed women and men aged 16-35 who

enter the labour force unprepared to compete in the labour market by increasing access to non-formal technical and vocational training. The project will also improve labour market outcomes by enhancing the quality of training delivery through performance-linked financial incentives, and will use non-formal training providers and employers to train unskilled and illiterate individuals. The project will also contribute to creating business opportunities for Training Providers and bazaar shop owners (these bazaar shops variously including cycle repair, auto mechanics, carpentry, welding, tailoring, handicraft, masonry, metalwork, sewing, beauty parlours, carpet and rug weaving, dyeing, poultry, animal husbandry, etc.) while promoting wage employment and self-employment for an important segment of the Afghan population.

The CDCs, Community Development Councils, have been central to promoting this initiative in six urban areas and other forms of promotion have been via youth associations, public announcements, billboards and social media (e.g. Facebook). The uptake for an ICT project on mobile App development had an uptake by girls of 56%, and carpentry and joinery training has resulted in at least six trainees setting up their own small businesses with the aid of small (\$500) grants from the Nateja Project and toolkits. After their apprenticeship in bazaar shops of around 6-9 months the trainees were equipped with both the skills and the practical tools to earn their own money. Fareed Ud-Din Noori commented on the value of small wins in the project, trainees being able to see something happening in the short term as a result of their commitment to training.

3.5 Conclusions

There is an acute demand for skilled and semi-skilled professionals in Afghanistan to take the country forward and realize the desired transformation. Existing training often misses the mark as the curriculum does not match the needs of the labour market and trainers lack the required skills. There are serious issues surrounding accreditation as there are still gaps in its application and trustworthiness. The National TVET Strategy launched in January of this year aims to address these problems and

31 <http://www.projects.worldbank.org/P146015/?lang=en&tab=overview>

provide innovative solutions in training and its creation represents a considerable and hopeful advance in providing training for young Afghans, particularly women.

Young entrepreneurs need, in the first place, access to finance and the right kinds of training both in terms of professional skills and those they need to run a business. It is opportune that the Afghan government actively promotes entrepreneurship both at school and in higher education, with concrete efforts to teach practical requirements – numeracy, marketing and other business development skills – at

the earliest age. These skills would later be enhanced by training programmes directed at youth at the non-formal end – the traditional apprenticeship system – as well as at the Higher Education level. The training programmes in the traditional apprenticeship system would encourage young people to start their own businesses once they had learned the ropes (for example the 3.6 Nateja Programme) and those in higher education would benefit from more courses targeted on running a business such as those offered at the Professional Development Institute run by the American University of Afghanistan.

4. Constraints against and Opportunities for Entrepreneurial Activity in Afghanistan

In examining the situation on the ground for doing business in Afghanistan, it is clear that a number of obstacles exist which, while not insurmountable, present considerable challenges. These constraints exist in all sectors of the Afghan economy and are particularly evident in the Agricultural value chains. In analyzing one particular project in the agricultural sector these limitations are brought to light and, as they are applicable to other kinds of business within and outside the sector, solutions or ways round these constraints can be addressed.

4.1 An Analysis of the Grape and Raisin Sector in the Balkh and Samangan Provinces

The Road to Jobs³² project of the International Labour Organization (ILO) in Afghanistan, funded by the Swedish International Development Cooperation Agency (SIDA) aims to unleash the economic potential of rural communities through the expanded rural road network with better connectivity to markets in Afghanistan, which has been supported by SIDA-UNOPS (see Chapter Two). Part of this project was to examine selected value chain sectors in order to learn what was inhibiting them from growth. Once this underperformance had been identified interventions could be put in place to try and improve matters.

In analyzing the grape and raisin sector in the Balkh and Samangan provinces of Afghanistan the project concluded that it is ripe for development. It is estimated that approximately 5,000 farm households are involved in grape farming activities in the Balkh and Samangan provinces (in all around 10,000 people are involved, deriving their incomes in direct and indirect ways from the grape and raisin value chain from sourcing to marketing, according to an estimate based on the knowledge of data

collectors). Local demand is insufficient to absorb the quantity produced; therefore it is vital to link with external markets.

During a recent interview³³ with Mr. Julius Mutio, the CTA of the ILO Road to Jobs project in Mazar-e-Sharif, he highlighted that much work had been done with the farmers and wholesalers in terms of training and knowledge-sharing, as it was essential that the farmers improve the quality of their grapes in order to sell them to external markets and then be able to deliver them intact to buyers. In analyzing the sector first-hand the following constraints were identified, which subsequently informed the kinds of intervention which had to be implemented.

4.2 Constraints to business growth

- **Absence of information and training**
The grape wholesalers and exporters were not aware of and therefore were not using existing cold storage and cargo services, and were not informed as to how profits could be increased by exporting grapes in this way. Farmers were not aware of how best to dry, process, store and pack the raisins, and therefore they were providing a low-quality product for processing at factory level. There was little information on good farming practices and techniques, particularly the more modern innovations which would save time and improve yields and quality. Farmers did not know how best to use agrochemicals and fertilisers and sought to save money by limiting their inputs, which thus adversely affected disease control. Advice was also needed on the appropriate modern techniques for grape growing (e.g. trellising, control of Anthracnose disease etc.). Information on research, that is on new grape varieties, is inadequate for farmers; they use traditional low-yielding varieties

32 http://www.ilo.org/asia/whatwedo/projects/WCMS_428968/lang--en/index.htm

33 Personal contact – Skype call 24/10/2016.

which are more susceptible to disease (e.g. Anthracnose).

