



MICROMAG 7

December 2017

AMA advocacy leads to more local support to MFIs

Afghanistan Microfinance Association (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.

During the year 2017, through quarterly regional coordination meetings in different regions, AMA identified the following main challenges:

- Lack of cooperation and support from local Government authorities, particularly the Governor Offices, Attorneys, Justice and Police Departments.
- Not enough cooperation and support from Community Leaders on client verification.
- Negative public perception of microfinance.

In order to address these challenges, AMA prepared its annual plan, and through financial support of Microfinance Investment Support Facility for Afghanistan (MISFA), advocated on behalf of the sector and met with key stakeholders in each province to discuss issues and seek their support.

The top-down approach of AMA meeting higher authorities of the province first, resulted in better coordination and cooperation among the sector players and local authorities.

AMA, along with representatives of microfinance institutions (MFIs) met with Provincial and District Governors/Deputy Governors, Mayors,

Police Departments, Attorney General, and Community Leaders in Kabul, Kunduz, Baghlan, Samangan, Balkh, Jawzjan, Badakhshan, Parwan, and Takhar provinces.

During these meetings, the sector representatives briefed government authorities on sector successes and achievements and provided them with a brief history of the microfinance sector and microfinance providers in Afghanistan. Then they shared challenges they face in their operations and requested the authorities to support the microfinance program by issuing letters of support addressed to relevant Government departments of the province. Sector representatives also requested their government partners to intensify cooperation and support with the MFIs operating in their provinces.

Local officials appreciated learning about the successes and achievements of the sector and pledged their support to the sector. They recognized the microfinance program to be a key contributor to reducing poverty in the country by providing loans to low-income households starting/expanding their small businesses.

Summary of advocacy outcomes:

- Local government authorities are sensitized to the positive role of microfinance and have pledged to support MFI operations in their provinces.
- Official Letters of Support issued by the Governors' Offices in Kabul, Badakhshan, Takhar, Kunduz, Baghlan, Samangan, and Balkh provinces.
- MFIs are now able to leverage the official Letters of Support from the Governors to engender more support at the community level.

- Sectorial Directorates were assigned as focal points for MFIs to contact anytime issues arise in the future.
- The resolution of some of MFIs' issues as a direct result of the official Letters of Support has enabled them to expand their operations and cover new areas within the province, especially in Badakhshan.
- Community leaders are now less reluctant to certify loan applications.
- More than 72 pending legal cases overall have been resolved: 11 in Badakhshan; Takhar, 7; Kunduz, 5; Baghlan, 11; Samangan,

7; Balkh, 5; Jawzjan, 6; Kabul, 16; Parwan, 4; and Herat, 1 case.

"Due to lack of information about the purpose and operations of the microfinance sector, I had rejected many MFIs cases in the past.

Now that I received full information about the program, I, along with my team, will fully support MFI operations in Takhar and work towards overcoming their existing issue/challenges to pave the way to increasing their productivity."

Mohammad Farid Zaki

Deputy/Acting Governor of Takhar



AMA delegation to Nepal learns more about agriculture financing

AMA organized a five-day exposure visit to Nepal during December 11-15, 2017, focusing on agriculture financing. The purpose of the exposure visit was to provide opportunity for MFIs staff to observe different agricultural financing options through different financial service providers and to learn from their experiences.

Making up the delegation were 14 representatives from The First Microfinance Bank (FMFB) Afghanistan, OXUS Afghanistan, FINCA Afghanistan, Mutahid DFI, Exchangerzone, Afghan Rural Finance Company (ARFC), Islamic Investment & Finance Cooperatives (IIFC) Group, and AMA. The Center for Microfinance (CMF) Nepal coordinated and hosted the exposure visit.

DAI's Agriculture Credit Enhancement Support (ACE-II) Program, funded by United States Agency for International Development (USAID) financially supported the exposure visit.

During the exposure visit, the delegates visited Nepal's Central Bank, MFIs' Head Office and Branch Offices, and some clients, to understand agriculture credit products/services, risk mitigation/management policies and procedures, internal control mechanisms, delinquency management, best practices as well as successes and challenges.

The delegates' mission included a visit to observe mechanized agriculture activities in farms partially or fully supported through agriculture lending. They also visited a main donor and an investor to agriculture lending to understand the level and types of support the donors provide to MFIs involved in agriculture lending, and the peculiarities of investment in agriculture sector, its terms and conditions as well as the investors' relationship with MFIs.

