



Ministry of Rural Rehabilitation and Development (MRRD)
Afghanistan Rural Enterprise Development Program (AREDP)

IMPACT OF AFGHANISTAN RURAL ENTERPRISE DEVELOPMENT PROGRAM ON RURAL WOMEN

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EY

Building a better
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List of abbreviations

AREDP	Afghanistan Rural Enterprise Development Program
MRRD	Ministry of Rural Rehabilitation and Development
SGs	Saving Groups
SMEs	Small Medium Enterprises
KPK	Khyaber Pakhtunkhwa
VSLAs	Village Savings and Loans Associations
EGs	Enterprise Groups

Executive Summary

The Afghanistan Rural Enterprise Development Program (AREDP) is one of Ministry of Rural Rehabilitation and Development's flagship program that seeks to develop rural micro-economies built on local capital. The program has developed a network of Saving Groups (SGs) which are a collective of locals from a community who save a monthly stipulated amount. These SGs are further linked together into larger Village Saving Lending Associations (VSLAs). The SGs and VSLAs are community owned/managed units which hold the collective savings of their members and basis the same extend loans to these members for undertaking entrepreneurial ventures. These ventures are largely in the form of home based businesses and micro enterprises which are built on locally available resources, materials and skills. They are businesses which have arisen to cater to the demands and tastes of the community and surrounding geography; however have on a number of instances grown big enough to operate in larger catchment areas. These businesses have created opportunities for the local populace and a number of their employees are also saving at SGs; thereby completing a chain which has led to the development of partially self-sustaining micro-economies.

As of today, approximately 50 percent of the family members in the economically active age group (age 14 to 59) are active members of SGs. The significance of this fact is better understood when one internalizes the fact that prior to their existence almost all the households were saving by hoarding cash or precious material at home. As a result there was no saving-investment culture in these rural economies and their growth and sustenance was largely dependent on external assistance. AREDP's decision to develop separate SGs for men and women (in response to the prevalent socio-cultural landscape) has fostered a change where women's participation/membership in SGs closely emulates the numbers recorded for male SGs. As of today, 31.7 percent of the women/girls from the economically active age group are employed/engaged with some or the other sort of productive activity. Of the same, 37.5 percent are employed at businesses that have been setup through financial support from the SGs. This has in a sense sown the seeds for women's economic empowerment in these rural landscapes and the program design has ensured that this change is subtle and accepted by the men in the community. Further, almost 88 percent of the women SG members harbor an aspiration to utilize SG funds to setup their own home based business.

This sense of empowerment has initiated a chain reaction where women are now becoming more independent in terms of economic decision making¹. Women from the community are observed to have an increased say in deciding upon their status of employment. While 72.4 percent of men interviewed under the study claimed to have decided upon their employment status the corresponding figure for women is recorded at a healthy 49.2 percent. Further, women's increased economic activity is translating into a change in economic decision making at the household level.

¹ Herein independence in economic decision making refers to decision making with respect to reasons for saving, directions for utilizing savings, participation in family consultations pertaining to investments and purchases etc.

And 24.1 percent of households where both men and women are work force participants reported that women in the family have an equal say in household level decision making².

This is but natural because women SG members hold economic power to bargain for a greater say in household decision making. Their savings have the potential to support the family through income shock (variation in income due to business cycle fluctuation and loss of income due to unemployment). This sense of economic empowerment is also affecting the socio-cultural landscape by subtly impacting the ideas, notions and practices associated with women's role in the family and the community.

Given that women tend to bear the primary responsibility of managing the households and invest a relatively larger quantum of time into their children's upbringing it was quiet expected that these facet would dominate their psyche in terms of reasons for systematic saving. About 53 percent of women SG members reported that they are saving for investing in their children's future and this clearly highlights the program's impact towards building the community and country's future.

Further each SG has set aside ten percent of its deposits an emergency fund which members can leverage upon when faced with unforeseen medical expenses, loss/destruction/theft of assets etc. This facet has helped in earning the trust and appreciation of the community (especially community elders) and is a unique element that has helped in building the program's presence while simultaneously amplifying its impact.

The model of SGs has enabled the community to develop a deeper understanding of the benefits associated with a model of formal/structured banking and has paved the way for the way for a formal banking system. This is expected to have huge implications on the growth and development of the Afghan economy (especially the rural economy).

The program's impact on women is not limited to those who are saving at the SGs. The true magnitude of its impact can only be realized upon an assessment of the work it has done with entrepreneurs. The SGs and VSLAs provide aspiring entrepreneurs with access to the funds required to establish and/or expand their business. This impact is sustained and magnified by the support the program has provided entrepreneurs through Enterprise Groups (EGs). These EGs are a medium through which AREDP has collected businesses into sets that can be the target of structured business advisory support. The EGs have provided the entrepreneurs with a collective voice and a platform to share resources and ideas.

Women entrepreneurs attached to the program report having utilized this source of funds to cover for almost half of their seed capital. About 96 percent of them believe that they would not have been able to setup their businesses in the absence of such support. Borrowing from SGs has enabled the women entrepreneurs to maintain control of their business. In the absence of such financial support they would have had to borrow fund from their family members and this would have entailed their involvement in business decision making. About 60 percent of them found their business partner(s) through an EG. Further, 98 percent of women entrepreneurs in the geographies covered under the assessment feel that their decision to setup a business was greatly influenced by the existence of other women owned businesses. This clearly highlights the impact that the program has had towards ushering in a culture of entrepreneurship in rural landscapes.

The EGs have played an important role in helping businesses in expanding and sustaining their scale of operations. About 20 percent of the women owned businesses attached to EGs utilized the network to identify and hire employees and 70 percent of businesses are using the network to coordinate with similar businesses. This coordination has taken a very dynamic shape and ranges from economies of scale based procurement, coordination on product pricing, transportation of finished products, sharing of production machinery etc.

² Herein, equal say in family level decision making is an outcome of women being workforce participants and active contributors to the family income. Their contributions have been accompanied by them being considered an active part of decisions pertaining to the use of the family's joint income & savings. This includes purpose of saving, utilization of savings, investments & purchases and even streamlining and managing the monthly budget.

About 63 percent of women entrepreneurs who are attached to EGs reported that their employees had attended training programs organized by AREDP. They also reported having received training on product pricing, marketing and advertising, financial book keeping etc. All of this has materialized into greater profitability and women entrepreneurs associated with the program report a profit figure which is about 30 percent higher than that reported by their women owned counterparts that are not associated with the program. They report higher investments and a relatively higher value of assets and this clearly sets them apart as businesses with better operational and financial health. This in turn is expected to facilitate future growth and expansion.

The rural landscape in Afghanistan holds very few livelihood opportunities for women. The AREDP provides women with the support required to take up entrepreneurship as a livelihood option. About 70 percent of women entrepreneurs have decided to take an entrepreneurial route to livelihood because of the limited number of options available. This coupled with a near three fold difference in the level of income of an entrepreneur and a wage earner have been the primary factors for attracting women to establish their own home based businesses and micro enterprises.

Just as in the case of the women who are saving at SGs, these women entrepreneurs have been able to establish a certain degree of economic independence. As a result of the same, they have been able to establish a greater say in household level decision making. Their businesses are a source of employment for other girls and women from their family and have therefore transmitted this economic independence to their lives. The EGs have not only provided women entrepreneurs with an opportunity to collect into a singular voice it has also somewhere broken barriers³ related to women establishing groups and networks. A subtle but significant change that can in the future lead to women establishing groups that can add more meaning to community dialogue or can safeguard the rights and interests of women from the community. These women entrepreneurs are observed to hold bigger dreams for their daughters and believe that it is their responsibility to provide them with a better and brighter future⁴. Many of them wish to invest in their daughters' education (formal or informal) and would want them to be equally independent and more empowered.

The businesses established through the program's support and have created a number of employment opportunities (approximately 69,000) for the local population. Given that women owned businesses tend to primarily employ women (approximately 50,000), they have become a medium for transmitting economic empowerment to women throughout the community. The EG approach adopted by the program has also helped in ensuring that these businesses get registered with relevant government authorities and maintain a formal book of accounts. This is important as these practices can play a big role in ensuring the growth of the formal Afghan economy.

It is quite evident that the program has set in motion a change which is helping women in establishing a certain degree of economic independence. At a subliminal level this economic empowerment has begun reflecting in the socio-cultural landscape/practices as well. Going forward, the program should continue to focus on its theory of change as it has the potential to be an agent of women's empowerment. However, the program team may want to consider evolving its business support strategy under the EG model with the objective of helping businesses in further expanding their geographic presence and improving their financial performance. Further, the program may want to consider focusing on enabling a culture of entrepreneurship in the manufacturing and primary production sectors. These sectors have the potential to absorb a larger work force and stimulate the value chain by supporting allied businesses.

³ Herein barriers refer to socio-cultural barriers which are in a way linked to economic constraints faced by women. The program, especially through its EG component has provided women with a platform to form groups and associations. It has also given them opportunities to travel to different trade fairs and trainings. The ability to form networks/groups and be comparatively more mobile is manifesting into changes in socio-cultural practices. The networks formed are at the end of the day a collective voice which if the need be can be used by the members to address challenges being faced by women in the community. It also opens up opportunities for networks/groups which are formed outside the purview of economic interests.

⁴ As per the field based interactions, these dreams include better access to education for their daughters and a more open outlook towards their economic independence in terms of employment and entrepreneurship.

1. Background

The geographical region that is today the nation of Afghanistan has had a rich and long history of being at the crossroads of Central Asia thereby being exposed to varying cultural influences. Having been part of grand empires centered at geographical locations as diverse as Persia, Greece, Mongolia, and what is now India, and with its assortment of indigenous people, it has developed an identity that is composed of segments with origins in different parts of the world and yet, uniquely local. Although the Afghan state has existed in concept and essence for quite some time, defined primarily through unity in resistance to foreign incursions; its people have been moving towards building a legitimate and strong Afghan nation. For long, factors with origins in global politics have contributed to strengthening and exploiting the internal tensions of the region. This has not only deepened the already-existing cracks in the social, political and economic life of the country, but has also contributed to multiplying the problems for Afghanistan.

Afghanistan underwent a lot of reform in the 1920s; largely centered around the cities, with government founded banks and paper money being introduced. These were accompanied by reforms in the education space such as the expansion of primary, secondary and technical schools, and the establishment of a university.

This was followed by a phase of gradual liberalization and opening up of the Afghan economy through the 1950s to the 1970s, leading to the influx of foreign investments in the national economy. Subsequently, the economy has progressed on a more or less discontinuous trajectory, marked by a limited reach of growth to the rural areas. The economy is further constrained by and a severe shortage of arable land (12 percent of the nation's area⁵) and this has resulted in the agricultural sector remaining largely subdued, characterized by obsolete practices, lack of irrigation, damaged infrastructure and fractured market linkages. All of this has resulted in high levels of poverty (42 percent⁶) and worrying levels of grain paucity (affecting more than half of the rural population).

Further, it is important to note that the landscape comes across to be worse when examined under a gender lens. When it comes to access to economic activity, the workforce participation rate for women is 25.1 percent. When compared with the overall workforce participation rate of 55.2 percent, it becomes quiet evident that there is a need for initiatives that can economically empower women and engage them in productive economic activities.⁷ The need for such initiatives is further magnified by the fact that 18 percent of women are employed in the non-agricultural sector⁸.

On the health front, the maternal mortality in Afghanistan is among the highest in the world.⁹ About 1.6 percent of women in Afghanistan die, while giving birth or because of some related complications.¹⁰ Moreover, only 15 percent women in the country are reported to be literate (compared to 47 percent

⁵ World Bank Data

⁶ World Bank Data

⁷ <http://www.nationmaster.com/country-info/profiles/Afghanistan/Labor>

⁸ <http://datatopics.worldbank.org/gender/country/afghanistan>

⁹ http://www.unfpa.org/sowmy/resources/docs/country_info/short_summary/Afghanistan_SoWMyShortSummary.PDF

¹⁰ http://www.unicef.org/media/media_27853.html

literacy among men).¹¹

It is not difficult to understand that in this scenario of overwhelming challenges, the process of building the economy will have to begin by first creating the foundation (capital and human resource) required for it to prosper and progress. Building the Afghan economy requires its people to share the responsibility of nation building. Actions by government in the form of programs and initiatives have been supported by Afghan society in the form of numerous non-governmental and civil society organizations and supplemented by multifarious Afghan-International Initiatives and Programs¹². Organizations from various sectors that serve a purpose complementary to the Government in Afghanistan hold great promise towards changing the development landscape in the nation. One such initiative is the Afghanistan Rural Enterprise Development Program (AREDP); an excellent example of a holistic growth program, it has been conceived and implemented as a government-led and multi-donor funded program that aims to empower rural communities by facilitating the generation of employment opportunities through the improvement of the income and sustainability of local enterprises. It intends to do so through a mixed approach of bottom-up community enterprise development and capital and formal credit expansion. Started in 2010, the program is managed by a unit, within the Ministry of Rural Rehabilitation & Development (MRRD), and was estimated to work with a funding of up to US\$ 87.24 million, (subsequently revised to US\$ 35.1 million)³.

About Ministry of Rural Rehabilitation and Development's AREDP program

Afghanistan Rural Enterprise Development Program (AREDP) is one of the six national programs being implemented by the MRRD. By building on past initiatives, the Ministry intends to generate employment by stimulating inclusive economic growth through micro- entrepreneurship and forming linkages with Small Medium Enterprises (SMEs) and large agricultural businesses. Since 80 percent of Afghanistan's population depends on agricultural occupations³ the program attempts to build upon the current economic landscape.

Period and Region of Implementation

The program is currently operational in Parwan, Bamyan, Nangarhar, Herat and Balkh and is managed by a team based in Kabul. In Parwan, Bamyan and Nangarhar the project was started in 2010, whereas in Herat and Balkh the project was started in 2011. The current Impact Assessment only covers Parwan, Bamyan and Nangarhar as the program has assumed to achieve a certain level of maturity in these provinces. Even though the population in these three provinces practice similar occupations their social landscapes are quite apart. Certain factors such as literacy rates, modes of employment and general accessibility towards markets have to be taken into account while analyzing the progress of AREDP in these provinces.

Parwan Provincial Profile: *Parwan* has a total area of 5, 715 sq. km with a total population of 600,000. The province consists of around 1,322 villages with *Tajik*, *Pashtun*, *Hazara*, *Turkman* and *Pashai* tribes residing in them¹⁰. The province has a total of 75,000 hectare of land with wheat, potatoes, corn, beans, grapes and raspberries being abundantly produced. Women from this province hold expertise in making of tomato paste, drying up tomatoes, onions and peppers. It is also crucial to note that because of its proximity to Kabul (64 Kms), the local produce is often sold in the markets of the capital or is given to tradesmen as raw materials to sell in the capital. Such accessibility to the markets makes *Parwan* an ideal province for the implementation of market driven growth strategies and was therefore the first province in which the AREDP was implemented (as a pilot).

