

# MICROMAG 4

June 2016



## AMA Advocacy Efforts Resulted in Receiving 11 Letters of Support

In line with AMA's five year strategic and sustainability plan, advocacy and lobbying for the sector was positioned as the top priority for AMA among its four core functions. To be further effective in its lobby and advocacy efforts, as a new approach, AMA in collaboration of its members, identify the challenges and issues that the Development Finance Sector face in the provinces and identify the actions required to overcome those challenges.

Lack of enough government support to the sector is unfortunately still there. This is primarily due to lack of awareness about the sector among Government key officials at national and provincial levels. The issue is particularly tense with newly recruited Government officials in key positions.

To influence the Government key officials and relevant stakeholders and to attract their support, AMA as the association of Development Finance Sector in Afghanistan, organizes different awareness programs and regular coordination meetings at national and provincial levels and advocates on behalf of the sector.

To this end, AMA, during the first half of the year 2016, organized number of events and meetings in North, Northeast and West regions of Afghanistan. Three separate meetings of DFIs and provincial Governor Offices of Balkh, Jawzjan and Samangan provinces were organized during the first quarter of the year 2016.

The meetings aimed to raise awareness, understanding and knowledge of the top local Government authorities about development finance program, discuss issues/challenges of DFIs in those provinces, and to attract their support. As immediate outcomes of these meetings, the concerned Government authorities promised their full support to the

program and instructed the concerned departments in their respective provinces, through official letters, to extend their support to DFIs.

To take a step forward with the same purpose and to handover the official letters of support issued by the Governors' Offices, AMA Regional Coordinators along with the representatives of DFIs met the Chief of Police, Mayor and the Justice Director of Samangan province, the Attorney Head and the Chief of Police of Jawzjan province, and the Mayor, Head of Office of Chief of Police, and the Acting Attorney Head of Balkh province, during the second quarter of the year 2016.

With an effort to aware local Government authorities about microfinance program, discuss sector issues/challenges, and attract their support, in the last six months AMA could receive 11 official letters of support from Local government authorities in three regions.

As the result of the meetings with aforementioned authorities, in addition to promise for full support, the Chiefs of Police and Mayors issued official supporting letters addressed to all District Municipality and Police Department Heads to intensify their cooperation with the DFIs in their respective areas.

Similarly, AMA Regional Coordinators in West and Northeast met with the Mayors of Takhar, Baghlan, and Herat provinces as well as Chief of Police of Herat. These meetings also resulted in receiving official letters of support addressed to all District Municipality and Police Department Heads to intensify their cooperation with the DFIs in their respective areas of operations.

After all these meetings and the eleven official letters of support received from different local

Government authorities, positive feedbacks received from MFIs on the increased level of support from all the relevant local Government authorities.

*"Now I realized 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



AMA will continue with its advocacy and lobbying efforts during the second half of the year 2016.

*"The official letter of support that AMA could receive from Municipality and circulated to MFIs was very useful for FINCA Afghanistan. We copied the letter and further circulated it among 50-60% of Community Leaders to attract their support. Our Loan Officers always have a copy of the letter with themselves and use it wherever needed. The letter has done a good job so far"*

Mohammd Sharif Yasini,

Regional Manager – FINCA Afghanistan



## Establishment of Central Regional Office

As a national association of Development Finance Institutions (DFIs), AMA facilitates better coordination and convergence among the service providers, practitioners, financial institutions and other stakeholders. AMA builds bridges between its various partners through a number of coordination events; CEOs Coordination meetings, Regional Coordination meetings, and Working Groups' meetings. These coordination events provide a platform for the different actors and stakeholders to get together and discuss sector issues at national and provincial levels, as well as to share information, lessons and best practices.

In April 2016 AMA established its Central Regional Office (CRO) in Kabul covering four provinces; Kabul, Nangarhar, Parwan and Bamyan where majority of the DFIs have operations in these provinces. Through this

## MFIs' Data Validation

AMA's publication, particularly the MicroView quarterly publication and its online application, have gained its importance and credibility and are considered as reliable sources for microfinance information at national and international levels. These are mostly used as reference documents/sources.