- **Limited technical capacity**
Technical capacity and research service is inadequate due to lack of resources and capacities (e.g. no research or trial yet to find suitable raisin varieties for Balkh and Samangan Provinces).
- **Lack of involvement of women**
Women were engaged in some activities on a very small scale to produce value additions for grapes, for example vinegar, jam, spice powder and others, but this stagnated owing to lack of value-added services to improve the cottage products and their quality. The development of women in business is limited owing to cultural norms and barriers, their being affected in numerous ways as compared to men; for example they are affected by the stagnant growth in the raisin sector as it is they who usually work in the raisin-processing factories.
- **Lack of microfinance services (MFS)**
The microfinance services that exist are not affordable for farmers owing to the high cost of borrowing. It should be noted also that restrictions are imposed by Islamic religious norms as regards interest rates. Moreover MFS are not available at district level to reach more farmers, which limits investment in their farms and means that women cannot develop any of their cottage industries or value-added activities.
- **Limited information on Food Safety Standards and Certification**
Knowledge of food safety standards and quality testing services is limited owing to lack of information and coordination among market players. This lack of awareness of ISO standards and quality testing services by processors and exporters affects sector growth.
- **Lack of Business Development Services**
There are no providers of market information, export promotion and marketing services for exporters (of both grapes and raisins) to find new markets. This service function is currently absent, although BCCI has the potential to play this role. Therefore exporters

are less aware of new export markets (e.g. Dubai, India, Europe etc.) which leads to lack of export linkages with new markets other than Pakistan. Hence the low price for grapes affects all levels (including farmers, collectors, wholesalers and exporters) of the value chain.

4.3 The view from the ground: An appraisal of the local economy in Mazar-e-Sharif

In April 2015 a competitive appraisal by the ILO³⁴ was carried out on which product value chains have potential in the Mazar-e-Sharif district, and the following were identified: poultry, almonds, dairy, grapes/raisins, and cotton. Mr. Hamayun (see Annex 1) referred to the export market study of these value chains, stating that overseas markets require consistency and above all quality in Afghan goods. This was and remains an issue. Quality is a problem for Afghan meat and local markets are threatened by the existence of cheaper imports. The need is for actors, that is national and international food wholesalers, who show a willingness to invest in small businesses and which the ILO funding programmes could match. Costs can thus be shared for embedded training services to help farmers understand how to protect their poultry herds from disease and organize a vaccination programme.

4.3.1 Training for Farmers

Mr. Manoto (see Annex 1) commented that the trick is to leverage the interest of companies; if they want their money back from the investment, that is via the sales of goods produced, then those goods must be of good quality, and therefore it is in the company's interests to offer the kinds of training which will raise quality.

Mr. Hamayun also commented on the fact that some TVET qualifications for agricultural work were outdated, focusing only at the production level. Skilled people were needed at all stages in the value chain – in processing

³⁴ http://www.ilo.org/empent/Projects/the-lab/WCMS_436934/lang-en/index.htm



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the raw foodstuffs, in marketing and in modern technologies such as disease control, which would increase yields. In fact the areas to which these two interviewees thought attention should be addressed were qualifications and quality. Owing to the absence of suitably qualified and skilled Afghan personnel, foreign labour was proving to be an over-used, expensive resource; Pakistani plumbers were preferable to locals and, during a recent trip to a cotton oil processing plant, the Sri Lankan artisans were considered more highly skilled and also more able to explain the processes to the ILO visitors, as they spoke English.

4.3.2 Quality and Safety Controls

Progress is being made in the businesses owned by women, who are concentrating on turning their cottage industries of spice powder, vinegar and pickles into viable small businesses. Mr. Manoto reported on the high demand for soap products and the fact that women were currently establishing links with Kabul to procure cooking oil from restaurants to use in their production of these soap products. He commented on the increasing presence of joined-up approaches to business and their value when they were

locally-owned initiatives, but again quality is paramount. It was also discussed how there are issues surrounding the certification attesting to food safety and quality in the agricultural industry, as many of the smaller actors cannot afford to pay the “backhanders” to the certifying authorities for standards. The agricultural sector is at present not a priority for certification as there is greater focus on the construction Industry, where businesses are more likely to be able to pay the higher charges.

4.4 Interventions and Opportunities for Business Growth

The constraints listed above are common to most sectors of the Afghan economy and have been detailed previously in this report: lack of appropriate and targeted training and knowledge, technical capacity and qualifications; limitations on women’s business activities and micro-financing; inadequate certification and standards; and a definite need for Business Development Services. As in the interventions in the grape and raisin sector in

the Balkh and Samangan Provinces, there have been creative interventions in other sectors which seek to improve the condition of rural Afghans, particularly youth and women. For the grape and raisin sector the interventions and opportunities discussed below were identified as a priority.

