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Funded By:

AMA Annual General Assembly Meeting

Afghanistan Microfinance Association (AMA) organized its seventh Annual General Assembly Meeting on May 17, 2017 in Safi Landmark Hotel in Kabul. 53 participants representing member, donor, and stakeholder organizations attended the event.

Mr. Ahmad Shaheer Shahriar, Deputy Minister of Rural Rehabilitation and Development, and Chairperson of the Microfinance Investment Support Facility for Afghanistan's (MISFA's) Board of Directors, attended the meeting as the Guest of Honor.

AMA Board of Directors Chairperson, Mr. Frank van der Poll, gave the opening remarks, highlighting some of the major achievements of AMA during the past year, recognizing the hard work of AMA's Executive Director and his team all throughout 2016.

The Guest of Honor, Deputy Minister Shariar, in his speech, highlighted the importance of access to credit in promoting economic development and social economic inclusion as a response to poverty. Afghan households need microfinance loans for two reasons: to expand their income generating activities and increase investment; and to increase productivity and expand assets, which contribute to the growth of the local economy. He concluded his speech by saying, *"Microfinance is a critical path towards Afghanistan's economic development, a path on which poor women, small enterprises and individuals with entrepreneurship ideas and skill can all move forward together. The Government of Afghanistan is committed to continued support to the microfinance sector."*

Representatives of MISFA, OXUS Afghanistan, and Exchangerzone shared the donors' and members' perspectives with regards to AMA's last year performance and their experience with AMA.

MISFA pointed out that AMA's program awareness meetings, publications, coordination and advocacy efforts have helped MFIs and CSPIs in overcoming the challenges in their daily operations and have encouraged local government authorities to support, and play a good catalyst role in the sector.

The CEO of OXUS Afghanistan appreciated AMA's efforts during the past few years and said, *"I remember in 2011 when the sector players got together to revitalize AMA under the leadership of Mr. Samim, but we did not expect that AMA will reach the stage where it is now within just a few years."*

The CEO of Exchangerzone also appreciated AMA's performance and pointed out some of AMA's valuable services such as its publications, advocacy, sharing Afghanistan's data with MIX market, etc. Moreover, he said that AMA's awareness raising efforts and its publications have indeed increased the awareness of government officials about microfinance.

The summary of AMA's 2016 achievements and 2017 activity plan were presented by Mr. Najibullah Samim, the Executive Director of AMA. The participants appreciated AMA's achievements of the year 2016 and approved the activity plan for 2017.

Mr. Fahim Naimi, AMA's Research & Communications Manager, presented the summary of the Member Satisfaction Survey conducted in 2017. Based on the report, 82 percent of members' overall experience with AMA has been highly satisfactory. The members recommended that AMA pay more attention on microfinance sector regulations, and coordination and networking between MFIs and CSPIs.

Mr. Bashir Khan, a Board Member of AMA,

presented its financial statement of 2016 and received participants' approval.

Three new Board Members were also elected during the meeting.



Mr. Frank van der Poll gave some closing remarks and thanked the participants.



Client Success Stories Competition

The fourth AMA Client Success Story Competition event was held during the Annual General Assembly meeting on May 17, 2017.

Facilitating the session, AMA Executive Director, Mr. Najibullah Samim explained the background and objectives of this event and the clients' selection procedure. Eighteen nominations of successful clients from six member organizations were received. The selection committee, consisting of representatives from MISFA and AMA, reviewed and selected the top three success stories as per the agreed criteria.

The top three selected clients were from The First Microfinance Bank (FMFB), Muthaid, and OXUS Afghanistan. Each client explained briefly their success stories and received their prizes and certificates. Their respective Loan Officers were also awarded with gifts and certificates for their hard work with their clients.



In-country Exposure Visit

In line with the grant agreement signed between AMA and the Agricultural Credit Enhancement (ACE II) Program, AMA is tasked to conduct a number of activities under the Capacity Building component of this agreement.