AMA receives data for this publication from its members on quarterly basis and those are self-reported. To maintain the reliability and credibility of the publication, as per its members and stakeholders request, AMA initiated validation of data with its member MFIs with the objective to check accuracy, consistency, and reliability of data against the MFIs' Management Information System (MIS).

To proceed with, AMA developed a data validation mechanism, presented it to the CEOs

office, AMA organizes regular coordination meetings in each of the mentioned provinces providing a platform for its members and stakeholders to better coordinate their activities and respond to the common challenges in collaborative manner.

Since the establishment of CRO, several coordination meetings were organized with AMA members and stakeholders in Kabul, Parwan and Nangarhar provinces. During these meetings, the issues and challenges that the DFIs are currently facing are identified and, in response to those challenges, comprehensive action plans were developed for each province, in close consultation of the DFIs.

In addition to the Central Regional Office, AMA has its Regional Offices in North-East, North and West regions covering 12 provinces.

during a CEOs Coordination Meeting and received their buy-in for the validation process and approval on the mechanism.

Following the mechanism, AMA validated three MFIs data they provided for the first quarter of 2016 for the MicroView report. Separate feedback reports, after validation, were prepared and submitted to the concerned MFIs to get their feedback, particularly on the mismatched data. The validated data was then reflected in the MicroView report 12.

AMA will continue with the data validation of the rest of its member DFIs and plans to validate the data of all of its member MFIs at least once, by end of the year 2016. This is a step forward towards self-regulation of the microfinance sector in Afghanistan and AMA becoming a Self-Regulatory Organization in the future.

## MicroView Up-gradation

AMA, through financial support of MISFA's Access to Finance Project, upgraded its online application (MicroView) during April – June 2016 to include new features and parameters in order to be able to better respond to the increasing needs of the sector for reliable information on Microfinance sector. AMA and Pakistan Microfinance Network (PMN), who is the initial developer of the online application, signed an agreement in April 2016 to upgrade the online application.

The upgraded system enables the visitors to:

- Have the option to see the figures in USD and AFN currencies.
- Explore data by regions in Afghanistan.
- See a new look of the overall application,

## FINCA Afghanistan Expands

FINCA Afghanistan expanded its operation and opened two new branches in Dasht-e-Barchi area of Kabul, and Jakan area of Herat city in February 2016 to provide financial services to the clients. 14 new jobs were created through opening of these new branches.

In line with its long term commitment, FINCA Afghanistan is committed to serve businesses and entrepreneurs by offering business investment services to help them develop their businesses.

particularly information through informative graphs/charts.

It also enables AMA to automatically generate the MicroView quarterly reports from the system.

MicroView is an online application used for information sharing among the development finance practitioners in Afghanistan and abroad, to provide an insight about the development finance outreach in Afghanistan. AMA procured the MicroView online application from PMN and launched it in 2013. Since then AMA publishes quarterly MicroView Reports as well as maintain the online application for online visitors/users.

The online application is accessible through [www.microview.info](http://www.microview.info).

Separate branch opening ceremonies were organized where officials from the Government, Head of Communities, and AMA representative participated. FINCA's mission and vision were explained highlighting the milestone on poverty reduction through affordable financial services to the needy customers. The participants in the ceremony, specially the Government officials, appreciated FINCA's efforts and promised their support to the new branches as and when required.



## OXUS Afghanistan Expands

OXUS Afghanistan expanded its operation and opened two new branches in Kabul, and Mazar-e-Sharif city of Balkh province in April and May 2016. In addition to creating 16 new jobs, OXUS Afghanistan through these new branches, will provide financial services to men and women entrepreneurs who are seeking financial assistance to expand their existing businesses or start a new business as well as to empower youth and women through providing financial services, preferably in education and finance.

Separate branch opening ceremonies were organized where officials from the Government, Head of Communities, Head of Police, AMA, MISFA and ACTED participated. The participants, particularly the Government officials,

appreciated OXUS Afghanistan's financial services to the poor and promised their support to the new branches.