4.4.1 Training and impartation of knowledge via training, embedded services and mobile apps

Trellising has been introduced as good practice for farmers and has already increased yield, but the acquisition of good practices and techniques is not only imparted via training. This can also be done via **embedded services**, in which suppliers or buyers also provide "free" services or products as part of the transactional relationship. In these scenarios the farmers do not pay direct fees for the services or products; service providers (e.g., the input suppliers or buyers) cover the costs -- although of course the enterprise may pay for the product or service indirectly through higher input costs or lower prices received from buyers. This might be technical assistance, training, finance or inputs to their small enterprise suppliers. The supplier or buyer provides these services because it makes good business sense to do so and it ensures that they receive high-quality goods from the small enterprises. The services are embedded in the transaction between the two parties.

This practice is in its early stages in the grape and raisin business as the companies who supply agrochemicals do not yet train retailers to embed an information service for farmers along with their products. This is due to the current cost of training retailers and the fact that companies are hard-pressed to compete with low-quality or fake imported products. It does however provide food for thought that with a well-developed business case for embedded services more information and training could be provided in rural areas.

Information is also being supplied to farmers in Mazar via mobile Apps and SMS technology which transmits audio messages via the 321 system. This has proved effective in not-easily-accessible rural areas and audio messages obviously function better under conditions of literacy.

- **Increase of technical knowledge**
Solar pumps have been introduced for irrigation which has reduced the costs of production. There is also a possibility for the micro-finance institutions to work together with the solar energy companies to provide farmers with solar water pumps through developing Islamic finance products.
- **Empowering women's entrepreneurship**
Facilitation is required to persuade entrepreneurs to invest in value added for grapes since only limited information is available for entrepreneurs on new product development. There is a possibility of forming a women's cooperative to improve value-added grape products such as juice.
- **Increasing Access to Financial Services**
The demand for micro financing services is high at village level. However, current products are not affordable due to both religious norms and limited outreach. Thus there is an opportunity for the micro-financing institutions to develop affordable new micro-finance schemes with affordable finance products.
- **Improving Standards, Accreditation and Certification**
Attention needs to be paid to TVET for agriculture as the high-effort-with-low-returns character of farming in this region means, as Julius Mutio states, that many young people are disaffected and believe farming is simply hard graft and offers no future. There is a high rate of rural migration to urban centres by youth looking for employment in the city which, more often than not, does not materialize. Agricultural work needs to become more vibrant and offer more opportunities for youth to move up through the value chain. This could be improved by training programmes in modern farming technologies which could be turned into employment opportunities.
- **Providing Business Development Services (BDS)**
Entrepreneurs need help to set up and run their businesses and savvy entrepreneurs could set up BDS businesses to supply that help, be it marketing, product development

advice or logistics (cargo and cold storage facilities) for wholesalers, processors and exporters. The local Chambers of Commerce can initiate training services for value additions and make those services available to enable market actors to seek more value-added for grapes and raisins.

4.5 Conclusions

The constraints on doing business in Afghanistan are challenging to surmount. There is a perceived lack of the right kinds of training and information, particularly in the agricultural sector, and many areas of the country have considerable problems

with infrastructure, rendering communications difficult. Technical capacities vary widely, often necessitating the involvement of costly foreign labour to fill the gaps. Moreover businesses often struggle to access finance and the correct certification, the latter often necessitating payment of bribes. However many efforts are being made to overcome these obstacles; embedded services are becoming more common, producers being trained to produce higher-quality goods capable of being sold on international markets, and training courses becoming more focused on the needs of the market as well as having a more practical application to the needs of entrepreneurs who wish to run their own businesses.



5. Key Strategic Options the Project could promote to develop an Innovative Entrepreneurship Training Programme with TVET in Afghanistan

5.1 Current Approaches to Promoting Entrepreneurship

It is clear from recent policy that the government is being motivated to promote the growth of SMEs in Afghanistan. There is a National TVET policy and important work is being carried out by development agencies to give both the formal and informal sectors of the economy a system of credible, accredited qualifications for training. The Afghan government must support the continuous training of the civil service and seek to curb corruption. Social media engagement can help with the leverage of collective action and with involving officials and civil society in promoting clean business.

As well as strategic policy making the difference from the top down, there are also grassroots services which have proved essential for making a business flourish. Particular areas that have been identified in this report, such as the one above regarding grape and raisin production are business development services, micro-financing systems, gender awareness and solid administrative support. An entrepreneur may have a great idea and the energy to see it grow into a money-making enterprise but without support systems in place to water it that idea will wither and die.

In the light of the examples of best practice and the evident constraints and opportunities examined in this report, this chapter will outline a number of options for consideration in order to develop an innovative entrepreneurship training programme with TVET in Afghanistan.

