

ANNUAL REPORT

2016



Lobby & Advocacy



Knowledge
Management



Coordination &
Networking



Capacity Building

Funded By:



Content

AMA Progress Review	2
The Board of Directors	4
History, Mission, Vission	5
Members	6
AMA Governance & Management	7
Message From the Chairman	8
Message from the Executive Director	9
Core Services	10
2016 in Review	11
Advocacy and Lobbying	12
Knowledge Management	14
Coordination and Networking	16
Capacity Development	18
Donors Support to AMA	20
Events	21
In the year ahead	21
Sector At a Glance	22
Financial Statements	24

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.

2016

- Diversifying Fund: With the strategic and sustainability plan in place, AMA focused on diversifying its sources of funding, and providing quality support to its members and the sector. Last year, AMA:
- Signed five grant agreements with MISFA; USAID's projects: FAIDA, WIE|Promote; and with GERES/EU;
 - Conducted a baseline assessment of two MFIs on their adoption of the sector's Code of Conduct;
 - Facilitated the completion of the first phase of information sharing with the Public Credit Registry (PCR), enabling three MFIs to upload microfinance loans information into PCR;
 - Developed a mechanism for members' data validation, which was utilized for seven of AMA's member organizations last year;
 - Upgraded the MicroView online application, adding new features and parameters;
 - Received 16 official Letters of Support from different local Government authorities;
 - Facilitated the signing of a Memorandum of Cooperation between Samangan Police and MFIs;
 - Established the Central Regional Office in Kabul - covering four provinces;
 - Organized a learning visit by AMA senior management with a peer network, the Azerbaijan Microfinance Association; and
 - Conducted 14 Access to Finance workshops for women, the youth, and the renewable energy sector.

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. Frank van der Poll

Frank van der Poll has 33 years of experience in banking and financial sector in West Indies, Southern Africa and Afghanistan. He has a Bachelor’s degree in Economy & Law from Kennemer Institute, and a Masters in Economy from Hogeschool Haarlem.

He currently serves as Chief Executive Officer of The First Microfinance Bank Afghanistan and the Chairman of AMA.



Vice Chair - Ms. Zar Wardak

Zar Wardak has over ten years of executive management experience in the financial sector. She currently serves as Regional Director of the network’s newly formed Middle East/South Asia (MESA) region.

Ms. Wardak earned a bachelor of arts in international business from Southwestern College in Kansas, and an M.S. in Peace Operations from George Mason University in Fairfax, Virginia.



Member - Mr. Salim Khan

Salim Khan currently serves as Chief Executive Officer of OXUS Afghanistan. Previously he worked with FINCA Afghanistan, FINCA Pakistan, The First Microfinance Bank (FMFB) Afghanistan, FMFB Pakistan, AKRSP Pakistan and AKDN Afghanistan.

He has a Master’s Degree in Commerce and Accounting with Distinction. He is an International Certified Expert in Risk Management, SME Lending and Microfinance.



Member - Mr. Madhavan Ati

Madhavan Ati is a seasoned development finance professional with over 17 years experience working in various positions. He has worked in senior management positions with leading MFIs and commercial banks in various countries in South Asia and sub-Saharan Africa. He currently serves as the CEO of Mutahid.

He has a master’s degree in Public Management from the Carnegie Mellon University in Pittsburgh, USA.



Member - Mr. Zarif Aminyar

Zarif Aminyar has a decade of experience in banking and finance industry of Afghanistan. He served senior positions in Afghan governments, banks, universities, NGOs and private companies. Currently he is the CEO of Exchangerzone, Inc.

He holds a PhD (Finance), an MBA (General), and a post graduate degree in Islamic Banking & Insurance from UK. He has Bachelor of Commerce and MBA from India.

History:

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.

“The tremendous work done at AMA in terms of sharing of information in the sector is impressive. Quarterly updates such as Microview or the regular salary survey, for instance, have proved very helpful for MFIs and are essential tools to both Management and Directors.

There have been great achievements in the area of sector policy too, with the work done on microfinance codes of conduct, which we have used at OXUS to improve our own approach.”

Miryam Nouri
Board Member, OXUS Afghanistan

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. Exchangerzone Microfinance Inc.
2. Foundation for International Community Assistance (FINCA) Afghanistan
3. Islamic Investment & Finance Cooperatives (IIFC) Group
4. Mutahid Development Finance Institution
5. OXUS Afghanistan.

