

Case study

Mobilizing private capital for MSMEs in Afghanistan



Catalysing growth & women's economic empowerment through a blended finance platform that unlocks capital for Afghan MSMEs and drives inclusive market transformation.



CREDIT GUARANTEE FUND AFGHANISTAN



The First MicroFinanceBank
اولین بانک قرضه های کوچک



غزنیفر بانک
GHAZANFAR BANK



OXUS



Background

Micro, small, and medium enterprises (MSMEs) are the backbone of Afghanistan's economy, accounting for over 80% of total employment. They provide livelihoods, drive entrepreneurship, and foster resilience in one of the world's most fragile contexts.

However, the country faces significant macroeconomic challenges, including prolonged political instability, high inflation, currency volatility, limited fiscal space, and disrupted trade flows — all of which have weakened private sector growth and financial sector stability. Against this backdrop, access to finance remains severely constrained, with women-owned businesses facing the highest barriers to credit.

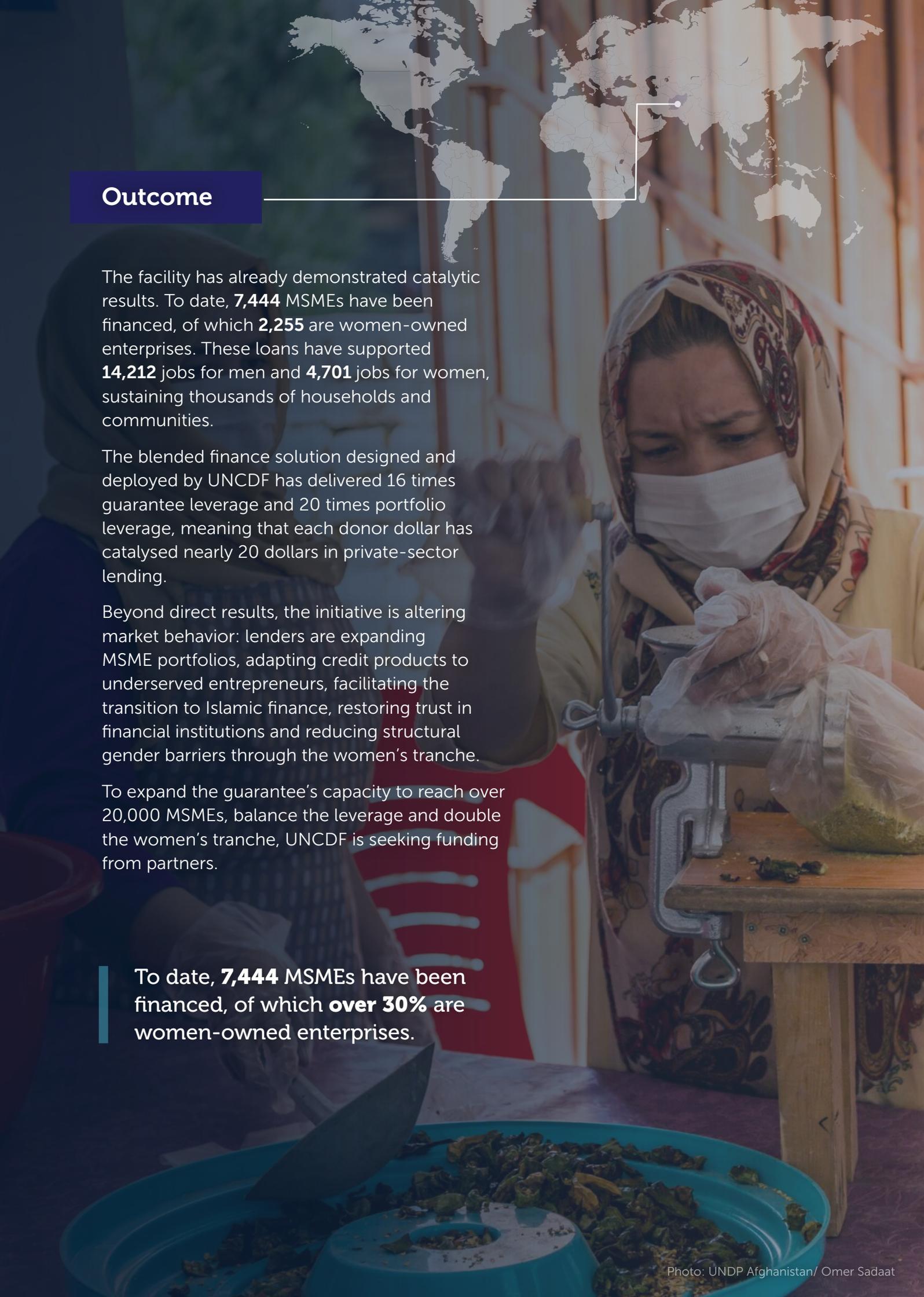
Financial institutions in Afghanistan perceive MSMEs as too risky and lack tailored products, particularly for women and informal enterprises. As a result, Afghan MSMEs are unable to access the capital they need to recover, grow, and contribute to inclusive economic transformation. Closing this financing gap is essential for stability, job creation, and resilience in Afghanistan.