AMA organized a three-day exposure visit in Balkh province in May 2017 for its member organization staff to visit two identified MFIs branches that have a high concentration of agricultural loan portfolio. The purpose of the exposure visit was to provide opportunity for MFI staff to observe the agricultural lending of two selected MFIs and learn from their experiences.

Twelve representatives from FMFB Afghanistan, OXUS Afghanistan, FINCA Afghanistan, Mutahid, Afghan Rural Finance Company (ARFC), and Islamic Investment & Finance Cooperative (IIFC) Group participated in this visit.

During the exposure visit, the participants received presentations from the Branch Offices

on the Agricultural Loan Product, its outreach, general terms, conditions, risk mitigation/management policies and procedures, internal control mechanism, best practices, and challenges.

The participants also visited two clients that received agricultural credit from OXUS Afghanistan to understand how the loans benefited them. The clients used the credit to make green houses, as well as to purchase high quality seeds for better crop harvest.

On the last day of the exposure visit, the participants shared their learnings and general recommendations on the organization of this visit. In general, the participants were highly satisfied with the quality and arrangement of the exposure visit and recommended that more such visits are organized in the future. They found the learnings to be valuable and adaptable to their organizations.

Access to Finance (A2F) Matchmaking Roundtables

AMA conducted nine Access to Finance (A2F) Matchmaking Roundtables in Herat, Kabul, Balkh, and Nangarhar provinces from January to May 2017. A total of 150 businesses attended the workshops, which were designed to connect potential businesses in need of loans, with financial institutions. On the other hand, financial institutions also had the opportunity to understand the financing needs of businesses.

During the workshops, MFI representatives presented their products and services to businesses and responded to their queries. Roundtable sessions were also organized at the end of each workshop providing the opportunity for the businesses to interact directly with the

MFIs representatives to know more about their loans products and their terms and conditions.

Around 78 percent of participating businesses expressed interest to take loans from MFIs to expand their businesses. Through a follow up with them in June 2017, some 45 businesses have so far applied for loans from different MFIs and out of that, 41 businesses received loans totaling AFN 5.7 million from various MFIs in Herat, Kabul and Balkh provinces.

The roundtables are financially supported by the Women In Economy (WIE) project of Development Alternatives, Inc. (DAI) funded by USAID under its larger project of "Promote". AMA plans to organize 16 such workshops in 2017.

USAID Hosts Women's Agriculture Credit Shura to Improve Lives and Livelihoods of Afghan Women Farmers

One of the most difficult challenges for women farmers and agriculture-related business owners in Afghanistan is the access to credit for their agriculture operations, and understanding how credit works for them.

On May 24, 2017, USAID's Agricultural Credit Enhancement Phase-II project (ACE-II) hosted the first Women's Agricultural Credit Shura in Kabul to raise women's awareness in agricultural credit. This gathering focused on practical training of women to apply for and to manage credit. This one-day event brought together a number of top microfinance institutions in Afghanistan, along with other financial experts to work with Shura attendees. The event is the first of a series of Shuras planned throughout the country.

Participants were briefed on women's economic rights, the types of credit available – traditional and Islamic, and how credit could help them grow their business or farm. In groups, women engaged in discussions about challenges women face in access credit and were able to discuss those challenges with women who have had experience with taking loans.

"Events like this Shura are great examples of several USAID projects coming together with Afghanistan's Ministry of Agriculture, Irrigation and Livestock to support ACE-II on this important effort to empower women in agriculture," said Acting USAID Mission Director Kathryn Stevens. *"Increasing agricultural output remains critical to the health of the entire Afghan economy and access to credit is a key component of achieving that growth."*

"Our goal is increasing agricultural output and bettering the lives of the women's families," said Asadullah Zamir, Minister of Agriculture,

Irrigation and Livestock (MAIL). *"The Ministry of Agriculture believes that agricultural loans are great opportunities for the whole sector and we are committed to support the financial institutions ensuring that women are able to receive credit."*

The USAID Agricultural Credit Enhancement (ACE) project established and managed the Agricultural Development Fund (ADF) until it was transferred to the Afghan government in 2015. The follow-on project, ACE-II, seeks to build on results achieved by the previous program and expand access to agriculture-related credit to increase commercial viability of small- and medium-size farms and agri-businesses 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 ensure economic growth led by the country's private sector, to establish a democratic and capable state governed by the rule of law, and to provide basic health and education services for all Afghans.



