



# GENDER ALERT ON COVID-19 AFGHANISTAN



July 02, 2020



## Issue XI: The Impact of COVID-19 on Women's Economic Empowerment – Women Entrepreneurship and Beyond

Following the previous Gender Alerts,<sup>1</sup> UN Women issues this eleventh alert to continue to highlight the gender specific impacts of COVID-19 in Afghanistan. This alert builds upon the fourth alert on the implications of COVID-19 on the already high burden of care and unpaid domestic labor responsibilities that women experience in Afghanistan. This alert provides a closer examination of the state of women's entrepreneurship in Afghanistan and the potential impact of COVID-19 on the future of women's entrepreneurship. It continues to underscore the ways in which women's economic disparity, including as it impacts the possibilities for entrepreneurship, represent an expression of existing gender inequalities and lack of realization of women's human rights, including the right to work, the right to education, the right to healthcare and more. It encompasses the overarching gendered impacts as described in previous alerts, but also outlines how the impact of COVID-19, including through broader impacts on Afghanistan's economy, may entrench inequalities in key areas to ensuring women's success as entrepreneurs, including access to financing, lessened demand, disrupted supply chains, increased vulnerabilities, lack of social safety nets and increased domestic or care burden across all women's lives.

The alert concludes with a set of recommendations for consideration by national and international stakeholders to engage long-term strategies to promote women's entrepreneurship in Afghanistan and ensure that the gains made in investments and support to women's entrepreneurial leadership in Afghanistan are not lost. The alert draws upon recent observations and recommendations highlighted in the Secretary-General's report on Gender and COVID-19. It also draws upon specific recommendations for Afghanistan made by the Afghanistan Women's Chamber of Commerce in its recent surveying of 110 businesswomen from nine provinces. UN Women Afghanistan is committed to supporting the Government of Afghanistan, the United Nations, and international and national partners to recognize and invest in women's entrepreneurship, including through its young women entrepreneurs' program.

### CONTEXT & EMERGING GENDER IMPACTS

Entrepreneurship across countries and contexts is an important driver of economic development and social change. It is not only a way in which economies grow and

<sup>1</sup>UN Women Afghanistan's Series of Gender Alerts for Afghanistan on the Impact of COVID-19 are available online. <https://asiapacific.unwomen.org/en/digital-library/publications/2020/06/gender-alerts-on-covid-19-in-afghanistan-series>.

individuals thrive, but it is also a tool for economic survival in times of economic hardship. When jobs are scarce, for example, entrepreneurship can fill that gap and create trickle down opportunities for individuals and communities, particularly for women.<sup>2</sup> Globally, however, gross gender imbalances in the realization of economic rights for men and women remain, alongside gross disparities in access to entrepreneurial opportunities. Not only are women less likely than men to have access to financial instruments and institutions or have a bank account,<sup>3</sup> but women are also less likely to be entrepreneurs and face more disadvantages starting businesses. In 40% of economies, women's early stage entrepreneurial activity is half or less than half of that of men's.<sup>4</sup> Women, however, continue to own and lead up to one third of all businesses operating in the formal economy worldwide, and millions more run small informal enterprises in developing economies. This is despite the barriers they face, including discrimination, harassment, taking on most domestic responsibilities, and the persistent gender pay gap. As economies adapt and innovation takes root in response to COVID-19, the transferred energy towards "digital innovation" or "low touch" economies also threatens to negatively impact or overwhelmingly leave women behind. Simply stated, the digital divide remains a gendered one with most of the 3.9 billion people who are offline being in rural areas, poorer, less educated and tend to be women and girls.<sup>5</sup> In addition, these dynamics are the overlay to more fundamental challenges for women, who, prior to the pandemic, already undertook three times as much unpaid care and domestic work as men. The reality is that small businesses, including those run by women and young entrepreneurs, are being hit hardest by the economic fall-out of the pandemic. Unprecedented lockdown measures enacted to contain the spread of the coronavirus have resulted in supply chain disruptions and a massive drop in demand in most sectors.

The story women entrepreneurs overwhelmingly tell about their businesses and motivation in Afghanistan and around the world is often less about personal financial gain and more about purpose-driven business with social missions, as well as aims of economic independence and fulfillment.<sup>6</sup> The Sustainable Development Goals are only achievable with the full and equal participation of women, including women as businesspeople and entrepreneurs. Gender inequality not only prevents the full realization of women's human rights but results in a high cost and impact on the whole of communities' wellbeing. For example,

according to the World Bank's latest research on the subject, if "women had the same lifetime earnings as men, global wealth could increase by \$160 trillion—an average of \$23,620 per person—in 141 countries."<sup>7</sup> Fortunately, women as business leaders and entrepreneurs is rising globally and women are advancing innovation and business across the full range of economic and social activities.