There were many lessons learned by the participants from the exposure visit that could be adopted/implemented in Afghanistan.



USAID project empowers Afghan women to access agriculture credit

One of the most difficult challenges for female farmers and women operating agriculture-related businesses in Afghanistan is access to credit. In addition, many women often do not understand how credit can help support the growth and expansion of their businesses.

To address this challenge, the United States Agency for International Development (USAID) Agricultural Credit Enhancement Phase-II project (ACE-II) hosted the third in a series of Women's Agricultural Credit Shuras in November 29, 2017 in Herat. The event was intended to raise women's awareness of agricultural credit. The one-day event brought together a number of microfinance institutions operating in Afghanistan, along with financial experts to share their knowledge and experiences with the women.

"Increasing agricultural output remains a critical element of the entire Afghan economy and access to credit is a key component of achieving that growth," said USAID Mission Director Herbert Smith.

The women received practical training on how to apply for and manage credits. In addition, participants were briefed on women's economic rights, the types of credits available (both conventional and Islamic) and how credits could help grow their businesses or farm outputs.

The Shura program, conducted throughout the country, has fostered the concept that agricultural loans are ideal opportunities for the agricultural sector and the inclusion of women in agricultural credit and finance ensures continued growth for Afghanistan's agricultural sector. The provincial government of Herat and the Afghan Ministry of Agriculture, Irrigation, and Livestock support the program.

USAID's Agricultural Credit Enhancement

project seeks to expand access to agriculture-related credit to increase commercial viability of small and medium size farms and agribusinesses as a necessary condition for a thriving agricultural economy.

With almost \$17 billion spent on development programs in Afghanistan since 2002, USAID provides the largest bilateral civilian assistance program to Afghanistan. USAID collaborates with the government and people of Afghanistan to:

- (i) ensure economic growth is led by the country's private sector;
- (ii) establish a democratic and capable state governed by rule of law; and
- (iii) to provide basic health and education services for all Afghans.



AMA facilitates sector benchmarking and standardization of terms and definitions

Some industry terms, definitions and calculations, such as: rural/urban, SME/microfinance loans, Portfolio At Risk (PAR), loan loss provisioning, Operation Self-Sufficiency (OSS) and write-offs, among others, remain ambiguous and are used differently by each MFI in Afghanistan. This issue came up during the data validation process AMA conducted in 2016.

Given that MFIs have to contend with operational challenges unique to the context of Afghanistan, there needed to be a degree of qualification when Afghan financial institutions are held up against MFI counterparts in the region and international standards. Taking this into consideration, AMA created a working

group consisting of representatives from five MFIs, plus AMA, to develop context-sensitive benchmarks and standards, including definitions of terms that will be adopted by all MFIs operating in Afghanistan.

The working group, following four meetings, prepared a draft and finalized it after incorporating feedback from MFIs.

MFIs agreed to adopt the definitions and standards from January 2018 onwards, in their reporting to AMA and other stakeholders in Afghanistan.

This benchmarking and standardization exercise was one of AMA's milestone achievements in 2017.

Public Credit Registry - Status Update

As of December 2017, all seven microfinance institutions in Afghanistan are using the facilities of the Public Credit Registry (PCR), developed by Da Afghanistan Bank (DAB)—the Central Bank of Afghanistan.

Before they could utilize the system, each MFI had to go through necessary trainings to learn the system and its functionalities, including data uploading procedures. Afterwards, they started uploading their SME client information into the system as a pilot and later on registered information of their microfinance clients.

As of December 2017, 100 percent of SME clients (2,248) and 78 percent of microfinance

clients' (113,200) information of the sector have been registered in PCR. During the year, 93,000 inquiries were placed by MFIs; a good sign of MFIs interest in using the PCR. Inquiring about the credit history of clients prior to the loan disbursement ultimately results in preventing cases of multiple loans to one client, a common issue in the sector that adversely affects portfolio quality.

AMA is committed to further work with MFIs and DAB/PCR until full utilization of PCR is reached and registration of remaining microfinance clients' information to the system is completed.

AMA completes first round of women's internship program



AMA successfully completed the first of three rounds of the Women Internship Program, through which 75 women interns completed nine months of internship in Microfinance Institutions (MFIs).