FINCA Afghanistan Adopts Customer Experience Strategy

FINCA Afghanistan has begun implementing its Customer Experience Strategy that puts both its customers and employees at the center of the business.

ASAN Plan:

The ASAN Plan, which refers to “easy loan,” is intended for good customers, who have a good credit history with FINCA Afghanistan. This plan provides such customers the incentive of processing new loans very quickly, within 30 minutes. ASAN is being piloted in two branches

in Kabul and will be expanded across FINCA Afghanistan branches.

This initiative is designed to serve multiple purposes, such as improving efficiency in the branches and reducing cost in both time and money for loyal customers.

Staff Loan Facility:

In line with the customer experience strategy, FINCA Afghanistan has also rolled out its Staff Loan Facility for its employees. FINCA Afghanistan hopes to enable them to meet both their immediate and long-term financial needs.

Mutahid Operates as an Individual Entity

Mutahid Development Finance Institution received a separate business license in April 2017 and transformed into an independent and wholly owned subsidiary of Microfinance Investment Support Facility for Afghanistan (MISFA). It was previously operating as the retail arm of MISFA.

Mutahid recently signed various agreements with MISFA, with a combined value in excess of USD \$10 million, to formalize the new relationship. The funds will be used to expand Mutahid operations to cater to the financial needs of a larger number of under-served micro, small and medium enterprises. The objective is

the creation of thousands of additional jobs that will go a long way to bringing about peace and stability in conflict-ridden Afghanistan.

Mutahid started in April 2011 to integrate and recover the outstanding portfolios of the six MFIs that were not sustainable. Mutahid currently has eight branches – three in Kabul province/city, and five in the following provinces: Balkh, Herat, Kunduz, Takhar, and Badakhshan.

Mutahid is a pioneer in the country in terms of using new technologies, e.g. mobile banking to improve access to finance. All its loan-related transactions are cash-less, and the clients have a greater flexibility to transact with the institution.



Small and Medium Enterprise: Access to Finance survey results

Summary:

Financial institutions identified lack of sufficient information about their market as an issue. To respond to the issue, Women In the Economy (WIE) conducted a survey that aimed to:

- Identify characteristics of small- and medium-sized enterprises in the WIE target market.
- Provide financial institutions with information about SMEs in their target market.

SMEs are defined as businesses with between 5 and 99 employees (small: 5-19, and medium 6-99).

500 semi-structured interviews carried out with SME owners and senior managers across 12 sectors in five cities of Afghanistan (Kabul, Jalalabad, Mazar-e-Sharif, Herat and Kandahar).

Main findings:

- The main factors identified by businesses to be the most significant in limiting their growth were general economic outlook (41%), the security and political situation (28%), limited demand in the local market (16%), high competition (9%), and other (6%). Just 2% of respondents said that access to finance was the most significant factor that limited growth.
- Using of financial records: 1) About one-fourth (27%) use electronic record keeping. 2) One-third (34%) use paper based record keeping. 3) Another 13% use a combination of paper and electronic. 4) 15% (1 in 6) do not have formal record keeping.
- More than one-third of business (36%) reported no knowledge of formal/institutional financial credit services available to them.
- 83% said that their business start-up capital came from a single personal source (either self or family).

- Only 3% identified a bank or microfinance loan as the startup capital for their business, alone or with another source.
- 70% of businesses said they would have need for credit in the next one year.
- The most popular ranges were: between USD 900-4,999 (28%), 7,500-9,999 (16%), and 30,000-49,999 (13%).
- Largest reasons to seek future credit include financing equipment/machinery (27%), working capital (22%), promotions/marketing (16%), and buying land for business (15%).