In Afghanistan, over the last several decades much investment and progress has been made towards increasing women's economic empowerment. However, gender norms and cultural expectations still limit women and girls' access to education and work. Many women are still not allowed to go to school and to work outside the home, as education for girls is not valued or permitted and women and girls are expected to dedicate their life to unpaid care and domestic labor. In Afghanistan, only 15% of women are literate compared to 49% of men.<sup>8</sup> Harmful social norms and lack of access to education leading to widespread illiteracy and limited rights to work constitute significant barriers to women's economic empowerment. As a result, according to 2019 World Bank data, women's participation in the labour force remains low at only 22%.<sup>9</sup>

Still only three per cent of registered enterprises are women-owned and run.<sup>10</sup> According to the Afghanistan Women's Chamber of Commerce & Industry (AWCCI), most of 1500 registered women-owned businesses in the AWCCI database are micro-, small, and medium sized.<sup>11</sup> Just as in the rest of the world, these enterprises are the most vulnerable amidst the challenges posed by COVID-19. For women-owned and run businesses the baseline impacts such as lack of sales, disruption of supply chains, and lack of infrastructure to meet personal protection needs are added to the gender-specific risk factors that leave women with disparate access to financing, access to digital technology, discrimination and harassment, lack of essential services, and heavy increases in domestic care and unpaid labor. The increase in unpaid domestic and care work will impact women's time, focus, effectiveness and productivity the most. Importantly, access to business ownership for women in Afghanistan also remains an elite venture, with most women who own and run businesses obtaining higher education and coming from urban centers. Therefore, the unseen cost also lies with those young women and newly aspiring women and young women entrepreneurs in urban centers and rural settings, as economic costs impact the overall environment and the viability of

<sup>2</sup>Global Entrepreneurship Monitor (2017). GEM 2016/2017 Women's Entrepreneurship Report. Women's Entrepreneurship Report. <https://www.gemconsortium.org/report/49860>.

<sup>3</sup>While 65 per cent of men report having an account at a formal financial institution, only 58 per cent of women do worldwide. Demirguc-Kunt, et. al., The Global Findex Database 2014: Measuring Financial Inclusion around the World. Policy Research Working Paper 7255. (Washington, D.C., World Bank, 2015). <http://documents.worldbank.org/curator/en/187761468179367706/pdf/WPS7255.pdf>

<sup>4</sup>Global Entrepreneurship Monitor (2017). GEM 2016/2017 Women's Entrepreneurship Report. Women's Entrepreneurship Report. <https://www.gemconsortium.org/report/49860>

<sup>5</sup>E/CN.6/2018/3. <http://undocs.org/E/CN.6/2018/3>.

<sup>6</sup>Ibid, note 4.

<sup>7</sup>Unrealized Potential : The High Cost of Gender Inequality in Earnings, World Bank (2018), available here: <https://openknowledge.worldbank.org/handle/10986/29865>.

<sup>8</sup>Central Statistics Organization/Afghanistan, Ministry of Public Health/Afghanistan, and ICF (2017). Afghanistan Demographic and Health Survey 2015.

<sup>9</sup>World Bank (2019). Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate) – Afghanistan. Accessed on 30 June 2020.

<sup>10</sup>Latest official figures available from Afghanistan Women's Chamber of Commerce & Industry (AWCCI).

<sup>11</sup><http://awcci.af/wp-content/uploads/2018/07/AWCCI-Research-Paper-Factors-Affecting-Womens-Businesses-Print-Layout-V2-Pages-Low-Res.pdf>.

entrepreneurship and access to support from donors and financial institutions.

Despite these many challenges, women business owners have also contributed massive efforts towards innovative responses and contributions to the COVID-19 response, as well as to preserve the continuity and long-term success of their businesses. This includes the young women who led the way, making international headlines for the transformation of old car parts into ventilators, to women-run businesses producing personal protective equipment for health professionals, transitioning despite the challenges to online classes and sales by using low-bandwidth platforms such as Facebook, or undertaking extra efforts for home delivery.<sup>12</sup> If the international and national community is to effectively respond to the emerging COVID-19 specific needs of women entrepreneurs, investment will also need to be made in long-term strategies to address the underlying gender inequality and discrimination that exacerbate the challenges faced during the pandemic. This includes access to financial recovery packages, credit and unemployment benefits, and beyond.<sup>13</sup>