OXUS Afghanistan is committed to offer financial services to entrepreneurs help them expand or develop new businesses.



## The Afghan Government signs loan agreement with Financial Institutions

The Afghan farmers and agricultural producers will receive loans following the signing of an agreement worth \$6 million between the Afghan government and microfinance institutions.

The agreement was signed between the Ministry of Agricultural, Irrigation and Livestock of Afghanistan (MAIL) and the First Micro-Finance Bank of Afghanistan and Afghan Rural Finance Company.

According to a statement by MAIL, the funds have been prepared by Agriculture Development Fund (ADF) and the agreement was signed by Minister of Agriculture, Irrigation and Livestock Mr. Asadullah Zamir with the representatives of the micro finance institutions.

The loans will be distributed during the current solar year, 1395, through the microfinance institutions, the statement said, adding that the farmers, small entrepreneurs, agricultural producers will receive the loans.

The statement further added that the loans will help the farmers and producers of agricultural products to produce, process and pack their products in accordance with the international standards.

At least 3,000 farmers will be covered by part of the loans that will be distributed by the First Microfinance Bank of Afghanistan and the other parts would be covered by Afghan Rural Finance Company.

According to MAIL, the funds will help the agriculture sector to purchase standard technical equipment to develop the sector.

The Agriculture Development Fund (ADF) has provided loans worth of AFN 4,429,000,000 to 35,000 farmers and activists of agriculture sector since 2010, covering 33 out of 34 provinces.

## AREDP Organizes Village Bazaar Exhibition

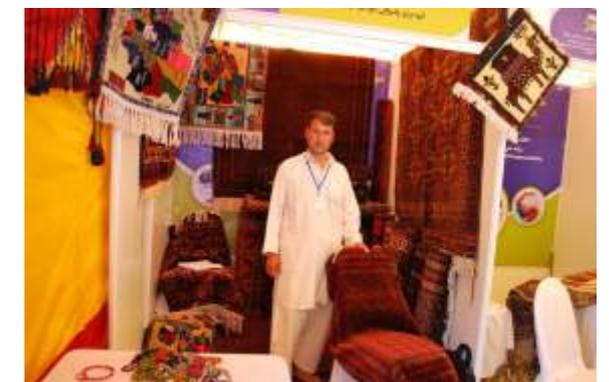
On 1st June 2016, Kabul City was host to more than one hundred rural entrepreneurs from Herat, Bamyan, Kandahar, Nangarhar, Balkh and Parwan provinces participating in the 'Village Bazaar' exhibition organized by Afghanistan Rural Enterprise Development Program (AREDP) of the Ministry of Rural Rehabilitation and Development (MRRD) for three days.

Village Bazaar paved the way for rural entrepreneurs to present their products, create market linkages, learn about new market trends, and interact with new potential clients, investors and other entrepreneurs. 110 enterprises and government officials including the Minister of Rural Rehabilitation and Development, Minister of Finance, foreign ambassadors, donors and private sector representatives participated in this event.

During an interview, H.E Nasir Ahmad Durrani the Minister of Rural Rehabilitation and Development said, *"these exhibitions are very important for the beneficiaries, they introduce rural products to national and international customers and serve as gateways to create long-term business relationships. MRRD has always supported promotion of rural enterprises and works to improve the lives of rural men and women by creating employment and income generating opportunities."*

In addition, H.E Eklil Hakimi-Minister of Finance during his visit from the exhibition was very inspired and delighted with the progress of rural entrepreneurs through AREDP support, and stated, *"the program has been very effective on the lives of village people and rural economic development. We will be looking forward to expand it to 34 provinces of Afghanistan for further coverage."*

AREDP has so far organized more than 70 such exhibitions at national and international levels for rural entrepreneurs.



## Exclusive Interview with Ms. Miryam Nouri

Miryam graduated in telecoms, finance, strategy and economy from Telecom ParisTech in 2006, the leading French "Grande École" in the area of information technology. She started her career as a strategy consultant at Analysys Mason in Cambridge UK. She then worked at the French Telecom Regulatory Authority in Paris, as a Mobile Markets Regulation project leader. In January 2012, Miryam joined HORUS Development Finance as a consultant.