Recommendations:

Most SMEs require small amounts of capital, and do not require large loans to run their businesses. Banks can offer existing companies small credit lines. As these are paid back, the limits can be increased over time. Businesses can use these when they face temporary cash-flow issues.

Target companies without bank accounts to enroll, and provide small incentives. 30% of SMEs interviewed reported not using a bank account at all, highlighting simple market expansion opportunities. As the largest bank service utilized by SMEs was transfers, a number of free transfers could be part of new account sign up.

Collaborate with BDS providers to help businesses with expansion plans. Without assisting businesses in their expansion plans, it is likely that the Afghan marketplace will continue to operate much as it is now: small-scale, with low need for formal credit. Therefore, banks can work in tandem with BDS providers that are vetting and assisting entrepreneurs in expanding their businesses.

Exclusive Interview with Ms. Greta K. Greathouse

Ms. Greta K. Greathouse is the Chief of Party of the Agricultural Credit Enhancement (ACE) – II program. She is an international development program manager with over 35 years of experience in private sector financial services and in developing economic strengthening programs.

Ms. Greathouse, a five-time USAID Chief of Party, has led projects in complex environments including Haiti's post-2010 earthquake recovery and Afghanistan.

Ms. Greathouse's financial service sector background has included over twenty years as a global corporate banker at U.S. and foreign banks, including Banco Santander. At Santander, she established and managed the US-based Global Corporate Banking, Financial Institution, and Asset Backed Finance groups creating a credit portfolio of over \$2 billion.

Ms. Greathouse holds a Master's degree from the Fletcher School of Law and Diplomacy and a Bachelor's degree from Bradley University. She is fluent in French and Spanish.



Q1. What are the objectives of the ACE-II project and how it is different from ACE-I?

The ACE-II project (Agricultural Credit Enhancement II), designed as a follow on to the original ACE project, was created to continue to support the Agricultural Development Fund's (ADF's) transition into an independent, and sustainable development finance institution, providing agricultural finance.

In addition to providing advisory and mentoring support to the ADF, ACE-II is also providing support to the entry of other financial institutions into agricultural financing through outreach activities, technical assistance and via its Innovation Grant Fund. ACE-II is also supporting the development of advocacy on agricultural credit issues by the agricultural credit community, developing research that will provide data for decision making and knowledge sharing for the agricultural credit community, and building public awareness of agricultural credit and the constraints that it faces. Improving women's access to agricultural credit is also a priority for the project.

Q2. In the absence of Agriculture Development Bank, what alternatives do you envision to support Agriculture sector in Afghanistan, particularly access to financial services?

Access to agricultural credit is clearly a key element in helping the agricultural sector fulfill its potential as an engine of growth for the economy, a source of tax revenue for the government, and a source of employment. Improved data about the sector demand can help to expand access to credit by highlighting business opportunities, providing information about the different market segments and by quantifying demand. With this data, financial institutions, donors and the government can better understand the different segments and identify appropriate solutions for both commercial and non-commercial segments. The National Survey of Demand and Supply of Agricultural Financial Services we are currently preparing to launch will provide much of that needed data.

Many issues, including lack of awareness by potential borrowers, limit access to the existing

supply, inadequate as it may be. Improving awareness of agricultural credit, improving farmer and agribusiness capacity to apply for, to manage, and to benefit from credit, and removing cultural, physical and other barriers to the uptake of existing credit are important issues to be addressed. As more private sector financial institutions are able to identify business opportunities that can fit within their risk parameters, the supply of credit will increase. Key roles for donors may include support to the development of sources of sustainable agribusiness, technical and business development services, and credit guarantee programs.

Q3. How do you see the role of microfinance in promoting Agricultural Lending?