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

Microfinance Bank

1. The First Microfinance Bank (FMFB) Afghanistan

1. Afghan Rural Finance Company (ARFC)

FI

Financial Institution

Governance

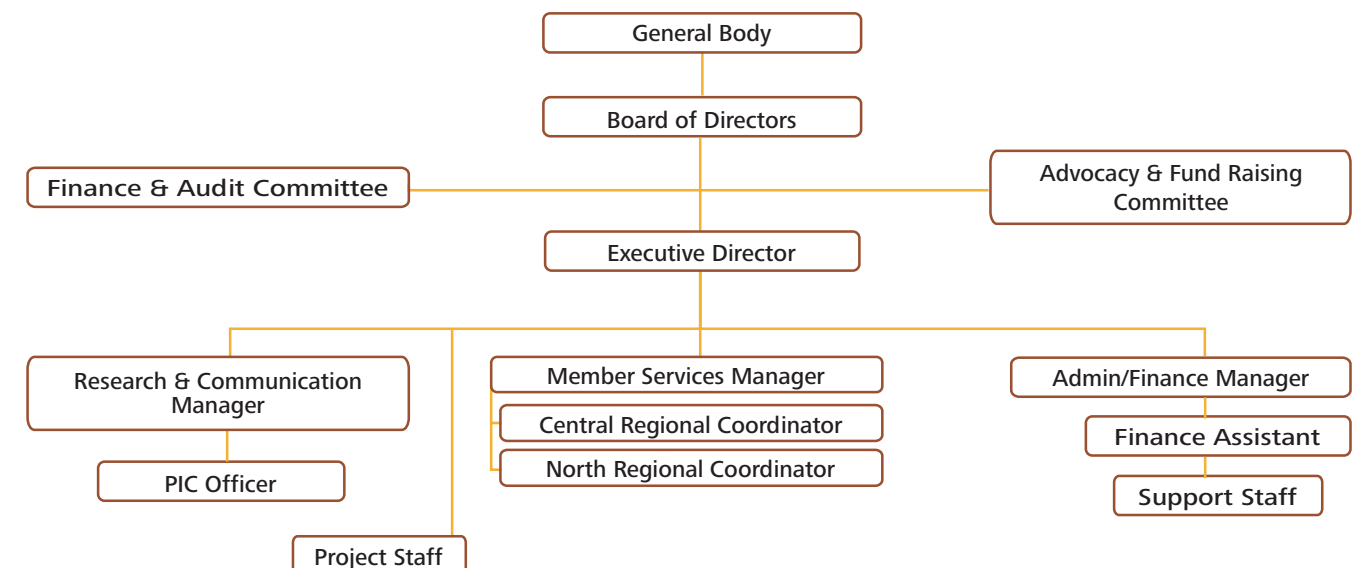
As an independent legal entity, AMA is governed by a Board of Directors. The General Assembly, constituted with the participation of a representative from each member, is the highest decision making body. The Board of Directors is composed of five members drawn from a diverse field of experiences such 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 two Regional Coordinators.



2016 Has been a challenging year for the sector. The volatile security and political situation affected the sector as a whole. Although the gross loan portfolio increased by 11%, and active borrowers only grew by 1%. In addition, PAR> 30 days further increased from 3.3% to 4.1% for the sector as a whole. In terms of savings, the picture is slightly more positive as the number of active savers increased by 5% and the savings portfolio increased by 23%.

The state of financial inclusion in Afghanistan continues to depict a dismal picture. Out of the bankable market of 15.6 Million Afghans, only 1.6 Million use formal financial services.

More concerning, the World Bank's projections for 2017 are also not very encouraging. The World Bank estimates that Afghanistan's growth rate is going to marginally increase to 1.8% in 2017. For an economy with an average population growth rate of 3% and an estimated 400,000 individuals entering the labor market each year, such low growth is a very alarming situation. The situation will be further aggravated as the repatriation of Afghan refugees from Pakistan resumes in spring 2017.

The microfinance sector in Afghanistan has shown an increasing focus on balancing social performance and financial sustainability among microfinance institutes. There is an understanding of microfinance as a double bottom line industry, where sustainability is not an end in itself; but rather a means to achieving social goals.

More recently, it has been felt that the industry has reached a stage where regulatory cover needed to be extended to non-bank microfinance players. Based on lessons from regional countries particularly Post Andhra Pradesh Crisis in India, regulatory umbrella among other things protects the industry from external influences. In addition, the growth and increasing market share of microfinance institutes makes a strong case for the benefits of working in a more regulated environment. Whether this should be formal or "informal" (self-regulation) becomes an interesting

discussion in the near future.

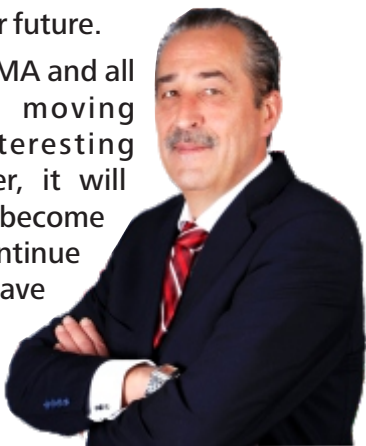
Simply translated, AMA and all of our members, moving forward, face interesting challenges. However, it will force all of us to become more creative to continue the good work we have done in the past. Given the resilience of the MFIs in the past, I am sure we will persevere.

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.

It has been an honor and privilege to serve as Chairman of AMA Board of Directors. AMA is 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.

I would like to sincerely thank MISFA for their financial and technical assistance, the Board of Directors for their vision and guidance, and the highly talented AMA team for their dedication, passion and commitment.

Despite the challenges ahead, under AMA's strong leadership I am sure that AMA will continue to strengthen and make significant improvements to the sector.



Sincerely,

Frank van der Poll

I am proud to present to you the AMA Annual Report for the year 2016. The year was a remarkable year for AMA in terms of achievements. AMA planned and implemented its activities in line with its Strategic and Sustainability Plan (SSP) under its four main functions: (i) lobby and advocacy, (ii) knowledge management, (iii) coordination and networking, and (iv) capacity building. The efforts focused mainly on diversification of sources of funding for AMA, and on lobbying and advocacy.

AMA diversified its funding sources, identified new donors, and was able to sign five new grant agreements with the Microfinance Investment Support Facility for Afghanistan (MISFA), USAID's FAIDA and WIE|Promote projects, and the European Union (EU) for different projects.

AMA received 16 official letters of support from different local Government Authorities, including the Provincial and District Governors, Mayors and provincial Chief of Police. The knowledge of 580 representatives from local government authorities and community leaders, who participated in awareness meetings, was enhanced, resulting in them providing better support to development finance institutions. In a number of cases, focal persons were assigned by the relevant local authorities to respond to AMA members' issues in a timely manner and in some cases MOUs were signed. In the past year, AMA also:

- Facilitated the completion of the registration of SME clients' information into the Public Credit Registry (PCR), and facilitated the upload of three MFIs; microfinance loans into the test environment of PCR;
- Conducted a baseline assessment of two MFIs' adoption of the sector Code of Conduct, which was developed by AMA earlier; provided feedback reports to the participating MFIs;
- Upgraded MicroView online application to include new features and parameters to respond better to the increasing needs of the sector for reliable and updated information;


- Developed a mechanism for members' data validation for the first time; and facilitated the data validation process for seven member organizations; and
- Organized 14 access to finance workshops for women, the youth, and renewable energy sector, in collaboration/partnership with other organizations. 1,056 representatives from different sectors, MFIs and donors, including Ministers and Parliament members participated.

