



ANNUAL REPORT 2015

AFGHANISTAN MICROFINANCE ASSOCIATION



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AMA Progress Review

2005-2010

The Start: AMA was established in May 2005, as the national network of MFIs in Afghanistan.

AMA was housed in an MFI with few resources and limited activities.

- Registered in 2007 with Ministry of Justice.
- Became member of South Asian Microfinance Network.
- Trained over 800 MFI staff.
- Published newsletters and articles.

2011-2012

Rejuvenation: AMA revived through support from USAID's FAIDA project and continued support from MISFA. Started anew with new vision.

- New management, staff, governance and office.
- Expanded membership.
- Expanded activities into provinces.
- Sector coordination: CEO Coordination Meetings, CSPI Forum, Development Finance Working Group Meetings.
- Knowledge Management: sector update reports, training needs assessment, newsletter, website.
- Lobbying and Advocacy: Program and Legal Awareness Meetings and Regional Coordination Meetings.
- Capacity Building: peer learning workshops, Pakistan Microfinance Network study tour.
- Membership in SEEP Network.
- 169 MFI staff capacities enhanced.

2012

Establishment: AMA established itself as the true representative of the development finance sector and gained trust and credibility among its members, donors and stakeholders.

- Diversified its membership base- 8 new memberships.
- Initiated transition of responsibilities from MISFA to AMA - took over responsibilities of two coordination hubs.
- Signed partnership agreement with MIX market.
- Launched CSPI forum in Kabul and extended to Balkh province.
- Conducted the first Salary Survey.
- Developed Communication Strategy and Branding guidelines.
- Partnership with UN Habitat - trained 670 community banks leaders and staff.
- Scholarships- awarded 6 scholarships for international trainings and conferences.

2013

Strengthening: After full establishment in 2012, AMA focused on strengthening its infrastructures and systems.

- Launched MicroView online application; published 3 MicroView reports.
- Drafted Code of Conduct for the Development Finance Sector of Afghanistan.
- Signed MOU with MISFA on transition of responsibilities from MISFA to AMA.
- Developed AMA communication strategy 2013-2014.
- Led coordination of stakeholders in the Eastern region.
- Participated and represented Afghanistan's development finance sector in international events, including the SEEP conference in the United States, and the India Microcredit Summit.
- Expanded AMA membership to 15, with three new members this year.
- Initiated SME loan verification mechanism.
- Awarded 5 scholarships to AMA member staff to attend an international conference.
- Organized 3 exposure visits at national and international levels.
- Established Credit Registry and Reputation Risk Management Working Groups.
- Assessed the impact of Program and Legal Awareness Meetings.

2014

Implementation: with infrastructures and systems strengths, AMA implemented its planned activities and focused on new initiatives.

- Completed the transition of responsibilities of development finance sector coordination, advocacy/lobbying and communications from MISFA
- Finalized the Code of Conduct after six months pilot implementation
- Developed the Social Performance Management Framework for Afghanistan.
- Conducted the second Salary Survey and published the report.
- Published the first Microfinance Magazine "MicroMag" in three languages
- Conducted the first Members Feedback Survey in collaboration with the SEEP Network
- Took over the responsibility of organizing Women Access to Finance & Islamic Finance Workshops from FAIDA.
- Initiated facilitation of six out of seven MFIs participation in Da Afghanistan Bank's (DAB) Public Credit Registry.
- Initiated organizing microfinance program awareness meetings at district levels
- Initiated Client Success Stories Competition in Afghanistan- the first event was organized.
- Initiated promoting AMA and Microfinance sector visibility in TVs.

2015

Strategizing: AMA, developing its strategic plan, focuses its activities to achieve its strategic targets.

- Developed the five years Strategic & Sustainability Plan (SSP) for AMA.
- Signed an MOU with Afghanistan Institute of Banking & Finance (AIBF) to jointly conduct trainings in the provinces.
- Conducted a Training Needs Assessment (TNA) to better understand the capacity building needs of the sector.
- Initiated meetings with the Provincial Governors to increase awareness and attract their support for the sector.
- Conducted a study on the Status of CSPIs in Afghanistan to determine the status and potential of CSPIs in Afghanistan.
- Gained the honor to serve as the Vice Chairperson for South Asian Micro-entrepreneurs Network (SAMN) for a three years term.
- Facilitated participation of FINCA Afghanistan, OXUS Afghanistan, Mutahid DFI, and ARFC in DAB's Public Credit Registry (PCR). The MoUs were signed between these four MFIs and DAB | PCR.
- Published the sector Code of Conduct booklet in three languages; English, Dari and Pashto and shared with AMA members for implementation.
- Represented AMA and the development finance sector in different national and international forums.



The Board of Directors

AMA operates as an independent legal entity, and is governed by its Board of Directors. The Board of Directors consists of five members. The Board members have diversified experiences of development finance, management, and, economics.



Chairman - Mr. Hashmat Seyar Amarkhail

Mr. Hashmat Seyar Amarkhail serves as President/CEO of Afghan Rural Finance Company. He has over nine years of working experience in the financial sector in Afghanistan.

He is a member of the Association of Chartered Certified Accountants (ACCA) with the Oxford Brookes University.



Member - Mr. Bashir Mohammad Khan

Bashir Khan is the CEO of Islamic Investment and Finance Cooperatives (IIFC) Group which is the national association for Credit Unions in Afghanistan. He is one of the pioneers in the Microfinance sector of Afghanistan and worked over 13 years in this industry.

Mr. Khan has a Bachelors degree in finance and accounting and is a Certified Public Accountant (CPA).



Member - Mr. David Payne

David Payne spent 16 years working in the financial sector in the United States. During this time, he served twelve years as a CEO. David also worked in Africa as the Chief Operations Officer for Opportunity International Savings and Loans, LTD from 2008 to 2010.

In 2010 David led the turnaround of OXUS Microfinance in Afghanistan as the CEO until 2013. In 2014 David took over the role as CEO of TOM as part of a new management, governance, and ownership team.



Member - Mr. Abdul Rahim Nasry

Abdul Rahim Nasry is the Country Director of Hand in Hand Afghanistan. He has over 20 years of work experience in government agencies and NGOs.

He holds a Bachelor's degree from Peshawar University and is an Executive MBA from the Preston Institute of Management Science and Technology in Pakistan.



Member - Ms. Shandana Khan

Shandana Khan has 27 years of experience in rural development and community empowerment in South Asia and Afghanistan.

She has a Bachelor's degree in Political Science from Delhi University, India; a Tripos in Social and Political Sciences from the University of Cambridge, UK, and a Masters in International Public Policy from the School of Advanced International Studies of the Johns Hopkins University, USA.

HISTORY, MISSION, VISION

Afghanistan Microfinance Association (AMA) is the national network of Development Finance Institutions (DFIs) in Afghanistan. It was established in 2005 by the Microfinance Investment Support Facility for Afghanistan (MISFA), microfinance practitioners, and other stakeholders. AMA was registered with the Ministry of Justice of Afghanistan in 2007. Due to limited resources and activities, AMA was not very active until 2010 and was almost a dormant organization.