Bamyan Provincial Profile: One of the central provinces of Afghanistan, Bamyan is famous for having many historical sites. The province has seven administrative divisions and a population of 386,000 which comprises Hazara, Tajik and Pashtun tribes. Bamyan is a major agrarian province with 90 percent of its economy being reliant on agriculture and livestock. Potato is produced abundantly in the province and is exported to Pakistan and Tajikistan. Women in Bamyan are mainly involved in producing and packaging

¹¹ <http://afghanrelief.org/aro-projects/women2019s-literacy-program>

¹² The A to Z Guide of Assistance in Afghanistan 2014, Afghanistan Research & Evaluation Unit

of fruits like apricot, pear and apple. Alongside agriculture, the province is also famous for carpets, blankets, clothes and handicrafts. This produce is also exported to many countries.

Nangarhar Provincial Profile: Located in Eastern Afghanistan, Nangarhar shares borders with Pakistan's Khyber Pakhtunkhwa Province (KPK). The majority of the population in Nangarhar and KPK consist of Pashtuns. The people of Nangarhar often migrate back and forth to KPK as there is free access along the border. Nangarhar is rightly called the food basket of Afghanistan as the produce from this province is consumed across the country. Before war, Nangarhar was known for the cultivation of traditional crops such as wheat, barley, maize and rice. However, there has been a recent trend of growing cash crops. Nangarhar produces and sells rice, maize cotton, sunflower, onion, beans, potato, wheat, barley, sugarcane and mustard. Women in Nangarhar tend to work in factories producing embroidered piece of dress necklace and linen. What separates Nangarhar from other provinces is that apart from agricultural produce it has an abundance of water resources and hence, a huge potential for the development of fishery sector. Apart from fisheries, abundance of livestock and mineral resources also attribute towards the possible economic potential of the province.

2. Scope and Methodology

Objectives of the Evaluation

The broad objective of the Impact Assessment Study is to prepare an in-depth impact assessment report of AREDP's work against key program indicators such as creating employment opportunities and income generation for rural women. The specific objectives of the Impact Assessment are as follows:

- Understand the specific impacts of the program on rural women in terms of creation of employment opportunities and income generation, and identify challenges that need to be addressed;
- Identify and measure the indirect impacts of the program in terms of socio economic aspects of the work on rural women;
- Use the result of this study as a baseline data for future measurement of the program progress on rural women during different phases of the project;
- Provide a real and practical measurement of the program impact on rural women to its stakeholders;
- Understand woman's socio economic status before and after AREDP intervention and formation of saving groups;
- Identify gaps in the program with respect to activities directed towards employment and income generation of rural women; and
- Understand how the program has affected the community in shaping up of positive or negative attitudes.

The assessment also sought to:

- Examine for the trend of products/services in which women entrepreneurs are engaged in and the reason for same;
- Examine the support provided by male family members and community leaders (especially religious leaders) with its impact on women's live;
- Conduct appraisal of locally available resources that can be commercially tapped for boosting economic activities for rural women; and
- Understand the accessibility of women entrepreneurs to the markets and their capacity to sell their products (specifically products that have strong backward linkages with the rural economy and forward linkages with the national economy).

Impact Assessment Methodology

A mixed methodology approach was deployed to collect, collate and analyze the data and information that has been presented through this report. These insights in turn have been interlinked with relevant secondary literature and empirical data; so as to ensure that any and all impact credited to the program has a strong rationale behind it.

Under the mixed methodology approach, a series of quantitative data recording questionnaires and qualitative information gathering questionnaires were developed so as to ensure that all quantitative insights can be backed by strong rationale. The data was collected as per the following stratified sampling plan:

Table 1: Sample Size

Questionnaire		<i>Bamyan</i>	<i>Parwan</i>	<i>Nangarhar</i>	Total
Quantitative	Women who have saving at SGs	75	114	189	378
	Men who have savings at SGs	12	18	30	60
	Women entrepreneurs who are EG members and have borrowed from SGs	13	38	63	114
	Women entrepreneurs who are EG members and have borrowed from VSLAs	3	10	33	46
	Men entrepreneurs who are EG members and have borrowed from SGs	5	14	24	43
	Men entrepreneurs who are EG members and have borrowed from VSLAs	1	4	12	17
	Women entrepreneurs who haven't borrowed from SGs or VSLAs	6	18	36	60
Qualitative	Women entrepreneurs who are EG members and have borrowed from SGs	3	9	18	30
	Families of women entrepreneurs who are EG members and have borrowed from SGs	2	4	10	16
	Community elders and women opinion	1	3	6	10

The sample was stratified along geography (provinces) and against the concept of SGs and VSLAs so as to ensure that the various insights obtained from analysis are representative of the program as a whole. The sample selected for the study is expected to provide analysis/insights with the following statistical significance:

Table 2: Sample Size – Statistical Significance

Quantitative Questionnaire Type	Confidence Level	P-Value
Women who have saving at SGs	95%	0.05
Men who have savings at SGs	95%	0.0125
Women entrepreneurs who are EG members and have borrowed from SGs & VSLAs	95%	0.075
Men entrepreneurs who are EG members and have borrowed from SGs & VSLAs	95%	0.0125
Women entrepreneurs who aren't EG member and haven't borrowed from SGs or VSLAs	95%	0.0125

Further, as presented in the tables above, the study was carried out under a quasi-experimental design wherein the subject of analysis has been considered the 'Case' and has at any and all points been compared with a similar subject (not the subject of the study) that has been considered the 'Control'. This is expected to help in clearly highlighting the magnitude of impact delivered by the program and therefore provide a strong rationale for why this impact can be credited to the program.

It is also important to note that the case and control were selected from the same geography (same villages) so as to ensure that the research captures the difference while studying the case and control under a constant background/environment. Aware of the fact that the program could also have had an indirect impact on the control subject(s), the study has also gathered evidence pertaining to the nature and magnitude of such impact.

The questionnaires (Annexure I) were administered by local field facilitators (interviewers) who were aware of the cultural sensitivities, geography and were proficient in the local language. Supervised and trained by the EY staff, these field facilitators (interviewers) were provided with data collection tools/templates that were translated into the local language. The field facilitators (interviewers) were also trained to administer these tools to the intended audience. Finally, it is important to note that the tools were subjected to a rigorous pilot test in each of the three provinces covered under the study. All the field facilitators (interviewers) were asked to administer at least three questionnaires each so as to gauge their level of comfort of working with the same. The pilot test was used for a final fine tuning of the questionnaires in terms of question types, response options and chronology of questions.

The analysis presented through this report is based on the aforementioned questionnaires and sampling plan. The data collected from the field was transformed into an electronic format before being subjected to analysis and was subsequently cleaned using multiple techniques such as three sigma cleaning of financial information and matching columns hypothesis for dependent questions. The data was analyzed using a relevant statistical package and the analysis results were triangulated with the opinions and information collected through the qualitative questionnaires.

3. Saving Groups (SGs) Impact on Women Members

This section covers AREDP's impact on women who are regularly saving at the Saving Groups. It seeks to assess how this practice of saving at SGs has benefitted women while distinguishing these benefits as economic and socio-cultural; while maintaining the connect between economic and socio-cultural impact. It also seeks to examine for how this impact has transmitted to the women's families, community and the Nation at large.

Saving Groups (SGs) can be considered the building block of the AREDP. While their operations have been stylized around the core construct of a formal financial institution; they have been structured in a way that has enabled them to get engrained into the socio-economic landscape they are expected to influence/change. The SGs are the medium of change that aims to foster a culture of saving and investments in an economy that has otherwise been overly dependent on foreign aid. More importantly, they aim to create an ecosystem at a village level by establishing and invigorating micro-economies. Through their work, the SGs are expected to help in creating and safeguarding wealth for the bottom of the pyramid and thereby help in building the economy bottom up. Contrary to the usual approach of building program/policies that work with a trickle down approach; a bottom up approach has the potential of ensuring that social investments are targeted at and reach out to those who are most in need of the same.

Given the ecosystem in which they were expected to be operationalized, SGs were designed to be managed by members from the communities that are expected to benefit from the same. Developing them as a community based organization seems to have enabled them to effectively reach out to the target population. **This is especially true in the case of women SGs wherein the community based nature of the SGs has helped in convincing the families to allow women/girls to be a part of these groups.** Breaking away from tradition, families have accepted the concept of women SGs and are allowing women to be an active part of the same. This active membership and participation can in turn be viewed as the seeds of women's greater economic participation in their state and society. This change can primarily be attributed to the fact that the SGs are managed by women from the community and that the group's physical operations/meetings take place in the village itself. **Given that the SGs have been setup under a Government program, the community perceives them to be a safe venue for depositing/holding their savings.** Further, almost all the families from where women are a part of the SGs also have male members part of the male SGs. These factors have helped in ensuring that women are able to come forth and be an active part of the process of rebuilding the local economies. **The importance and effect of the program design is better understood once one internalizes the fact that community elders (including religious leaders/preachers) are an active part of the program.** Many of them are also a part of the male SGs and are observed to be encouraging other to follow suit. Further, many of them report that their wives and daughters are also a part of women SGs.

The impact of a community led model of operation (active involvement of community elders; including religious leaders)

During discussion with community leaders in *Parwan* it surfaced that some of the SGs in the region were actively being supported by *Maulwis*. A few of them were noted to be members of SGs and the field team was informed that they were actively working on improving SG membership in their communities.

AS per AREDP’s provincial manager in *Parwan*, the *Maulwis* were the first resistance to the program’s smooth implementation in the province. Islam views borrowing lending with a very critical lens, but when the *Maulwis* were provided with detailed information on the program’s design and how it takes into account such religious considerations, they willingly came forth to support the program.

As of today a large share of the membership can be credited to the fact that the *Maulwis* approve of the program and its activities and that their wives and daughters are also a part of women SGs.

As of today, approximately 50 percent of the family members in the economically active age group (age 14 to 59) are active members of SGs. These estimates hold for both the women and men in the families. In fact, a number of women who are members of the SGs are not economically active (not a work force participant or unemployed); however are still managing to save the minimum monthly deposit amount as defined by the SGs. These women are primarily home makers who are saving out of the amount that their husbands provide them for meeting the monthly household expenditure.

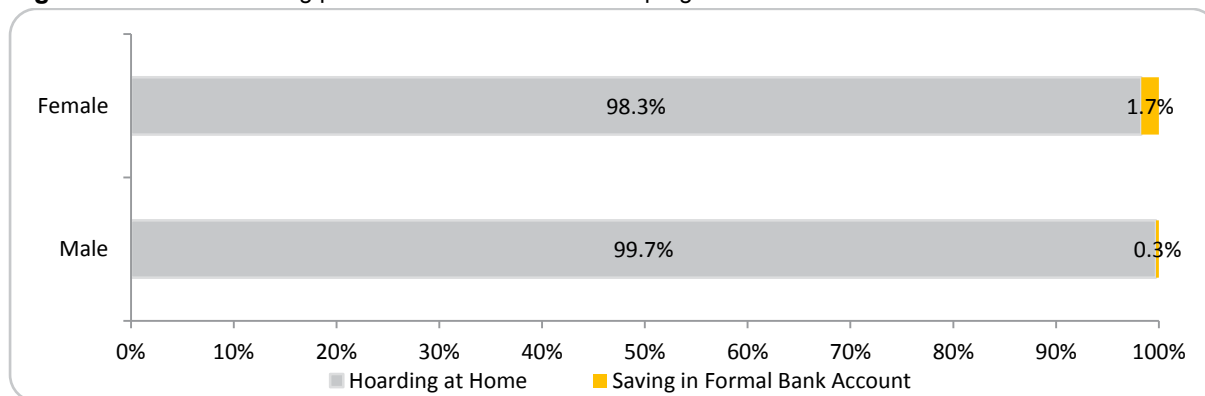
Table 3: Information on monthly income and saving of community members

Respondent's Gender	Monthly Income	Monthly Saving	Percentage of Income Being Saved	Median Monthly Saving at SGs	Percentage of Savings Being Held at SGs
Female	1200	120	10.0%	120	100.0%
Male	6250	550	8.8%	120	21.8%

All the members (men and women) are saving about 120 Afghani a month at the SGs. While this figure accounts for the entire sum being saved by women from the community; the corresponding figure for the male members is 21.8 percent. Therefore, it can be concluded that all the members (men and women) are saving the minimum monthly deposit amount as defined by the SGs.

Before the inception of the AREDP, the women from the community were more or less economically dormant and were not actively saving any funds. On the other hand, the male members of the family were actively saving funds by simply hoarding the same at home. They claim to have been saving an amount similar to their current monthly saving; however the same was not getting absorbed into the mainstream economy. The network of SGs can therefore also be viewed as a medium that has been successful in routing these savings into saving-investment model. It has been able to lay the foundation for a more formal financial/banking system.

Figure 1: Method of saving prior to commencement of the program



The impact of Government's involvement in program design and execution

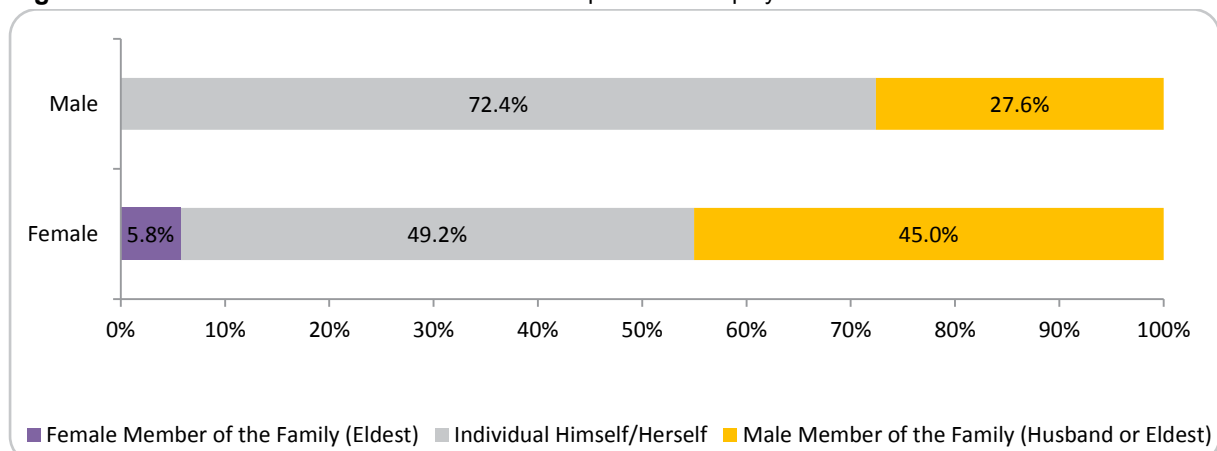
Gul Panra is member of a SG in the *Roodat* district of *Nangarhar* and is saving 120 Afghani a month at the SG. Her family reports that their initial reaction to her wanting to be a member of a SG was that of discomfort. However, they allowed her to go ahead as they felt that the money was being held under a Government program and could therefore be assumed to be in very safe hands. They said that the fact that a village elder from the neighborhood (woman) was managing the SG and that all the members were women from the village was the final assurance that they needed to allow her to become a member at the SG.