5.2 Developing ICT – Training for Young Entrepreneurs in Mobile App technology

Mr. Julius Mutio (see 4.1) reported that farmers in the Balkh and Samangan provinces were using SMS text messaging to receive information about farming methods, along with audio clips which override any obstacles created by illiteracy. This technology could have a wider reach for small businesses. Female entrepreneurs in Bangladesh have used SMS messaging to communicate the current market prices for their goods to each other, which prevents them from being undercut by dealers who buy goods from them quoting lower prices. Sharing good practice via this method is cost-effective and is a solution to the transport difficulties and rural inaccessibility created by terrain like Afghanistan's. There is also the possibility of literacy courses being shared on mobiles. The development of mobile Apps for the agricultural sector does however rely on the existence of young developers trained in ICT which is where targeted TVET courses and encouragement of internships by capable Afghan youth in IT companies are important.

An innovative entrepreneurship programme which aims to develop ICT businesses should encourage industry partnerships (platform and technology providers), which would support training boot-camps and challenges. Academic Institutions need to offer curricula that include software development courses adapted to current market demand (e.g. Java, SMS and interactive voice response (IVR)) and which also anticipate the next generation of native Apps based on major operating systems and technologies.

IT students in Afghanistan need further experience which can be increased via mentorships and internships. This gap can be rectified by adjusting curricula to include compulsory internships as a part of the course

programme and by building partnerships between ICT companies and IT institutes so as to provide internships and project opportunities for students.

5.3 Linking Training Centres and Job Markets

The National TVET Strategy has stated ‘The Government will work with all relevant partners and stakeholders in the local and international labour markets to nurture a workforce with the right skills, qualifications and mindset to meet the requirements of the modern-day labour market.’

Emphasis needs to be given to the skill needs of productive sectors. At present there is no sufficiently joined-up approach to targeted training and knowledge. For example, in the agricultural sector skills training targets the production end but not the marketing and processing sections of the value chain. Women in the Integrated Dairy Schemes (2.2.5) remain almost exclusively at the first stage of the dairy value chain as producers, because they lack the expertise to process the milk into other marketable dairy products.

Some TVET programmes have been criticized as training in a vacuum, again particularly for women wherever there is no demand for the skills (i.e. sewing and embroidery) learned and certificates gained. Anticipating the skills needed in growth sectors so as to match them to job requirements is paramount, and TVET provision in Afghanistan has to be widespread, credible, validated and above all appropriate to the needs of the Afghan labour market. To analyze these needs it is therefore necessary to ask what employers actually need and, in the case of developing entrepreneurship, what kinds of small businesses might succeed; for example, if you want to produce grape juice, is there a market for it and how and where are you going to sell it?

5.4 Business Development Services

As well as appropriate training, entrepreneurs need advice, information and encouragement. The complexities of doing business in Afghanistan can create obstacles which stop business activity before it has even got off the ground. Given that there are many needs to be met – and a key phrase which has come to the fore on more than one occasion is ‘social dialogue at a local level’ – it would seem that BDS are paramount. The formation of **‘One-stop Shops’** or **Business Clinics** where business advice can be given, particularly on such issues as the necessary certification (i.e. food safety standards, quality testing services, ISO standards) for international trade, as well as on training and vocational courses, literacy courses, links to possible business partnerships and sponsorship programmes, and workshops for essential skills and how to obtain financing, are all ways of having a more “joined-up” approach to encouraging entrepreneurship. These Business Clinics can also be entrepreneurial activities in themselves, growing from the training of ‘master trainers’, particularly women (see 3.5). There could be a blended approach to their financing, as some services could be paid for, for example for certification and others sponsored by businesses interested in ‘embedded services’ where training courses and advice are linked to an improvement in the quality of goods provided to international buyers.

5.5 Coaching and Mentoring of Entrepreneurs

Coaching has been referred to as an adult learning strategy used to build up one’s capacity to improve existing abilities, develop new skills, and gain a deeper understanding of appropriate practices for use in current and future situations. Mentoring could be defined as a relationship-based process between colleagues in similar professional roles, with a more experienced individual with adult learning knowledge and skills, namely the mentor, providing guidance and example to the less-experienced protégé or mentee.

Mentoring refers to a general practice, while coaching implies the use of a more specific set of skills and processes that are used to help teachers move from understanding to practice.

Taking these definitions into the area of strengthening fragile states, mentoring and coaching practice could be a valuable contribution to encouraging, stabilizing and supporting youth entrepreneurship, and the ILO can contribute to an initiative of this kind. Mentoring programmes could be developed regionally so that young entrepreneurs have access to professional support in their work area. They would benefit from contact with professional expertise and guidance where mentoring relationships could act as a stabilizing influence as well as improving skills in a given field.

Coaching initiatives could be set up so that there is access to specific support around a given need, for example accounting. This may not necessarily be about mentorship but would be more about contact with a coach so that young entrepreneurs could attain a sought-after goal, such as managing accounts, over a short period of time.

Both coaching and mentoring skills can be taught so that these contributions can be localized to form an emergent body of knowledge which could become a national framework. Many countries offer accredited certification in both coaching and mentorship which could be explored with a view to national recognition of these professions.