I have been very impressed with how the microfinance sector has taken a lead role in promoting access to agricultural credit here, serving the very important small farmer/agribusiness segment. The MFIs have done an excellent job of developing market approaches that work for them and for their customers, with impressive results. Their investment in the sector is one of the many factors that have caused the Banks to begin to take notice and to begin to look at the Ag sector. The innovation that is going into the individual MFI programs is also extremely interesting! I believe that the MFIs here have the capacity to expand Ag lending to an even larger percentage of their portfolio, if they continue to follow the prudent lending procedures that they have implemented to date and use technology in a variety of ways to reduce risk and costs. Of course, expanding these programs will take significant investment: training, systems, personnel, product design, capital etc. The capital needed to achieve that MFI portfolio expansion may be an issue for some, if the sector is to continue to both grow their non-ag portfolio and to significantly expand their agricultural interventions.

Q4. It is perceived that Agriculture lending is risky - do you agree?

There are risks associated with agricultural credit that increase the risk parameters for lenders. Many of those risks can be reduced, if not entirely eliminated: appropriate product design; well trained, specialized personnel; credit metrics that focus on cash flow and reimbursement capacity; agricultural expertise within the lending institutions that informs credit decisions and also works with borrowers to improve their underlying business; use of innovative solutions to reduce origination and loan servicing expenses. I am delighted to see that AMA's members are using many of these approaches to reduce risk.

Q5 What do you recommend to AMA and Financial Institutions to support agriculture sector in Afghanistan?

AMA is already playing a great role in supporting ag lending for its members through a variety of its activities, including training and exposure visits to improve the MFI's capacity, It is also working to raise awareness of agricultural credit among potential borrowers. For the AMA and financial institutions, I would recommend continuing outreach and awareness building activities on agricultural credit for potential borrowers and expanded training of personnel on agricultural credit. Such outreach can be particularly beneficial in overcoming cultural and religious objections to credit. A special emphasis on lending to women farmers and agribusinesses would also be productive. Although they constitute the majority of agricultural workers, women receive far less access to credit, to inputs and to markets. There is also a significant role for them to be played in advocacy efforts to eliminate or to reduce the many constraints to agricultural credit.

The First MicroFinance Bank (FMFB-A) Opens Branch for Women Only, First in Country

The First MicroFinance Bank, Afghanistan (FMFB-A), a leading commercial and microfinance bank, announced the opening of the country's first women-only branch in Kabul. This initiative will allow Afghan women to manage their finances in a safe and facilitating environment, thus overcoming social and cultural hurdles to their economic empowerment. The unique branch, located in Dasht-e-Barchi, is served and supervised by 21 all-women staff and caters to only women customers in a first-of-its-kind exercise by any bank in Afghanistan.

"This is one of our key Values-based-banking initiatives. Most Afghan women are hesitant to open their independent accounts or avail financial services just because of the prevalent belief that men are to 'take care of' such things. We will aim to encourage women to open accounts, avail loans and also educate them on how to manage their money well," said the FMFB-A's CEO, Frank van der Poll.

"The branch has an indoor play area for children which is great for getting kids to burn off excess energy while their mothers are busy inside the branch. We are rapidly improving services and launching new products, and experiences at a pace we've never done before," Frank added.

FMFB-A - the largest microfinance institution in the country, with \$83.4 million in outstanding portfolio - has plans to set up 2 similar branches in Herat and Mazar-e-Sharif by 2019. These new branches will offer preferential rates for savings, as well as a host of affordable loans to women clients. In addition to the existing branch network, FMFB-A continues to leverage branchless banking using M-Paisa platform to enhance customer experience.

In 2016, FMFB-A became a member of the Global Alliance for Banking on Values (GABV), the first bank to do so in the country.



Hand in Hand Afghanistan

Hand in Hand Afghanistan is a not-for-profit and non-governmental organization registered with the Ministry of Economy of the Government of Islamic Republic of Afghanistan (License # 890; 21 December 2006) working towards elimination of poverty through creation of enterprise and jobs.