In addition, AMA senior management visited Azerbaijan Microfinance Association (AMFA) and learned about its core functions, the services it provides to its members, new initiatives, best practices, and sustainability plan. AMA will put the learnings from this visit into practice, and will help us provide better services to our members and stakeholders.

Donor support, the Board's guidance and encouragements, and the staff's commitment and dedication, enabled AMA to achieve all these. I sincerely thank you all for your support and contributions.

There are still many challenges to respond to and milestones to achieve. I hope you continue to join and support us in building a sustainable development finance sector in Afghanistan.



Sincerely,

Najibullah Samim



AMA is committed to strengthen the development finance sector in Afghanistan. The Association contributes to this by providing its members and stakeholders a package of needs-based services under these four main functions:

Lobbying and Advocacy:

As the association of Development Finance Institutions (DFIs), AMA advocates on behalf of DFIs to influence policy, regulations, and attitudes in support of financial inclusion across the country.

A component of this advocacy is the Awareness Meetings that AMA organizes regularly in different provinces with the participation of Government officials, MFIs, CSPIs, community and religious leaders. This awareness campaign is designed to sensitize provincial stakeholders to the work of development finance institutions, microfinance, and enhance their understanding of how their work is crucial to economic development at the community, district, and provincial levels.

Knowledge Management:

There is a rich body of knowledge and experience in the sector that needs to be harnessed and shared across the sector for broad learning and application of best practices. AMA is continually working with its members and stakeholders in developing needs-based knowledge management tools and 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 standards and information tools, including the Code of Conduct, Social Performance Management (SPM) Strategy, and Annual Reports. These tools are updated regularly and shared widely throughout the year.

Coordination and Networking:

As a national level association of development finance institutions, AMA 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:

To meet the capacity building needs of its members and stakeholders, and the broader sector, AMA coordinates various initiatives such as trainings and exposures visits, workshops, and scholarship programs.

These capacity-building activities enhance the knowledge and skills of Afghan staff and thus improve the quality of development finance programs.

Highlights from 2016

Diversified its funding sources and signed five grant agreements with MISFA, FAIDA, WIE|Promote, and GERES/EU.

Conducted a baseline assessment examining how two MFIs integrated the sector's Code of Conduct into their operations.

Facilitated the completion of the first phase of the PCR: the registration of SME clients' information. As a result, three MFIs were able to upload all data related to microfinance loans into the test environment of the system.

Developed a mechanism for members' data validation, which was utilized for seven of AMA's member organizations last year.

Upgraded MicroView online application to include new features and parameters to respond better to the increasing needs of the sector for reliable and updated information.

Received 16 official Letters of Support from different local Government authorities. Such support was the result of AMA's continuous awareness meetings with local authorities, community and religious leaders designed to increase their understanding of microfinance. Last year, nearly 600 local stakeholders participated in these meetings, leading to better support to the work of DFIs and MFIs.

Facilitated the signing of a Memorandum of Cooperation between Samangan Police and MFIs. Through the Memorandum, the Police and law enforcement agents will provide better support to MFIs in dealing with delinquent clients and other unlawful activities committed against MFIs/DFIs and their staff.

Established its Central Regional Office in Kabul covering four provinces: Kabul, Nangarhar, Parwan and Bamyan.

Organized a learning visit by AMA senior management with a peer network, the Azerbaijan Microfinance Association. AMA senior management visited AMFA to learn about its core functions, the services it provides to its members, new initiatives, best practices, and sustainability plan.

Organized 14 Access to Finance workshops for women, the youth, and the renewable energy sector. A total of 1,056 representatives from different sectors, MFIs and donors, including Ministers and Parliament members participated.

Sponsored a delegation of nine to participate in the second SAMN Regional Conference.



AMA has influenced government, legislators, community leaders and other relevant stakeholders in promoting an enabling environment for development finance actors at provincial, regional and national levels, through its advocacy efforts. AMA's advocacy and outreach to stakeholders at all levels enhanced the understanding and knowledge of key government officials including the Provincial and District Governors 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:

In line with AMA's five year strategic and sustainability plan, AMA focused its efforts more on advocacy and lobbying during the year 2016. To be more effective in this function, AMA in collaboration with its members, identified the challenges and issues that the Development Finance Sector face in the provinces and the actions required to overcome such challenges.

Government support to the sector remains inadequate. This is primarily due to lack of awareness about the sector and its work among Government key officials at national and provincial levels. This is particularly crucial in regions/provinces with newly appointed officials in key positions.

To influence local actors and relevant stakeholders and to attract their support, AMA organizes different awareness programs and regular coordination meetings at all levels and advocates on behalf of the sector.

To this end, AMA organized 11 Program Awareness meetings, six meetings with

Governor Offices, and 25 meetings with Heads of Departments in Central, North, Northeast and West regions of Afghanistan. In the past year, nearly 600 local stakeholders participated in these meetings, leading to better support to the work of DFIs and MFIs.

These efforts further resulted in receiving 16 official Letters of Support from local government authorities in the above-mentioned regions. AMA member organizations reported increased levels of support from local Government authorities as a result of the awareness and coordination meetings.

"Microfinance is one of the most essential programs for economic development of Kunduz province and is also a tool for reduction of poverty, maintaining businesses support, creating jobs, supporting farmers with access to agriculture inputs, and capital to invest in labor and business growth."

Mr. Asadullah Umer khil
Governor of Kunduz province

"Now I realize that the microfinance program is a national program and its objective is to reduce poverty and create jobs. I was in view that the program is temporary like NGOs, funded by international community, and will be closed whenever the project ends. I will increase the level of support and cooperation with MFIs."