5.6 Encouraging Women in Business

Government strategy, as expounded in both national labour and TVET policies, prioritizes women's full and equal participation in the economy and leveraging of women-to-women economic networks, while promoting male endorsement. Support policies for women are being mainstreamed within all economic plans but of course the strongly patriarchal society continues to limit women's participation in business, particularly in rural areas. As examined in this report, the presence of

local women in projects such as the UNOPS programme Baking Bread Building Roads described in section 2.2.iii helped persuade local community leaders of the value of women working, and local literate women became Gender Inclusion Assistants. These women helped mobilize local women and worked with the dedicated Female Outreach Officers to promote the business activities of women. The creation of such roles on a wider basis, linked to the BDS described above, could be a valuable conduit for the dispersal of information and knowledge-sharing, particularly in more rural areas.

5.7 Engaging Academic Stakeholders

International and national stakeholders can support entrepreneurship in a number of ways, particularly by supporting full value-chain development projects in the agricultural sector, which have high labour intensity and job creation potential, especially for women. Strengthening is the key word. In the words of Mr. Ahmed Jawed Farhikta (3.3), there is "inspiration and vision" but there must be practical support to make these visions a reality. Academia is a keystone factor here – education and research being global drivers for sustainable development. Universities are no longer "only" there to conduct research and lectures, but also to stimulate entrepreneurship among their students.

The Community College programmes run by the MoHE can provide the kinds of specific jobs-market-based training that this report has identified as necessary for entrepreneurship to flourish, particularly women's entrepreneurship. The Community College sector is growing and aims to produce mid level professionals, technicians, and clinicians with associate's degrees after 2.5 years, including a six month internship in roles such as engineering technicians, medical technicians, accountants, social workers, and business specialists. The USAID STEP UP program³⁵ is establishing

³⁵ <https://www.usaid.gov/afghanistan/news-information/press-releases/usaaid-provides-40-million-support-new-five-year-program>

Community College degrees in conjunction with the MoHE as part of its Strengthening Tertiary Education Project – University Partnerships. The project has established within selected universities and in partnership with private and public sector organizations two-year associate, technical and professional education programmes to prepare graduates to go directly into business, industry and government jobs. The associate degree programmes provide increased opportunities for female graduates to gain market-driven expertise and employment.

The role of academia in Afghanistan is obviously essential to developing specific training for entrepreneurs, in particular the formation of business campuses, and more investigation is needed into how the ILO can partner academic institutions in their development and into what role international cooperation can play in the fostering of labour-market-oriented higher education.

5.8 Expos and Trade Fairs

These kinds of events are effective ways in which SMEs can promote their goods and services and make important contacts. There have been several regional expos, such as the recent exhibition³⁶ in Mazar-e-Sharif earlier this month, reported on by Pajhwok news. **Attended by some** 100 business representatives and local government officials the exhibition was aimed at facilitating sales of Afghan products and acquainting manufacturing companies with products and services available in the capital of the northern Balkh province. Participants included representatives from the Provincial Governor's Office, from the departments of Economy, [Women's Affairs](#), and Commerce and Industries, from the Chamber of Commerce and Industries, the Industrialists Union, the [Afghanistan Investment Support Agency \(AISA\)](#), and from small and medium enterprises.

The US Agency for International Development ([USAID](#)) sponsored the event, outlining it as an opportunity for Afghan manufacturing companies to exhibit their products, learn about

one another and network with government offices working with the manufacturing sector. This was seen as essential knowledge-sharing, as local businesses were reaching out to other provinces or even abroad to obtain products or services that were available in Mazar-e-Sharif. This kind of knowledge-sharing is crucial for start-ups and these kinds of events help forge links between the manufacturing, construction and service sectors which are seeing rapid growth. Currently these events are effective in promoting small businesses regionally and it would therefore be interesting to create a national Entrepreneur Trade Fair which showcased small businesses and enabled them to seek out national and international clients for trade, support and investment.

5.9 SIYB – Start and Improve Your Business Programme

The ILO initiative³⁷ The Start & Improve Your Business (SIYB) programme is a management training programme with a focus on starting and improving small businesses as a strategy for creating more and better employment in developing economies and economies in transition. With an estimated outreach of 6 million trainees, a continuously growing network of more than 17,000 trainers and 200 Master Trainers in 2,500 partner institutions SIYB is one of the biggest global management training systems used for the support of micro and small enterprises (MSEs) currently on the market. Initially developed in the 1980s, it has now been translated into more than 40 languages and introduced in more than 100 countries. Its immediate objectives are to enable local Business Development Service (BDS) providers to effectively and independently implement business start-up and improved training and related activities, and to enable potential and existing small entrepreneurs, both women and men, through these BDS organizations to start viable businesses, to increase the viability of existing enterprises, and to create quality employment for others in the process. This programme clearly has many useful and appropriate applications in

36 <http://www.pajhwok.com/en/2016/10/18/expo-held-balkh-increase-sales-local-products>

37 <http://www.ilo.org/empent/areas/start-and-improve-your-business/lang--en/index.htm>

Afghanistan and, in conjunction with a Coaching and Mentoring initiative, would be a coherent strategy to follow and implement in Afghanistan in conjunction with the ILO Road to Jobs project currently managed by Julius Mutio.³⁸

5.10 Mazar-e-Sharif as a focus region

This region has seen important progress in capacity-building via the ILO project Road to Jobs: Bringing Decent Work to Rural Households of the Northern Provinces in Afghanistan Project (see 4.1), where farmers have been engaged in training programmes, knowledge-sharing, embedded services and using digital technology (audio SMS messaging) to improve their farming methodology. This three-year Project started in mid-2015 and will end in mid-2018, and aims to work more systematically with identified constraints, to address the 'root causes' of the underperformance of selected value-chain sectors, and so in doing encourage local ownership of change and sustainable impact. The proposed project aims to target the two northern provinces closely connected with the major urban centre of Mazar-e-Sharif -- Balkh and Samangan -- because of the potential to tap market linkages for the rural economy that is increasingly connected by the road network. Mazar-e-Sharif is not only the product market to sell agricultural produce and buy consumer goods, but is also an important job market and source of income for rural households.