Vision:

An Afghanistan free of poverty, where gender equality is its cornerstone.

Mission:

To work for economic and social empowerment of the poor by supporting the creation of enterprises and jobs, and the generation of higher incomes. Targeting the poor and marginalized communities, with a particular focus on poor women, Hand in Hand Afghanistan empowers SHGs, provides support and training, and helps them access credit, information, markets and opportunities.

Governance:

Hand in Hand Afghanistan is committed to good governance and follows recommended best practices. Its Board of Directors is the governing body chaired by Ms. Seema Ghani, with a mission to guide and take strategic decisions for the organization's long-term future and oversee its financial affairs, while holding its Chief Executive Officer (CEO) to account.

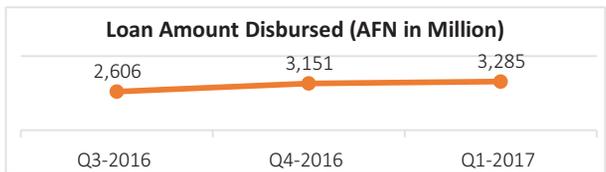
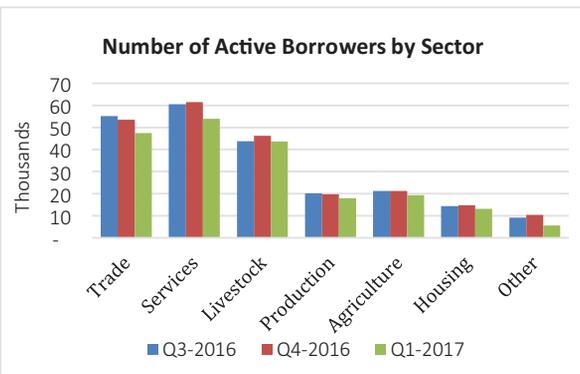
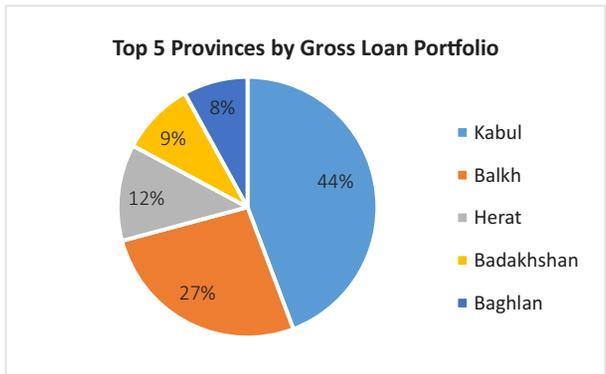
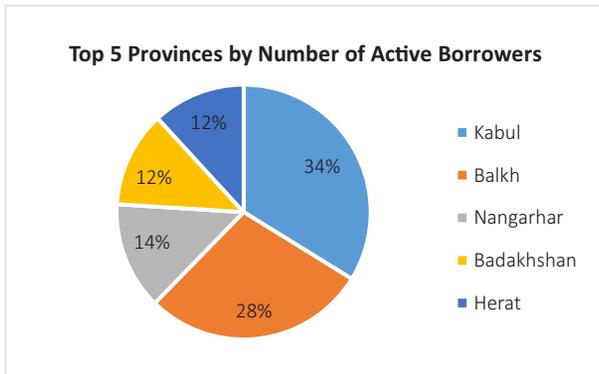
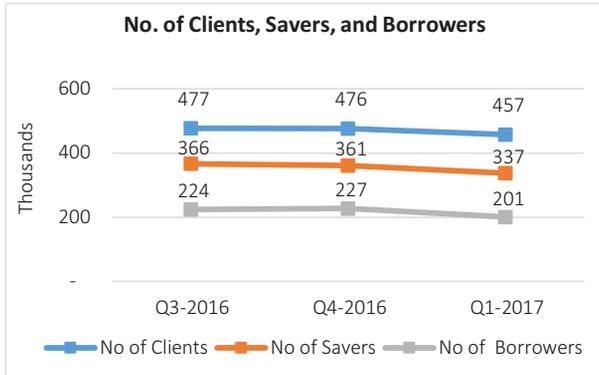
The Board composition covers essential skills, knowledge to complement that of the staff, and it pays particular attention to issues of security, fraud and corruption. Hand in Hand International has an ex officio seat to bring international experience and create a fiduciary link to donors.