They said that they never had any issues with the idea of her wanting to actively save family funds (as *Gul Panra* is not a work force participant) as they felt that the savings were primarily for the family's benefit and future financial security.

3.1 Women's economic empowerment and its impact on family dynamics

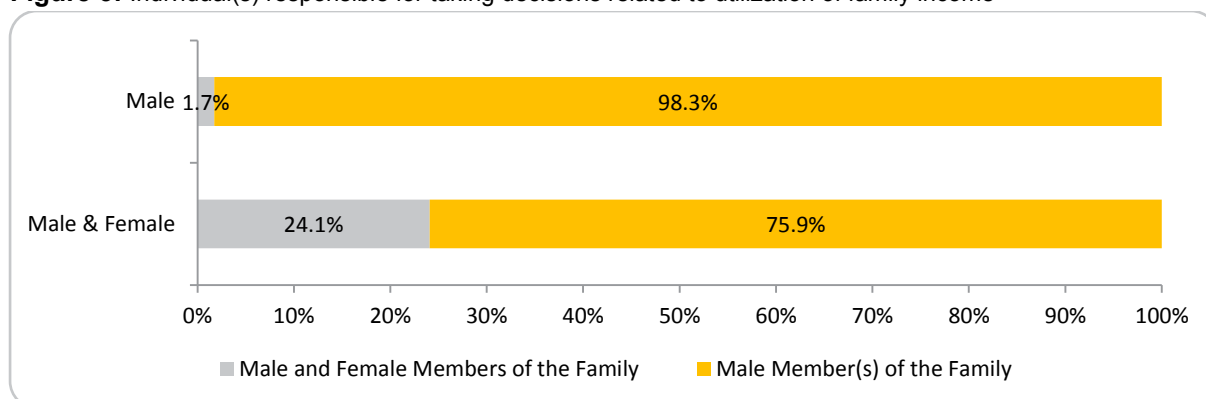
Women's economic empowerment through the network of SGs has resulted in them becoming active in other economic spheres of their lives. The savings collected through the SG network have been pushed back into the community in the form of loans for establishing micro and home based businesses. A number of these businesses are women owned and have opened up employment opportunities for women in the community. **While the community still remains closed to the idea of women working at businesses being owned/managed by men (until and unless the owner is an immediate family member); it has opened up to the idea of them working at businesses being owned and run by women/girls from the community (including women/girls from the immediate family). As a result, women from the community are observed to have an increased say in deciding upon their status of employment.** While 72.4 percent of men interviewed under the study claimed to have decided upon their employment status the corresponding figure for women is recorded at a healthy 49.2 percent. The value of these figures can be better understood when internalized in the light of fact that the workforce participation rate for men and women in Afghanistan are 80 percent and 16 percent respectively. **Community members believe that this change is primarily due to the existence of employment opportunities where women/girls are working under a woman entrepreneur. They believe that the existence of such opportunities within the village or in neighboring villages is also an important contributing factor. The community acknowledges these activities to be an outcome of the AREDP program and the work it has done towards promoting women in entrepreneurship.**

Figure 2: Individual who took decisions related to respondent's employment status



Further, women’s increased economic activity is translating into a change in economic decision making at the household level. This is made evident by the fact that at 24.1 percent of the households where both men and women from the family are work force participants; decisions pertaining to the direction in which family income is to be spent are taken jointly by male and female members of the family. The corresponding figure for families where only men are active workforce participants stands at a mere 1.7 percent. **Family members from households where women are also an active part of the workforce reported a strong change in perception to women’s involvement in household level decision making.** They said that the fact that their wife/daughter/daughter in-law is actively contributing to the household income led to the realization that they should also perhaps be having a say in how best to utilize the same. **Women from such households report having a say in determining the direction towards which the family members are saving, decision related to investments/purchase of assets and the management of the household’s monthly budget.**

Figure 3: Individual(s) responsible for taking decisions related to utilization of family income



3.2 Purpose/Motive for saving – women’s investment in the family’s future

The program’s specific focus on mainstreaming women into the formal economy through the medium of SGs can be considered an important step towards their economic empowerment. It was perhaps the most apt route towards mainstreaming them as at approximately 60 percent of the families, women decide upon the purpose for which the family would save funds. Realizing this potential and supporting it with a system/setup where women can actively save has the potential to have a large positive impact on the future of their families and community. **There exists a volume of literature that argues that while men tend to save for future consumption (often conspicuous in nature); women tend to save for investing in the future of their family (especially children)^{13, 14, 15, 16, 17}. A similar trend is observed in the three provinces covered under the study where 52.9 percent of the women said that they are saving to invest in their children’s future.** The corresponding figure for men saving at SGs for the same purpose stood at a much lower 27.6 percent. These women wish to build a better and brighter future for their children. **They report that they are saving for investing in their children’s education (in some cases higher education) and for helping them in choosing a livelihood opportunity of choice (given that some choices such as entrepreneurship and employment in cities would need financial backing).** It is even more encouraging to note that as mother’s they are not differentiating between their children and have a similar vision for their daughters.

¹³ Vaessen et al. The Effects of Microcredit on Women’s Control over Household Spending in Developing Countries: A Systematic Review and Meta-analysis, Campbell Systematic Reviews 2014:8

¹⁴ Lawson & Gilman, The Power of the Purse: Gender Equality and Middle Class Spending, Global Market Institute, 2009

¹⁵ World Bank, Microfinance: Making a Difference in Afghanistan, 2008

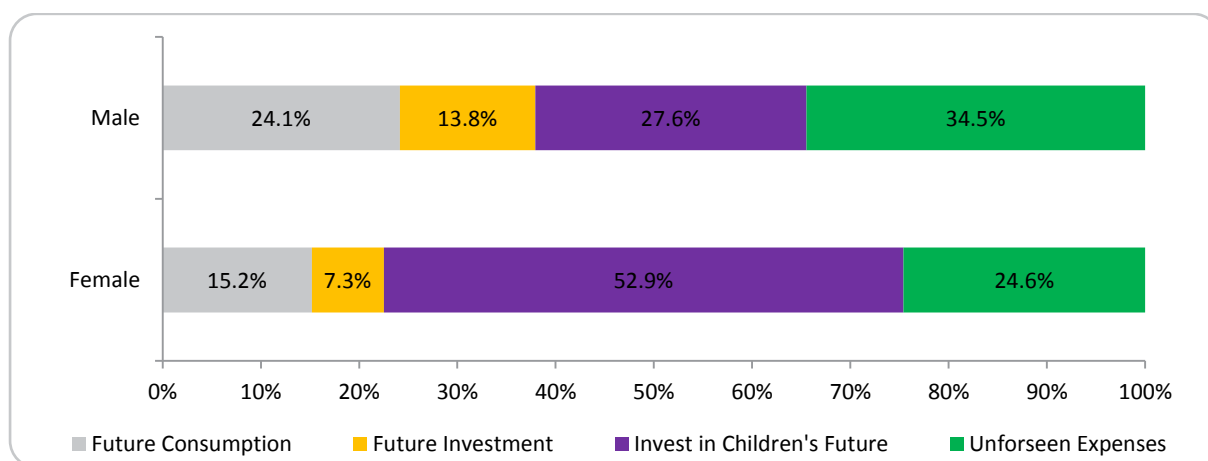
¹⁶ Greeley * & Chaturvedi, Microfinance in Afghanistan: A baseline and initial impact study for MISFA, 2007

¹⁷ Lancaster, Maitra & Ray, Endogenous Power, Household Expenditure Patterns and New Tests of Gender Bias: Evidence from India, 2003

Saving to invest in their children's future (education & employment)

Gulistan Najra is a SG member in the *Bamyan* district of *Bamyan*. She has saved up a corpus of about 6,000 Afghani at the SG and plans to keep building up her savings. With a monthly income varying between 900 to 1,300 Afghani; *Gulistan* ensures that she continues to save up the monthly saving amount as prescribed by her SG. She considers this as forced saving and claims to be happy to save under such compulsion. She plans to utilize these savings for her children's higher education and believes that this 'cause' more than justifies the efforts she is investing into saving from her small monthly salary.

Figure 4: Purpose for which members are saving at the SGs



3.3 Consumption smoothening and reduced vulnerability to income or expenditure shocks

Given the current state of the Afghan economy, the families from the three provinces reported having experienced heavy fluctuations in their monthly family income. While the average monthly income of the families covered under the study stood at 8,575 Afghani; this average could be as low as 6,025 Afghani in the lean season/business down cycle. As a result families could face an income shortfall of up to 2,550 Afghani. Given that most of the families live within a breakeven budget, such shortfall could severely affect their consumption basket. **As illustrated above, approximately 24.1 percent of male SG members and 15.2 percent of female SG members are saving for future consumption. This clearly highlights that Planning for income shocks is a priority for the SG members.**

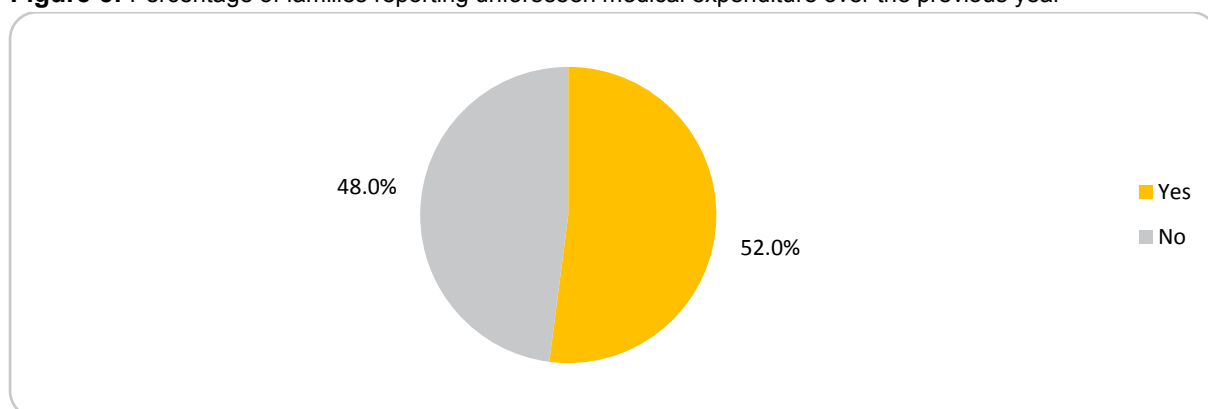
At the current point of time, a SG member is noted to hold a saving of approximately 6,500 Afghani. Therefore, women SG members hold enough savings to support the family through two to three months of lean income. **A number of families report having had to rely on these savings and were open in accepting that it had helped them in better understanding the benefits/gains from women being economically active members of the family.**

Further, it was noted that if an economically active and employed person was to lose his/her job during an economically lean season; it could take him/her up to two months to find a new source of employment. Given that the average income of a family member stands at 3,000 Afghani, the woman SG member from the family could use her savings to help cover for this income shock (i.e. 6,000 Afghani for two months).

Therefore, it is clear that SG membership has enabled women to assume an economically active position and actively contribute to managing their family's financial stability by using their savings for consumption smoothening in times of economic downturn/vulnerability.

AREDP has put in place clear guidelines for funds utilization that it expects the SGs to follow. As a part of these guidelines, the SGs are expected to set aside a reserve fund (10 percent of existing deposits) that the SG members can draw upon to address unforeseen expenses - emergencies¹⁸. As of today, this reserve fund holds an amount of approximately 6,510 Afghani per SG. The utility of this reserve fund can be better understood when one internalizes the fact that about 48 percent of the SG members reported that during the previous year, their family had to deal with an unforeseen medical expense. The average bill for these medical expenses stood at 25,000 Afghani and a number of families reported that they had paid for the same by borrowing from the emergency reserve fund at their SG. **The community believes that such elements have helped in building their confidence in the program. This is because such elements clearly demonstrate that a saving group belongs to its members and respects their needs/requirements. This is all the more reason why the community is comfortable at saving at SGs.**

Figure 5: Percentage of families reporting unforeseen medical expenditure over the previous year



AREDP's contribution towards addressing aspects related to economic vulnerability

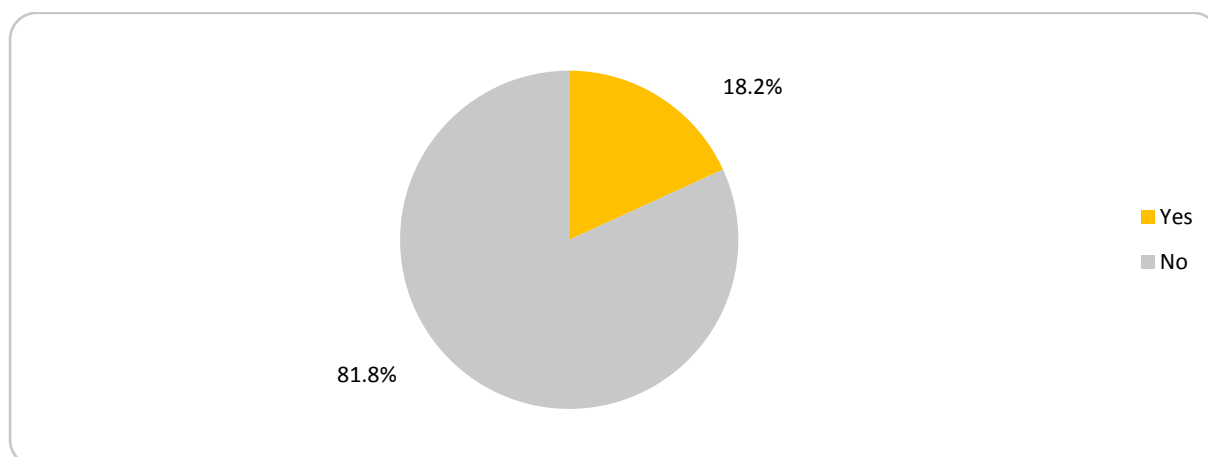
Rahima is a SG member in *Merkaz, Bamyan*. During the previous year, her father-in-law fell ill and had to be brought to Kabul for few diagnostic tests. Aware of the cost of medical care in Afghanistan, *Rahima* approached the SG for funds from the emergency reserve set aside for such situations. These funds proved to be very valuable as in the absence of the same; her father-in-law would not have been able to receive timely medical supervision/attention.

Given that the reserve is formed through the savings of the community members, *Rahima's* family believes that the credit for the help and support that they received should go to the community and the program at large.

Similarly, 18.2 percent of the families reported that during the previous year they had to make an unforeseen expenditure to replace assets that they lost to theft or damage. The families pegged the value of these assets at approximately 15,500 Afghani and said that they either utilized their personal savings at the SGs or the SG emergency reserve fund to pay for these unforeseen expense.