As of December 31, 2017, 38 out of 75 (50%) women interns participated in the first round of internship, and secured permanent jobs in the MFIs where they received their internship. It is hoped that these MFIs will hire the remaining interns to fill future vacancies.

The project provides opportunities for female young fresh graduates to learn the essential skills and knowledge to be able to secure jobs to start their careers in their field of expertise/interest. Similarly, the project helps MFIs to recruit young female talents, who are ready to apply the on-the-job learning they gained from the internship opportunity.

A graduation ceremony was organized on

September 27, 2017 in Kabul for the women, who completed their internships. The Deputy Chief of Party of WIE-Promote and the Executive Director of AMA spoke about the importance of the project during the ceremony and encouraged the graduated interns to take an active part in serving the poor people of the country and contributing to their economic growth. The event was widely covered by the media.

With the successful completion of the first round, AMA started the second round of internship this year and this time, seven AMA member organizations participated and placed a combined total of 80 women as interns.

AMA, through the financial support of USAID's WIE-Promote project, helps implement this project aiming to enhance the technical and managerial skills of nearly 200 women interns in their selected fields and increase their employment in microfinance institutions.

Exclusive Interview

Chief of Party of USAID's "Promote: Women in the Economy" project

Michelle Morgan is a development economist with over 20 years of work experience in management, business development, and technical assistance delivery. Her work in Afghanistan began in 2009 as Chief of Party (CoP) of the Afghanistan Small and Medium Enterprise Development (ASMED) project. She is presently the CoP of the USAID project, "Promote: Women in the Economy (WIE)".

Ms. Morgan has a Masters of Science in Foreign Service from Georgetown University, a B.S. degree in Economics and a B.A. in International Affairs from the American University of Paris.



Q1. What are the objectives of Promote|WIE project, and how is it different from similar projects funded by USAID earlier?

The objective of Promote|WIE is to enable Afghan women to increase their participation in the economy by getting a new or a better job, and by helping women-owned businesses or businesses that employ women to grow.

WIE is different in that the project design addresses both the supply and demand side of women's employment, creating growth, and thus, more jobs within companies that already hire women, and equipping women with job specific skills that employers are recruiting for. WIE is also a departure from previous livelihoods programs that focused on training women to do home-based jobs, often in handicraft, food processing or small livestock.

USAID is investing in equipping women with the professional skills and experience that will get them hired in the mainstream economy.

Q2. What specific approach does the Promote|WIE project take to address the economic challenges currently faced by Afghan women?

WIE adopts a demand driven approach based on business principals. Our support to women's businesses addresses specific management,

operational and production processes in order to increase revenue growth, with demonstrated effectiveness.

For established businesses, WIE can supply MBA graduates to assist business owners with improving production or marketing, reducing materials and operational costs, or better financial management. For start-ups, WIE partners with Startup Valley, a business incubator run by Aghaez that provides them with workspace and onsite mentoring by business professionals to get their businesses up and running.

WIE also supports access to markets for businesses by organizing regional trade fairs with business-to-business networking days, and will support a national trade fair later this year, as most WIE businesses offer products and services suited to the domestic market.

Of the 45 companies that have completed a year of assistance, 69 percent of businesses have shown positive revenue growth averaging 87 percent annual growth; 18 percent moved to the next level of enterprise size, with 42 percent having growth of 40 percent or more. The biggest factor determining whether assisted businesses achieve growth is the commitment of their management to adopting better business practices; therefore WIE looks for strong

entrepreneurial skills and management teams that are open to working with advisors and mentors.

WIE surveys employers to determine their needs for specific job skills, and provides training for women to learn these skills, as well as work experience placements in the form of internships and apprenticeships. Internships and apprenticeships allow women to gain what is often their first working experience. With new skills and work experience, women are much better positioned to get a job. WIE has placed almost 5,000 women in internships; out of 2,911 that have completed their internships already, 36 percent (1,049 women) got jobs.

Q3. How do you see the role of microfinance in promoting the economy of Afghan women?

Microfinance plays a critical role in promoting economic development and creating jobs. As we see it, micro and small enterprises have the greatest potential for achieving higher revenue growth rates and creating jobs.

Small businesses are quick to adapt and take advantage of economic opportunities, so they can grow quickly. They are also present in almost all parts of the country and are able to create employment in underserved areas.

Microfinance is essential for financial inclusion of the disadvantaged and because microfinance delivers flexible small loans that do not require too much paperwork, it is very accessible to businesses with less financial sector knowledge.