## SPECIFIC AREAS FOR ATTENTION

### Gender Inequality and its Impact on Women Entrepreneurship in Afghanistan through Unequal Access to Infrastructure

In Afghanistan and around the world, women face significant barriers that hinder their opportunities to become entrepreneurs and business owners. Laws and discriminatory social norms often prevent women's physical and equal access to credit and control of assets not only among communities, but from financial institutions. In addition, there are often few available opportunities to build credit history, gender-specific barriers to proving identity<sup>14</sup> and social restrictions on travel outside of the home may prevent physical access to financial institutions. Gender discrimination, with women being seen as less capable, is also creating additional barriers for women entrepreneurs to access credit and support. These factors contribute to

an uneven playing field for women seeking to become entrepreneurs. For example, when “women face greater difficulty obtaining a national ID card, they are on average less likely to borrow from a financial institution.”<sup>15</sup> Women entrepreneurs, therefore, during COVID-19, are grappling with existing and newly entrenched gender inequality and lack equal and sufficient access to the precise support needed – access to credit – that will enable their businesses to thrive.<sup>16</sup> In addition, lockdown measures have heightened restrictions on movement, increased domestic and unpaid care and labor, and resulted in spikes in domestic violence, which further limit women's capacity to manage and develop their businesses.

In Afghanistan, although much legal reform and progress has been made on women's equality before the law, including for women entrepreneurs, more work remains. According to the World Bank's Women, Business and the Law Database, as of 2019, Afghanistan's law does not prohibit discrimination in access to credit based on gender. However, women can sign their names on contracts,<sup>17</sup> can register their businesses,<sup>18</sup> and open a bank account.<sup>19</sup> At a more fundamental level, women cannot choose where to live on an equal basis to men<sup>20</sup> or travel outside their homes in the same way as men.<sup>21</sup> Irrespective of the law, social and community constraints on behavior can also create barriers to women's realities across each of the above areas.

### Women & Micro-, Small and Medium Enterprises

As the United Nations moves on from the recent observance of the Global Day for Micro-, Small and Medium-sized Enterprises (MSME) on 27 June, one thing has become increasingly clear – small business, including those run by women are being hit hardest by the COVID-19 pandemic. These types of businesses not only employ more women and vulnerable sectors of the workforce, but are also most vulnerable during COVID-19, as they are often the only source of employment and lack access to financing or flexibility in margins. This is in addition to those broad considerations, challenges, barriers, and discrimination that are present for women

<sup>12</sup>For more information, see AWCCI's latest report available here: <http://awcci.af/wp-content/uploads/2018/07/AWCCI-Research-Paper-Factors-Affecting-Womens-Businesses-Print-Layout-V2-Pages-Low-Res.pdf>.

<sup>13</sup>Industries post-COVID-19: A gender-responsive approach to global economic recovery, UNIDO (May 2020). <https://iap.unido.org/articles/industries-post-covid-19-gender-responsive-approach-global-economic-recovery>

<sup>14</sup>Banking on Change: Enabling Women's Access to Financial Services, CGAP (2015). <https://www.cgap.org/blog/banking-change-enabling-womens-access-financial-services>. In addition, the CEDAW Committee has recently noted continue concern for women's difficulty in obtaining identification owing to “lack of security, restrictions imposed by male family members, limited mobility or the lack of financial means” in Afghanistan. CEDAW/C/AFG/CO/3.

<sup>15</sup>Ibid. note 12.

<sup>16</sup>COVID-19 requires gender-equal responses to save economies, Isabelle Durant, Deputy Secretary-General, and Pamela Coke-Hamilton, Director, Division on International Trade and Commodities, UNCTAD (April 2020). <https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2319>

<sup>17</sup>Civil Code of the Republic of Afghanistan, Art. 39. The full data set is available from the World Bank here: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_rb?economyFilter=afghanistan](https://wbl.worldbank.org/en/data/exploretopics/wbl_rb?economyFilter=afghanistan).

<sup>18</sup>Commercial Law, Arts. 4 and 8. The full data set is available from the World Bank here: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_rb?economyFilter=afghanistan](https://wbl.worldbank.org/en/data/exploretopics/wbl_rb?economyFilter=afghanistan).

<sup>19</sup>Commercial Law, Art. 4. The full data set is available from the World Bank here: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_rb?economyFilter=afghanistan](https://wbl.worldbank.org/en/data/exploretopics/wbl_rb?economyFilter=afghanistan).

<sup>20</sup>Civil Code of the Republic of Afghanistan, Arts. 115, 117 and Art. 122(3). The full data set is available from the World Bank here: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_rb?economyFilter=afghanistan](https://wbl.worldbank.org/en/data/exploretopics/wbl_rb?economyFilter=afghanistan).