¹⁸ These expenses include unforeseen medical expenses - emergencies (including accidents), loss of productive assets, valuables & investments such as cattle, machinery etc. and income shocks due to loss of employment of family member(s).

Figure 6: Percentage of families reporting loss of property/assets to theft/destruction



The community elders also pointed out that this reserve fund in a way brings together members of the community and connects families to each other's plight and concerns. By utilizing the community's collective savings to help families and individuals in need of financial support, the fund has helped in strengthening the moral fiber that unites the community. It has clearly demonstrated that community based institutions, if managed correctly can act as a social safety net for the community members.

3.4 Building self-sustaining rural micro economies

It is clear that women SG members are saving for investing in their children's education and skill development. In this regard, the program has been able to align itself to MRD's development goal(s) centered on education. The 'emergency reserve fund' has enabled the SGs to play an active role in developing the social linkages between the various families in the community. This fund is a source of finance in times of medical emergencies and unforeseen medical expenses and has thus helped in aligning AREDP's outcomes with MRRD's goals centered on health.

The program has also had a direct and visible impact on the economic linkages within the community. It has in a way transformed the communities into micro-economies through a growth model which is community driven and quiet sustainable. It has therefore also successfully aligned itself to MRRD's development goal centered on poverty alleviation.

As mentioned earlier, a number of women/girls from the community have been able to become an active part of the work force because they now have access to women-owned and managed businesses that have been setup through financial support from SGs. As of today, 31.7 percent of the women/girls from the economically active age group are employed/engaged with some or the other sort of productive activity. Herein, it is important to note that 37.5 percent of these women/girls are employed at businesses that have been setup through financial support received from SGs (businesses being owned/managed by men from their family or by other women/girls from the community). **Therefore the program design has carried a clear gender focus/lens and its impact has added to MRRD's achievements under its development goal of gender empowerment.**

Creating Employment Opportunities for Women

A number of women who are members of SGs reported that they themselves or women/girls from their family are employed at women owned businesses in the village. They said that the culture of women in business has ushered in a number of employment opportunities for women. The prevalent socio-cultural norms expect women to refrain from dealing/working with men (without being accompanied by men from their families). However, employment opportunities at women owned businesses are considered

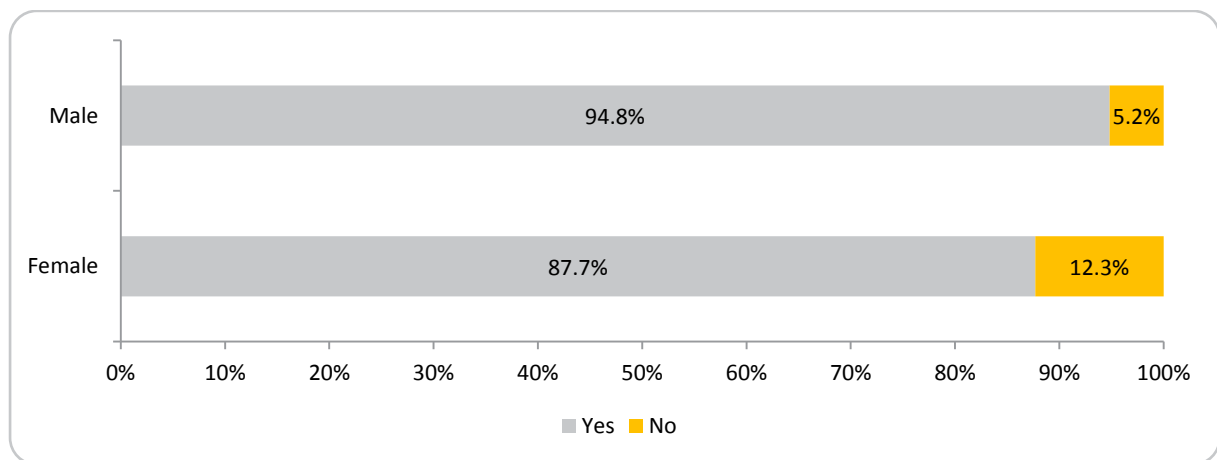
acceptable as they work within the boundaries defined by the community.

Women from the community also reported that their increased workforce participation was being welcomed by their families as it provided for an additional source of income. They also felt that their economic participation has provided them with a certain degree of economic freedom and that the men from the family are now more open to their ideas and perception related to how the household's income should be spent.

The strength of this micro-economy is expected to further improve in the future as a number of current SG members harbor the aspiration to start their own business. The community members are observed to be encouraging such entrepreneurial ambitions and this is largely because of the fact that women/girls from their household are already economically active and associated with the program.

The SGs either directly or through their consolidation at the VSLA level provide financial assistance (soft loans) to existing and aspiring entrepreneurs; thereby forming the link between savings and investment. This is the primary reason why they can be viewed as an important element that would contribute towards the future growth of the Afghan economy. **The SG members are well aware of the fact that the SGs use community savings to fund entrepreneurial ventures and that as SG members they would have first right to access these funds if they were to plan their own ventures.** As a result a number of them have become SG members to avail such financial support/assistance in the future. Further, it is important to note that this sentiment is shared by men and women from the community. So while 94.8 percent of the men SG members harbor the aspiration to setup their own business in the future, the corresponding figure for women is only marginally lesser and stands at 87.7 percent.

Figure 7: Percentage of SG members keen on starting their own business in the future



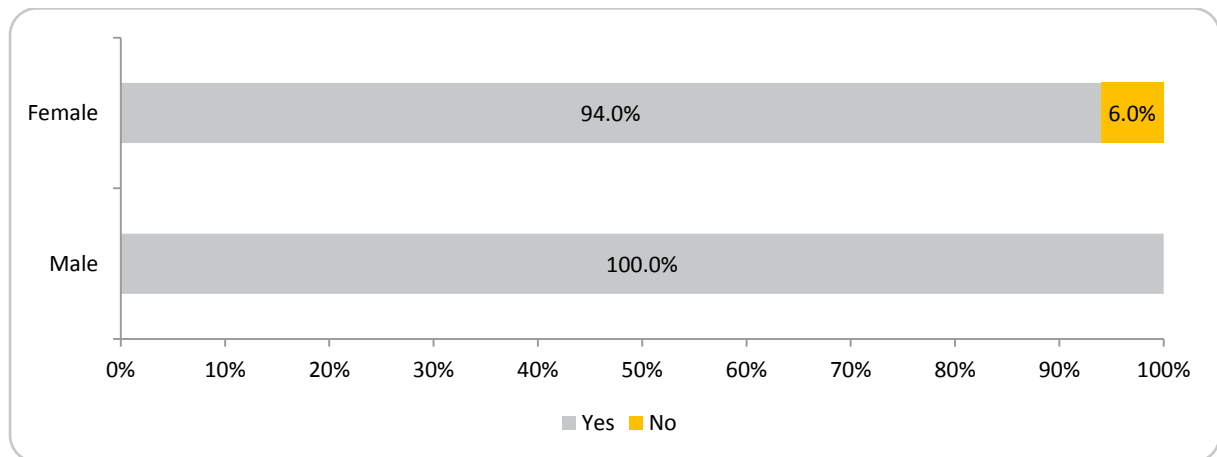
The women SG members attribute their aspiration to start their own business to the fact that many other women/girls from the community have started their own business and have found fair financial success with their ventures. They said that their aspirations are further fuelled by the fact that many of them are currently working for women/girls who have started their business through SG/VSLA support and that this has provided them with sufficient insights into how they should approach the setting up and management of their own businesses.

Finally, it is observed that the SGs have been able to fulfil their most subliminal mandate of preparing rural economies for more advanced/mature formal banking systems. Given that the SGs are based on the model of operation of a formal financial institution, they have been successful in building a culture of saving and lending (borrowing when viewed from the members' point of view). It is expected that upon program completion if the SG network was to fade away and be replaced by a more formal banking network, the

members would still continue to save and borrow from the banks. **Therefore, the program has clearly established the foundation on which future banking systems can be/will be built in the Country.** What is interesting to note is that the program has been able to prepare both men and women to be actively linked to such a formal banking system. So while cent percent of the male SG members said that they are open to the idea of saving at/borrowing from a bank that work on Islamic banking principles, the corresponding figure for women SG members was only marginally lesser and stood at 94 percent.

The community supports this view and believes that if a formal banking system was to find its way to their doorstep, they would more than happily bank with the same. However, they are also cautious of the fact that such a banking system would need to be Government regulated and respectful of Islamic banking principles.

Figure 8: Percentage of SG members prepared to save at a formal financial institution



4. Saving Groups (SGs) Impact on Women Entrepreneurs

This section covers AREDP’s impact on women entrepreneurs who have borrowed funds from SGs to establish or expand their businesses. Here as well, the section seeks to distinguish these benefits as economic and socio-cultural; while maintaining the connect between economic and socio-cultural impact. It also seeks to examine for how this impact has transmitted to the women’s families, community and the Nation at large.

The SGs impact on women is not just restricted to those who are saving at the institution (saving side of SG operations) as they are also expected to have delivered a significant change to the lives of the women with entrepreneurial ambitions. The SGs have been operationalized with the mandate of using community savings/deposits to provide financial assistance (soft loans) to women who wish to setup their own micro or home based business (lending side of SG operations). By providing with access to finance, the SGs are the first point through which the program is establishing a link with aspiring women entrepreneurs. **The value of this ‘access to finance’ can be better understood when one internalizes the fact that women entrepreneurs who have borrowed from SGs have used this channel to obtain close to 44 percent of their seed capital.** So while the total seed capital invested by women who have borrowed from SGs and those who have not is approximately 23,500 Afghani, **many of the women who have started their business through SG support would have not been able to do so otherwise (as they had limited ‘own savings’).** The value of the SG support is observed to be much higher in the case of women entrepreneurs as their male counterparts relied on this source of funding for about 31 percent of their seed capital.

The family members of the women entrepreneurs who have borrowed funds from SGs are quick to provide their approval for this medium of access to finance. They believe that they are comfortable with the same because the SGs only have women members and are managed by women from the community. They say that in the absence of this structured community led source of finance they would have not allowed women/girls from their family to borrow from friends or any other informal sources.

Table 4: Source of seed capital for businesses

Respondent	Total Seed Capital	Own Savings	Borrowed from Friends & Family	Borrowed From SG
Men Entrepreneurs (Control)	62,900	40,250	3,100	19,550
Women Entrepreneurs (Case)	23,950	12,500	900	10,550
Women Entrepreneurs (Control)	23,500	20,500	3,000	NA

Providing women entrepreneurs with access to finance

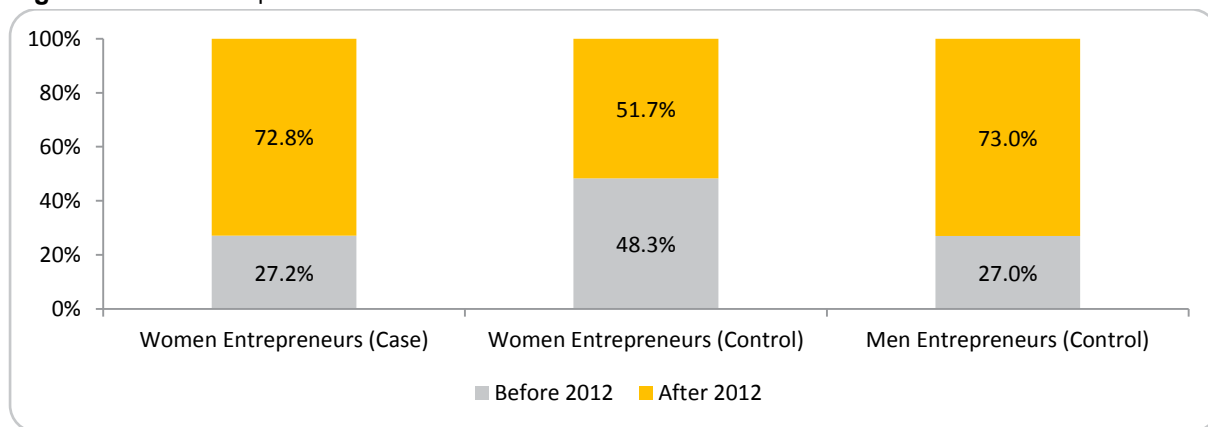
Sabza Gul is an entrepreneur associated with the program in *Salang* district of *Parwan*. Motivated by the sudden increase in the number of women choosing to take an entrepreneurial route to livelihood and employment, she decided to setup a small home based business. Holding a saving of 5,500 Afghani in a SG and another 2,500 Afghani at home; she was short on seed capital by about 11,000 Afghani.

She says that even after factoring in all possible sources and avenues of finance, she was unable to gather enough seed capital and muster enough courage to start her business. It is at this point that the SG members motivated her to borrow from the group (basis a nominal profit sharing arrangement) and she believes that the availability of finance from this source was the primary reason why she could start her business.

She says that being connected to the SGs also meant that she immediately got absorbed into an EG and has since received a number of tangible and intangible benefits from this association.

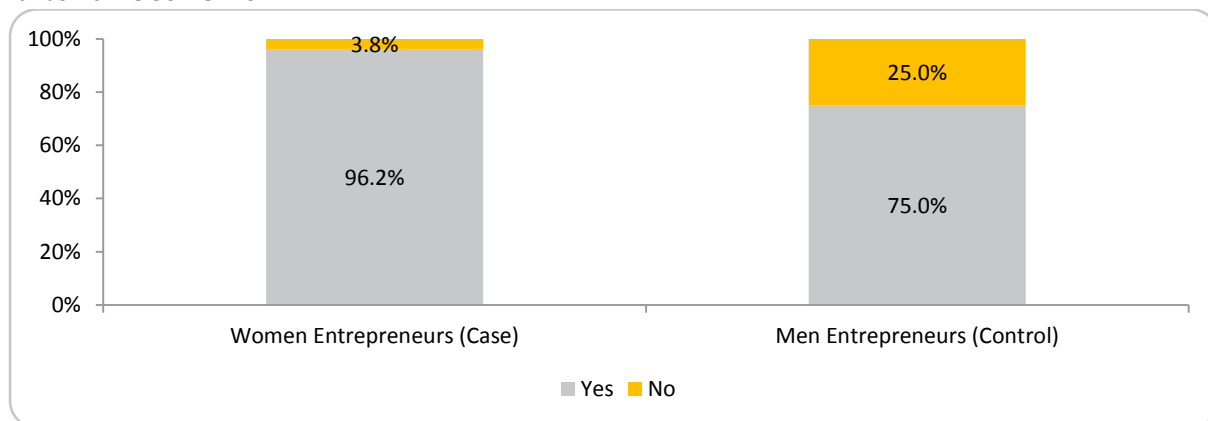
The availability of seed funding from SGs has helped in bridging the gap between the funds required to start a business and the funds available to start the same. This in turn has fostered a culture wherein women are increasingly choosing to take up entrepreneurship as a livelihood option. As per the data/information on the year of inception of the various businesses covered under the study, 51.7 percent of the women who have established their business without SG support reported having setup their business post 2012; the corresponding figure for women entrepreneurs who borrowed seed capital from SGs stood at a moderately higher figure of 72.8 percent.