Miryam joined the OXUS network in April 2015 and was nominated Board Member of OXUS Afghanistan in June 2015.



### Q1: What is OXUS Development Network's (ODN) vision for OXUS Afghanistan?

First of all, we hope for a progressive improvement of security conditions, which will lift one of the major challenges of operating in the country. Better security conditions would mean a stronger Afghan economy, growing client demand and improved portfolio quality for microfinance institutions.

Despite the difficult context, our latest development in Afghanistan has been highly satisfactory: OXUS Afghanistan has closed 2015 with the opening of 4 new branches, a growth of over 40% and a profitable business model. OXUS Afghanistan has today the assets to keep growing beyond the 20,000 clients milestone, while managing credit risk carefully: the institution benefits from the leadership of its CEO Salim Khan, who has successfully gathered around him a strong team of motivated microfinance professionals. Our target for OXUS is to become the leading microfinance institution in the Afghan market in the coming years, which is ambitious, but achievable.

Our vision comprises the development and reinforcement of our network coverage, both in urban and rural areas, while keeping our efforts to increase operational efficiency. This is ambitious thanks to a strategy oriented towards innovation and partnerships, which we have already started to implement. Our first focus is on facilitating loan repayment

transactions through the use of partners' network of agents and technology.

We will make sure that OXUS Afghanistan has the capacity to innovate thanks to a brand new Core Banking System. This will open a range of new possibilities in terms of optimization and service development, in particular in terms of agrilending. Furthermore, if security conditions were to improve, service diversification would definitely be the next challenge, with deposit and micro-insurance services.

We also place a lot of emphasis on Social Performance Management, which we monitor very closely – and our new system will also help in that way. We strive to pay constant attention to the quality of service delivered to clients, while being very careful that our staff is managed in a respectful way.

Last but not least, we have and will keep investing a lot of efforts in the audit, risk management and anti-fraud functions. Our solid growth is only achieved with an ongoing focus on quality.

### Q2: How do you compare the Afghanistan Microfinance sector challenges with the challenges of other ODN subsidiaries countries?

Security is definitely a constraint that we do not experience to such extent in our other countries of operations. This affects control over some of our areas of operation, as physical access may be hindered or at times impossible,

which makes management and monitoring much more difficult compared to our other subsidiaries.

Furthermore, security also hinders our capacity to deliver on-site technical assistance as much as we would like to and we have to rely much more on remote support, which is not ideal, even if our on-site team is accommodating very well to this constraint.

### Q3: Do you think the microfinance sector in Afghanistan is ready for foreign investment? What steps has to be taken to attract foreign investment?

OXUS Afghanistan is currently looking to attract a minority shareholder, either Afghan or foreign, and our team has been considering the question of both foreign and national investment very closely.

The microfinance sector in Afghanistan has a few strong and structured players for a largely untapped market: in 2014, the share of loans in GDP was only 4.3% - significantly below peer countries. This demonstrates that there is a great huge potential for growth of lending activities in the near future, which is very attractive for potential investors.

Again, the delicate security situation is a drawback, but we have recently started to note interest for the Afghan microfinance market. It is true that many foreign investors, including Microfinance Investment Vehicles, still exclude Afghanistan from their coverage map, but there is definitely a new trend emerging where several International and European Development Finance Institutions are currently assessing the opportunity to invest in Afghanistan, which would be very good news for the sector.

### Q4: How do you see AMA's performance and what additional services would like AMA to provide to its members including OXUS Afghanistan?

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.

Further development of lobbying and advocacy activities with authorities and local communities could definitely help. Awareness about microfinance is slowly gaining momentum, and any additional efforts in promoting the benefits of microfinance for Afghan individuals and communities would be a great contribution to the sector development.

Also, after the successful launch of a credit bureau for SME loans, the set-up of a Microcredit bureau could be considered an interesting next step. This is particularly important in the present context, where overall portfolio quality is decreasing in the market. Foster the sharing of information on loans, even for smaller ones, could both contribute to reversing the portfolio quality deterioration trend and encourage outreach to the lower-end segments of the market.