<sup>21</sup>Civil Code of the Republic of Afghanistan, Art. 122(1). The full data set is available from the World Bank here: [https://wbl.worldbank.org/en/data/exploretopics/wbl\\_rb?economyFilter=afghanistan](https://wbl.worldbank.org/en/data/exploretopics/wbl_rb?economyFilter=afghanistan).

entrepreneurs more generally as noted above. According to the International Council for Small Business (ICSB), these types of businesses account for 70% of total employment and 50% of GDP, globally.<sup>22</sup>

MSMEs are the most vulnerable in Afghanistan. Women-run MSMEs, however, face distinct challenges including limited capacity to absorb the socio-economic shock caused by the health crisis because they have less inventory, fewer clients, fewer savings and more limited access to credit than larger companies.<sup>23</sup> This is particularly challenging for self-employed women, including food stores and tailoring services. For local economic development and prosperity, small and medium enterprises play a huge role. In Afghanistan, these types of enterprises comprise 85 per cent of Afghanistan's total enterprises.<sup>24</sup> This equals half of Afghanistan's GDP and more than one third of the labor force.<sup>25</sup>

### **Potential to impact women's employment and to cause a "permanent exit" from formal economy**

In Afghanistan, as in many countries, the gains made for women's participation in the formal economy remain fragile.<sup>26</sup> The same is true for women-led businesses and women entrepreneurs. There is increasing concern among international and national stakeholders, that even women in the formal sector where progress towards their leadership, participation and inclusion has taken place over the last two decades, will be negatively impacted by the economic repercussions of COVID-19. At signs of economic downturn from early 2000s onwards, there have been repeated calls from national and international actors and other partners to invest in women's entrepreneurship, which remains fragile in Afghanistan.

Already present and now exacerbated economic and social pressures, including new unpaid care and labor demands, that come alongside the COVID-19 pandemic could cause a "permanent exit" for women from the formal economy.<sup>27</sup> Women, whether already in the formal economy have already seen increased burdens of caretaking for children, family members, and their homes with school closings, confinement and lack of access to essential services.<sup>28</sup> Some trends are suggesting that they may also be disproportionately affected by cuts and lay-offs. Such impacts risk rolling back the already fragile gains made in female labor force participation, limiting women's ability to

support themselves and their families. Limited opportunities for economic independence also mean that it is further preventing women from leaving violent relationships. Among the many risks that must be monitored and responded to are the experiences of women entrepreneurs whose businesses close or women who have entered the formal labor market and are now facing job loss, layoff, and other challenges that threaten their employment, specifically disproportionate layoffs and increased unpaid care and domestic labor demands.

### **Ensuring women benefit from COVID-19 economic recovery programs, alongside post-conflict economic recovery programs**

Engaging women and women's rights and labor advocates is the only way to ensure that COVID-19 recovery programs adequately respond to the needs of women and are designed in ways that ensure they are accessible to them. Social protection and fiscal responses are more effective when the gender dimensions of the crisis itself, its long-term impacts, and the potential dynamics around the response are considered.<sup>29</sup> Not only is it essential to recognize the disparities of experiences, but to also recognize the realities that women face when trying to access economic recovery programs, either due to social, cultural, or functional limitations on movement, but also in terms of accessibility across a range of intersectional experiences, such as age, ability, location, social status, and more. They must also incorporate sex disaggregated data.<sup>30</sup> This is particularly true in countries impacted by conflict. Post-conflict economic recovery programs may also be relevant and simultaneously under development. Both types of economic recovery work in countries affected by conflict, such as Afghanistan, and are critical opportunities to ensure that women are equal beneficiaries in the reinvestment that comes along with efforts towards peace.

### **RECOMMENDATIONS:**

The following preliminary recommendations reflect an overall need for national and international stakeholders to foster the protection and promotion of the progress made towards more equal access to entrepreneurial opportunities for women as business leaders and innovators. This includes investing in analysis to understand the needs and contributions of women as entrepreneurs and identify

<sup>22</sup>Supporting small businesses through the COVID-19 crisis, United Nations (June 2020) <https://www.un.org/en/observances/micro-small-medium-businesses-day>. See also, Hope for Afghanistan's Women Entrepreneurs, Asia Foundation (2013). <https://asiafoundation.org/2013/08/07/hope-for-afghanistans-women-entrepreneurs/>.

<sup>23</sup>UN Women (2020). Guidance Note for Action: Supporting SMEs to Ensure the Economic COVID-19 Recovery is Gender-Responsive and Inclusive.