Given the above examples of good practice in this region and evidence of value-added on the ground, as well as the current CTA at ILO Mazar-e-Sharif, Julius Mutio, a master trainer in the ILO SIYB Program, advised that a strategy for Young Entrepreneurship be launched in this region, initially with small-scale local "quick-win" projects that could be scaled up nationally at a future date. The region is also currently relatively secure compared to Kabul and its environs which means that projects can more easily be implemented.

³⁸ http://www.ilo.org/asia/whatwedo/projects/WCMS_428968/lang--en/index.htm

5.11 Chambers of Commerce and the Private Sector

The Afghanistan Chamber of Commerce and Industries (ACCI)³⁹, the Center for International Private Enterprise (CIPE) and the National Center for Policy Research jointly inaugurated a roundtable on "encouraging and developing domestic productions in the light of provincial enterprises agenda" in October 2016 in Kabul to discuss how locally-produced goods might be promoted and some of the obstacles confronting manufacturers, industrialists, businessmen and entrepreneurs be overcome. The participants concluded that encouraging SMEs and investing in the promotion of their goods would positively affect economic growth in Afghanistan and as such the ACCI together with partners in the private sector have agreed to draft Provincial Businesses Agendas. The ACCI has, since 2006, aimed to promote good relationships between the government and the private sector by analyzing the blockages to investment and trade and advocating business opportunity agendas.

The ACCI has consistently highlighted the absence of security, corruption, lack of transparency in policies, high and unpredictable taxes, and the absence of standardized infrastructures and non-existence of electronic power as major blockages impeding the activities of private sector in the country; the solution which they are currently advocating is that the government should pay attention to the drafted business agendas in the four identified zones of Balkh, Herat, Ningarhar and Kandahar, as well as other provinces.

ILO involvement in the local development of these business opportunity agendas and the collaboration of these three stakeholders could be productive, given that these recommendations are provided to relevant governmental institutions, departments, the private sector, civil society organizations, donor agencies, business associations and the media. In addition, the ACCI, the CIPE institution and the National Center for Policy Research based at Kabul University are continuing their activities with the relevant government departments and Members of Parliament to monitor the implementation of recommendations; this

³⁹ <http://www.acci.org.af/>

monitoring process may be within a range of activities the ILO could carry out in collaboration with the Chambers of Commerce, that is a Monitoring and Evaluation Plan.

5.12 Conclusions

Key strategic options within which the Project can promote entrepreneurship are principally concentrated on what might be done practically on the ground. One approach should entail increasing mobile App technology and its development by young Afghan entrepreneurs, via training and investment in ideas. It is recommended

that some of the TVET Training Centres run by both the public and private sectors are devoted to entrepreneurship, as well as the setting up of BDS services such as 'Business Clinics' or 'One-stop Shops' to give training and advice and specific help to women in business. A Coaching and Mentoring programme in tandem with the SIYB package developed by the ILO would significantly enhance the image of entrepreneurship in the country. Furthermore, the involvement of stakeholders such as academic institutions in entrepreneurial training, that is the founding of small business training units within universities and colleges, is of growing importance.

6. Conclusions

The kinds of approaches to promoting entrepreneurship examined in this report and reported on by interviewees have worked because they are neither prescriptive, pre-defined or un-adapted, but have been developed through listening to people on the ground and being led by the demands of the market. Indeed, the prevalence in Afghanistan of “cookie-cutter” prescriptive solutions supported by external assistance which kept failing have generated wide-spread scepticism among national stakeholders from the central government to provincial entities. The importance of making correct strategic choices cannot be over-estimated. Locally-owned strategies – such as hands-on training for farmers – work because they have been grounded in social dialogue at a local level and are implemented on the basis of “small wins” – short-term measures with immediate returns which keep people involved.

There are obviously numerous opportunities for entrepreneurship in Afghanistan. The service sector, including ICT, education, healthcare, and telecommunications, is underdeveloped and offers significant growth potential. Local companies have already demonstrated success in bottled beverages and other product areas, and further opportunities exist for other manufacturers of fast-moving consumer goods. Packaging, processing, storage and other agricultural value-chain improvements remain a tremendous potential growth area. Additionally, there is a substantial opportunity for Afghan SMEs to support multinational corporations in the construction, mining and energy sectors, lynchpins of the Afghan government’s private sector development strategy. Afghanistan represents an exciting frontier for entrepreneurship and investment for those willing to ignore negative headlines and capitalize on these opportunities.

