Afghanistan Microfinance Association (AMA) is the national network of development finance Institutions in Afghanistan. AMA aims at promoting a sustainable development finance sector in Afghanistan through sector coordination and networking, knowledge management, lobbying and advocacy, and capacity building.
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From the Chairperson

It gives me great pleasure to present to you the first ever annual report of Afghanistan Microfinance Association. The year 2011-12 witnessed an upsurge in efforts towards financial inclusion of the poor. The sector through microfinance institutions and community-based saving promoting institutions served almost 600,000 clients.

It is very heartening to inform that AMA has made tremendous efforts towards building and informing the sector, increasing transparency, enhancing technical capacity, and providing platforms for stakeholders to deliberate on key issues. AMA’s achievements are especially notable, because until last year it was mostly a dormant institution. In early 2011, with significant support from USAID’s Financial Access for Investing in the Development of Afghanistan (FAIDA) project, AMA started from scratch, redefined its governance structure, expanded its membership and built an incredible team of hard working individuals dedicated to the sector. It is no mean feat, that within a year of operations, it has established itself as an independent organization that has effectively responded to the needs of its stakeholders, gained trust and credibility and become the trusted representative of the sector in Kabul as well as in the provinces.

AMA is bringing the sector together, especially during these times of transition, and exploiting unexplored synergies which will result in the sector growing by leaps and bounds. This is why I am proud to be the Chairman of AMA’s Board of Directors.

I want to take this opportunity to acknowledge all the efforts of AMA’s management and staff, our donors, USAID’s FAIDA project and Microfinance Investment Support Facility for Afghanistan (MISFA), as well as those of our member institutions, towards strengthening the sector and laying the groundwork for its sustainability.

Sincerely,

Zar Wardak
Chairperson, AMA
CEO, FINCA Afghanistan
From AMA’s Executive Director

At Afghanistan Microfinance Association, we want all Afghans to have access to inclusive financial services. We know that development finance is one of the best investments that the world can make to increase household incomes, keep girls in school, empower women, and enhance human dignity.

In this first year after our rejuvenation despite many challenges, we have made significant strides toward achieving our vision. Thanks to our generous donors, USAID Financial Access for Investing in the Development of Afghanistan (FAIDA) and Microfinance Investment Support Facility for Afghanistan (MISFA) for their financial and technical support, our diligent members, and my extraordinary team at AMA, we have been able to help create connections, enhance the capacity of the sector and provide actionable information which is supporting the sector during these trying times.

We have worked hard to expand our membership, conduct research and create much-needed sector knowledge, coordinate different stakeholders at national and regional levels, and raise awareness about microfinance.

Yet, as we write this letter, delinquency management, client over-indebtedness, lack of transparency and the recent industry shifts which lead to the consolidation of six microfinance institutions, remain the biggest challenges for the sector. We cannot close this gap alone.

It will require courage and patience to innovate, new thinking, breakthrough solutions, coordinated efforts, increased investments and the participation of Afghans across the country.

Join us. Support us in building a sustainable development finance sector in Afghanistan.

Sincerely,

Najibullah Samim
Executive Director, AMA
AMA Rejuvenated

**2011-2012**

Rejuvenation: AMA revived through support from USAID’s FAIDA 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.
- Over 90 MFI staff trained.

FAIDA did an institutional assessment of AMA, and in consultation with MISFA, and suggested the way forward for AMA. To this end, in July 2011, a general assembly was called and new board members were elected to recruit the new leadership and to define new areas of priorities for AMA. In April 2011, AMA started anew, with a new vision and mission, and a new management and governance structure in place.

As per the new vision, strengthening governance and management, membership expansion, coordination among the stakeholders at national and regional levels, knowledge management, and information collection and dissemination were identified as the top priorities for AMA. Towards this end, AMA has made considerable progress during the past one year.

AMA ended the first year after its rejuvenation with eight members, and five potential members who are regularly involved in AMA activities.

**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.

In February 2011, MISFA initiated discussions with the MFIs and other stakeholders to assess the need for revitalization of AMA, to be a strong association capable of representing the microfinance sector in Afghanistan. The MFIs emphasized on the need for a strong Association with committed leadership having ability to represent Afghanistan’s microfinance sector at national and international levels, and provide a range of services meeting the needs of the members and of the sector.