Figure 9: Year of inception of business



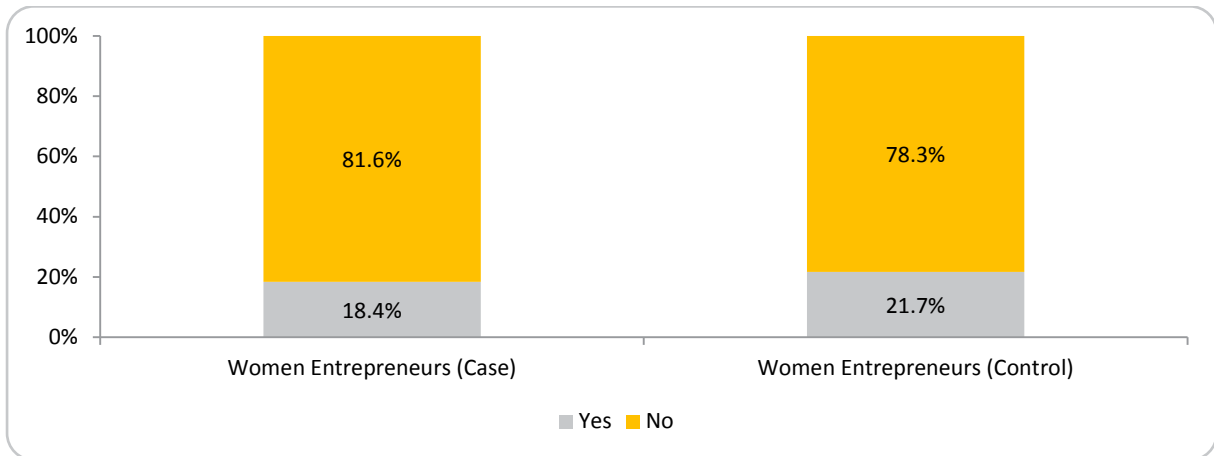
This is seconded by the fact that 96.2 percent of the women who have setup their business through SG support credited the availability of this source of finance as a key enabler while selecting their source of livelihood.

Figure 10: Percentage of entrepreneurs whose decision to setup their business was facilitated by availability of funds from SGs/VSLAs



The ability to borrow from SGs is noted to have given the women entrepreneurs' full control over their business. In the absence of this source of funding they would have had to resort to other informal sources such as friends and family. Asking for financial support from these sources many a times results in them assuming an active role in managing and directing the course of the business (especially when the source is a male member from the family). This view was shared by the women entrepreneurs covered under the study – both case and control. Therefore access to finance through the SG model has helped create a culture of women in business wherein they are not passive owners but rather active managers of their enterprise(s).

Figure 11: Percentage of entrepreneurs who borrowed seed capital from friend/family in return for their involvement/say in business administration



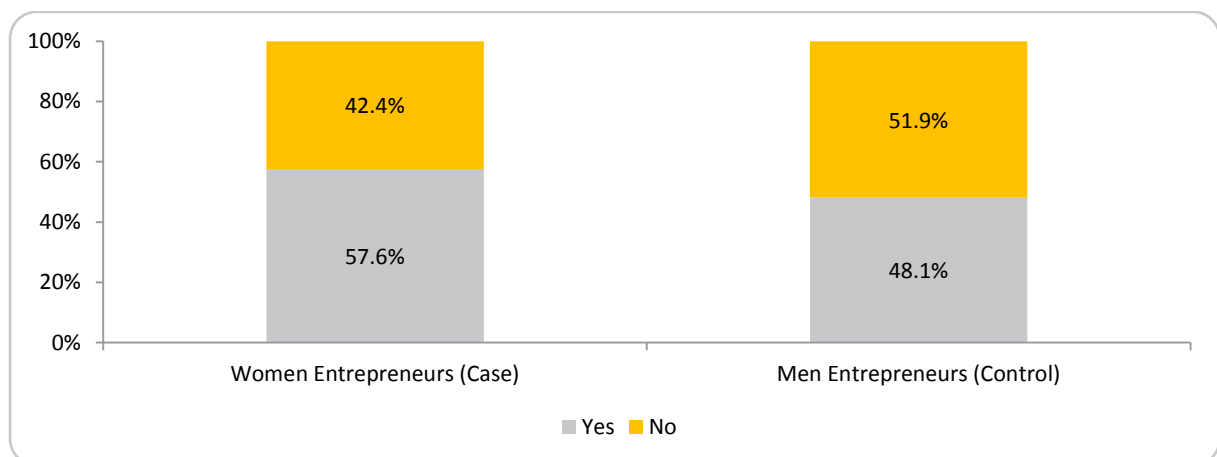
5. Enterprise Groups (EGs) Impact on Women Entrepreneurs

This section covers AREDP's impact on women entrepreneurs who are a part of the EGs and have received advisory and handholding support under the program. This is perhaps the most valuable component of the program as it has been operationalized from the point of view providing entrepreneurs with access to advisory and technical support required to sustain and expand their businesses. While it might seem as facilitative component, it is actually the core of the program's work with entrepreneurs.

AREDP's work with women entrepreneurs is not limited to the support provided through SGs. The program has a distinct component through which it encourages businesses to link up with each other to improve their market competitiveness. This component, referred to as Enterprise Groups (EGs) is also used to provide performance and operations advisory to the businesses and can be viewed as an attempt to ensure that the businesses started through SG support are able to grow and sustain their operations.

The value of the program's attempt to connect businesses through EGs is validated by the fact that 57.6 percent of the women entrepreneurs found their business partner through the EGs (especially monthly meetings organized by EGs). The entrepreneurs covered by the program believe that finding a partner through an EG group is a reliable method of finding likeminded, trustworthy and well informed business partners. The families of the entrepreneurs (in case of women) second this opinion.

Figure 12: Percentage of entrepreneurs who found their business partner(s) through/at EGs

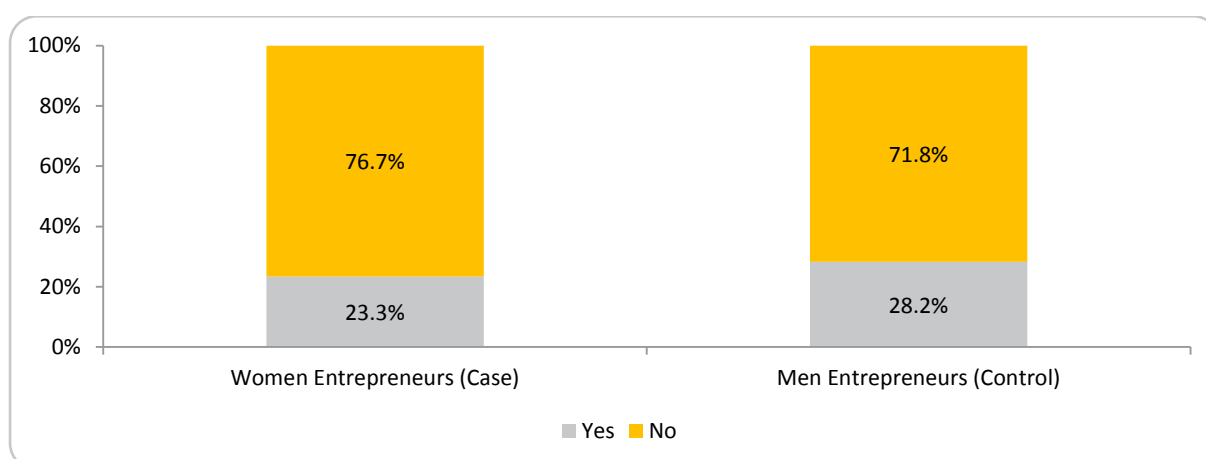


5.1 Delivering sustainability and profitability to businesses

As mentioned earlier, the program has used EGs as a platform to support businesses with relevant advisory support. They have provided an opportunity for entrepreneurs to share knowledge and information. Given that many of the EGs members may be in similar or allied businesses, they have been able to help each other by sharing infrastructure and business insights. This has in turn enabled member businesses to reduce the cost of their operations. **There are families where men and women from the households have taken an entrepreneurial route to livelihood. The impact of EGs as a medium of communication and critical information is highlighted by the fact that many of these households report that men and women in the family regularly share the knowledge and insights that gather from their EGs. This is a clear demonstration of the socio-cultural change originating out of the program. Such dialogue and knowledge sharing clearly demonstrates a change in women's perceived role in the family.**

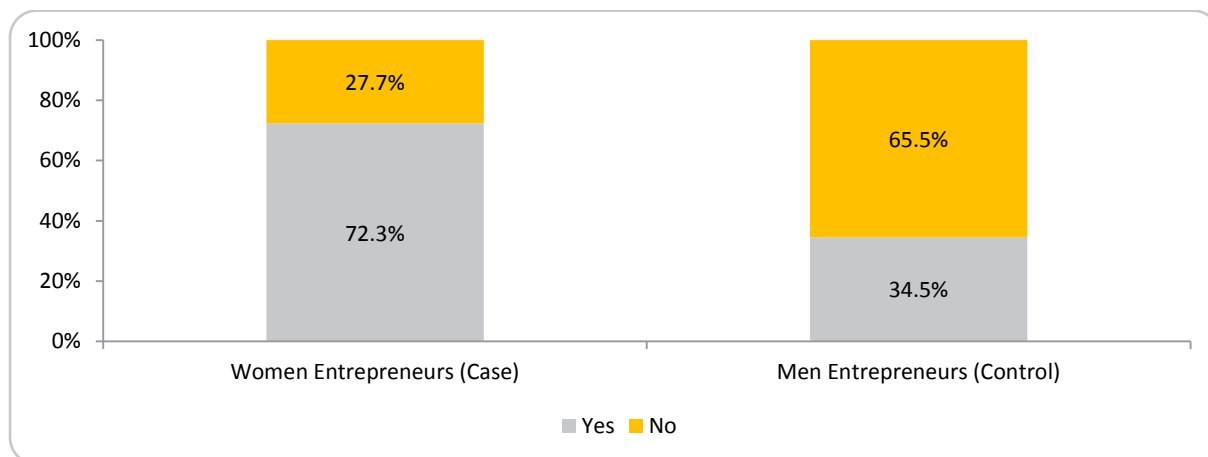
Further, when searching for suitable/skilled employees, a number of businesses have sought/received support from other EG members. In this regard, about 23 percent of women entrepreneurs and 28 percent of men entrepreneurs reported having received help/support from their EG group members. Here as well, they feel comfortable in receiving such guidance from their peers as they perceive them to have a similar background in terms of business acumen and planning.

Figure 13: Percentage of entrepreneurs who found their employees through the support of EG members



A number of entrepreneurs also reported having used EGs to find owners of similar/allied businesses and coordinating with them for the purchase and transport of raw material/business inputs and/or sale and transportation of finished products. This is expected to have led to leaner and more efficient supply chains wherein economies of scale have helped reduce the operating costs of the businesses that have decided to work as a unit. The landscape under assessment presented many stories of such partnerships. In one of the case, a number of women entrepreneurs running carpet weaving businesses had tied up for the procurement of raw material. They also reported sharing the basic inputs required for weaving and were even coordinating on the pricing, transportation and sale of their produce. A similar story was reported by a set of retail shop owners in Parwan wherein they had tied up to create volume for their wholesale orders. They reported that tying up for greater volumes meant that they were able to negotiate for greater discounts. Anthropology clearly highlights women to be more proficient at forming social networks and the same seems to have resulted into the fact that 72.3 percent of women EG members are coordinating with other women entrepreneurs while arranging for the transport of raw material and/or finished products. The corresponding figure for men stands at a moderately lower estimate of 34.5 percent. **Further, a number of these groups have now grown out of the phase of being simple business networks. Members have started discussing other issues pertaining to local socio-cultural and in some cases political aspects.**

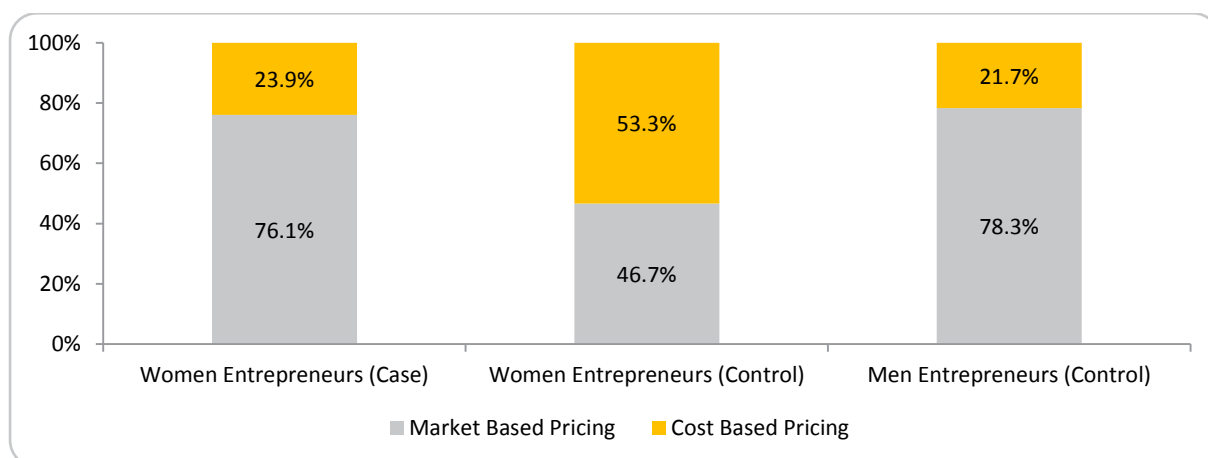
Figure 14: Percentage of entrepreneurs who are coordinating with other EG members while operating in the market



The EGs have provided AREDP with the opportunity to strategically target entrepreneurs with business advisory support and training. The training and development team at AREDP has designed and deployed a number of advisory/training modules that seek to help EG members in improving the market competitiveness of their businesses. Trainings on marketing, product pricing/placement, financial book keeping etc. have been introduced to ensure that the entrepreneurs supported by the program have the information and insights required to grow and expand their businesses. A volume of time and effort has been invested into defining the contents of these training and their dissemination and outreach strategy.