### Q5: Any other information you may want to share.

OXUS Afghanistan will be celebrating its 10th anniversary soon! The 10-year milestone is an important step for the institution. It will be the occasion to thank our partners for their support, our staff for their hard work and our clients for their continued trust. More details will follow in the very near future.

## One Hundred Women Complete Financial Sector Internship Program

The U.S. Agency for International Development's (USAID) Financial Access for Investing in the Development of Afghanistan (FAIDA) project and the Afghanistan Institute of Banking and Finance (AIBF) recognized 100 professional women who successfully completed a six-month Women in the Financial Sector Internship Program.

The internship program provided participants with the knowledge and networking opportunities needed to succeed in Afghanistan's private financial sector. Fifty percent of the participants have already secured employment in various financial institutions. Employment negotiations are underway for the rest of the graduates.

The internship program provided the young professional women an opportunity to train in financial matters with AIBF, to gain work experience, and to obtain employment in the financial sector.

*"Lack of capacity has not only pushed back Afghanistan's banking sector, but has also disconnected us from the global financial system. Thanks to this internship program initiative, we are producing new talent to incorporate and strengthen Afghanistan's banking sector,*

*bridging the gap between male and female professionals."*

Khan Afzal Hadawal,  
1st Deputy Governor of Central Bank of  
Afghanistan.

*"The Women in the Financial Sector Internship program was a big opportunity for me to develop my skills, increase my technical knowledge, and improve my capacity for critical thinking. The invaluable experience I gained from the internship helped me land a full time job with Etisalat Afghanistan."*

Samira Aslami,  
An intern who graduated from the program.



The FAIDA program assists Afghanistan to build a sustainable, diverse, and inclusive Afghan financial sector that can generate and sustain quality employment and meet the needs of businesses of all sizes. The \$108 million program began in February 2011 and ends in August 2016. FAIDA is just one of the many USAID programs working to shrink the gender gap in Afghanistan's workforce.

The American people, through the U.S. Agency for International Development, have provided Economic and humanitarian assistance worldwide for more than 50 years.



## Meet Our Member!

### Islamic Investment & Finance Cooperatives (IIFC) Group

Islamic Investment & Finance Cooperatives (IIFC) Group was incepted back in the year 2009 as a leading financial institution to strengthen, empower, and fundraise its Islamic Investment and Finance Cooperatives (IIFCs).

It has been functioning in 14 provinces of Afghanistan with 29 IIFCs. It does have in the plan to expand its operations in other provinces considering the security situations.

It has been fortunate enough to experience IIFC Group meeting so many talented individuals, dedicated to the future of finance and of technical support, advocacy, lobbying, capacity building, and funding.

Their passion for positive change goes right to heart of the challenges facing our clients today. But it reaches much further than that. It means understanding that financing can and must be a force for good in the world. We know that, our clients know that.

Together we can help meet the expectations of clients who demand greater innovation, value and transparency than ever before.

We persist to foster this unmatched infatuation for financial innovation. In the coming months and years, we will bring on board more super-talented people to bolster our teams.

We will also ensure that everyone who is facilitated enjoys the very best training, incentives and rewards so that they can contribute fully to the success of our clients and IIFC Group.