With support from USAID's Financial Access for Investing in the Development of Afghanistan

(FAIDA) project, and the continued backing of MISFA, AMA positioned itself as an association that promotes the broader development finance sector in Afghanistan.

AMA is one of the founding members of the South Asian Micro-entrepreneur Network (SAMN) and has been an active member since 2009. Currently, AMA serves as Vice Chairman of the Board of Directors of SAMN. In 2012, AMA also became a member of the Social Enterprise and Education Promotion (SEEP) Network.

Vision:

To promote financial inclusion through creation of an enabling environment for the development finance sector in Afghanistan.

Mission:

To build an inclusive, sustainable and responsible development finance sector through policy advocacy, knowledge management, coordination and networking, and capacity building.

"There is a good scope for AMA to play a vital role in the promotion of the sector through effective coordination and networking and public awareness activities. AMA has contributed to a more formalized, more cohesive development finance sector by expanding its membership to go beyond microfinance institutions and include other types of DFIs, such as CSPIs and SME lenders. Lack of coordination between the stakeholders could adversely affect the delivery of financial services on the ground."

Bahram Barzin
Managing Director, MISFA



Members

AMA has been a member based organization. AMA revised its Articles of Association to broaden its membership base. Accordingly, other development finance institutions including the CSPIs, Banks etc. were also admitted as its members.

MFIs

Microfinance
Institutions

1. **Foundation for International Community Assistance (FINCA) Afghanistan**
2. **Islamic Investment & Finance Cooperatives (IIFC) Group**
3. **Mutahid Development Finance Institution**
4. **OXUS Afghanistan.**
5. **Tikkun Olam Microfinance (TOM)**

1. **Afghanistan Women Council (AWC)**
2. **Aga Khan Foundation (AKF)**
3. **Hand in Hand Afghanistan**
4. **Shelter For Life (SFL)**

CSPIs

Community-
based Saving
Promoting
Institutions

MFB & FI

Microfinance
Banks &
Financial
Institutions

1. **Afghan Rural Finance Company (ARFC)**
2. **The First Microfinance Bank (FMFB) Afghanistan**

1. **Afghanistan Institute of Banking & Finance (AIBF)**

Associate
Member

AMA GOVERNANCE AND MANAGEMENT

Governance

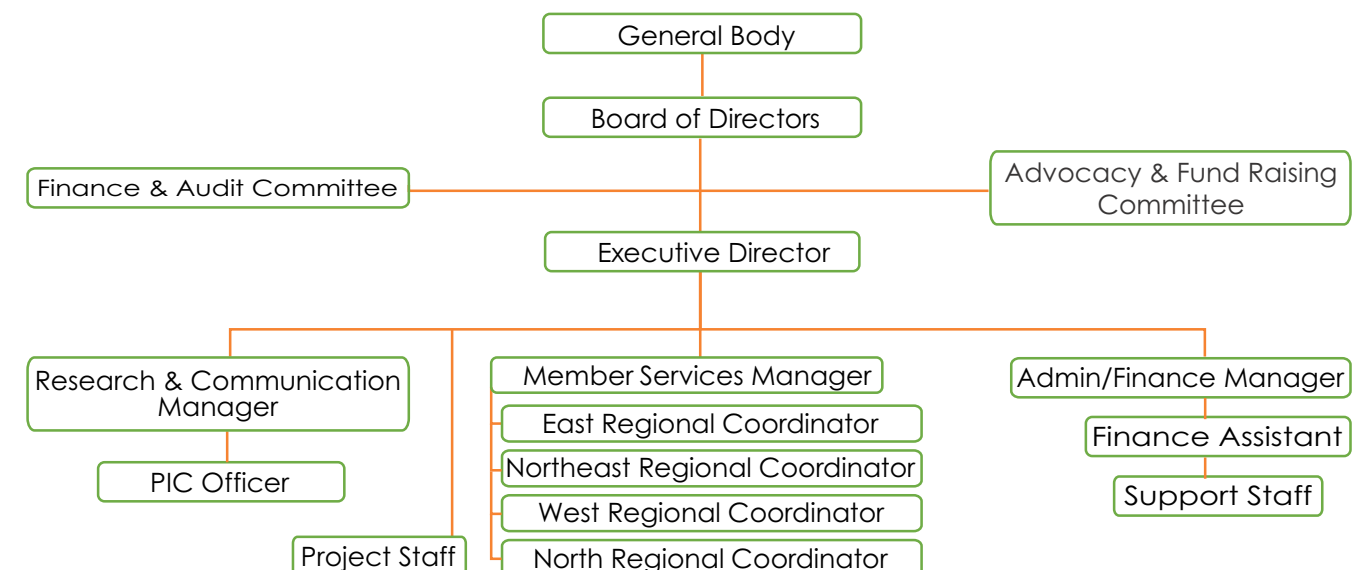
As an independent legal entity, AMA is governed by a Board of Directors. The General Assembly, constituted with the participation of a representative from each member, is the highest decision making body. The Board of Directors is composed of five members drawn from a diverse field of experiences such as development finance, management, and economics, among others. The General Assembly meets at least once a year, while the Board meets once every quarter, reviews

the quarterly progress, advises the management on day-to-day operations, and takes collective decisions accordingly. There are also a number of need-based Working Groups and Sub-Committees formed for specific purposes, for example, Finance and Audit, Advocacy and Fund Raising Committees. In 2015, AMA organized a General Assembly and five Board of Directors meetings.

Management

AMA has adopted a decentralized organizational structure with separate Board and Management team responsibilities. Day-to-day management of AMA is carried out by the senior management team headed by the Executive Director (ED).

The ED leads the organization with support from three Managers: Member Services, Research and Communication, Finance and Admin at Head Office, and four Regional Coordinators.



MESSAGE FROM THE CHAIRMAN

The year 2015 was another successful year for the development finance sector in Afghanistan, both in terms of growth and performance. Despite volatile security and political situation, the sector witnessed growth of 34% in number of borrowers, 21% in gross loan portfolio, and 41% in number of savers and amount of savings during the year, while one more MFI also achieved its operational self-sufficiency (OSS) and moved the number of sustainable MFIs to five. The percentage of women borrowers increased from 39% to 41% during the year. Political and security issues unfortunately affected the sector due to which PAR>30 days increased from 2.1% to 3.3%.

The year was also a record year for AMA, in relation to the accomplishments of the set goals and introduction of new initiatives. AMA developed its five years Strategic and Sustainability Plan (SSP) outlining its core activities and initiatives in the coming five years. In addition to the SSP, facilitation of four MFIs participation in Da Afghanistan Bank (DAB) Public Credit Registry (PCR), initiation of meeting with Provincial Governors, conducting the 2nd Training Needs Assessment (TNA), signing MOU with Afghanistan Institute of Banking and Finance (AIBF) to extend capacity building activities in the provinces for development finance sector, and conducting a survey on the Status of Community-based Saving Promoting Institutions (CSPIs) in Afghanistan were among the main accomplishments and initiatives of AMA during the year 2015.