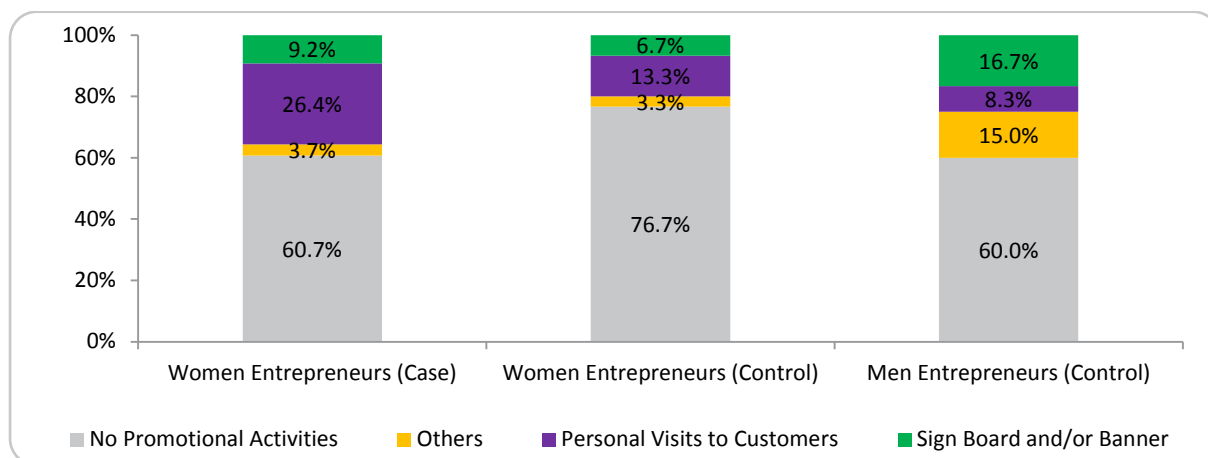
As of today, 76.1 percent of the women entrepreneurs have started pricing their products and services through rational market benchmarking. This is a deviation from the age old practice of pricing products on the basis of the cost of business inputs and is expected to provide the entrepreneurs with a higher return on their produce. In this regard, the program’s contribution can be better understood by internalizing the fact that more than half of the women entrepreneurs who are not a beneficiary under the program continue to follow a cost based pricing approach. **The fact that these trainings have had such success despite the low levels of literacy in rural areas clearly demonstrates the effectiveness of the curriculum and the pedagogy of training.**

Figure 15: Product pricing mechanism being used by entrepreneurs



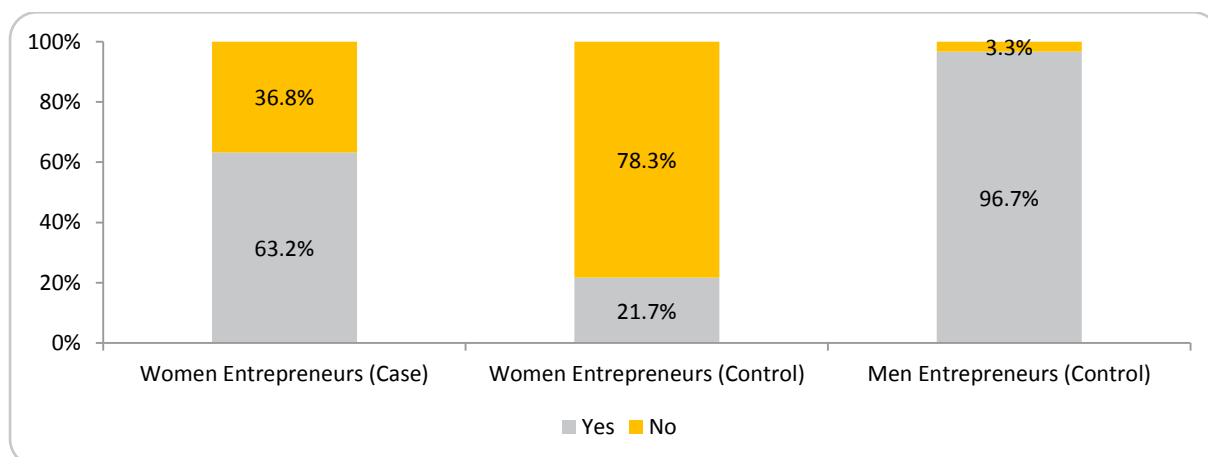
Similarly, it is observed that while 39.3 percent of the women entrepreneurs associated with the program have started adopting some or the other measure(s) for marketing and advertising their products/services; the corresponding figure for women entrepreneurs not associated with the program is moderately lower and stands at 23.3 percent.

Figure 16: Marketing and advertising measures being used by entrepreneurs



AREDP has also designed and rolled out a number of skills training initiatives for the employees working for entrepreneurs who are members of EGs. These trainings are directed towards ensuring that labor; one of the primary inputs for production at the micro and home based enterprises level is able to add greater value to the goods and services of the businesses it works for. The trainings also seek to improve upon the efficiency with which the labor delivers against its roles and responsibilities. The reach of these trainings is made clear by the fact that 63.2 percent of the women entrepreneurs associated with the program reported that their employees have attended one or more trainings organized by AREDP. The corresponding figure for men entrepreneurs associated with the program stands at 96.7 percent. The difference between the estimates recorded for the women entrepreneurs and men entrepreneurs can primarily be attributed to the fact that the former usually work with women employees whose families may not be comfortable with them being a part of such trainings/groups. **Further, it is interesting to note that a number of women entrepreneurs who are not associated with the program also reported that some of their employees have received training through AREDP. These employees received such training while employed at a business belonging to an EG member before joining a business owned by an entrepreneur who is not associated with the program.**

Figure 17: Percentage of entrepreneurs reporting that their employees received training through the program



The EGs setup under the program and the advisory/training that has been provided through the same has enabled the entrepreneurs (beneficiaries) to work with a reduced input cost and increased sales. This has in turn enabled the entrepreneurs to work with high operating margins and profits. While the women entrepreneurs associated with the program reported an average monthly profit which is less than that reported by their male counterparts; the figure reported was 41.9 percent higher than the approximation provided by women entrepreneurs who are not associated with the program. The difference between the figures reported by the men entrepreneurs and women entrepreneurs can primarily be attributed to the fact that women entrepreneurs are operating businesses on a scale which is smaller (given that the seed capital invested by men entrepreneurs was 2.6 times the seed capital invested by women entrepreneurs).

Table 5: Average profits reported by businesses

Respondent	Average Monthly Profit
Women Entrepreneurs (Case)	4,400
Women Entrepreneurs (Control)	3,100
Men Entrepreneurs (Control)	9,500

Enhancing Profitability of Women Owned Businesses

Discussions with the women entrepreneurs across the landscape presented numerous examples of how they have built their businesses through the guidance and advice provided by the program. During discussions with the field facilitators (interviewers), a number of women entrepreneurs (associated with the program) pointed out that the profitability and success of their business can largely be credited to the trainings and advisory they received through the EGs. They said that trainings on marketing and product pricing had enabled them to understand how they can effectively manage the growth and progress of their business.

A number of them also pointed out that the program's impact on their business acumen goes beyond the trainings that they have received. They said that the simple fact that they were gathered together for these trainings and encouraged to hear each other's perspective on business and management; provided them with a lot of encouragement and confidence to dream big.

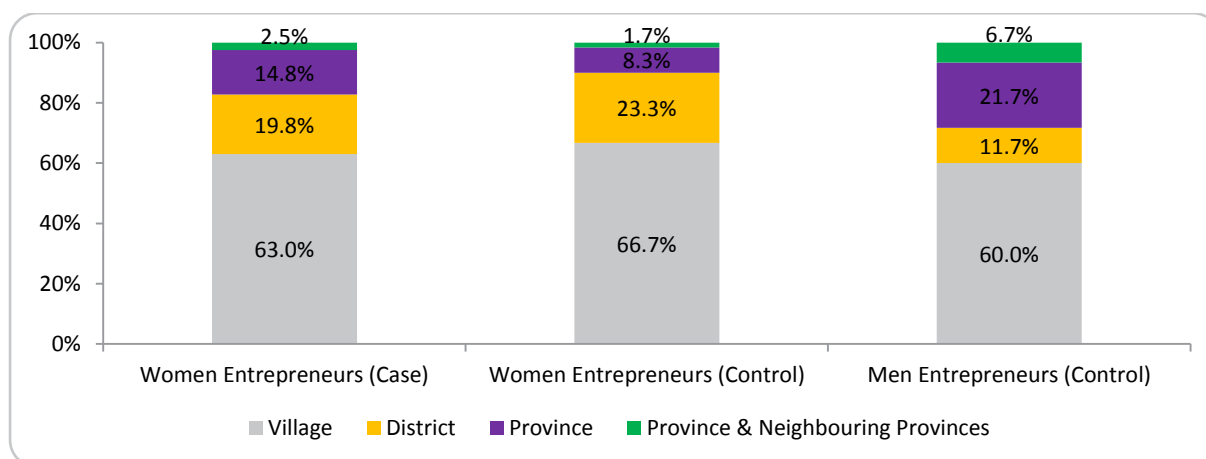
It is also quiet visible that motivated by the return that they are deriving out of their venture, the women entrepreneurs associated with the program have stepped up their investments towards expanding their businesses. During the previous financial year, women entrepreneurs associated with the program invested 29,515 Afghani in their business (1.7 times the amount invested by women entrepreneurs who are not associated with the program). This figure was only moderately lower (22.5 percent) than the average year on year investment recorded for men entrepreneurs associated with the program. **It was also observed that the women entrepreneurs associated with AREDP are demonstrating higher business acumen (in terms of inventory and cash flow management).** While the assets to liabilities ratio for women entrepreneurs associated with the program is 2.2; the corresponding figure for women entrepreneurs who are not associated with the program was 1.9. The assets to liabilities ratio for men entrepreneurs stood at just 1.2; but the same can be attributed to a large proportion of them operating their businesses in the retail and wholesale sector (usually marked by high inventory turnover and working capital).

Table 6: Aggregate business financials

Respondent	Total Assets ¹⁹	Year on Year Investments ²⁰	Total Liabilities ²¹	Assets to Liabilities Ratio
Men Entrepreneurs (Control)	1,21,150	37,050	1,04,350	1.2
Women Entrepreneurs (Case)	63,200	29,515	28,725	2.2
Women Entrepreneurs (Control)	52,250	17,035	27,500	1.9

However, it is important to note that while the businesses being supported by AREDP have clearly become more profitable, they continue to work with a catchment area that is similar to businesses that are not associated with the program. This can primarily be attributed to the fact that the economy is yet to mature to a state wherein good and products from a particular district/province integrate into a National supply chain and move to other districts/provinces. Given the strength of the businesses being supported by the program, it is expected that their owners/entrepreneurs will be able to capitalize on such opportunities in the future and this will in turn enable them to further expand their businesses.

Figure 18: Geographic coverage/catchment area of businesses



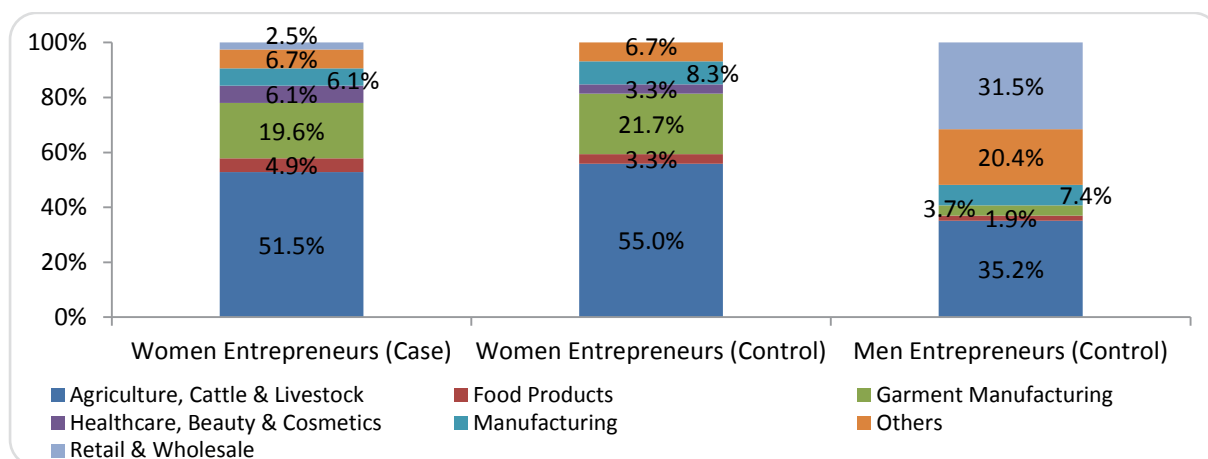
Also, the program is yet to make any headway towards breaking barriers/notions related to the sectors in which women and men entrepreneurs tend to operate. Male entrepreneurs tend to dominate the 'retail & wholesale' sector and 'other services'. Female entrepreneurs tend to focus on the 'agriculture, cattle and livestock' sector, 'garment manufacturing' sector and 'beauty, healthcare and cosmetics' sector. The sector wise spread of women owned businesses associated with the program closely emulates that reported by other women owned businesses. **However, a strong yet significant impact is the fact that 2.5 percent of women entrepreneurs associated with the program reported having stated a business in the retail and wholesale sector. This is a deviation from the age old practice of men owning and managing such stores. It is important to note that these women owned retail and wholesale outlets only cater to women customers. Given that the Afghan society (especially rural landscapes) is still not comfortable with the idea of women interacting with men from outside the family, these shops/outlets have provided women with the ability to act as buyers/customers in the market place. These outlets only cater to women customers and for this reason have gained a certain degree of acceptance in the eyes of the community elders (including religious leaders).**

¹⁹ Total Assets = Fixed Assets + Current Assets + Cash in Hand

²⁰ Change in Total Assets between the current and the previous financial year

²¹ Total Liabilities = Long Term Debt + Current Liabilities

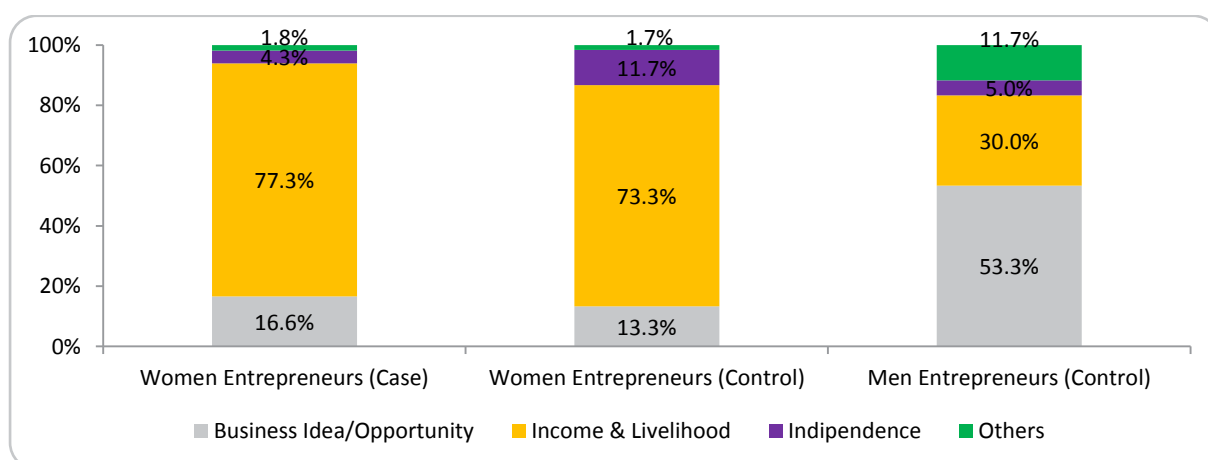
Figure 19: Sector of operation



5.2 Socio-Cultural impact of AREDP's work (especially through EGs) with women entrepreneurs

By providing women entrepreneurs with access to finance through SGs and by supporting their businesses through advisory/training routed through EGs, AREDP has enabled them to realize the objective with which they had wished to establish their ventures/businesses. **Given the lack of economic opportunities for women in Afghanistan (especially in rural economies), micro enterprises and home based enterprises are a means to economic participation and upliftment.** This is made evident by the fact that about 75 percent of the women entrepreneurs (case and control) decided to start a business as they viewed the same as a source of income and livelihood. In comparison, 53.3 percent of male entrepreneurs started their business because they had a business idea or because they had identified a business opportunity. **This economic independence is gradually transforming into changes in the socio-cultural landscape. Male members from their families and the community elders have begun changing their perception of women's role in building the future of the family and community. Their ability to add to the family income has bought with itself a sense of empowerment where they are now an active voice in decision making at the household level (and at a subliminal level at the community level).** They have started participating in decision making related to monthly budget management, purpose for which the family is saving, investment decisions etc. Their family members attribute this change to the fact that they are now earning members of the family. They believe that with this contribution should also come with a say in how the larger pool of family resources is used.