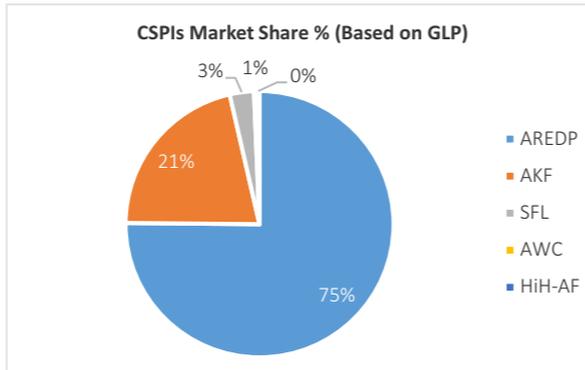
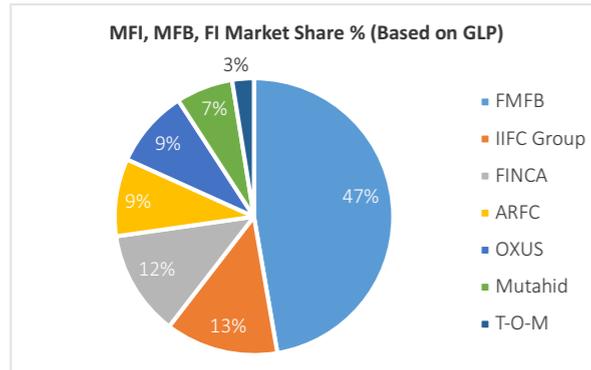
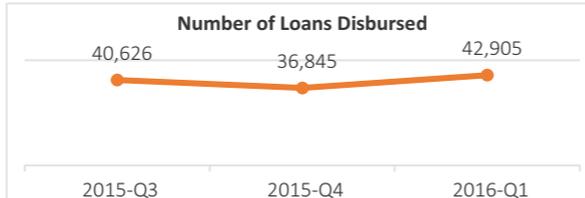
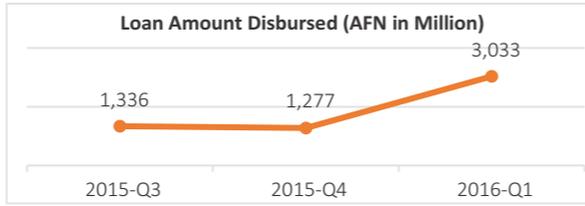
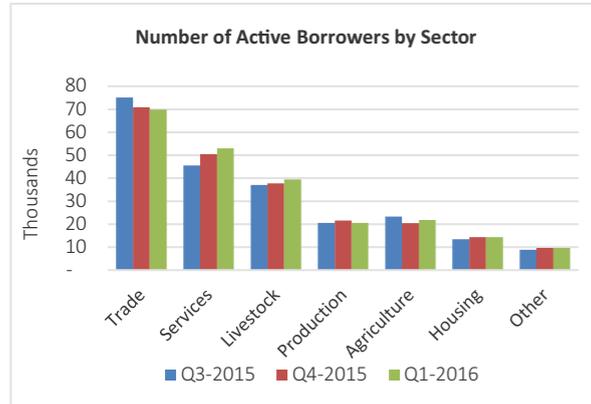
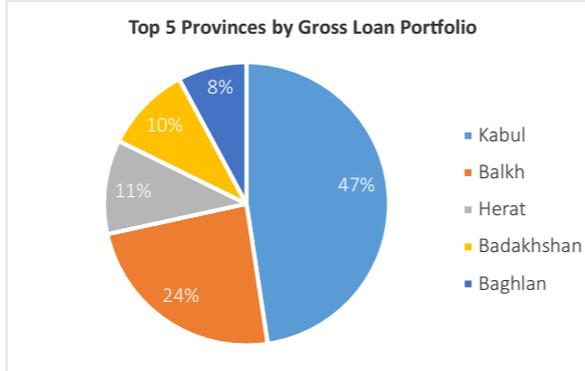
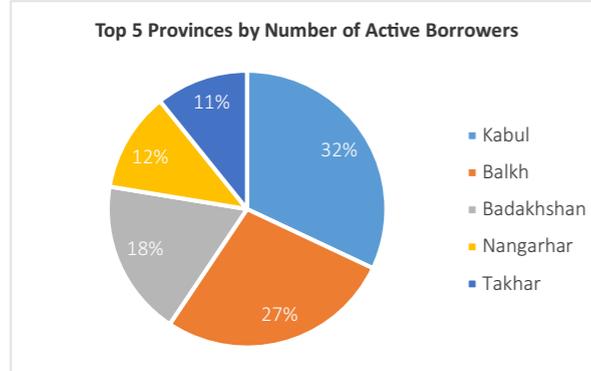
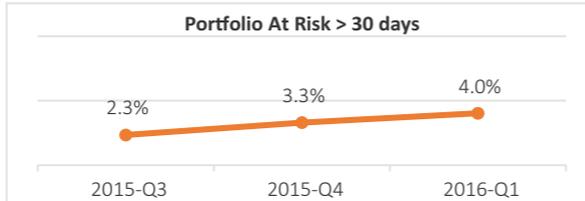
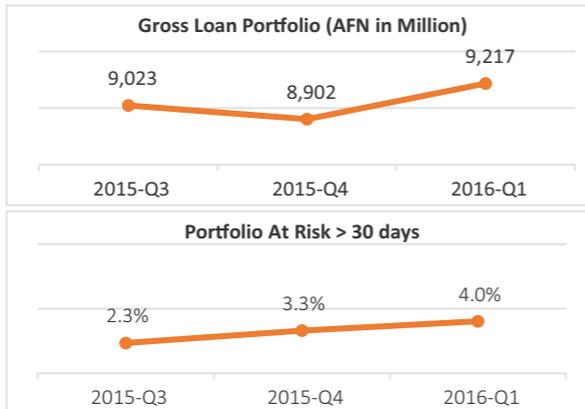
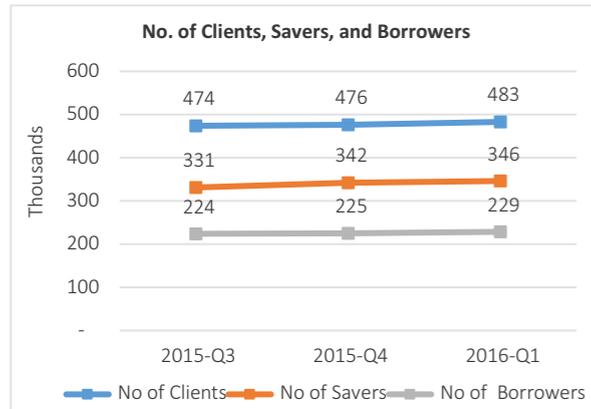
What do the coming months and years hold? First of all, we believe that IIFC Group is perfectly positioned to support existing and new clients to uphold their financial status by offering them micro loans in order to run their businesses. IIFC Group is positioned for the very same purpose to help everyone eager to support his/her business.