Islamuddin
Deputy Chief of Police - Balkh

Memorandum of Cooperation between Samangan Police Department and MFIs

The advocacy efforts of AMA in the North region of Afghanistan convinced the Police Department of Samangan province to sign a Memorandum of Cooperation with MFIs operating in the province.

An AMA representative on behalf of the sector, and the Chief of Police of Samangan, signed the Memorandum on October 11, 2016. The Governor of Samangan also endorsed the Memorandum.

The memorandum clearly defines the responsibilities of each party: Police, AMA, Provincial Rural Rehabilitation & Development (PRRD), and MFIs. Through this Memorandum, MFIs can directly approach the focal person at the Police Headquarters of Samangan Province to discuss their issues and request for support. The focal person has to respond immediately to the MFIs' requests and provide the required support. AMA's responsibility is to provide oversight of the process, and any required coordination support.





AMA continues to improve information sharing and knowledge management, listening to the needs expressed by members and sector stakeholders. Over the past few years, AMA has been collecting and compiling data from members and other sources, and disseminating trend reports. This has been helping partners make informed decisions pertaining to outreach and expansion based on collective data around risks, saturated markets, and opportunities.

MicroView Upgrade:

With the support of MISFA, AMA upgraded its online application (MicroView) during 2016 to include new features and parameters in order to be able to respond better to the increasing needs of the sector for reliable information on the microfinance sector. AMA and Pakistan Microfinance Network (PMN), the developer of the online application, signed an agreement in April 2016 to upgrade the online application.

The upgraded system would provide visitors:

- The option to see figures in USD and AFN currencies, explore data by region in Afghanistan; and
- Appreciate a more user-friendly interface and overall application, with improved presentation of information and interactive graphics.

The upgrade also enables AMA to generate automatically the MicroView quarterly reports from the system. The upgrade was completed in December 2016.

MicroView is an online information-sharing platform for development finance practitioners in Afghanistan and a vehicle to generate analysis of the development finance sector in Afghanistan. AMA purchased the MicroView online application rights from PMN and launched it in 2013. Since then, AMA has been publishing quarterly MicroView Reports, as well as maintaining the online application for external visitors/users.

The online application is accessible through www.microview.info.

MFIs Data Validation:

To maintain the reliability and credibility of the MicroView reports, as per its members and stakeholders request, AMA developed a mechanism to validate the data AMA receives from its members prior to publication.

Immediately after the approval of the mechanism by the CEOs of member organizations, AMA validated the data of six MFIs and one CSPI during 2016, based on the quarterly data provided by the MFIs. The validation process includes a feedback mechanism that reports Inconsistent data to MFIs and provides reconciliation support.

This is an important step towards sector self-regulation and will be an example in the South Asian Region, as this is not yet widely practiced in South Asia.

AMA Partnership with the MIX Market:

AMA signed a Memorandum of Understanding with the MIX Market to provide subscribing member organizations access to MIX Market's suite of data and information support as part of its Gold Package.

Six member MFIs signed up for the Gold Package and as part of the subscription, the six MFIs will submit data on a quarterly and annual basis to MIX Market. In exchange, the MFIs can enjoy access to comparable market data and analytical tools. With MIX Intelligence, AMA and MFIs can:

- Make more informed-decisions with access to quarterly and annual market data;
- Gain exposure to funders and investors

4 MicroView Report

1 Success Stories Booklet

through the industry-leading organization directory;

- Access the library of organization news and files that include audited financial statements;
- Benchmark the institutions' performance using the Portfolio Analysis tool; and
- Conduct analyses using 150+ indicators with the Cross Market Analysis and FSP Analysis tools.

AMA has been using MIX Market services since taking over sector data collection from MISFA in 2013. AMA collects quarterly and annual data from its member MFIs and uploads them to the MIX Report Express on a regular basis.

Baseline Assessment of Sector Code of Conduct:

With financial support from USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project, AMA conducted a baseline assessment of two MFIs: FINCA Afghanistan and OXUS Afghanistan, examining how these two MFIs adopted the sector's Code of Conduct (CoC).

Following SEEP Network's recommended guidelines for Effective Codes of Conduct, the baseline assessment aimed to: assess the degree to which the CoC has been implemented for one year after its adoption by the sector; explore the challenges around CoC's adoption; and suggest strengthening activities and broad-based interventions to members for improved compliance.

The findings of the assessment were presented to the sector, including MFIs, Community Based Saving-Promoting Institutions (CSPIs), CEOs, donors, and stakeholders on March 31, 2016.

6 E-Newsletter

1 Annual Report

Four out of the seven sections of the CoC were fully (80%-100%) adhered to by the two MFIs and the remaining three sections were partially (50%-80%) followed.

AMA developed the CoC in July 2014 and after six months of pilot implementation, the CoC was revised and shared with AMA member organizations in January 2015 for implementation.

National Public Credit Registry:

AMA facilitated the completion of the first phase of the national Public Credit Registry (PCR) project: the registration of small-and-medium enterprises (SME) clients' information in PCR. For the second phase, AMA also initiated the registration of microfinance loans into PCR. As a result, three MFIs: FINCA, OXUS, and Mutahid, have all successfully uploaded their data related to microfinance loans into the test environment of the system.

Islamic Investment and Finance Cooperatives (IIFC) Group, and Exchangerzone Inc. (a new MFI), also joined PCR and is in the process of registering their SME clients in the test environment. They have received the required training from PCR.

AMA has played an active role in 2016 in engaging all MFIs to become part of the Public Credit Registry of the Da Afghanistan Bank (Central Bank of Afghanistan). The Association will build on these efforts to promote the importance of the PCR to sector stakeholders.

The Registry is likely to reduce duplication, multiple lending, over-indebtedness and delinquency/fraud, which will ultimately improve the quality of the MFIs' portfolios.