Figure 20: Reasons/Motivation for choosing entrepreneurship as a source of livelihood



As noted earlier, it is clear that women entrepreneurs are earning an average monthly income (4,400 Afghani per month) which is far greater than (3-4 times) the average monthly income being earned by their employees or by their peers engaged in other sources of employment (1,200 Afghani per month). **Given the expenditure and saving patterns for women vis-à-vis men, (as noted in section 4.3) a large portion of this income is expected to make its way to becoming investments in the family and its future (children).** Therefore, AREDP's work towards supporting women entrepreneurship is expected to lead to a large indirect social impact on the lives of their families. Further, the economic and socio-cultural empowerment of these women is expected to help transform the lives of the other women/girls in the family & community.

Providing Women with a Much Needed Source of Livelihood and Employment

Namro is an entrepreneur in the *Dare Noor* district of *Nangarhar*. Fostering an aspiration to be an economically active member of her family who can bring additional income to the table, *Namro* approached the village SG for a loan to setup her own business. *Namro* believes that the absence of such funding would have led to her having to forego her dream.

She said that before the program's inception there were very limited number of employment opportunities for women. Post its inception, a number of women have been able to realize their economic potential by taking an entrepreneurial route to livelihood and employment. In turn, these women owned businesses have created employment opportunities for women. However, she still believes that a more lucrative approach is to setup one's own business as the income/profit from the same far exceeds what one can earn by simply being an employee at a business.

Women EGs and the partnerships that the women entrepreneurs have formed under the same have helped in assembling the women entrepreneurs into a collective voice. Naturally, this collective voice is able to govern greater attention in the market and enables women entrepreneurs to stand out as a distinct group within their community. The women entrepreneurs are able to draw strength and support from the continued economic participation of their peers and this collective has had a greater impact on the community's perception of women as active economic members of society.

Although, the community still continues to view women's economic participation as distinct and separate from men's economic participation; (in terms of sector of operation, profile of employees, profile of suppliers etc.) it has at last begun accepting that there is a need for the same. **While women still rely on the company of male family members while operating in the market (as expected under the cultural practices of the Afghan society), there are an increasing number of incidents where families are allowing women to travel for business purposes without necessarily being accompanied by a male family member. This is especially true when they are travelling with other women entrepreneurs from the community (other EG members) to attend business fares and exhibitions organized under the program.** Herein, the fact that a number of women from the community (of varying age groups) are travelling as a group has allowed the community to deviate from its age old practices/requirements. Although a small step in the direction of complete economic independence, this can be viewed as a considerable achievement.

Developing an Economy which is Sensitive to the Needs of Women

Madina, a woman entrepreneur from the *Bagram* district of *Parwan* symbolizes the program's contribution towards breaking the stereotypes attached to women in business. *Madina* runs a retail store in her village and while this may not seem like a significant achievement the fact that she is one of the first few women to enter into this sector of operation highlights the change that the program has delivered.

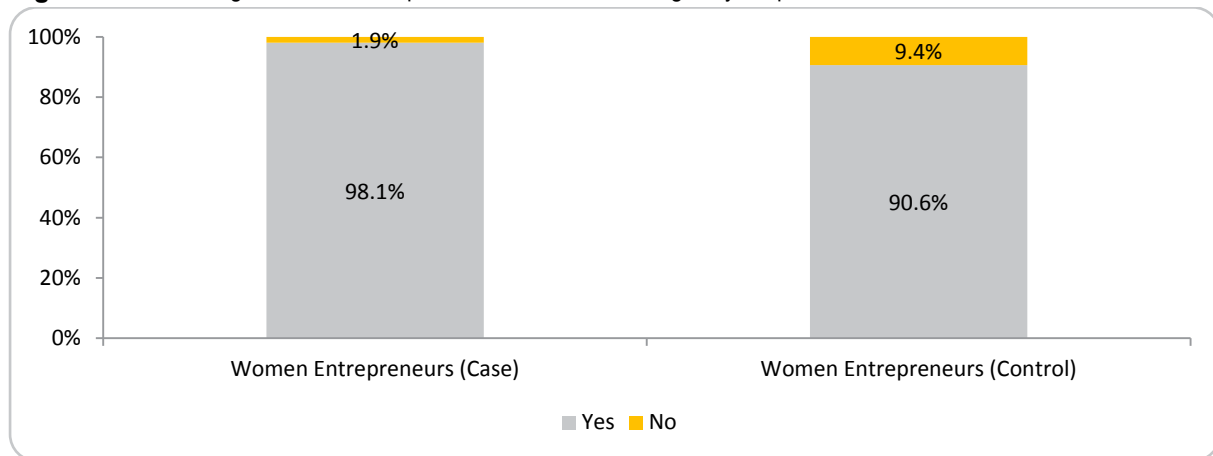
In *Bagram*, almost all the retail stores are owned and run by men and as a result are only visited by men. *Madina's* store is the first of its kind and stocks items and wares required for household consumption and specifically for consumption by women. Being a woman owned and managed premises families from the

village allow women to visit these stores without being accompanied by male members from the family.

So while, there is still segregation in terms of the stores that men and women from the village can visit, *Madina* believes that at least her store provides women from the village to come out of their homes and carry out a purchase on their own.

The program has in a way created a ripple effect, where the act of supporting women who aspire to setup their own business has led to other women developing similar dreams. It is but natural that a number of these women have also realized their dream through the program's support. This ripple effect is validated by the fact that 98.1 percent of the women entrepreneurs associated with the program believe that their peers starting their own businesses was one of the key factors that encouraged to look at entrepreneurship as a source of livelihood. Herein, the desire to be an entrepreneur is not only influenced by the promise of greater economic dividend but also by the high degree of mobility and independence that are attached to it. This ripple effect seems to have also affected the decision of women entrepreneurs who are not associated with the program.

Figure 21: Percentage of women entrepreneurs who were encouraged by the presence of other women owned businesses



5.3 AREDP's impact on employment generation/creation

Apart from supporting the economy/state through creation of economic value and payment of taxes, businesses are a source of employment for the workforce in the economy. **Fostering a culture of micro and home based businesses in rural areas helps in easing the pressure on the agriculture sector (noted for disguised employment) and by doing so helps in improving the wages in both the sectors (as both sectors begin to compete for labor). To some extent, AREDP has been able to usher in a similar environment.** In this regard, the importance of the change/impact can be better appreciated when one internalizes the fact that a number of workers at a micro or home based business belong to the entrepreneur's family. **In case of women entrepreneurs, women/girls from their family are most likely to be supporting her business (full time or part time; sometimes as disguised employment). This can be considered as a very valuable indirect impact of the program as in the absence of this source of employment; these women/girls would have found it difficult to find a source of employment.** The family members tend to quickly accept such a model as it brings additional income to the household while simultaneously adhering to the prevalent socio-cultural values/beliefs. Their comfort is a function of the fact that the business is owned by a woman and more so by a woman from the family. Families receive no criticism for their approval as community elders and religious leaders also approve of the same. It is true that this is not women's economic empowerment in its truest form; yet it is something that needs to be appreciated as it has set in motion a movement towards the same.

The entrepreneurs associated with the program both male and female were noted to be providing employment to an average of two employees. While the male entrepreneurs reported that both of their employees are men; the women entrepreneurs reported that both of their employees are women. Further, the male entrepreneurs reported an average of four male family members supporting their businesses as full time or part time employees. On the other hand, the women entrepreneurs reported an average of four female and two male family members supporting their business as full time or part time employees. The involvement of male family members is only a part time one. They are only expected to get involved in scenarios where women from the family cannot operate independent of their support (such as negotiations in the market, dealing with government officials etc.)

Table 7: Average employment created by businesses

Respondent	Number of Employees	Number of Female Employees	Number of Male Employees	Number of Family - Female	Number of Family - Male
Men Entrepreneurs (Control)	2	0	2	0	4
Women Entrepreneurs (Case)	2	2	0	4	2
Women Entrepreneurs (Control)	1	1	0	2	2

Empowering Families by Empowering Women

A number of women entrepreneurs reported that their daughters, sisters and sister-in-laws are actively helping them with their business. While some of them reported that their family members are employees at the business, others reported them being active in management/operation of the business. While most of the family members are working for free, the women entrepreneurs believe that they still get their due share. They believe that the entire profit from the business gets ploughed back into the family incomes and the same is therefore also used to meet the expenses of the family members who work at their business.

They also believe that the younger girls from the family will benefit greatly from this experience as they would have the background required to start their own business in the future (say post marriage).

Women entrepreneurs reported a strong preference for working with women employees and justified this preference on the grounds that they did not expect male employees to provide them with the kind of support and respect that their female employees do. They said that for a number of their female employees working at women entrepreneur managed businesses was the only source of employment in their village. Gracious for having received such an opportunity, the female employees tend to work with high levels of motivation and efficiency.

The existence of such women owned businesses has opened up employment opportunities for women from their families and community. Usually restricted to the confines of their house, these women employees are gaining access to a life with greater economic independence and a work space where they are able to make friends and build relationships. These interactions between women from the community are gradually knitting them into a collective. This collective has the capacity to evolve into a greater degree of involvement of women in community level decision making. Women entrepreneurs and their employees report having helped each other in times of financial distress. They also discuss family and community affairs (though this facet is in a very nascent stage) and even though they are not able to act on these issues as per their choice, they have tried to take up these issues in their individual households. This has led to a passive change at community level decision making.

In absolute terms, the 9,460 businesses (in the three provinces covered under the study) associated with AREDP are providing employment to approximately 69,000 employees. Businesses owned by women entrepreneurs are providing employment to approximately 49,300 employees (37,000 female employees and 12,300 male employees). In comparison, businesses owned by men entrepreneurs are providing employment to approximately 19,750 male employees.

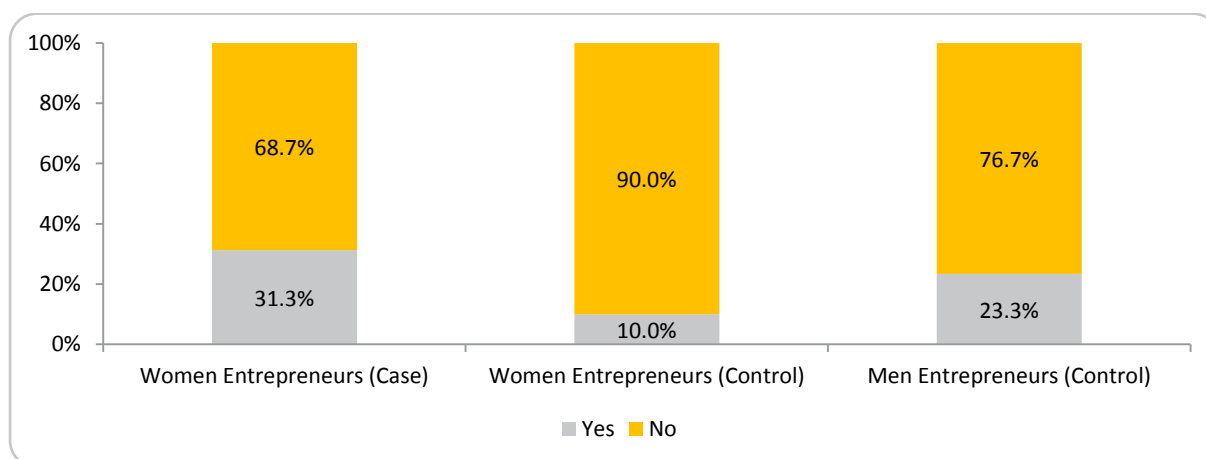
Table 8: Total employment created by the program (direct & indirect)

Respondent	Number of Female Employees	Number of Male Employees	Number of Family - Female	Number of Family - Male	Total Employment Created
Men Entrepreneurs (Control)	0	6,584	0	13,168	19,752
Women Entrepreneurs (Case)	12,336	0	24,672	12,336	49,344

5.4 Creating self-sustaining micro economies

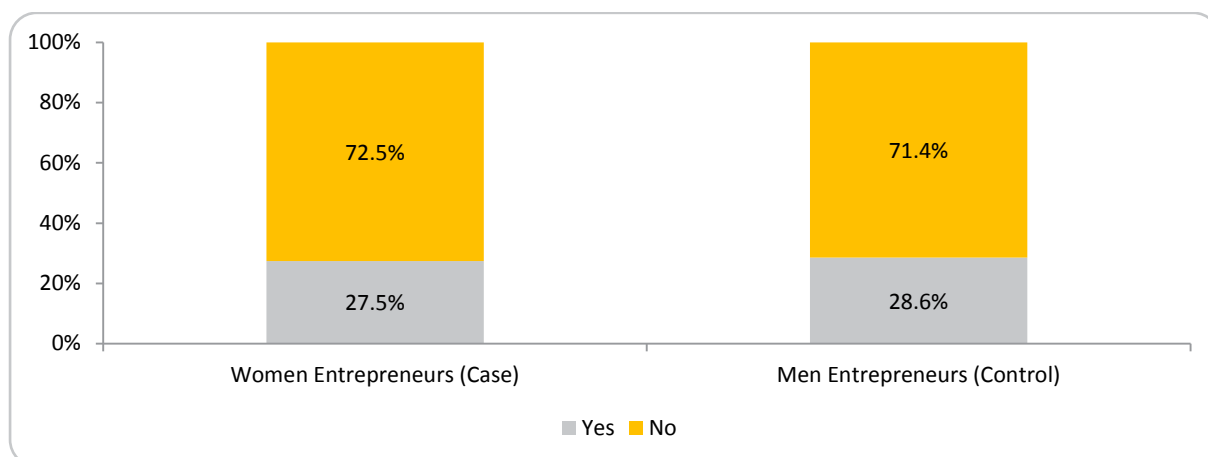
AREDP's efforts towards fostering a culture of entrepreneurship have helped in developing the economy to a stage wherein a number of businesses have matured to the point where they have begun supplying their produce to other businesses. Given that the bulk of businesses (case and control) are operating at the village or district/province level, the aforementioned development is helping in further developing/strengthening the local economies. AREDP's influence and impact on the businesses that are associated with it is made evident by the fact that 31.3 percent of the women owned businesses that have received support under the program are supplying to other businesses. The corresponding figure for women owned businesses which are not associated with the program is much lower and stands at 10 percent.