AMA's membership and partnership with international and regional stakeholders such as SEEP, SAMN, the MIX Market and other Microfinance Networks enhanced AMA's visibility and recognition as an active

microfinance association in the region, which introduced AMA to serve as the Vice Chairman of SAMN for a three years' term.

It's been an honor and privilege to serve as Chairman of AMA Board of Directors. AMA is now well acknowledged as one of the best and active microfinance associations in South Asia and is well recognized and admired by its members, donors and stakeholders for its role and services in promotion of financial inclusion in Afghanistan. The vision and guidance of board of directors, generous support of donors, strong administrative leadership and commitment of AMA members has contributed to the success of AMA.

In conclusion, I would like to sincerely thank AMA donors; MISFA and USAID's FAIDA project for their financial and technical assistance, the Board of Directors for their vision and guidance, the highly-talented AMA team for their dedication, passion and commitment. Together, we can take AMA to the next level of achievements.

Sincerely,

Hashmat Seyer Amarkhail



MESSAGE FROM THE EXECUTIVE DIRECTOR

The year 2015 marked yet another significant year for AMA with full of achievements and new initiatives. In line with the sector and its members' and stakeholders' need, AMA focused its activities around four main functions; advocacy & lobbying, knowledge management, coordination, and Capacity Development during the year.

To be able to respond to its members and stakeholders need and to promote financial inclusion in Afghanistan, a comprehensive five years strategic and sustainability plan, covering the period July 2015-June 2020 was developed for AMA.

Initiated meetings with the Provincial Governors to increase their awareness and understanding of the development finance sector services, issues/challenges and to attract their support for the sector. Additionally, AMA continued with organizing awareness meetings in the provinces. Around 860 representatives from District Development Assemblies (DDAs), Community Development Councils (CDCs), Community Leaders and local Government Officials, participated in these meetings.

AMA worked with and facilitated the participation of four DFIs in Da Afghanistan Bank's (DAB) Public Credit Registry (PCR). The MOUs were signed between these four MFIs and DAB|PCR to enter their data into the system's live environment.

Conducted a study on the status of CSPIs in Afghanistan to determine their capacity and potential as an alternative model for providing sustainable access to financial services for poor people in rural and remote areas. The report is yet to be published.

To achieve another milestone towards the implementation of its five-year Strategic and

Sustainability Plan, AMA signed a MOU with AIBF to provide demand-driven training opportunities to DFIs in the regions. In line with the MOU, AMA in collaboration with AIBF conducted a Training Needs Assessment (TNA) which will help AMA and AIBF to deliver need based trainings.

To build the capacity of women entrepreneurs in business plan development, marketing, Islamic finance, and enhance their knowledge, understanding and awareness of development finance, AMA initiated and organized 15 Women Access to Finance and Islamic Finance Workshops in 11 provinces in which a total of 815 women entrepreneurs participated. AMA facilitated the disbursement of AFN 7.9 million (USD 538,000) to 140 women entrepreneurs during the year.

At the end, I would like to pay my gratitude to AMA members, Board of Directors, and donors for the support they provided to AMA during the year. I would also like to thank the AMA team for their commitment, hard work and enthusiasm in achieving the milestones.

We have still long way to go - join and support us in building a sustainable development finance sector in Afghanistan.

Sincerely,

Najibullah Samim





Core Services

Lobbying & Advocacy, Knowledge Management, Coordination & Networking, and Capacity Building.

In line with its commitment to strengthen the development finance sector in Afghanistan, AMA offers a package of need-based services for its members and stakeholders on development finance under the following four main functions:

Lobbying and Advocacy:

Creating an enabling environment for development finance has been one of the key priorities of AMA and its members in the sector. AMA, being the association of Development Finance Institutions (DFIs), advocates on behalf of DFIs to influence government, legislators and other relevant stakeholders at national and regional levels. As a part of this, AMA organizes Awareness Meetings in different provinces with participation of Government officials, MFIs, CSPIs, community leaders and religious circles. This awareness campaign has been able to sensitize the provincial stakeholders and enhance their understanding of development finance to a great extent.

Knowledge Management:

To better respond to the increasing needs of its members, donors and stakeholders' for information on the development finance sector and to ensure its timely collection and dissemination, AMA has developed a set of knowledge management services. It gathers data from members and other relevant sources, collates, analyzes, and shares the information in the form of regular publications, namely, Newsletters, MicroView Reports, MicroMag, and sector-level documents such as Code of Conduct, Social Performance Management (SPM) Strategy, Salary Survey

Reports, and Annual Reports. Members and other stakeholders, including donors, investors, researchers and promoters, both at national and International levels, have found these reports quite useful.

Coordination and Networking:

In line with its core mandates, AMA leads coordination and networking initiatives with all stakeholders. As a national level association of development finance institutions, it facilitates better coordination and convergence among the service providers, practitioners, financial institutions and other stakeholders, including regional and provincial government departments. AMA builds bridges between its various partners through a number of forums, including the CEOs' Coordination Meetings, and Regional Coordination Meetings.

Capacity Building:

In order to meet the capacity building needs of its members and stakeholders, AMA coordinates various initiatives including trainings and exposures visit, workshops, and scholarship programs, linkages with academic institutions. These capacity building activities have proved instrumental in enhancing the knowledge and skills of Afghan staff involved in implementing development finance programs.

2015 IN REVIEW

Highlights from 2015

The five-year Strategic and Sustainability Plan (SSP) was developed for AMA based on the inputs from AMA management, donors, members and stakeholders. The SSP helps AMA in planning its annual activities and provision of needs-based services to its member organizations.

Signed a Memorandum of Understanding (MOU) with the Afghanistan Institute of Banking and Finance (AIBF) to jointly conduct trainings for DFIs staff in the provinces. In line with the MOU, AMA in collaboration with AIBF, conducted a Training Needs Assessment (TNA) to better understand the capacity building needs of the sector.

Initiated meetings with the Provincial Governors to increase their awareness and understanding of the development finance sector services, issues/challenges and to attract their support for the sector.

Conducted a study on the status of CSPIs in Afghanistan to determine their capacity and potential as an alternative model for providing poor people in rural and remote areas sustainable access to financial services. The report will be published and disseminated when completed.

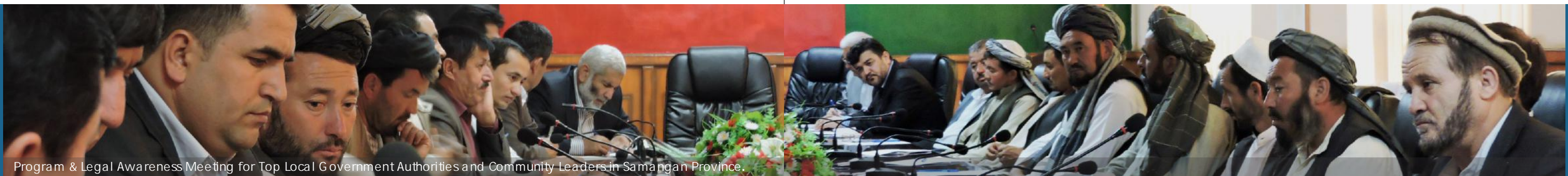
Served as the Vice Chairperson for the South Asian Micro-entrepreneurs Network (SAMN) for a three years term.