One of the strengths of AMA is in coordination. In the past year, AMA continued providing a platform for the different actors and stakeholders at implementation level to get together and share information, lessons and best practices, discuss operational issues, and collaborate on solutions and strategy. In conjunction with this role, AMA organizes coordination meetings and events at different levels throughout the year.

Sector Coordination Overview:

The CEOs Coordination Meetings

This is regarded as one of the most important venues 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

This is a forum for representatives of MFIs, CSPIs and stakeholders in the regions to share and discuss regional/provincial level issues, challenges and opportunities.

In 2016, AMA organized six (6) CEOs Coordination Meetings in Kabul and 80 Regional Coordination Meetings in 11 provinces in the Central, East, North, Northeast and West regions.

Establishment of Central Regional Office:

In April 2016, AMA closed down its East Regional Office in Nangarhar – covering only one province – and established its Central Regional Office (CRO) in Kabul, covering four provinces: Kabul, Nangarhar, Parwan and Bamyan, where the majority of DFIs maintain operations. The move was not only cost-effective, but also contributed to efficiency. As in other regional offices, AMA organizes regular coordination meetings in each of the mentioned provinces through CRO. This regional office has provided a critical platform for members and stakeholders to better coordinate their activities and respond to the common challenges in a collaborative manner.

In addition to CRO, AMA has its Regional Offices in Northeast, North and West regions, covering 12 provinces.

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

SAMN Regional Conference - 2016

AMA, with support from MISFA, sponsored a delegation of nine members to participate in the second South Asian Micro-entrepreneurs Network (SAMN) Regional Conference in New Delhi, India (March 8-9, 2016).

The delegation consisted of representatives from Afghan Rural Finance Company (ARFC), Islamic Investment & Finance Cooperatives (IIFC) Group, The First Microfinance Bank (FMFB) Afghanistan, OXUS Afghanistan, Mutahid DFI, Aga Khan Foundation (AKF) and AMA. A representative from MISFA also joined the delegation.

During the two-day conference, Afghanistan's Development Finance sector was well represented. Mr. Najibullah Samim, AMA's Executive Director, and Mr. Matin Ezidyar, MISFA's Public Information & Communications Manager, participated in plenary sessions where they shared Afghanistan experiences on selected topics.

The conference provided a great opportunity for the delegation to learn and network with their peers across South Asia.





AMA coordinates various initiatives such as trainings and exposures visits, workshops, and scholarship programs.

These capacity-building activities enhance the knowledge and skills of Afghan staff and thus improve the quality of development finance programs.

Women's Access to Finance & Islamic Finance Workshops:

During the year 2016, AMA organized six Women's Access to Finance and Islamic Finance Workshops funded by USAID's FAIDA project with the following objectives:

- To enhance women entrepreneurs' knowledge, understanding and awareness of development finance;
- To build the capacity of women entrepreneurs in the areas of business plan development, marketing, Islamic finance, and insurance;
- To facilitate women entrepreneurs' access to financial products to help grow their businesses and engage in the local economy.

The workshops were conducted in Balkh, Baghlan, Herat, Samangan, Kabul, and Nangarhar provinces. A total of 259 women entrepreneurs participated.

This capacity building event contributed to the successful enrolment of more than 40 of the women participants in microfinance programs of member MFIs. A total of AFN 3.5 million worth of

loans were disbursed by various MFIs to support the businesses of these women entrepreneurs.

Renewable Energy Access to Finance Workshop:

With support from USAID's FAIDA project, and in collaboration with the Afghanistan Renewable Energy Union (AREU) and the Ministry of Energy and Water (MoEW), AMA organized four Renewable Energy Access to Finance (A2F) workshops each in Herat, Balkh, and Kabul provinces during 2016.

The main objective of the workshops was to raise awareness and link Renewable Energy companies, sellers and potential customers with MFIs to promote Access to Finance in the Renewable Energy Sector.

More than 400 participants from Government agencies, MFIs, renewable energy companies, sellers and potential customers participated in these workshops. Participants got familiarized with the loan products and services of MFIs. During round table discussions, parties recognized the potential synergies and mutual benefits from engaging with each other.

The last workshop for the year was conducted in Kabul. Participants included: the Minister and Deputy Minister of Energy and Water Deputy Minister of Rural Rehabilitation and Development, General Director of Plan and Policy of the Ministry of Commerce and Industries, and representatives of IFC-World Bank, USAID/FAIDA, AMA, MFIs, AREU, the insurance industry, and renewable energy companies. During this workshop, two MoUs were signed between the European Technology Company (ETC) and FINCA Afghanistan, and ETC and FMFB Afghanistan for further cooperation.



Through these MOUs, ETC's identified clients, who seek financial assistance to purchase renewable energy equipment, will get loans from FINCA and FMFB Afghanistan. These are pilot projects, which could be scaled up if successful.

Youth Access to Finance Workshop:

AMA, in collaboration with the Deputy Ministry of Youth Affairs, organized four (4) Youth Access to Finance Workshops in Kabul, and Balkh. The main purpose of the workshop was to identify the financial needs of young entrepreneurs and provide them the space to discuss access to finance opportunities.

The workshop also aimed to:

- Link young people with microfinance institutions to facilitate access to finance that will result in job creation for the youth, their families and communities; and
- Raise awareness among the youth, Business Development Organizations (BDS) and relevant stakeholders on the microfinance products and services designed for them.

A total of 358 participants, including Government authorities, the youth, and MFIs, attended the workshops. The first workshop was conducted for the staff of the Deputy Minister of Youth to raise their awareness of available financial opportunities for young people in the country.

The last workshop was conducted in Kabul and attended by high-level Government officials, including the Acting Minister of Information and Culture, the Deputy Minister of Women Affairs, Parliament Members, young entrepreneurs, insurance companies, Mobile Network Operators (MNOs), and MFIs.