Women's businesses, in particular, often lack collateral and microfinance is their only option for growing their businesses. WIE has tracked many success stories of women's businesses making excellent use of microfinance to expand their operations and create more jobs for women.

Our partnership with the Afghanistan Microfinance Association (AMA) and its member microfinance institutions has been invaluable in helping smaller businesses to grow.

Q4. What are some of the opportunities

available with Promote|WIE project that Financial Institutions can benefit from?

WIE welcomes innovative initiatives and approaches that are aligned with WIE objectives and will help women's businesses and entrepreneurs.

WIE currently supports two initiatives implemented by the AMA: the Microfinance Institutions Training Program that equips more women with skills to work in the banking and finance sectors, and Access to Finance Matchmaking Roundtables that introduce women's businesses all over the country to local Microfinance Institutions (MFIs) to encourage greater access to finance. MFIs can benefit by participating because both initiatives will help increase their base of female clients, a traditionally underserved market that still has much untapped potential. Hiring more female staff helps MFIs to attract more female customers, to better understand women's businesses and their needs, and to serve these needs through a variety of financial products. The Matchmaking Roundtables facilitate introduction of the MFIs to new businesses and new lending opportunities.

Q5 How do you evaluate the outputs of the two projects: A2F Matchmaking Roundtables, and MFIs Training Program that AMA currently implements under the Promote|WIE project grants?

Both activities are achieving their objectives, and we thank the AMA leadership for their hard work on these activities and commitment to increasing access to finance for women and their businesses.

We are happy that AMA was able to share past experience and lessons learned from business to bank round tables and worked with our team to create a better, more effective model for running these.

We hope that through continued collaboration we can have more ideas about how to better facilitate access to finance for women, and that MFI's will see the advantages in expanding their markets in this area.

Access to Finance matchmaking roundtables: a win-win for MFIs and businesses

AMA organized 18 Access to Finance Matchmaking Roundtables in Kabul, Herat, Balkh and Nangarhar provinces in 2017. Around 300 businesses participated, in addition to the representatives from MFIs, AMA, and Promote/WIE.

MFIs presented their products and services to the businesses in attendance and responded to their queries. Roundtable sessions were also organized at the end of the workshops providing the opportunity for the businesses to interact directly with MFIs and learn more about their loan products, terms and conditions, and overall financing support they extend to clients.

By end of 2017, some 23 percent of the businesses, which participated in this event, received loans worth AFN 7.64 million combined. There are many other loan applications in the pipeline.

The roundtables are financially supported by the Women In Economy (WIE) project of Development Alternatives, Inc. (DAI), funded by USAID under its larger "Promote" project.

AMA will continue organizing such roundtables in 2018; around 16 roundtables are planned in Kabul, Herat, Balkh, and Nangarhar provinces this year.



FMFB - A Profile

Introduction:

Being the only microfinance bank in Afghanistan, FMFB-A has emerged as the most successful microfinance institution in the country offering savings, loan, remittances and a host of commercial banking services. The bank's current suite of products/services includes deposit (CA, SA and TD) and loans (micro-enterprise, small business, agriculture/livestock, consumption, incremental housing, SME and women group), along with commercial banking services that include domestic fund transfers, international remittances, foreign currency exchange services, and bulk payroll processing.

Vision:

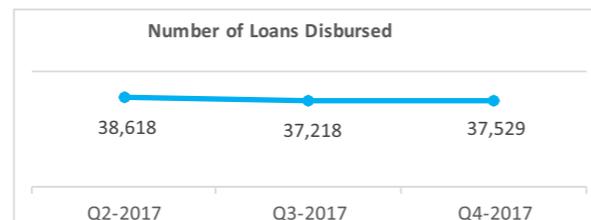
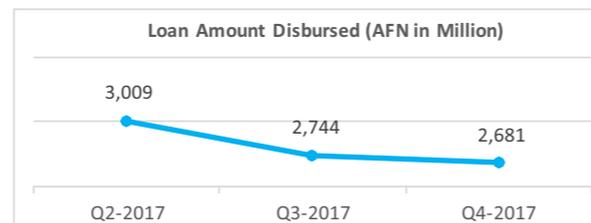
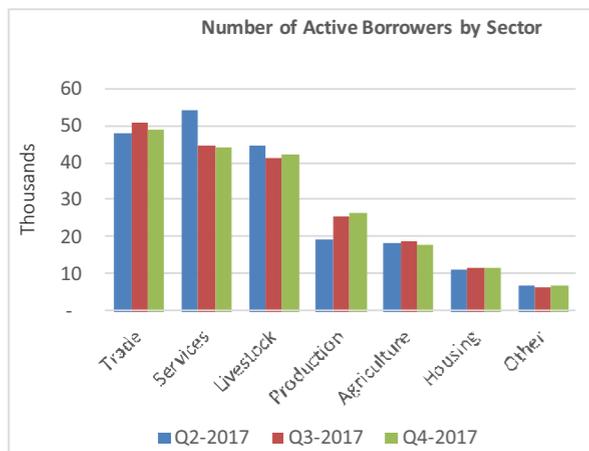
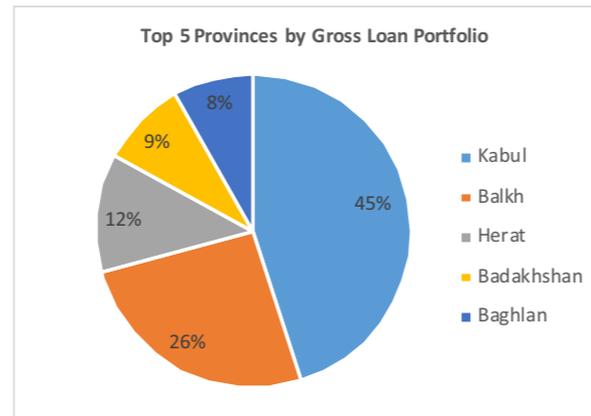
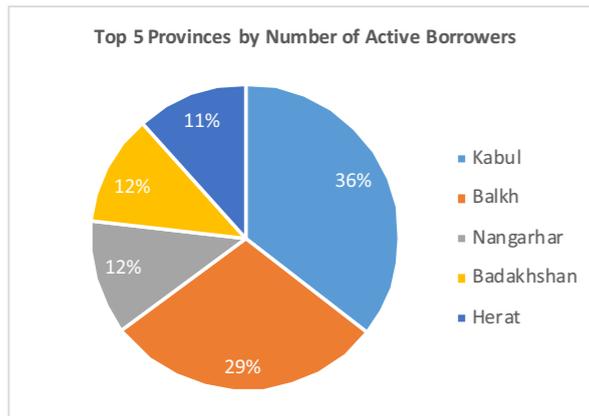
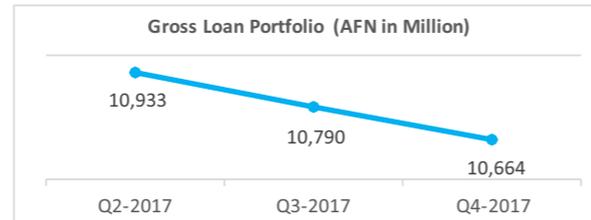
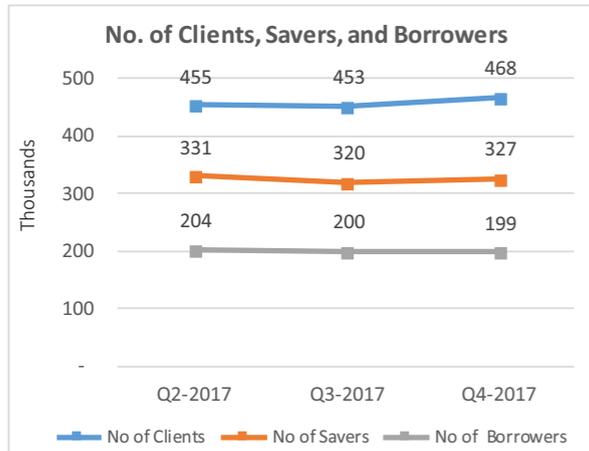
- Our vision is to be recognized as the leading financial services provider contributing to poverty alleviation and economic development through the provision of sustainable financial services by catering to micro and small businesses, and households.
- To reduce poverty, diminish the vulnerability of poor populations and alleviate economic and social exclusion, the bank aims to help people become self-reliant and eventually gain the skills needed to graduate into mainstream financial markets.