Initiated the process of participation of MFIs in Da Afghanistan Bank's (DAB) Public Credit Registry (PCR). AMA worked with MFIs and facilitated the participation of FINCA Afghanistan, OXUS Afghanistan, Mutahid DFI, and ARFC in DAB's Credit Registry. The MoUs were signed between these four MFIs and DAB | PCR to enter their data into the system's live environment. AMA also negotiated a significant reduction of fees charged by DAB to MFIs for this process, compared to the amount they charge banks.

Published the Code of Conduct booklet in three languages: English, Dari and Pashto, and shared with AMA members for implementation.

AMA and the development finance sector were represented in different national and international forums:

- ➔ SEEP Annual Conference in Washington DC, USA in October 2015
- ➔ Afghanistan-India Renewable Energy Summit in New Delhi, India in August 2015
- ➔ 1st Renewable Energy Summit in Kabul in June 2015



Program & Legal Awareness Meeting for Top Local Government Authorities and Community Leaders in Samangan Province.

Advocacy and Lobbying

Through its advocacy efforts, AMA has influenced government, legislators, community leaders and other relevant stakeholders in building an enabling environment for development finance actors at provincial, regional and national levels. AMA's advocacy and outreach to stakeholders at all levels enhanced the understanding and knowledge of key government officials and community leaders about the development finance sector and its challenges/issues, as well as helped them to better understand their role and responsibilities in supporting the sector.

Development Finance Program Awareness:

AMA organizes awareness raising meetings at provincial and district levels to attract the required support of the government officials, community leaders and general public, and raise their awareness about development finance sector in Afghanistan. During these meetings, general information about the evolution, achievements and challenges of the development finance program are provided to the participants.

The participants share their experiences, concerns and comments on the program and their recommendations for better implementation. The event provides an opportunity for DFIs to inform stakeholders about their achievements, the services they offer, discuss challenges and to seek their support in providing better microfinance services to the communities.

During the year, AMA organized 16 Program

Awareness Meetings in Nangarhar, Takhar, Badakhshan, Jawzjan, Baghlan, Balkh, Samangan, and Herat provinces. The awareness and knowledge about microfinance of 859 representatives from local government authorities and community leaders, who participated in these meetings, were enhanced, resulting in DFIs receiving better support from them.

"It was a really useful meeting where we got enough information about microfinance program. We came to know that microfinance is a part of Government's economic programs and is supported by the Government. It will be useful if such meetings are organized frequently as most of the people are not aware of the benefits of this program".

Mr. Enayatullah,
Community Leader, Faizabad City -
Badakhshan

Meeting with top provincial Government authorities:

This was initiated in late 2013 as part of AMA's advocacy efforts and in line with its strategic plan. Meeting top government officials, particularly in the provinces, remained one of the focus areas for AMA during the year 2015. Through its regional offices, AMA organized meetings between DFIs and Provincial Governors of Takhar and Baghlan provinces, and the Deputy Governor and Mayor of Herat province.

The meetings were intended to sensitize the local authorities to the value of development finance to their communities, as well as to get their buy in to support the overall implementation of the program, and address current challenges faced by DFIs in their provinces.

These newly appointed Governors, who did not have prior knowledge and awareness of the development finance sector, gained a new appreciation for the DFIs' operations and outreach in their respective provinces. They now recognize that the development finance sector is a key component of the government's economic agenda, given the sector's role in job creation and economic empowerment and development of the poor. They promised their full support towards the program and advised AMA and DFIs to directly approach them for future coordination and collaboration.

Awareness Raising Campaign for Wakil-e-Guzars in Herat:

In addition to the formal program awareness meetings, AMA initiated awareness-raising

campaigns for Wakil Guzar and district municipality staff in Herat City during the 4th quarter of 2015, upon the request of member organizations. The objective of this campaign is to raise the awareness of Wakil Guzar and district municipality staff on DFI operations, and obtain their support, particularly in addressing disputes and other types of challenges.

The campaign was conducted in nine out of fifteen municipality districts of Herat City, where AMA's Regional Coordinator participates in district municipality weekly meetings with Wakil Guzar. The campaign has resulted in the Municipality District Heads and Wakil-e-Guzars committing to cooperate and support MFIs, particularly in the client verification process. Since the campaign, MFIs have reported increasing levels of cooperation by Wakil Guzars in client relations and verification.

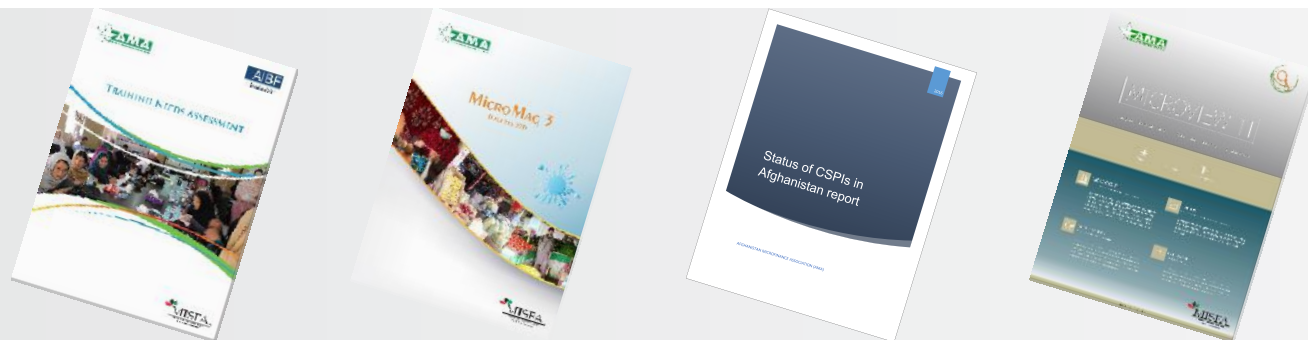
The campaign continues and the remaining six municipality districts will be covered during the first quarter of 2016.

"Wakil-e-Guzars have realized the importance of microfinance in their communities and thus their perception is changed. The level of support and cooperation with MFIs are now better than before."

Saber Qazizadah,
Head of Municipality of District 6

"The awareness raising campaign for Wakil-e-Guzars was a productive initiative by AMA. Ever since AMA started the campaign, we have witnessed visible changes in behavior of Wakil-e-Guzars with Mutahid."