His Excellency, Mr. Kamal Sadat, the Deputy Minister of Youth Affairs, speaking about the importance of facilitating youth access to finance, said; "Stakeholders, including the government, microfinance institutions and

donor organizations involved in this initiative, need to locate and deploy the necessary resources to facilitate youth access to finance, and create jobs for the youth". He thanked AMA for organizing the event and appreciated the hard work of the MFIs in providing financial services to the poor, particularly the youth.

AMA Management Exposure Visit to AMFA:

In October 2016, AMA senior management visited the Azerbaijan Microfinance Association (AMFA) to learn more about AMFA, its core functions, the types of services it provides to its members, new initiatives, best practices, and sustainability plan.

Besides AMFA and its Board, AMA met with some of AMFA's members and stakeholders, including the Central Bank of Azerbaijan, EBRD, Centralized Credit Registry, SBFIC, TBC Credit, and Turan Bank, as well as some clients. The meetings with the members of AMFA and their clients provided some insights into the services they receive from AMFA, as well as the different microfinance activities/programs in Azerbaijan and their impact on poverty in the country.

The AMA senior management returned to Afghanistan with new ideas and a renewed commitment to utilize what they learned towards improving AMA's service to its members and the sector.



MISFA:

The Microfinance Investment Support Facility for Afghanistan (MISFA) extended its financial support to AMA for the year 2016. Mr. Bahram Barzin, MISFA Managing Director, and Mr. Najibullah Samim, AMA Executive Director, signed the partnership agreement on February 11, 2016 during a ceremony in MISFA's office.

Under this agreement, MISFA committed to financing around 90 percent of AMA's planned activities related to advocacy, knowledge management, coordination and networking, and capacity building. The grant helped AMA provide better services to its members and stakeholders at national and regional levels.

MISFA, as one of the founding members of AMA, has been providing technical and financial support to AMA since its inception in 2005.

USAID's Promote|WIE:

In November 2016, AMA signed two grant agreements with Women In Economy (WIE), a project of Development Alternatives, Inc. (DAI) funded by USAID under its larger project of "Promote". The project duration is for two years, starting from November 15, 2016.

The objective of the first project, "Access to Finance Matchmaking Roundtable", is to connect potential businesses/clients with the right financial institutions that could provide them financial support. Through this project, AMA will conduct 34 matchmaking roundtables in four selected provinces.

The objective of the second project, "Internship Program in the Microfinance Sector", is to enhance the technical and managerial skills of women candidates in their selected fields and increase their employment in Microfinance Institutions (MFIs). Both projects will be implemented in Kabul, Nangarhar, Balkh, and Herat provinces.

European Commission:

On August 17, 2016, AMA signed an MOU with the Group for the Environment, Renewable Energy and Solidarity (GERES), the leading partner for the SWITCH-Asia project in Afghanistan.

Switch Asia is a three-year project that is part of a wider SWITCH program portfolio funded by the European Commission in Asia. Led by GERES, the Rural Movement Organization (RMO) and AMA are committed to working together to implement this project in 15 selected districts of Kabul City in Afghanistan. The project aims to contribute to the Afghanistan National Development Strategy's main pillars, particularly on poverty reduction through a private sector, market-led approach.

The project seeks to tackle the lack of access to finance for green consumption, to strengthen the emerging Energy Saving Solutions (ESS) value chain and engage networks of stakeholders. A total of 4,550 households will benefit from the project through the installation of ESS techniques.

USAID's FAIDA:

USAID's Financial Access for Investing the Development of Afghanistan (FAIDA) project extended its support to AMA for another 2.5 months starting from October 01, 2016. AMA signed the grant agreement with USAID's FAIDA on October 01, 2016.

Under this agreement, AMA organized three workshops on access to finance for renewable energy sector, access to finance for Youth, and access to finance for women entrepreneurs in Kabul.

FAIDA has been supporting AMA through provision of grants and technical assistance during the last five years.

Annual General Assembly Meeting:

The sixth AMA Annual General Assembly Meeting was held on August 24, 2016 in Kabul. Around 47 representatives from member institutions, donors and stakeholders participated. Mr. Mohammad Qurban Haqjo, Deputy Minister for Commerce and Industries, was the event's guest of honor.

The summary of AMA's achievements and planned activities, and the audited financial statements from the previous year were presented to and approved by the General Assembly.

During the meeting, three new Members of the Board were elected to replace those whose terms of office have expired. At the end of the meeting, AMA membership certificates were awarded to the member organizations

AMA's Fifth Year Anniversary Celebration:
AMA celebrated its fifth year anniversary during

the General Assembly Meeting. On this occasion, the Chairman of the Board, the Executive Director, donors, member organizations of AMA, and a peer network delivered remarks and reflections on the road AMA has travelled.

Client Success Story Competition:
AMA organized the third Client Success Stories Competition. The top four successful clients featured in the stories submitted by the four winning member organizations were rewarded with cash prizes and certificates. Their corresponding Loan Officers were also rewarded with gifts and certificates.

The winning clients and Loan Officers thanked AMA for organizing such an event and the CEOs thanked AMA for providing opportunities for them to meet with the successful clients and see the results of their microfinance services. Such recognition of hard work will inspire other clients and Loan Officers to strive harder in the future.

In the Year Ahead, AMA will

- Organize sensitization sessions with banks, and roundtables with MFIs.

→ Advocate for the development of a national financial inclusion policy and regulation.

→ Conduct more awareness raising workshops on agriculture lending for farmers, and training and exposure visits for MFIs.

→ Purchase and implement new online application – State of the Sector, and publish the first report.

→ Benchmark and standardize the terms used in the sector.
- Facilitate awareness raising on green loans to potential clients in Kabul.

→ Continue organizing coordination events at national and provincial levels.