<sup>24</sup>Small and Medium Enterprises Development and Regional Trade in Afghanistan. AREU (2014). <https://areu.org.af/wp-content/uploads/2016/02/1401E-Small-and-Medium-enterprises.pdf>.

<sup>25</sup>University of Central Asia (2014). Small and Medium Enterprises Development and Regional Trade in Afghanistan.

<sup>26</sup>UN Women, Gender-Responsive Prevention and Management of the COVID-19 Pandemic: From Emergency Response to Recovery & Resilience (27 March 2020).

<sup>27</sup>World Bank, Gender Dimensions of the COVID-19 Pandemic (16 April 2020).

<sup>28</sup>UN Women, The First 100 Days of COVID-19 in Asia and the Pacific (2020), pp. 18.

<sup>29</sup>UN Secretary-General's policy brief: The impact of COVID-19 on women (9 April 2020).

<sup>30</sup>Ibid.

what type of support is most needed,<sup>31</sup> as well as making long-term investments in the provision and protection of women and girls, including and especially rural women and girls' rights. All components of COVID-19 economic relief and recovery should consider the ways in which women-owned and run businesses can be supported.

1. Ensure that all economic recovery packages and social protection plans, including for immediate relief, and long-term economic growth work are directly aimed at women entrepreneurs and women-run MSMEs and include gender-responsive measures to address the needs and specific constraints of women in the formal and informal sectors and women entrepreneurs, taking into account unpaid care by women.<sup>32</sup> This can include debt relief, access to credit, and support related to care and domestic work.
2. Consider rapid grant, cash-transfers and loan programmes directed towards women entrepreneurs and initiatives that seek to protect and promote rural women's rights during COVID-19 to ensure continued and increased investment in rural women and girls' access to education, health care, clean water, sanitation and other basic services.<sup>33</sup>
3. Integrate concrete gender analysis into the planning, development, and delivery of social protection measures and ensure that they reach women in the formal and informal sector and women engaged in unpaid care and domestic labor.
4. Ensure gender expertise and meaningful participation and engagement of women in all decision-making processes for COVID-19 economic recovery measures. This includes consulting with women on the ways in which barriers that prevent full involvement of women in economic activities can be addressed, equal pay and equal opportunities can be advanced, social protection schemes that factor in existing biases can be remediated, and financing for women entrepreneurs and mechanisms to promote women's self-employment can be invested in.<sup>34</sup>
5. Address the gender discriminatory laws, policies, and practices that prevent women's access to and control of financial services, land ownership, and other assets and consider the long-term investments across the life cycle of women and girls that need to be made to promote women's economic empowerment and access to entrepreneurship opportunities. This extends to access to education, work, health, essential services and more.

6. As COVID-19 economic recovery packages are planned, consider how gender discriminatory laws, policies, and practices can be addressed at all levels to build back in a way that better serves women in the economy, including through innovative and gender-responsive approaches for banks to create opportunities to improve women's access to financial services by reaching women where they live and work. This includes, assistance for large and medium-sized enterprises, but also micro- and small businesses.<sup>35</sup>
7. Analyze the gendered impacts of job loss and business closure in Afghanistan to assess the impact of the COVID-19 pandemic on women in the formal economy and women entrepreneurs to ensure that gains made can be preserved and built upon.
8. Promote training, leadership and mentorship programmes for women-run MSMEs and women entrepreneurs, including information and tools to respond and recover to the COVID-19 crisis. This can include re-skilling to meet current demands related to health needs (for instance personal protective equipment and medical supplies).<sup>36</sup>
9. Undertake specific initiatives to "expand the scope and scale of rural women's entrepreneurship, the focus of which is mainly on traditional micro-level and home-based activities" and enhance involvement of rural women in decision-making.<sup>37</sup>

<sup>31</sup><https://iap.unido.org/articles/industries-post-covid-19-gender-responsive-approach-global-economic-recovery>

<sup>32</sup>UN (2020). Shared responsibility, global solidarity: Responding to the socio-economic impacts of COVID-19.

<sup>33</sup>CEDAW/C/AFG/CO/3 (2020).

<sup>34</sup>UN Secretary-General's policy brief: The impact of COVID-19 on women (9 April 2020), page 5.

<sup>35</sup>UN Secretary-General's policy brief: The impact of COVID-19 on women (9 April 2020).

<sup>36</sup>UN Women (2020). Guidance Note for Action: Supporting SMEs to Ensure the Economic COVID-19 Recovery is Gender-Responsive and Inclusive.

<sup>37</sup>CEDAW/C/AFG/CO/3 (2020).