Ahmad Aryan Falah,
Acting Branch Manager - Mutahid DFI



Knowledge Management

Knowledge Management is one of the important functions of AMA and a number of new initiatives/activities are outlined in AMA's five-year Strategic and Sustainability Plan. AMA collects data from its members and other relevant sources, analyzes and disseminates them through a set of publications and reports. In 2015, these publications and reports enhanced the knowledge and awareness of practitioners and stakeholders at national and international levels about the development finance sector of Afghanistan. In addition to promoting healthy competition among members, the information also helped members in making informed decisions pertaining to geographical expansion and identification of risky and saturated market niches.

Study on the Status of CSPIs:

In November 2015, AMA commissioned a study to determine the status and potential of Community-based Savings Promoting Institutions (CSPIs) in Afghanistan, as an alternative model to provide sustainable access to financial services to poor people in rural and remote areas. Twelve CSPIs, two formal financial institutions, one microfinance bank and one telecom provider participated in the study, while 200 representatives of the CSPIs' saving and credit groups were also interviewed.

Key Findings:

- Majority of the CSPIs (92%) provide some kind of training, including literacy, business and vocational training;
- 42% of the CSPIs are charging some kind of fee such as; interest, loan fee or profit sharing;
- 60% of CSPIs borrowers are women;
- One challenge identified is how CSPIs are highly dependent on donor funding. Thus, they lack long-term funding and sustainability, and have no clear exit strategies;

- Security threats and long distances also hamper their delivery capacity; and
- CSPIs play an important role in education, awareness-raising, capacity building and cultural change in remote communities, but they lack institutional capacity and long-term business models to further help their target groups achieve financial inclusion.

The study was funded under the Access to Finance project implemented by MISFA. The final report is forthcoming.

2nd Training Needs Assessment (TNA):

The first TNA conducted by AMA in 2012 proved to be very informative and effective for Afghanistan Institute of Banking and Finance (AIBF) to develop and deliver needs-based trainings for DFIs. To update the capacity building needs of the sector, and as per the Memorandum of Understanding (MOU) signed between AMA and AIBF in July 2015, AMA and AIBF jointly conducted a second TNA in August-September 2015.

Full report on: www.ama.org.af/#pub

4 MicroView Reports

Key Findings:

- More than 1,500 employees of DFIs require trainings on different subjects;
- 83% of the CEOs, 100% of the COOs and 78% of the HR/Training Managers stated that capacity building can address their institutions' challenges to a considerable extent;
- 100% of the CEOs and 78% of HR/Training Managers recommended technical microfinance trainings; and
- 100% of the CEOs and 89% of the HR/Training Managers responded that trainings are mostly needed for their operational staff followed by middle management.

Development Finance Sector Code of Conduct:

Following the finalization of the sector's Code of Conduct in December 2014, AMA developed and published a handy booklet version translated into Dari and Pashto. The booklet was distributed to all AMA members for adoption. AMA plans to conduct the baseline assessment of its members' adoption of the codes in 2016.

AMA Staff Referral Database:

AMA maintained the Staff Referral Database (SRD) and enriched it with new data received from its members. AMA also encouraged its members to check the references of new recruitments against the database. A total of 91 employees' references were received from

6 E-Newsletters

member organizations and were checked against the database.

Public Credit Registry:

AMA and the Public Credit Registry (PCR) department of Da Afghanistan Bank (DAB) overcame more than a year of operational challenges and in 2015, four out of six MFIs succeeded to utilize the PCR for their SME loans after passing the pilot phase successfully. To celebrate the success and to sign a Memorandum of Understanding (MoU), AMA and PCR jointly organized a ceremony in DAB's conference hall in Kabul on September 14, 2015.

MoUs were signed between DAB and the Afghan Rural Finance Company (ARFC), FINCA Afghanistan, Mutahid Development Finance Institution, and OXUS Afghanistan.

The Deputy Governor of DAB, the Director General of PCR, the Chairman and Executive Director of AMA, the CEOs of MFIs and Banks, representatives from donor agencies, stakeholders and media attended the ceremony.

Speeches delivered by DAB, PCR, AMA and other special guests highlighted the importance of the PCR and its utilization by MFIs and banks.

This is the first time that MFIs are able to use the credit registry in Afghanistan, which will help them reduce and mitigate duplication of loans and risks of over indebtedness. AMA will continue to work with MFIs to facilitate their use of the PCR for their microfinance lending.

1 MicroMag



Coordination and Networking

As a national association of development finance institutions, AMA facilitated better coordination and convergence among the service providers, practitioners, financial institutions and other stakeholders, including government departments during the year 2015. AMA built bridges between its various partners through a number of events: CEOs Coordination Meetings, Regional Coordination Meetings, and Working Groups' meetings. These coordination events provided a platform for the different actors and stakeholders to get together and discuss sector issues at national and provincial levels, as well as to share information, lessons and best practices.

Sector Coordination Overview:

The CEOs Coordination Meetings - bimonthly

This is considered as one of the most important platforms for senior-level representatives of member organizations, donors, and others stakeholders to have strategic discussions around operations, emerging issues, and joint ways forward.

The Regional Coordination Meetings - monthly

Regional Coordination Meetings provides a forum for representatives of MFIs, CSPIs and stakeholders in the regions get together to discuss regional/provincial level issues, challenges and opportunities. This has also become a forum for sharing information, lessons and good practices, and feedback too.

In 2015, AMA organized 5 CEOs Coordination Meetings in Kabul and a total of 94 Regional Coordination Meetings in 9 provinces in the Central, East, North, Northeast and West regions.

Representation of AMA and Development Finance Sector in National and International Forums:

SEEP Network Annual Conference 2015

The Executive Director, Mr. Najibullah Samim, represented AMA in the SEEP Network 2015 Annual Conference, Annual Meeting and Global Network Summit, which was held during September 28 – October 1, 2015 in Washington DC, USA. Among the topics featured in the annual forum were: Financial Services and Technology to Promote

Resilience, Women's Economic Empowerment, Small-scale Producers in Resilience Agricultural Systems, and Private Sector Partnership Models for Enhancing Scale and Impact.

The conference provided an opportunity for AMA to network and share experiences, best practices, trends and innovations experienced by microfinance networks in other countries. AMA became a member of SEEP in 2012.

1st Renewable Energy Summit in Kabul

The Afghanistan Renewable Energy Union (AREU) and the Ministry of Energy and Water held the first Afghan Renewable Energy Summit and Exhibition with an "Access to Finance" theme in Kabul during June 13 - 14, 2015. The event was supported by the United States Agency for International Development (USAID) in collaboration with the Embassy of India. A large number of participants attended, including representatives from the renewable energy sectors (solar, wind, biomass, geothermal, and hydro), financial institutions, banks, insurance companies, and international donors.

The development finance sector was well represented in this summit through AMA, FINCA Afghanistan, OXUS Afghanistan, IIFC Group, FMFB, ARFC, and AWC. The AMA member organizations had presentations and exhibition desks and provided information on how renewable energy beneficiaries could further be supported by improving their access to finance.