Since March 2011, AMA received significant technical and financial support from the USAID funded project “Financial Access for Investing in the Development of Afghanistan” (FAIDA). AMA continues to receive regular support from Microfinance Investment Support Facility for Afghanistan (MISFA).
Our Impact in the Last Year

- **13** Microfinance Organizations served
- **169** Microfinance Professionals received Capacity Building support from AMA
- **24** Women Microfinance Professionals received Capacity Building support from AMA
- **8** Peer Learning Workshops Conducted
- **5** Microfinance Trainings Conducted
- **5** CEO Coordination Meetings Conducted
- **3** Sector Update Reports Published
- Training Needs Assessment Report Published
- **2** CSPI Coordination Meetings Conducted
- **2** MFI Coordination Meetings Conducted Published

Our Approach

Coordination and Networking

Coordination and Networking is one of the primary functions of AMA. Prior to AMA’s rejuvenation, management and staff members of microfinance organizations rarely had the opportunity to meet and interact with their counterparts. To address this need, AMA started organizing several different types of coordination meetings at the central and regional levels with support from MISFA and FAIDA.

**CEO Coordination Meetings:** CEO Coordination Meetings work as a platform for the CEOs and MFI's chief functionaries to interact, share information with each other and to discuss pertinent issues. Initiated in October 2011, AMA organized five CEO Coordination Meetings during October 2011-March 2012. Through these meetings, the CEOs ensure that AMA provides demand-driven value added services to its members. The meetings also allow for effective networking and engagement with other financial sector players, donors and policymakers.

“Participating in the CEO meeting gave me the opportunity to meet and discuss issues of common interest with microfinance gurus working in Afghanistan. It also enabled me to learn the challenges facing the sector and ways to address them. Big kudos to AMA for taking the lead on this!”

- Abdul Latif Zahed
  Ministry of Agriculture Irrigation and Livestock
Regional Coordination Meetings: AMA organizes Regional Coordination Meetings that bring together MFI regional managers and branch managers to discuss relevant issues and come up with solutions. After participating similar meetings organized by MISFA, AMA took over from MISFA, the responsibility of organizing the meetings in Parwan and Kabul provinces. Over a period of time, AMA expects to take over organizing these meetings all over Afghanistan from MISFA. These meetings are important as they allow MFIs operating in a certain area to liaise with each other, share client information to ensure that clients are not over-indebted and work together to find solutions for common sector related issues and to coordinate their efforts to better serve the community.

Community-based Saving Promoting Institution (CSPI) Forum Meetings: In order to become the true representative and voice of the microfinance sector, AMA expanded its membership base to all development financial institutions operating in Afghanistan. To this end, AMA established a separate forum for CSPIs. The forum was started in February 2012 and four organizations (Aga Khan Foundation (AKF), Afghanistan Rural Enterprise Development Program (AREDP), UN Habitat and Afghan Aid) joined the forum. It is expected that 10-15 organizations will join the forum.

Knowledge Management

AMA established itself as the information hub for Afghanistan’s development finance sector. Prior to AMA, there were no organizations in Afghanistan providing knowledge management services for the entire sector. MISFA was considered the sole source of information. However there are many development finance institutions that are not MISFA partners and thus not reporting to MISFA. The rejuvenated AMA, with FAIDA’s technical support initiated information collection from its members and non-members. This information has been disseminated widely through newsletters, sector update reports, website etc.

Sector Update Reports and Members Directory: As a new initiative in November 2011, AMA started collecting operational data from MFIs and CSPIs on a quarterly basis to prepare Sector Update Reports and share this information with members and other stakeholders. The trend data allows for comparison between each quarter and highlights the direction in which the sector is heading. Three Sector Update Reports were prepared and published last year. Additionally, AMA published a member’s directory on its website which provides general information on each member.

Training Needs Assessment: Over the years, there have been a number of trainings to address capacity building challenges in the sector, but with limited success. With this background, through a sector-wide Training Needs Assessment AMA took on the mandate to closely examine the capacity challenges of the microfinance sector and address them systematically. The assessment identified low staff capacity, distrust in microfinance, unstable security and lack of local government support as the key challenges of the microfinance sector in Afghanistan. A detailed report on the training needs of the sector was prepared and widely circulated.

Newsletter: As part of its communication strategy, AMA published its first newsletter in March 2012. The newsletter was published in English and Dari and was widely circulated. The newsletter contained recent AMA activities, initiatives and sector news. AMA proposes to publish two paper newsletters in a year and bimonthly E-newsletters.

