



MICROMAG 8

June 2018



FINCA

FINCA
Afghanistan
Launched
Tablet Lending

As part of its long-term goal for improving access to credit, FINCA Afghanistan launched the pilot phase of Tablet Lending, in Khair-Khana and Dashti Barchi branches of Kabul province in early July 2018.



Ms. Zar Wardak the Chairperson of the Board of Directors of FINCA Afghanistan, MESA Regional Director, and Vice President of FINCA Impact Finance, Mr. Ali Rawnaq the interim CEO, members of the management board, and the project team attended this great opening event.

The Tablet Lending Program was financed through USAID's ACEII grant, and the application was developed externally. After a series of testing and modification, FINCA Afghanistan is successfully piloting paperless lending in Afghanistan.

Both employees and customers are excited about this initiative which brings huge efficiency improvements for FINCA Afghanistan's loan process and its customers' expenses. This will limit the number of visits of clients to the branches since FINCA Afghanistan staff visit them in the field to collect data.

Upon successful completion of the pilot phase, FINCA Afghanistan plans to extend tablet lending in all Kabul branches and later, across the country.

Meeting with the Governors

To raise the awareness about microfinance sector, discuss the challenges that Microfinance Institutions (MFIs) face, and attract support, AMA along with the MFIs representatives had meetings with the provincial Governors of Takhar, Baghlan, and Jawzjan provinces.

The first meeting was organized with the new Governor of Takhar in May 2018. The new Governor was briefed on MFIs operations, challenges and issues, and requested for extension of his support in overcoming the challenges.

The Governor appreciated AMA and its member MFIs' activities and operations in Takhar province and committed his full support. Soon

after his commitment, he instructed through an official letter of support, all relevant Government Departments to provide necessary support to MFIs.

With the same purpose, the second and third meetings were organized with the Deputy Governor of Baghlan and Governor of Jawzjan provinces in June 2018.

The Governor Offices of both provinces instructed the relevant Government Departments to extend their support to MFIs operating in Baghlan and Jawzjan. Copies of the letters were also shared with AMA and MFIs to use them as reference documents while seeking support from the Government Departments.

Impact Assessment - Advocacy and Coordination

AMA conducted an assessment during June 2018 to find out the impact of its advocacy and coordination efforts during the last one and half year.

The assessment aimed to find out the impact of AMA services under its lobby/advocacy and coordination components and their effectiveness, particularly during 2017-18.

Highlighting the impact and outcomes of AMA Advocacy and Coordination efforts, the report help AMA to define and plan its future interventions accordingly.

38 Branch Managers from six AMA member organizations in 10 provinces participated in the survey as they are directly involved in the field activities as well as interact with AMA while facing issues/challenges in their respected areas of operations/provinces. Thus, they provided a real picture of what does the AMA activities or efforts brought to them.

- 66% of the respondents said that the AMA advocacy and coordination efforts are absolutely/ mostly effective in establishing linkages of MFIs with the Government officials/offices.

- 66% of the respondents were satisfied with AMA's advocacy and coordination efforts since 2017.

In almost all the provinces, there are similar challenges that are highlighted by the respondents. The challenges mentioned are insecurity that limits MFIs operations and coverage, lack of enough support from the Government that caused increase in delinquency, and negative perception of the community leaders and public about loans.

The interventions of AMA that could achieve some results highlighted through the respondents from different provinces:

- Most of the issues with the community leaders that are certifying the clients' applications are resolved;
- Linkages created and further improved among the MFIs and relevant Government Departments;
- The coordination among MFIs improved; and
- Meetings with Provincial and District Governors had great outcomes in terms of receiving their support.

AMA completed a project funded by ACE II



AMA successfully completed a project on Access to Agriculture Credit in Rural Communities funded by USAID's Agriculture Credit Enhancement (ACE II) Program. The project had two components; a) raising awareness of farmers, community elders, relevant local government authorities, and the public through workshops and promotional materials; brochures and billboards, b) capacity building of Development Finance Institutions (DFI) staff on Agriculture Credit through training, exposure visits, and peer learnings.

The project started on January 17, 2017, and ended on May 31, 2018, including four-month no-cost extension.

The project outcomes are summarized as follow:

- The knowledge and awareness of around 700 farmers, and community elders, who participated in 11 awareness-raising workshops raised about the availability of Agriculture credit. Through these participants, the information/messages will be conveyed to thousands of other farmers across 10 selected provinces. Additionally the awareness of the public on the availability of Agriculture credit raised through 20 billboards placed in 10 selected provinces, 200 standing banners, and 15,000 brochures.
- The capacity of DFIs staff enhanced through customized Agriculture training, national and international exposure visits and peer learnings. The applicability of the

skills/knowledge/attitudes/values gained and or confirmed indicated that the capacity building events were timely, useful and effectively delivered. Majority of the participants indicated that they would be able to use and apply their learnings to increase the Agriculture credit portfolio size and improve its quality.