The Executive Director of AMA participated in a panel discussion during the summit and highlighted the role of AMA in facilitating linkages between MFIs and Renewable Energy Suppliers to promote access to finance services for Afghans in the renewable energy sector.

Afghanistan-India Renewable Energy Summit

Mr. Najibullah Samim represented AMA in the Afghanistan-India Renewable Energy Summit, which was organized during August 6-7, 2015 in New Delhi, India. Supported by USAID's FAIDA project, the summit was organized by Ministry of Energy and Water of the Islamic Republic of Afghanistan, and the Afghanistan Renewable Energy Union (AREU) in collaboration with the Federation of Indian Chambers of Commerce and Industries (FICCI).

Among the participants were: the Minister of Rural Rehabilitation and Development (MRRD), Minister of Power and Energy, the CEO of AREU, the Afghan ambassador to India, the Indian ambassador to Afghanistan, a representative from the presidential office of the Islamic Republic of Afghanistan, the CEO of Afghanistan Banks Association (ABA), and representatives from Afghan and Indian companies working in the renewable energy sector.

Mr. Samim engaged in discussions during the business-to-business round tables where he provided information about the microfinance sector in Afghanistan, AMA, and its role in the renewable energy sector.



Women Access to Finance & Islamic Finance Workshop in Herat.



AMA and AIBF Partnership - MoU Signing Event.



AMA General Assembly Meeting for the Year 2014.

Capacity Development

To complement the curriculum-based learning courses offered by the Afghanistan Institute of Banking and Finance (AIBF), AMA conducted a number of capacity building activities in the form of trainings and workshops. These capacity building activities have proven to be instrumental in enhancing the knowledge and skills of Afghan staff and women entrepreneurs contributing to the implementation of development finance programs in Afghanistan. A total of 829 sector staff benefited from AMA capacity building events in 2015.

Women Access to Finance and Islamic Workshops:

Since April 2015, AMA has taken over the responsibility of organizing the Women Access to Finance and Islamic Finance Workshops from USAID's FAIDA Project.

The workshops have the following objectives:

- Building capacity of women entrepreneurs in the areas of business plan development, marketing, Islamic finance, and insurance;
- Enhancing women entrepreneurs' knowledge, understanding and awareness of development finance; and
- Facilitating women entrepreneurs' access to financial products to grow businesses and engage in the local economy.

Prior to carrying these workshops forward, a two-day TOT was organized for relevant staff of AMA in Kabul. From April to December 2015, a total of 15 workshops were conducted in Kabul, Balkh, Jawzjan, Baghlan, Herat, Bamiyan, Badakhshan, Samangan, Parwan, Nangarhar, and Takhar provinces in which a total of 815 women entrepreneurs participated. As of December 31, 2015, AMA facilitated the disbursement of AFN 7.9 million (USD 538,000) to 140 women entrepreneurs from different MFIs across these provinces.

SME Training for ARFC:

AMA facilitated a five-day training in April 2015 on Small and Medium Enterprise (SME) financing for 14 employees of the Afghan

Rural Finance Company (ARFC) through USAID's FAIDA project.

The training covered these topics: SME lending, financial ratio analysis, delinquency management, risk analysis, legal documentation, and Islamic finance.

The training helped ARFC to improve its SME lending.

AMA and AIBF partnership:

AMA and AIBF signed a Memorandum of Understanding (MoU) on July 01, 2015 to provide demand-driven training opportunities to DFIs in East, Northeast, North and West regions of the country.

Through this partnership, AMA and AIBF will organize context-specific trainings to DFI staff in the regions. The MoU is for two years, and includes conducting a training needs assessment in the regions.

Representatives from AMA's Board of Directors, MISFA, USAID's FAIDA project, AMA and AIBF participated in the MOU signing ceremony.

Participants in the ceremony called this partnership a significant step forward toward improving performance levels of DFI employees across the country. The participants expressed commitment to take full advantage of the opportunities presented by this newly available service.

This initiative allows AMA to achieve another milestone towards the implementation of its five-year Strategic and Sustainability Plan, which includes addressing the capacity building needs of the Development Finance Sector.

AMA Events

Annual General Assembly:

AMA organized its annual General Assembly Meeting in June 2015. Thirty-seven representatives from 19 organizations consisting of AMA members, donors, and other stakeholders participated.

Two new board members were elected. The audited financial statement of 2014, AMA's five-year Strategic and Sustainability Plan, and activity plan of 2015 were reviewed and approved. Additionally, certain changes proposed to the AMA by-laws, in particular minimum membership criteria and membership fee, were approved.

Client Success Story Competition:

The second AMA Client Success Story Contest was held during AMA's Annual General Assembly meeting on June 4, 2015 in Kabul.

A committee formed for this purpose selected the top three success stories based on agreed criteria from among 21 stories submitted by seven organizations. The winning stories were about the clients of FINCA, Mutahid DFI and FMFB. Prizes, gifts and certificates were awarded to the successful clients and relevant loan officers during the ceremony.

Initiated in 2014, the objectives of the competition are to: (i) motivate clients who best utilize their loans, improving their family's quality of life; and (ii) recognize the hard work of their loan officers. The initiative has been appreciated by AMA members, donors and stakeholders, who are recommending that AMA continue the competition in the coming years.



Other Achievements

AMA's Five-Year Strategic and Sustainability Plan:

Having completed four years of successful operations after its revitalization in 2011, AMA developed a comprehensive five-year Strategic and Sustainability Plan (SSP) to ensure effective and systematic delivery of demand-driven services to its members.

The SSP was developed based on inputs received from AMA's management, Board of Directors, members, donors and stakeholders covering the period of June 2015 to June 2020.

As per the SSP, the strategic priorities for AMA in the next five years are:

- Expanding policy advocacy efforts to include a broader set of high level stakeholders (Ministers, Parliament Members, Governors, Banks, and International Investors) in order to increase recognition and visibility of the development finance sector.
- Coordinating and contributing to MISFA's initiatives toward policy development including National Financial Inclusion Policy/Strategy and access to financial services.
- Strengthening members' capacity, with an emphasis on CSPIs, and facilitating funding linkages with potential donors.
- Promoting client protection, ethical & responsible practices, and social performance management among members.
- Collaborating with MISFA in promoting diversification of financial products and services.

- Strengthening the internal institutional and financial capacities of AMA.

In the next five years, AMA will focus on these four core areas: Policy and Advocacy, Knowledge Management, Member Coordination and Networking, and Capacity Development. The SSP is a dynamic document to be reviewed each year, based on which AMA will develop its annual activity plan.

AMA as the Vice Chairman of SAMN:

AMA was elected as Vice Chair of the South Asian Micro-entrepreneurs Network (SAMN) in January 2015 for a three-year term. This is a result of AMA's active role in microfinance regional dialogue and contributions to SAMN during the past three years. This is a testament to the significant role AMA has played in the development finance sector of Afghanistan.

SAMN was established in 2008 as a pan-regional forum where South Asian pioneers can come together to learn from one another and to move in a direction that will strengthen regional collaboration and interaction. AMA is one of the founders of SAMN and has been a member since its inception.