Development finance solution

In partnership with the United Nations Development Programme (UNDP), UNCDF has introduced a Portfolio Guarantee Facility to derisk lending and unlock private capital for MSMEs across the country. The facility is designed as a blended-finance instrument that shares risk with multiple financial institutions, re-guaranteed through the Afghanistan Credit Guarantee Fund (ACGF). It includes a dedicated tranche for women-owned and women-led MSMEs, ensuring that gender inclusion is embedded at the core of the mechanism.

By being fully integrated with UNDP's broader recovery and resilience programming, the facility is complemented with technical assistance and business acceleration services, enabling both entrepreneurs and financial institutions to strengthen capacity, adopt Shariah-complaint products and expand digital loan disbursement and repayment channels. Partner institutions include OXUS a micro-finance initiative, First MicroFinance Bank-Afghanistan (FMFB), and Ghazanfar Bank, which together are catalysing a systemic shift in how MSMEs are financed in Afghanistan.



Outcome

The facility has already demonstrated catalytic results. To date, **7,444** MSMEs have been financed, of which **2,255** are women-owned enterprises. These loans have supported **14,212** jobs for men and **4,701** jobs for women, sustaining thousands of households and communities.

The blended finance solution designed and deployed by UNCDF has delivered 16 times guarantee leverage and 20 times portfolio leverage, meaning that each donor dollar has catalysed nearly 20 dollars in private-sector lending.

Beyond direct results, the initiative is altering market behavior: lenders are expanding MSME portfolios, adapting credit products to underserved entrepreneurs, facilitating the transition to Islamic finance, restoring trust in financial institutions and reducing structural gender barriers through the women's tranche.

To expand the guarantee's capacity to reach over 20,000 MSMEs, balance the leverage and double the women's tranche, UNCDF is seeking funding from partners.

To date, **7,444** MSMEs have been financed, of which **over 30%** are women-owned enterprises.

At a glance

Mobilizing private capital for MSMEs in Afghanistan

Portfolio guarantee facility

Re-guarantee through the Afghanistan Credit Guarantee Fund (ACGF)

Partner financial institutions

ACGF, OXUS, FMFB, Ghazanfar Bank

MSMEs financed

7,444
(including **2,255** women-owned MSMEs)

Jobs created

14,212 jobs for men
4,701 jobs for women

Guarantee leverage

16x

Portfolio leverage

20x

Private capital leveraged

\$1 ~ **\$20**
donor = private-sector lending

Partners

UNCDF, UNDP

Target groups

MSMEs nationwide, with a dedicated tranche for women entrepreneurs

Timeline

2021 – present
(with potential for scale-up)

About

UN Capital Development Fund

United Nations Capital Development Fund (UNCDF) mobilizes and catalyses an increase in capital flows for impactful investments in high-risk markets, especially in Least Developed Countries, Small Island Developing States and countries in special situations. By crowding in capital through the deployment of risk-absorbing financial instruments, mechanisms and structuring advisory, UNCDF contributes to job creation, sustained economic growth and equitable prosperity in more than 70 countries.

In partnership with UN entities and development partners, UNCDF operates with speed and agility to deliver scalable, blended finance solutions to drive systemic change and pave the way for commercial finance and scale up by development finance institutions and multilateral development banks.

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Contact

More information:

Ahmad Shakir Wali
(ahmad.shakir.wali@uncdf.org)

Perna Saxena
(perna.saxena@uncdf.org)

Media enquiries:

Erika Antoine-Souklaye
(erika.antoine@uncdf.org)

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