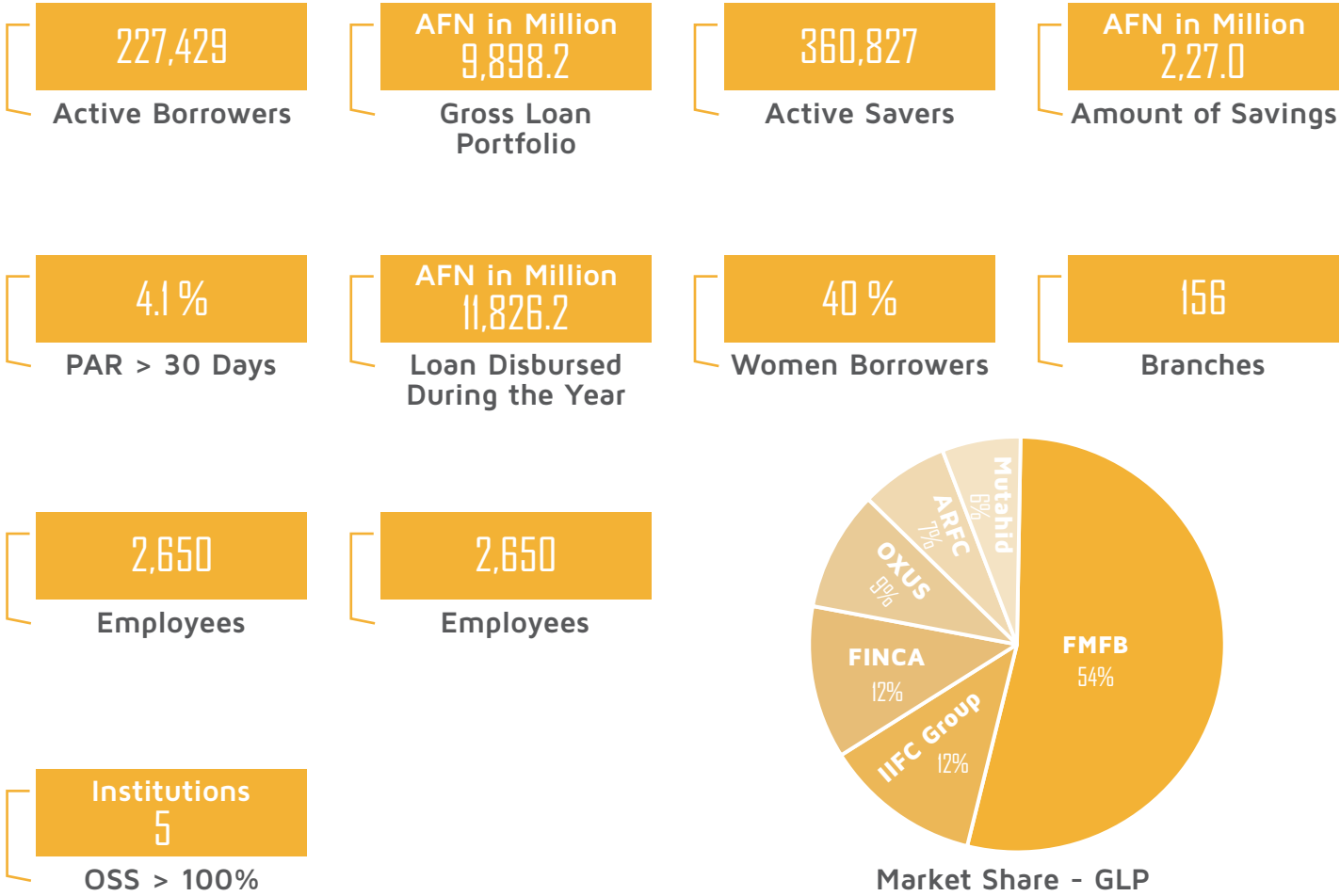
→ Continue improving and producing current publications.

→ Conduct roundtables for businesses owned by women.