Donor's Financial Support to AMA:

Grant Agreement with MISFA

In line with its commitment to support AMA and the development finance sector of Afghanistan, MISFA extended its financial support to AMA through provision of grants for the year 2015. The grant agreement was signed in MISFA's office on February 11, 2015.

Through this agreement, MISFA provides

grants to AMA for its core activities and operations during the year 2015. Mr. Bahram Barzin, Managing Director of MISFA, expressed appreciation of AMA's performance and achievements and renewed MISFA's commitment to provide long-term support to AMA.

Grant agreement with FAIDA

AMA signed a grant agreement for 4.5 months (November 16, 2015–March 31, 2016) with USAID's FAIDA project on November 16, 2015.

Under this agreement, AMA, in addition to carrying forward the Women Access to Finance workshops, initiated and organized the Renewable Energy and Youth Access to Finance workshops in selected regions, and conducted baseline assessments of two member MFIs on their adoption of the Afghanistan Development Finance Sector Code of Conduct.

FAIDA has been supporting AMA since its revival in 2011.

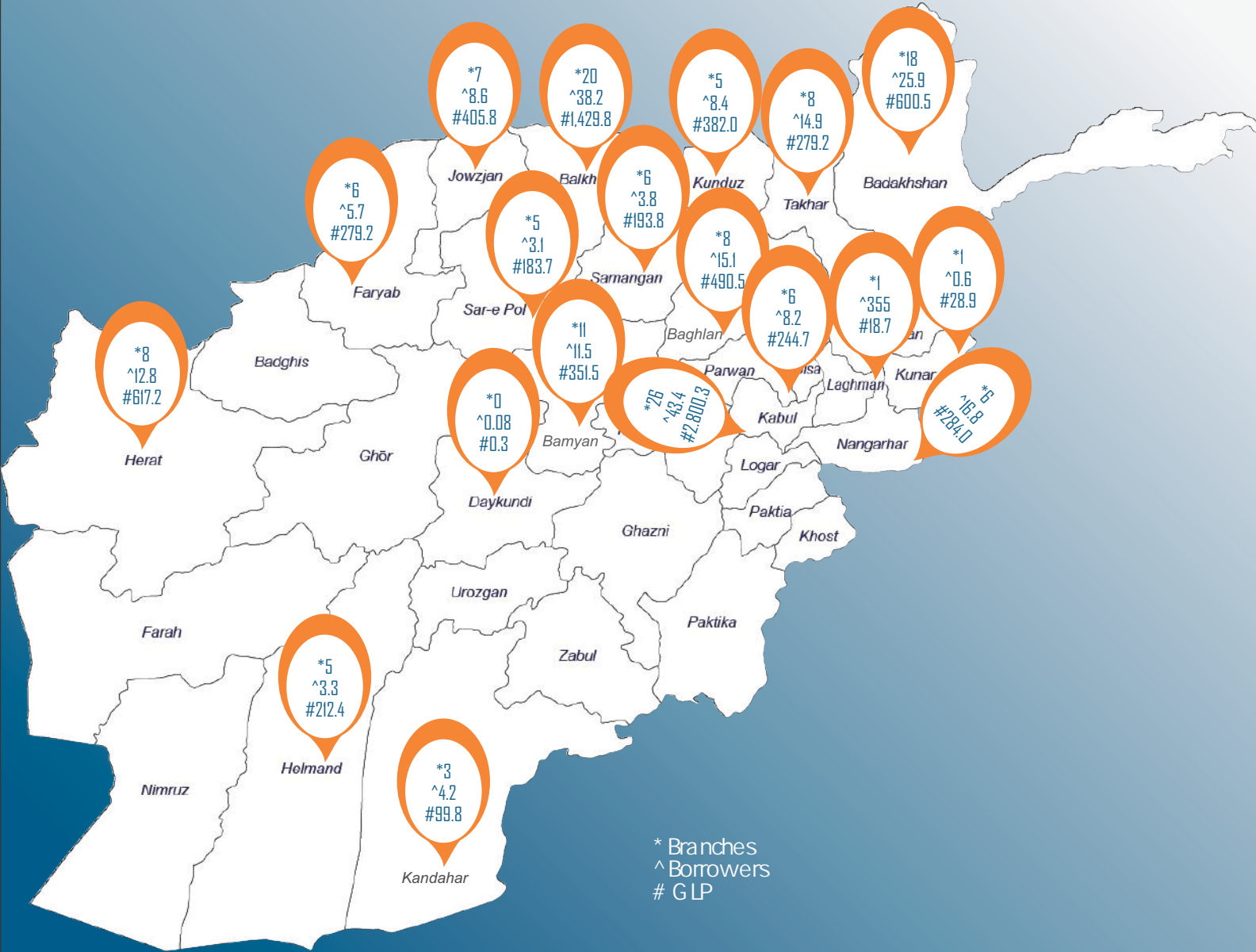
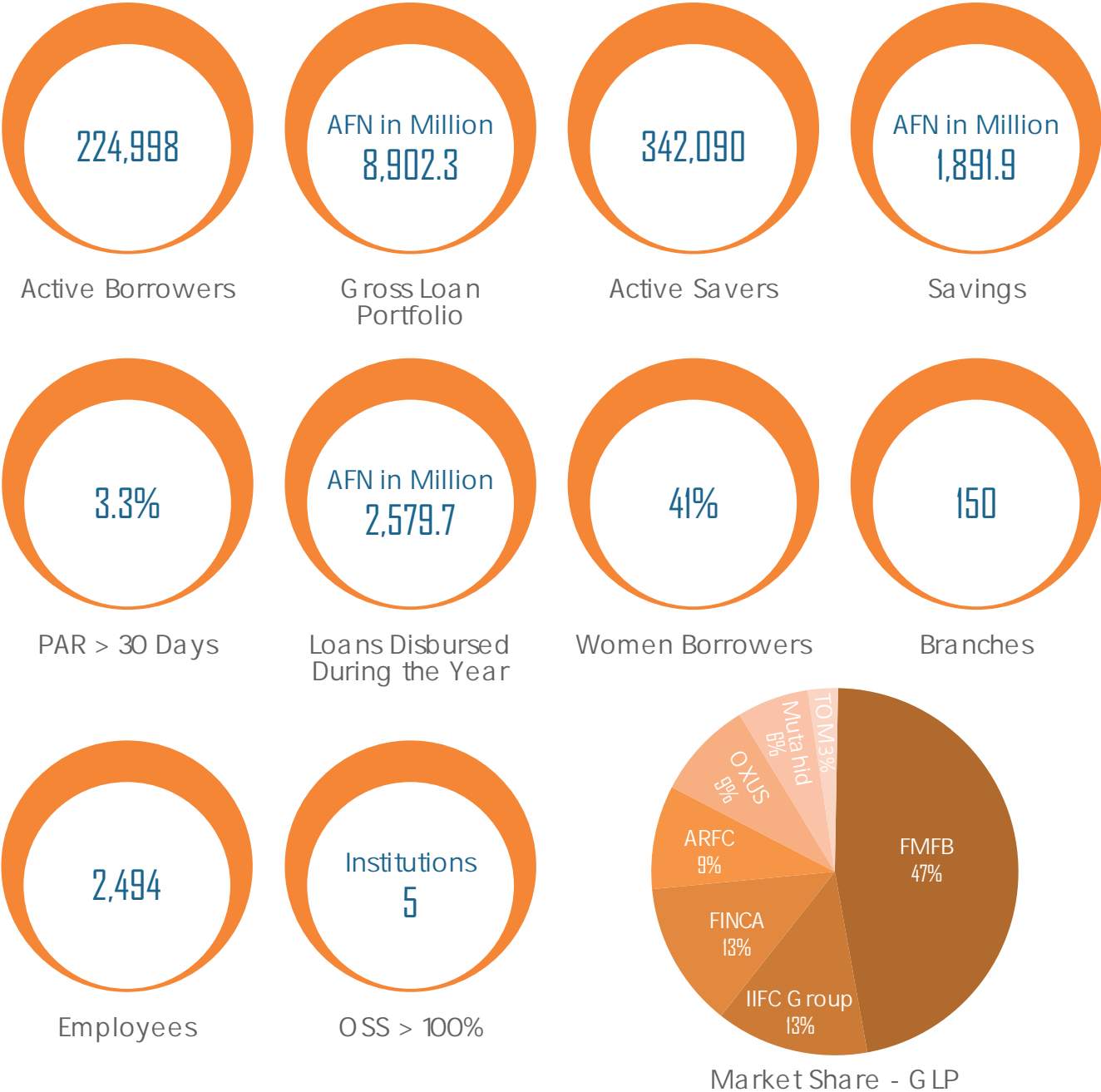
In the Year Ahead, AMA will