IIFC Group, with its specialist knowledge and unparalleled expertise will continue to support its clients on this journey.

IIFC Group is committed to beefing up close ties and building sound working relationship with its strategic partners, Government authorities, and the international community.



## Sector At A Glance



## Events

### National and International Trainings and Events

#### International

##### Boulder Microfinance Training Program

Type: Training

Location: Turin, Italy

Date: 18 Jul 2016 - 05 Aug 2016

##### Risk Management Program for Microfinance Regulators and Practitioners

Type: Training

Location: Nairobi, Kenya

Date: 15 Aug 2016 - 19 Aug 2016

##### SEEP Network Annual Conference

Type: Event

Location: Arlington, Virginia, USA

Date: 10 Sep 2016 - 21 Sep 2016

##### Islamic Microfinance Summit

Type: Event

Event Location: Dubai, United Arab Emirates

Date: 26 Sep 2016 - 27 Sep 2016

##### Risk Management Excellence in Microfinance

Type: Training

Event Location: Luxembourg, Luxembourg

Date: 14 Nov 2016 - 18 Nov 2016

#### National

##### AIBF Trainings: July - December 2016

- ☞ Branch Operations Management
- ☞ Credit Risk Analysis
- ☞ Managing Information Security Risk
- ☞ Credit Risk Management
- ☞ Managing SME Loans
- ☞ Islamic Banking Operations
- ☞ Loan Recovery Management
- ☞ Operational Risk Management
- ☞ Marketing for Financial Services

*'AMA and AIBF joint trainings coming soon to provinces'*

## Microfinance Client Success Story

Fayez, 30 years old, owns a stone processing and manufacturing factory that converts granite, marble and other types of valuable stones imported from Pakistan, China, India and Iran, into decorative home items, statues, and grave-sign stones.

Upon completion of his high school studies, Fayez could not pursue a university degree as he felt a more urgent need to find a source of regular income.