Figure 22: Percentage of businesses supplying to other businesses



It is also important to note that 27.5 percent (in case of women owned businesses associated with the program) to 28.6 percent (in case of men owned businesses associated with the program) of the businesses that are supplying to other businesses reported that some of their clients also setup their businesses through financial support from SGs (and in many a cases are a part of an EG).

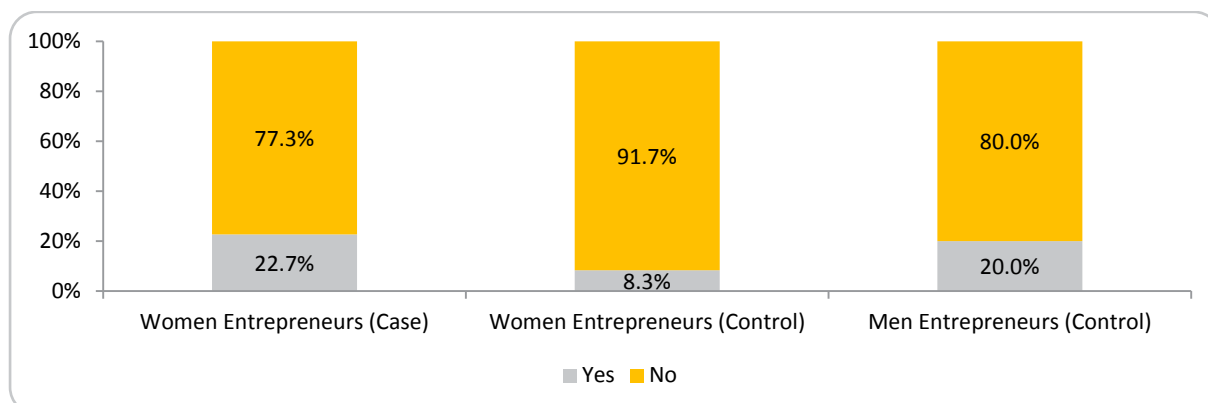
Figure 23: Percentage of businesses supplying to other businesses being supported by the program



5.5 AREDP’s impact on the National Economy

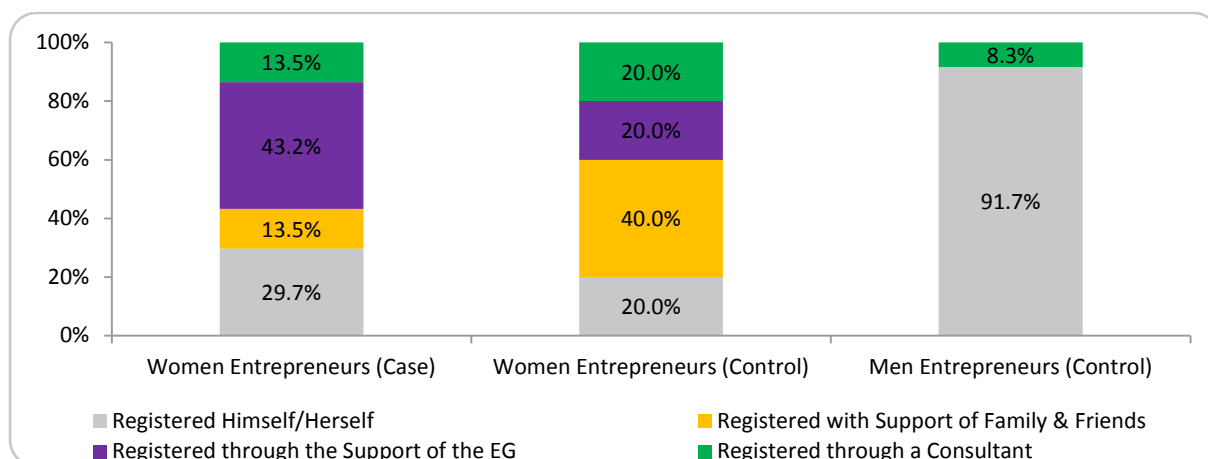
Being a program that is being managed by the Government, AREDP has always strived towards integrating the businesses it supports to the National economy. As a result 22.7 percent of the women owned businesses and 20 percent of the men owned businesses associated with the program are registered at a government institution (corresponding figure for women owned businesses that are not associated with the program stands at a much lower estimate of 8.3 percent). **This is a healthy sign for the economy as a large informal economy contributes much lesser to public accounts (via taxes and government levies).** Further, these businesses being registered on the Government’s map means that they shall be some of the first to be approached for future Government programs/projects that seek to support entrepreneurs in the country.

Figure 24: Percentage of formally registered businesses



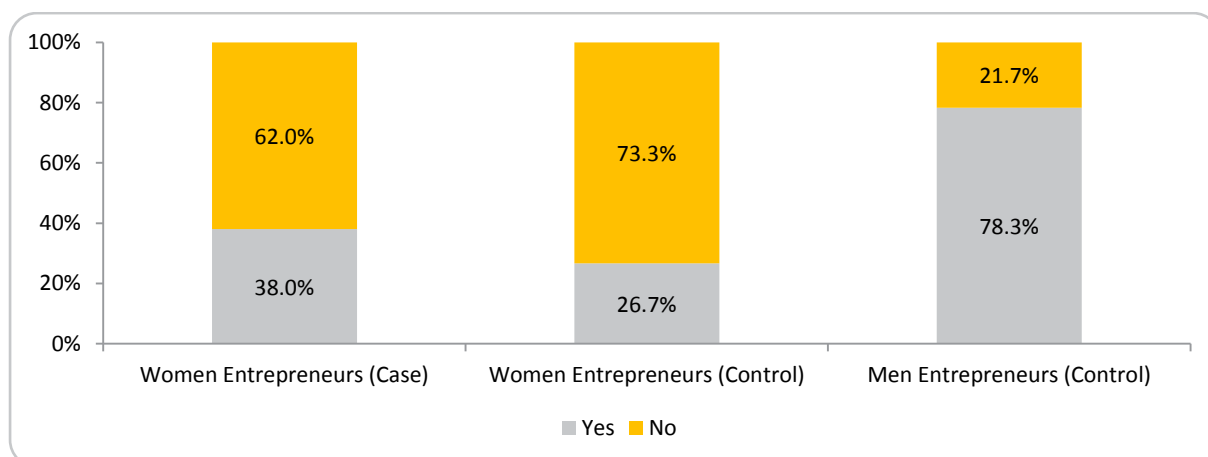
Given the current socio-cultural landscape, women entrepreneurs who wish to register their businesses need to seek help from their male family members. As per the prevalent norms, women try not to approach Government personnel on their own (especially because most of them are men). This landscape is clearly validated by the fact that 60 percent of the formally registered women owned businesses which are not associated with the program sought help from family members when they decided to get their business registered. In this regard, **AREDP has enabled women entrepreneurs to become more independent and 43.2 percent of the formally registered women owned businesses which are associated with the program, registered their businesses through the help and support of the EG that they are a part of.**

Figure 25: Entity/Individual through which/whom the business got registered



AREDP has specific components/trainings which seek to encourage entrepreneurs to maintain a book of accounts (formal or informal). This facet of the program can also be expected to have a far reaching impact on the National economy. **It is expected that as the economy matures, these entrepreneurs would find it more comfortable to acclimatize to Government mandated accounting practices.**

Figure 26: Percentage of businesses maintaining formal book of accounts



The program has already made a significant contribution towards building the Afghan economy. **Businesses supported by the program (through financial support and/or advisory support) added a value of 185.4 million Afghani (USD 3.24 million) to the Afghan economy in the financial year ending 2014.** This contribution coupled with the social impact emanating from the program clearly highlights how valuable it has been for an economy which is trying to evolve to a higher growth trajectory.

Table 9: Value added to the economy by women-owned businesses supported by the program²²

Sector	Value Added to GDP (Afghani)	Value Added to GDP (USD)	Value Added to GDP (USD Million)
Agriculture, Cattle & Livestock	12,03,49,789	21,00,345	2.10
Construction	10,48,938	18,306	0.02
Food Products	42,07,863	73,436	0.07
Garment Manufacturing	1,60,14,096	2,79,478	0.28
Manufacturing	90,07,929	1,57,206	0.16
Retail & Wholesale	91,53,615	1,59,749	0.16
Services	2,56,42,843	4,47,519	0.45
Total	18,54,25,072	32,36,040	3.24

²² For the purpose of this computation, values for investment in various sectors/sub-sectors have been obtained from AREDP MIS. However the complete value of investments made by the entrepreneurs has been used for the computation i.e. funding received from AREDP and funds invested from own sources. This has been done because in the absence of AREDP's support the entrepreneurs would have found it difficult to make the investment (as noted earlier) and also because these investments have been sustained through AREDP's EG group model. These sector/sub-sector wise investment values have been multiplied by relevant sector/sub-sector input-output factors. However given that input-output factors are not available for Afghanistan, factors (aggregate) from Nepal and Bangladesh have been used for the computation. Nepal and Bangladesh were chosen as they were the closest match to Afghanistan in terms of key economic indicators and matrices. The values presented in the table should be considered an approximation and at this point it is hard to conclude whether this approximation should be treated as an understatement or overstatement of the Program's impact on the National economy.

6. Conclusion

The AREDP has made significant in-roads towards creating self-sustaining micro-economies by mobilizing savings and channelizing the same towards productive activities. The businesses that have been setup through the program's support have created valuable employment opportunities for the community and are observed to be making significant contributions towards the National economy.

By building a program that is mindful of the local socio-cultural landscape; MRRD has been able to ensure equal participation from women in the community. The emergence of women entrepreneurs and women owned-businesses has created employment opportunities for women from the community. The program's impact on women in terms of supporting women-owned businesses and in turn creating employment opportunities for women can only be understood once one internalizes the gap between the workforce participation rates and employment rates for men and women. The program has been able to create a ripple effect wherein the emergence of women-owned businesses has and is motivating other women to take an entrepreneurial route to livelihood. Through its business advisory support, trainings, exposure visits etc. the program has helped women-owned businesses in becoming more profitable than their counterparts which are not attached to the program.

While there are still a number of differences between the profile and profitability of men-owned and women-owned businesses, the program has at least been able to initiate movement/reforms in a positive and inclusive direction.

The program is also noted to have had a positive impact on the individuals who are saving at the SGs (especially women SGs). By developing a culture of saving for future consumption and investment, the program has been able to ensure that families are better equipped to deal with income shocks and fluctuations. The emergency reserve fund at each SG has been used by families to deal with unforeseen medical expenditures and instances of loss/theft of assets. The families themselves have started identifying the SGs as an avenue to future prosperity; they are saving funds for future investments in their children's education, for setting up their own businesses and for investment in other productive assets.

However, perhaps the most notable achievement of the program is that it has brought women to the forefront of the economy and has created a role for them in the local micro-economies. The community is observed to have evolved its stand on women's participation in the economy and has started viewing them as members who can bring additional income to their families.

Finally, it is important to note that the program has built itself in the form of a community based model and the same can be considered sustainable post program completion. Further, it has matured the rural micro-economies to the level where they can be considered partially ready for a formal banking system (which would eventually replace a program such as AREDP).

7. Recommendations

- 1. Expanding Business Foot Print:** Most of the businesses are observed to be operating with a catchment area which is restricted to the district in which they operate. One of the reasons behind this observation can be that most of the businesses are operating in the service sector and services are usually considered immovable. However, a number of manufacturing setups are also operating within small catchment areas. AREDP may want to direct efforts towards helping these manufacturing setups in expanding their foot print. An increased footprint would naturally lead to increased sales and revenues and in turn help the businesses graduate to a larger scale of operation. In this regard, AREDP may want to create a repository of manufacturing setups it is currently supporting, certify the quality of their produce and subsequently provide the repository/directory of quality certified manufacturers to larger businesses and trade houses.
- 2. Dedicated Business Advisory Support:** The bulk of the current advisory being provided under the program is directed towards improving margins through healthy sales and marketing practices. However, there is still a possibility to improve upon margins from the cost side of the business. These cost side factors are expected to vary from business to business and AREDP may want to identify groups/sets of businesses with common training needs and develop modules that seek to help entrepreneurs in reducing the business input costs.
- 3. Increased Focus on Manufacturing:** As of today, the bulk of entrepreneurs/businesses supported by the program operate in the manufacturing sector. The manufacturing sector is noted to add the highest value to an economy and creates far more employment opportunities than service sector operations. AREDP may want to explore the idea of greater subsidy and support to prospective entrepreneurs who wish to establish manufacturing businesses.
- 4. Brining Businesses into the Formal Mainframe:** A number of businesses being supported by the program continue to operate as informal setups and this means that they are likely to be left out of future Government initiatives and programs. These businesses would also find it difficult to become supplier to other larger businesses (as the economy matures). AREDP may want to step up its efforts towards registering these businesses with the relevant Government departments.
- 5. Attracting Higher Quantum of Savings:** Given the income fluctuations reported by the women and men saving at SGs, AREDP may want to explore saving instruments through which it can attract additional savings (higher than the monthly average) during months when families are able to earn higher than average income. These instruments would no doubt have to provide a return (quantitative or qualitative) which is over and above that provided for the regular monthly savings.
- 6. Revision of Training Curriculum and Content:** The current set of trainings that the program is providing to the entrepreneurs is observed to have been effective and delivered its intended impact. However, going forward, AREDP may want to consider additional training modules that could help entrepreneurs in growing their businesses. Further, as per the training staff in the provincial offices,

there is a need to adapt the training into pictographic and audio-visual material. A large number of entrepreneurs who are expected to benefit from the trainings are illiterate and are not able to necessarily derive full value from the trainings.

7. **Reserve Fund for Children's Education:** Education is considered as a mechanism through which an individual is able to transform himself or herself into human capital. This human capital is considered the primary driver of an economy. These educated individuals are expected to make for better entrepreneurs and employees. Therefore, as a long term strategy and given the need for capital for social investments, AREDP may want to consider advising SGs to set aside a small reserve that SG members can use for investing in their own or their children's education.



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