The Model Hand in Hand Afghanistan Adopts

The Hand in Hand approach sees job creation as a highly effective development tool, where micro-entrepreneurs are key drivers for economic growth and poverty reduction. The model provides support for a comprehensive approach to job creation, incorporating four key elements: Social Mobilization, Business Training, Access to Credit, and Value Addition/Market Linkage.



Sector At A Glance



Events

National and International Trainings and Events

International

Entrepreneurship, Financial Inclusion and Economic Development

Type: Event

Location: Benin City, Nigeria

Date: 29 Aug 2017 - 31 Aug 2017

Sa-Dhan National Conference: Reinventing Inclusive Finance in Digital Era

Type: Event

Location: New Delhi, India

Date: 14 Sep 2017 - 15 Sep 2017

Global Youth Economic Opportunities Summit 2017

Type: Event

Location: Arlington, VA - United States

Date: 27 Sep 2017 - 29 Sep 2017

2017 SEEP Annual Conference: Catalyzing Transformative Change

Type: Event

Event Location: Arlington, VA - United States

Date: 02 Oct 2017 - 04 Oct 2017

African Microfinance Week 2017 - Creating Values for SMEs: A New Key Role for Microfinance

Type: Event

Event Location: Addis Ababa, Ethiopia

Date: 09 Oct 2017 - 13 Oct 2017

National

AIBF Trainings: January – June 2017

- ☞ Minimizing DAB Penalties - Operations Aspect
- ☞ Marketing Research
- ☞ Sharia Law for Islamic Banking
- ☞ Human Resource Development
- ☞ Islamic Banking Products & Services
- ☞ IS Risk Management & Frauds
- ☞ Sharia Compliance
- ☞ Business & Industry Risk Analysis

Microfinance Client Success Story

Returning back to country and shifting occupation to a more productive business

Allah Bakhsh is 47 years old married living in District 13 of Kabul city. He has two daughters and four sons. Allah Bakhsh is supporting his family through his own income.

Few years' back Allah Bakhsh was living in Bamyan province and due to economic issues, he migrated to Iran in stayed there for almost five years. After the Taliban regime, he returned to his country and reside in Kabul. He started working as car mechanic for five years and then changed his occupation to cast iron tools production. It is about ten years now that he is doing this business.

When he changed his occupation, so he felt that he needs capital to purchase some machineries for his business and thus he was looking for financial support. He heard about loan facility of The First Microfinance Bank (FMF) from one of his friends and applied for his first loan of USD 700. With this amount, he could purchase the required machineries for his business.

In total, he got three cycle loans from FMFB and invested all in this business to expand. When he started the business, he had three employees and as his business expanded so he hired another three and now he has six employees in his business.

Allah Bakhsh's monthly income increased from AFN 12,000 to AFN 100,000. From other side his family expenses also increased from AFN 10,000 to AFN 25,000 monthly. He is now able to do savings for future too.

"I am now more prestigious than before and people are looking at me as a successful businessperson. People are referring to me and asking me about the secret of my success and my response to them is to take loan, utilize it in a business - no matter if it is startup or expanding, and increase your income."

In the future, Allah Bakhsh wants to expand his business even more and invest on producing some types of cables and other tools for electricity transformer join boxes.



Microfinance Clients



Afghanistan Microfinance Association

House #552, Street 3, Taimani Project,
District 4, Kabul-Afghanistan
info@ama.org.af | www.ama.org.af |
www.microview.info