Fostering efficient entrepreneurship among youth and rural women to enable them to take advantage of the above opportunities is not simply a question of providing funding, but also one of support and training. Without these provisions, young businesswomen and businessmen will remain at the bottom of

the value chain, producing goods but unable to access or expand markets, run a business or progress through the value chain. Rather than being productive entrepreneurship such activities remain those of self-employment at a subsistence level; survival rather than progression. In effect, the approach is not only one of funding through government and private sector loans, but also through training in literacy, basic finance, marketing and other essential skills and constant support in and exposure to markets further afield, which is particularly important in the remoter regions of Afghanistan where the infrastructure makes communications difficult.

If innovative interventions and activities are put in place, there will be tangible results and measurable impact on the livelihoods of young Afghans and rural women, yet any projects must be supported by long-term investment in the country. International aid is critical for Afghanistan’s future, it being necessary for financing the public investments that will move Afghanistan on to a higher long-term economic growth trajectory, while improving living standards, reducing poverty, and generating revenues that could progressively reduce the need for aid over time. The central government will need to be supported by international donors in its quest to extend its reach beyond Kabul and its environs. Without such investment, growth prospects are limited and conflict risks will remain high.

Afghanistan’s future is agriculture, human capital investment, and labour mobility. Almost 70 per cent of Afghans earn their wages from agriculture, and improving agricultural productivity is the most direct way of improving incomes and employment opportunities. Investing in education and health is also vital for any growth strategy, inclusive growth being impossible when the majority of the population is illiterate and 3 million children are out of school.

Regional integration with neighbouring countries should be encouraged. Developing closer trade ties with countries in the region will boost

the energy transit trade and expand export opportunities in agriculture and extractives. In addition, regional energy transit trade and IT connectivity have the potential to generate additional revenue. Given that resources for infrastructure investments are scarce, key productive sectors, including agriculture for domestic production and export, should be given priority.

Finally, fragility is likely to persist in Afghanistan. Institutional weakness and violent conflict are not quickly resolved and the key challenge is to enable private sector investment and economic growth despite these realities. The Afghan Government, national stakeholders and the international community will need to facilitate a more inclusive, productive and competitive Afghan private sector.

A potential role for ITCILO in this project is principally that of fostering the Global Knowledge Sharing and awareness-raising of Entrepreneurship in Fragile States, by holding fora and preparing reports on Youth Entrepreneurship initiatives which have worked in other fragile States. ITCILO can also coordinate meetings of stakeholders involved in entrepreneurship in Afghanistan with the objective of drawing up national plans for its promotion, as well as coordinating meetings of those young entrepreneurs who have achieved success, with an associated Academy and Masterclasses addressing how young businesswomen and businessmen may start and improve their own businesses.

In these challenging times, in supporting the government and people in building livelihoods and in forming businesses, the ILO can make a significant contribution to a future of self-reliance, prosperity, and peace for Afghanistan.

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Annexes

Annex 1. List of Interviewees

The following were interviewed during the research for this report:

Mr. Julius Mutio (Skype Call) Chief Technical Adviser, ILO Road to Jobs (R2J) Project, Mazar-i-Sharif, Afghanistan – mutio@ilo.org

Mr. Ahmed Jawed Farhikta (Interview) Director of External Affairs Ministry of Labour, Social Affairs, Martyrs and Disabled (MoLSAMD), Kabul, Afghanistan – molsamd.erd@gmail.com

Mr. Fareed-ud-Din Noori (Skype Call) Mgt Specialist, Afghanistan Workforce Development Programme (AWDP), Deputy Ministry of Technical and Vocational Education and Training, Kabul, Afghanistan – fareed.din.noori@gmail.com

Mr. Tonderai Manoto (Interview) Market Systems Development Officer, Kabul (ILO) – manoto@ilo.org

and

Mr. Mohammad Hamayun Mohmand Local Economic Development Coordinator, Kabul (ILO) – hamayun@ilo.org

Annex 2. Interview Guide

The following questions were asked for the purposes of this report:

Interview 1 (Mr. Julius Mutio)

1. How do you see the Road to Jobs project, by expanding the rural road network in Afghanistan, as a way to unleash economic potential?
2. What measures has the project taken to advance agricultural value chains?
3. What are the constraints inhibiting growth in the sector?
4. Describe the kinds of strategies that build on the capacities of the various public and private actors involved in the project.
5. How are better jobs created and sustained via this route? Examples of entrepreneurial activity?
6. Describe how you have worked with farmers in the region.
7. What kinds of social dialogues have taken place?
8. Describe the various approaches taken to local development.
9. Comment on the new technologies introduced in the region.
10. Describe, via the SWOT analysis, how you see the project currently.