- Expand policy advocacy efforts to include a broader set of high-level stakeholders, such as Provincial Governors, Ministers, banks, and international investors in order to increase recognition and visibility of the development finance sector.
- Conduct baseline assessment of two MFIs on adopting sector Code of Conduct.
- Facilitate four MFIs microfinance loan registration in DAB | PCR.
- Upgrade MicroView online application to meet the increasing information needs of the sector.
- Purchase and implement new State of the Sector online application that has the capacity to analyze the

development finance sector's annual performance.

- Develop mechanism for DFIs data validation for MicroView and initiate the process.
- Develop and publish clients' success stories booklet.
- Continue organizing coordination events at national and provincial levels.
- Continue producing and improving publications.
- Sponsor scholarships for participation in regional and international conferences.
- Conduct Access-to-Finance workshops for women, youth, and supporters of renewable energy.

SECTOR AT A GLANCE As of Dec 31, 2015



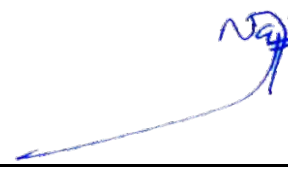
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

	Notes	2015 AFN	2014 AFN
NON CURRENT ASSETS			
Property and equipment	4	2,193,955	2,046,570
Intangible Assets	5	426,993	559,650
		<u>2,620,948</u>	<u>2,606,220</u>
CURRENT ASSETS			
Advances, prepayments and other receivables	6	567,927	377,000
Grant Receivables	7	999,096	208,522
Cash and bank	8	6,527,720	3,920,891
		<u>8,094,743</u>	<u>4,506,413</u>
TOTAL ASSETS		<u>10,715,692</u>	<u>7,112,633</u>
NON CURRENT LIABILITIES			
Deferred Grants	9	2,552,197	2,534,914
CURRENT LIABILITIES			
Accounts payable	10	3,028,271	26,753
REPRESENTED BY:			
Accumulated Surplus		<u>5,135,224</u>	<u>4,550,966</u>
		<u>10,715,692</u>	<u>7,112,633</u>



Finance Manager



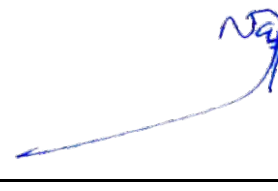
Executive Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	Jan 01, 2015 to Dec 31, 2015 AFN	Jan 01, 2014 to Dec 31, 2014 AFN
INCOME			
Operating Income	12	610,675	1,206,988
Exchange gain		163,573	20,113
		<u>774,248</u>	<u>1,227,100</u>
TOTAL INCOME			
EXPENDITURE			
Personnel cost		13,468,186	10,560,117
Telephone/ top-up cards		141,610	116,500
Food cost		300,580	168,706
Recruitment cost		6,271	3,207
Eid Bonus		-	36,000
Depreciation		912,940	785,259
Amortization		132,654	132,654
Member services		5,129,705	3,544,258
Administrative expenses	13	4,559,648	3,927,865
		<u>24,651,593</u>	<u>19,274,566</u>
Deficit from Operating Activities		<u>(23,877,345)</u>	<u>(18,047,466)</u>
Grant Income	14	24,461,604	18,786,168
Surplus for the period		<u>584,259</u>	<u>738,702</u>



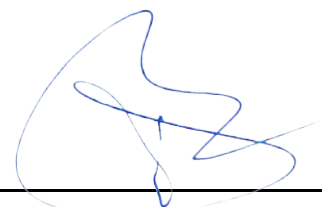
Finance Manager



Executive Director

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes	2015 AFN	2014 AFN
CASH FLOW FROM OPERATING ACTIVITIES:			
Surplus / (Deficit) for the year		584,259	738,702
Adjustment for non cash items:			
Depreciation on property and equipments	4	912,940	785,259
Amortization on Intellectual property		132,655	132,655
Surplus/(deficit) before working capital changes		1,629,854	1,656,615
Working capital changes			
(Increase)/Decrease in Advances, prepayments and other receivables	6	(190,927)	(94,712)
(Increase)/Decrease in Grant receivable	7	(790,574)	1,439,710
Increase/(Decrease) in accrued and other liabilities	10	3,001,517	(168,017)
Net Cash inflow/(outflow) from operating activities		3,649,870	2,833,596
CASH FLOW FROM INVESTING ACTIVITIES:			
Cash paid for purchase of property, plant and equipment	4	(1,060,325)	(498,025)
Net Cash inflow/(outflow) in investing activities		(1,060,325)	(498,025)
CASH FLOW FROM FINANCING ACTIVITIES:			
Deferred Grant	9	17,283	(3,442,500)
Net Cash inflow/outflow from Financing activities		17,283	(3,442,500)
Net change in cash and cash equivalents		2,606,828	(1,106,929)
Cash & cash equivalents at beginning of the period		3,920,891	5,027,820
Cash & cash equivalents at end of the period		6,527,720	3,920,891



Finance Manager



Executive Director

Afghanistan Microfinance Association (AMA)

house # 547, street 3, taimani project, district 4,
Kabul-Afghanistan.

info@ama.org.af | www.ama.org.af