Fayez established his stone factory at a small scale twelve years back. After mastering the skills and positioning his business, he decided to expand it and increase the production for which he required cutting machines and other devices.

FINCA supported Fayez to implement his business expansion plan by providing him his first SME loan worth AFN 300,000, which he spent primarily on industry-standard stone-cutting. Upon successful repayment of the first loan, Fayez was supported by three consecutive larger loans worth AFN 600,000 and the last two worth AFN one million.

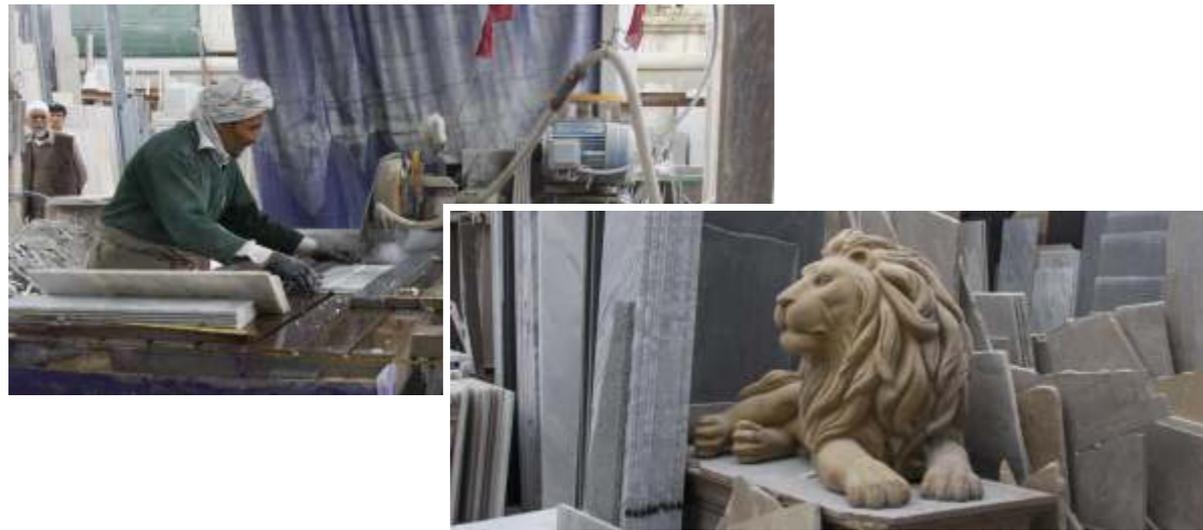
The loans were invested mainly on the required machinery and accessories and purchase of raw material.

Fayez employs four permanent staff, paying them a total of AFN 40,000 a month. Fayez earns an income of around AFN 100,000 in a month despite the slow-down in Afghan economy. Planning for further expansion, Fayez injects part of his income into his business after paying for the household expenses. Enjoying a good life and a stable Business, Fayez is committed to invest on his children's education. *"I want my children to become doctors, engineers or other professions of their choice,"* added Fayez.

He manages a family of eight members, consisting of his two children, wife, sisters and parents.

*"Commercial Banks were not ready to provide me the loan I required as I could not meet their requirements,"* said Fayez, *"Loans from FINCA Afghanistan helped me expand my business."*

*'This success story was developed by MISFA'*



## Microfinance Clients



## Leading the way through sustainable banking



### Proud to Be First

That's right! The First MicroFinance Bank - Afghanistan (FMFB-A) has become the nation's first bank (fourth in Asia) to be recognized by the **'Global Alliance for Banking on Values'** (GABV) for its values-led commitment to financial inclusion, emphasis on sustainable development and for safeguarding the environment. The GABV network of the world's leading financial institutions focuses on balancing the social needs of communities, protecting the environment and being financially sustainable.

Sustainability is an integral part of our long-term strategy. Our 'values-driven' agenda is focused on providing affordable financial services to the people of Afghanistan, enhancing their lives and leaving them better equipped to succeed themselves.

To find out more about FMFB-A's sustainable banking initiatives, write to us at [marketing@fmfb.com.af](mailto:marketing@fmfb.com.af)