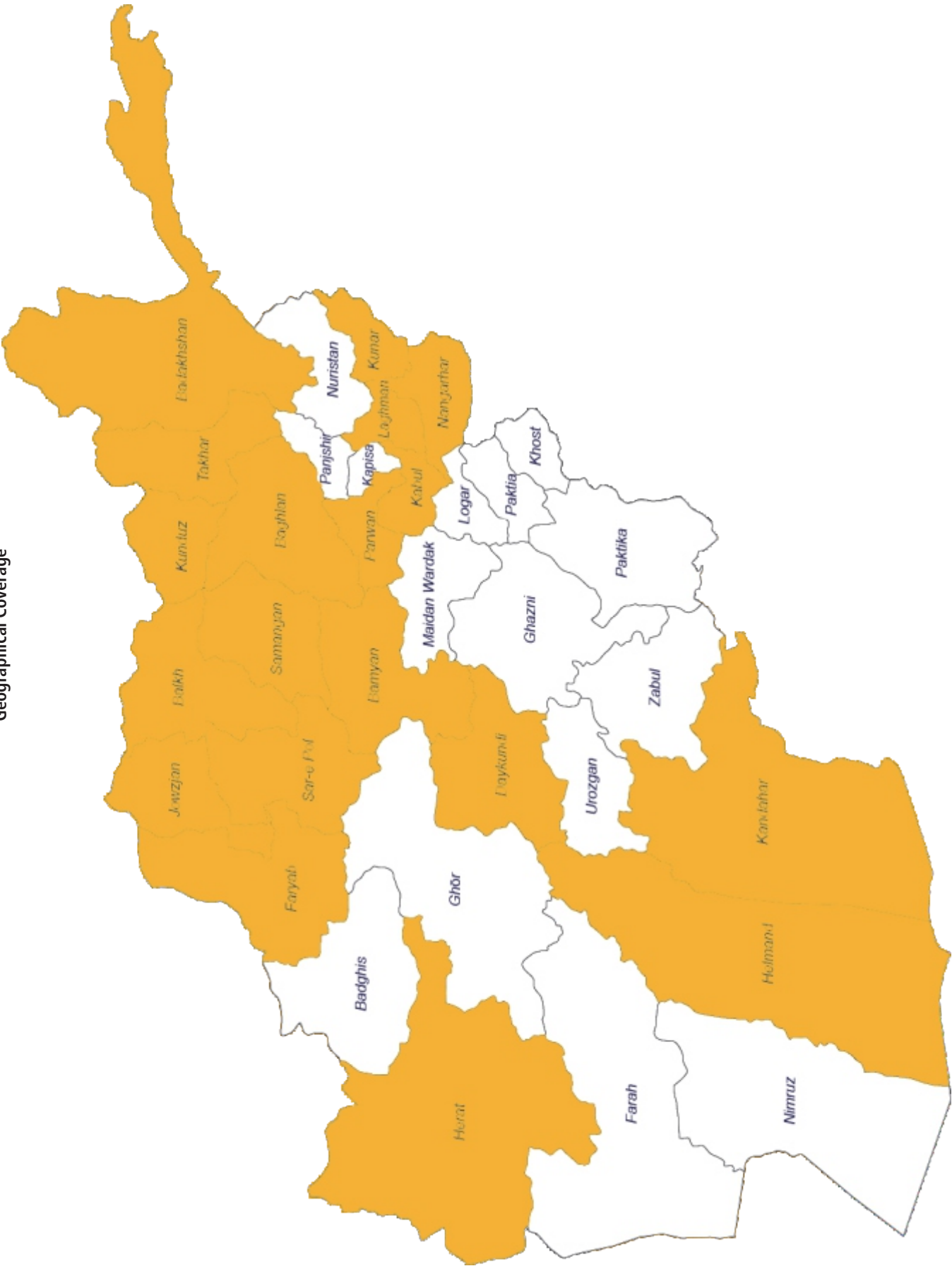
→ Facilitate internship programs at MFIs for fresh graduate Afghan women.

→ Sponsor scholarships for participation in regional and international conferences.

As of December 31, 2016



Geographical Coverage





Independent auditors' report to the Board of Directors of AMA

Opinion

We have audited the financial statements of Afghanistan Microfinance Association (AMA), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the AMA financial statements present fairly, in all material respects, the financial position of the AMA as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Kabul
Date: July 28, 2017



Grant Thornton Af.
Grant Thornton Afghanistan
Chartered Accountants

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	Notes	2016 AFN	2015 AFN
NON CURRENT ASSETS			
Property and equipment	4	1,578,541	2,193,955
Intangible Assets	5	736,665	426,993
		<u>2,620,948</u>	<u>2,620,948</u>
CURRENT ASSETS			
Advances, prepayments and other receivables	6	2,501,709	567,927
Grant Receivables	7	1,156,212	999,096
Cash and bank	8	8,301,173	6,527,720
		<u>11,959,094</u>	<u>8,094,743</u>
TOTAL ASSETS		<u>14,274,300</u>	<u>10,715,692</u>
NON CURRENT LIABILITIES			
Deferred Grants	9	2,101,425	2,552,197
CURRENT LIABILITIES			
Accounts payable	10	3,372,502	3,028,271
REPRESENTED BY:			
Accumulated Surplus		<u>8,800,373</u>	<u>5,135,224</u>
		<u>14,274,300</u>	<u>10,715,692</u>

Finance Manager

Executive Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Jan 01, 2016 to Dec 31, 2016 AFN	Jan 01, 2015 to Dec 31, 2015 AFN
INCOME			
Operating Income	12	1,623,976	610,675
Exchange gain		-	163,573
TOTAL INCOME		1,623,976	774,248
EXPENDITURE			
Personnel cost		14,052,400	13,468,186
Knowledge Management cost		2,223,207	-
Member Services cost		1,334,637	5,129,705
Training and capacity building cost		18,76,474	-
Lobby & Advocacy cost		895,364	-
Depreciation		1,060,984	912,940
Amortization		173,748	132,654
Project operational cost		445,381	442,190
Administrative expenses	13	3,021,397	4,559,648
		25,083,592	24,651,593
Deficit from Operating Activities		(23,459,616)	(23,877,345)
Grant Income	14	27,124,765	24,461,604
Surplus for the period		3,665,149	584,259



Finance Manager



Executive Director

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016 AFN	2015 AFN
CASH FLOW FROM OPERATING ACTIVITIES:			
Surplus / (Deficit) for the year		3,665,149	584,259
Adjustment for non cash items:			
Depreciation on property and equipments	4	1,068,473	912,940
Amortization on Intellectual property		173,748	132,655
Surplus/(deficit) before working capital changes		4,907,370	1,629,854
Working capital changes			
(Increase)/Decrease in Advances, prepayments and other receivables	6	(1,933,782)	(190,927)
(Increase)/Decrease in Grant receivable	7	(157,116)	(790,574)
Increase/(Decrease) in accrued and other liabilities	10	344,231	3,001,517
Net Cash inflow/(outflow) from operating activities		3,160,703	3,649,870
CASH FLOW FROM INVESTING ACTIVITIES:			
Cash paid for purchase of property, plant and equipment	4	(936,479)	(1,060,325)
Net Cash inflow/(outflow) in investing activities		(936,479)	(1,060,325)
CASH FLOW FROM FINANCING ACTIVITIES:			
Deffered Grant	9	(450,772)	17,283
Net Cash inflow/outflow from Financing activities		(450,772)	17,283
Net change in cash and cash equivalents		1,773,453	2,606,828
Cash & cash equivalents at beginning of the period		6,527,720	3,920,891
Cash & cash equivalents at end of the period		8,301,173	6,527,720



Finance Manager



Executive Director



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