All AMA reports are available for download from the AMA website: www.ama.org.af/index.php/downloads

“Kudos to you and your team for the good work you are doing at AMA. The AMA website is great and covers very useful information about the sector.”
-Zach Ratemo
USAID

“AMA’s work has become very handy and useful in terms of providing us with updates on the sector. The sector update reports in particular, has made my life easier since now I do not have to contact individual organizations for data collection upon data calls. The report is well organized and detailed.”
-Abdullah Sawiz
USAID
### Afghanistan Microfinance Sector Update Report
#### As of March 2012

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<th>MFI Name</th>
<th>No. of Provinces Covered</th>
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<th>No. of Regional/Area Offices</th>
<th>No. of Branches</th>
<th>No. of Staff</th>
<th>No. of Clients</th>
<th>No. of Borrowers</th>
<th>No. of Women Clients</th>
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<td><strong>48,655,877,912</strong></td>
<td><strong>6,679,402,782</strong></td>
<td><strong>5,320,135,525</strong></td>
</tr>
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</table>
Lobbying and Advocacy

Program and Legal Awareness Meeting: Low levels of awareness among policy makers, government officials and community elders regarding microfinance and the value it generates in communities has been a long-standing issue in Afghanistan. This lack of awareness has also resulted in reduced support from government authorities and community elders. To address this need, AMA participated in program and legal awareness meetings organized by MISFA in Laghman, Mazar-e-Sharif, Kabul and Kapisa. The primary aim of these meetings is to educate government authorities and community leaders on the benefits of microfinance and enlist their support. With support from MISFA, AMA is now independently organizing Program and Legal Awareness Meetings in Kabul and Kapisa.

Capacity Building

AMA has been engaged in capacity building activities since its inception in 2005 and till date has issued more than 1,000 certificates in different fields to different MFIs staff. Considering the needs for capacity building, AMA remains deeply committed to this cause and conducted class room trainings, peer learning workshops and study tours.

Trainings: Last year, AMA focused on conducting trainings in the provinces and has conducted five trainings for a total of 92 participants. The trainings were on microfinance field operations, financial analysis and communication skills. Staff of four provinces - Balkh, Kunduz, Jalalabad and Kapisa were covered. With Afghanistan Institute of Banking and Finance (AIBF) establishing a microfinance department in 2011, AMA is now supporting microfinance trainings conducted by AIBF.

Peer Learning Workshops: MFI staff, especially those working in the provinces, rarely have the opportunity to interact with their industry peers. As individuals learn best from their peers, AMA initiated peer learning workshops that are designed to build on participant’s experience to capture knowledge and innovations through experience sharing. These workshops, supported by FAIDA, follow adult learning principles and focus on understanding and solving the most critical problems of the microfinance sector. AMA conducted eight peer learning workshops on Marketing & Client Selection and Internal Audit & Control in Parwan, Nangarhar, Kabul, Herat, Kunduz and Balkh provinces. A total of 77 participants from different MFIs participated in the workshops.

Exposure Visit: Supported by FAIDA, AMA staff visited Pakistan Microfinance Network (PMN) in March 2012, to understand PMN’s activities, functioning and resources as well as to learn from their experiences. Meeting with PMN management, its board of directors and some other members and stakeholders, the AMA delegation came away with a clear understanding of the governance and management structure of PMN, and its information management and communication strategy. AMA also understood the financial sustainability strategy of PMN, its challenges and PMN’s new initiatives. The exposure visit helped AMA to create a new vision and knowledge base for implementing and adapting lessons learned for the coming years. AMA proposes to implement the information management software developed and used by PMN.

“It’s (Peer Learning Workshop) more practical and it involved detailed discussions and explanations of real issues”
- Workshop Participant Feedback
AMA Members (Nov 2012)

AMA is a member of

AMA Donors

AMA Training, Parwan
Looking Forward

In the year ahead, we will:

- Increase sector coordination and networking and promoting new partnerships between financial sector actors.
- Expand AMA membership by attracting new members.
- Launch of web-based application that will share financial and portfolio data for leading development finance institutions in Afghanistan.
- Enrich and maintain Staff Referral Database and encourage organizations to use it.
- Increase AMA publications such as newsletters, annual report, brochures and other promotional materials.
- Gather information and conduct research on sector trends, and salary survey.
- Take on the responsibility of data collection and reporting to MIX Market.
- Identify and pilot new ideas that promote the sustainability of Afghanistan’s Microfinance Sector.
- Expand the CSPI Forum to new potential organizations and to further expand it to the provinces.
- Expand our Peer Learning Workshops and capacity building efforts across the country and engage in conversations on Credit Appraisal, Delinquency Management, Code of Conduct, Accounting, Bookkeeping and Islamic Microfinance.
- Take SEEP membership and establish linkages with international peer networks.
AMA Board Members

Zar Wardak  
Chairperson, AMA CEO, FINCA Afghanistan

Mahir Momand  
Vice Chairman, AMA CEO, IIFC Group

Khondokar Ariful Islam  
Board Member, AMA CR, BRAC Afghanistan

David Payne  
Board Member, AMA CEO, OXUS Afghanistan

Hashmat Seyar Amarkhail  
Board Member, AMA President/CEO, ARFC

AMA Staff

Najibullah Samim  
Executive Director

Mohd Islam Yari  
Member Services & Networking Manager

Fahim Naimi  
Public Information & Communication Officer

Rassa Massomy  
Admin/Finance Officer