Key Highlights:

- Footprint in 14 provinces and 80 districts (39 branches and 9 loan processing offices).
- Over 62,000 active borrowers and \$78 million GLP, making FMFB the market leader in term of outstanding balance.
- 12,710 loans disbursed to women; 20% of total borrowers of the bank.
- With 20,531 agriculture clients, FMFB is one of the largest providers of agricultural credit in the country.
- The first and only bank in Afghanistan to have dedicated Women-only Branch.
- A member of the Global Alliance for Banking on Values (GABV) since 2016.



Sector At A Glance



2018 Calendar of Events

National and International Trainings and Events

International

Deepening Financial Inclusion in South Asia

Type: Conference

Location: Colombo, Sri Lanka

Date: 06 - 07 March 2018

Customer Centricity: Enabling Financial Choices and Positive Outcomes for Low-Income Customers

Type: Event

Location: Mamallapuram, India

Date: 19 Feb 2018 - 22 Feb 2018

Global Savings Groups Conference 2018

Type: Conference

Location: Kigali, Rwanda

Date: 22 May 2018 - 24 May 2018

14th Annual Global Microfinance Forum

Type: Forum

Location: Munich, Germany

Date: 15 Mar 2018 - 16 Mar 2018

Cracking the Nut 2018: Promoting Agriculture Technology Adoption and Resilience

Type: Event

Event Location: Antigua, Guatemala

Date: 12 Jun 2018 - 13 Jun 2018

Microinsurance Master - A unique Microinsurance Leadership Program

Type: Training

Event Location: Manila, Philippines

Date: 26 Feb 2018 - 09 Mar 2018

Digital Finance for Microfinance Practitioners

Type: Training

Event Location: Washington, DC - United States

Date: 24 Jul 2017 - 28 Jul 2017

Financial Analysis for Microfinance Practitioners in Asia

Type: Training

Event Location: Kuala Lumpur, Malaysia

Date: 07 May 2018 - 11 May 2018

National

AIBF Trainings: January - June 2018

- ☞ Improving Selling Skills for Banking Products & Services - IFC Module
- ☞ International Auditing
- ☞ Sharia Law for Islamic Banking
- ☞ Certified Marketing & Communications Specialist
- ☞ Credit Risk Management
- ☞ Operational Risk Management
- ☞ Advanced Credit Management

Microfinance Client Success Story

A well know personality in the community and among the customers

Dawood, 40 years old, is a tailor, who acquired his skills while living in Iran. He is married, living with his wife, four sons and two daughters in District 13 of Kabul City.

In order to expand his tailoring business, Dawood required more capital to invest. He applied to Mutahid and received his first loan of AFN 40,000. He invested this amount in his tailoring business, purchasing raw materials, including a tailoring machine, table and iron.

He got support for seven cycle loans from Mutahid; the first cycle loan was valued at AFN 40,000 and the last cycle loan was worth AFN 150,000. He has three employees in his tailoring shop and four other employees, who are sewing clothes at home, paid per finished piece.

With the investments he made and the expansion he brought to his business, he increased his income from AFN 10,000 to AFN

110,000 a month. Similarly, his household expense increased from AFN 10,000 to AFN 35,000 monthly.

He is now able to afford his son's education in a private school. With surplus from his income, he was also able to repair his house as well as set aside AFN 50,000 for a savings account in a bank.

"I am now a well know person in the community and among my customers," said Dawood. "They respect me and my occupation. I am in contact with more people and have more customers than ever before."

Dawood wants to expand his business even more and is looking for a work place with a larger space to bring together all his seven employees to work for him onsite.

In recognition of his business acumen and his inspiring story, Dawood received an award from the Afghanistan Microfinance Association (AMA) in May 2017 for being one of the most successful entrepreneurs in the microfinance sector.



Microfinance Clients



Solar energy today for a cleaner tomorrow



Did you know?

You can save up to 40% on your electricity bill by installing a solar lighting/fan/TV solution.

Looking for affordable 'Clean Energy' for your home or business?

FMFB-A in partnership with 'European Technology Company' brings you 'TANVEER' Solar Loan - a special financing for the purchase of state-of-the-art solar equipment from IFC-approved manufacturers to light your home or workplace at highly attractive rates! Our packages also includes solar-powered fans, mobile chargers and even TVs!

Loan of up to \$ 500

No Processing Fee

No down payment

2 years SWAP
warranty

For details, please call our Help Desk 0790010104-5 / 0705010104 or step into your nearest FMFB branch today.