Interview 2 (Mr. Ahmed Jawed Farhikta)

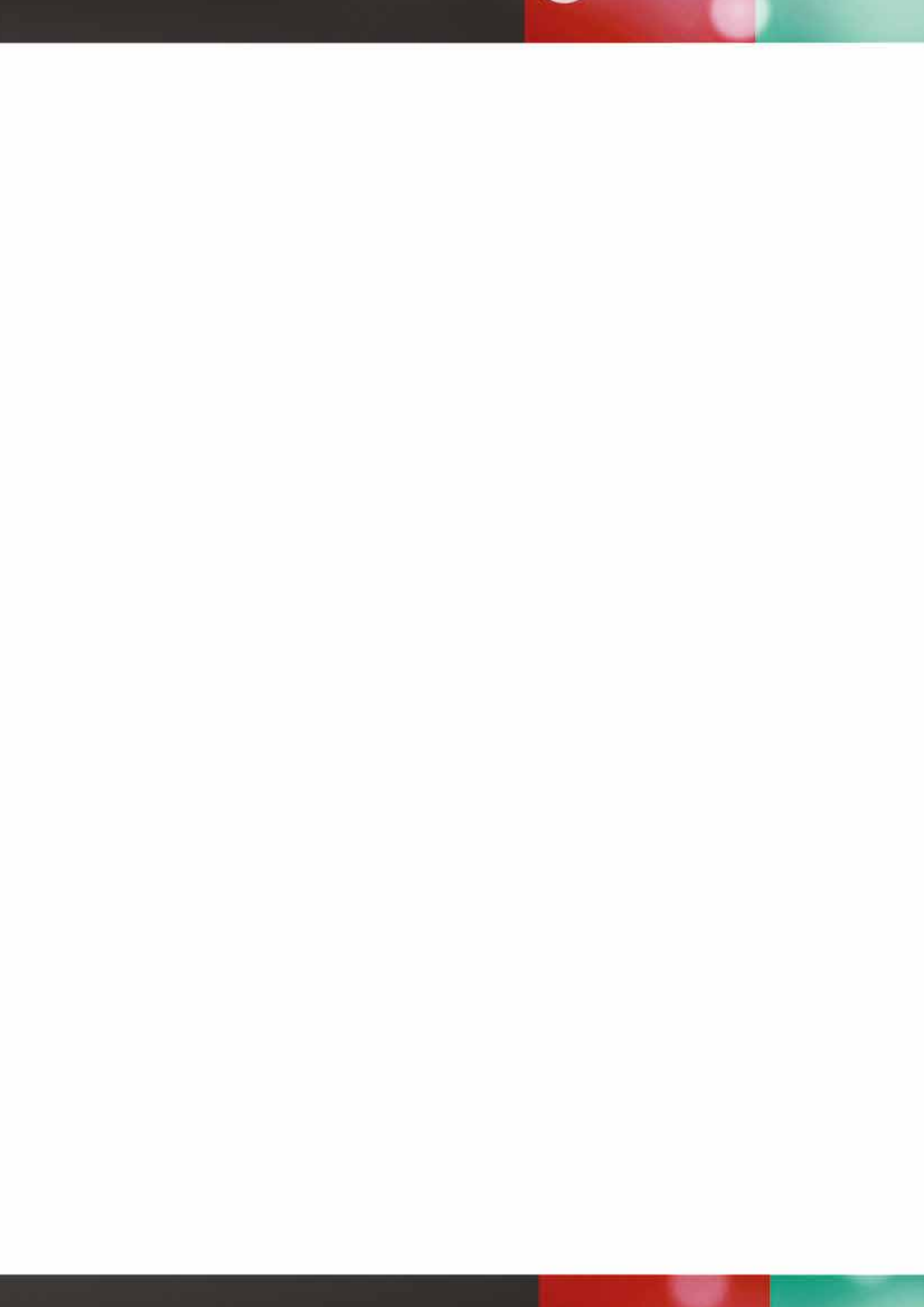
1. Describe the current situation for Youth Entrepreneurship in Afghanistan via SWOT
2. (Strengths, Weaknesses, Opportunities, Threats)
3. Comment on the sectors you most feel would benefit from entrepreneurship.
4. How much is literacy a challenge to Youth Entrepreneurship?
5. How far do you see the private sector being involved with entrepreneurship programmes in Afghanistan?
6. What is your vision for the young people of Afghanistan?
7. Are you aware of any entrepreneurship programmes involving young people and rural women?
8. How far do you see digital technologies as instrumental in developing entrepreneurship in Afghanistan?

Interview 3 (Mr.Fareed-ud-Din Noori)

1. Describe how you see the transition from TVET training to work for young people.
2. How important is matching skills training to local job markets?
3. How important are Community Development Councils in promoting vocational training? How do you raise awareness?
4. What is the take up and outcomes for women in TVET?
5. What are the kinds of vocational training currently particularly appropriate for Afghanistan?
6. Please comment on the objectives and outcomes of the NATEJA programme.

Interview 4 (Mr. Tonderai Manoto and Mr. Mohammad Hamayun Mohmand)

1. Which value chains have potential in your district?
2. How do you aim to encourage overseas markets to invest?
3. What is the purpose of the export market study?
4. How do you see the role of women in entrepreneurship?
5. Describe what kinds of embedded services exist for local producers.
6. Why is quality a problem for Afghan producers?
7. How do you aim to leverage company investment?
8. Why do you feel current TVET training is outdated?
9. How are market links being established with Kabul?
10. Why are imported fakes challenging the market for Afghan products?





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