- The farmers who participated in the awareness-raising workshops started approaching MFIs for Agriculture credit, and 135 farmers have received loans of AFN 10 million (USD 140,000) as of the end of the project. The number will increase in the coming months.

To recognize the efforts of AMA in the successful and timely completion of the project, the management of ACE II project awarded a certificate of appreciation to AMA on July 30, 2018.

Mr. Grant Norris the Deputy Chief of Party of ACE II, while talking about the project outcomes, appreciated AMA efforts in making the project a success. *"As an ACE-II / USAID grant recipient, AMA proved to be an outstanding partner - successfully implementing a range of innovative activities to raise awareness on agricultural finance, and building the capacity of its DFI members to better serve the agriculture sector."*

The AMA Board of Directors and management thanked the ACE-II project for its technical and financial support throughout the project tenure.

General Assembly Meeting

AMA, through financial support of MISFA, organized its 8th Annual General Assembly meeting on April 04, 2018 in Kabul where 53 representatives from AMA, its members, donors, and stakeholders participated in this meeting.

After the opening remarks by the AMA Chairman of the Board, Microfinance Investment Support Facility for Afghanistan (MISFA), Agriculture Credit Enhancement (ACE II), and Group for the Environment, Renewable Energy and Solidarities (GERES), as AMA donors, and Mutahid, and Exchangerzone, as members, shared their perspectives about AMA's last year performance.

The General Director of the Public Credit Registry (PCR) talked about PCR experience with MFIs and thanked AMA and MFIs for their contribution to the success of PCR.

The Executive Director of AMA presented the summary of AMA's 2017 achievements and 2018 activity plan and provided further clarifications in response to the participants' questions.

The Research & Communication Manager of AMA presented the summary of the Member Satisfaction Survey conducted for 2017 that shows 90% of member institutions' overall experience with AMA in 2017 was satisfactory.

A board member of AMA presented the financial statements of AMA for the year ended on December 31, 2017. The financial statements were approved by the General Assembly members.

The number of directors in the AMA Board was decided to be increased from 5 to 7. Hand in Hand Afghanistan representing the CSPIs, and FINCA Afghanistan and IIFC Group were elected as new board members for two-year terms. It was further decided to identify and appoint an independent board member as well.

As a new initiative, AMA presented two awards as Member of the Year and Innovative Member of the Year. FMFB Afghanistan received the award for Member of the Year, and FINCA Afghanistan for Innovative Member of the Year.



Client Success Stories Competition

With the financial support of MISFA, the fifth AMA Client Success Stories Competition was held during the AMA General Assembly Meeting on April 04, 2018. During the session, the background and objectives of this event and the clients' selection procedure was explained to the participants.

The top three selected clients in the fifth competition were from The First Microfinance Bank (FMFB) Afghanistan, FINCA Afghanistan, and OXUS Afghanistan.



Each client explained his or her success story—the journey towards the success and how the loans were effective in making their business a success. To recognize their efforts and hard work and to motivate them further, AMA provided gifts and certificates to the successful clients and respective loan officers.

The initiative was very much appreciated and AMA was encouraged to continue with this in the coming years too.



Debt funding from Commercial Banks to MFIs

Following the first meeting of the Commercial Banks and Microfinance Institutions in 2017 exploring the opportunities of fund flow from Commercial Banks to the Microfinance Institutions, a committee comprises of four Banks, four MFIs, AMA and Afghanistan Banks Association (ABA) was established in 2018.

The committee is aimed to explore opportunities for debt funding from Commercial Banks to MFIs, identify the hindrances and obstacles and to identify promising solutions. The committee will devise plans to see how the MFIs borrow from commercial sources and on-lends to clients. This has been facilitated in part by the participation of commercial banks in the

microfinance sector and in part by the lack of resource options for growing MFIs, given that they cannot take deposits and face limited availability of grant funds.

The committee had three meetings so far and will have regular meetings until its objectives are achieved. The Committee will present its outcomes and recommendations to the CEOs of Banks, MFIs and other stakeholders including the Central Bank of Afghanistan during a workshop.

AMA and ABA being the association of the MFIs and Banks, play an important role in establishing this linkages and oversight the progress in this regards.

Access to Finance Matchmaking Roundtables

To connect and aware potential businesses/clients, with financial institutions, that are in need of some types of loans, and the financial institutions to develop some better understanding of businesses/clients' financing needs; AMA organized seven Access to Finance Matchmaking Roundtables in Kabul, Balkh, and Herat provinces during January - June 2018. 167 businesses, in addition to the representatives from MFIs, AMA, and Promote/WIE, participated in these workshops.

The MFIs representatives presented their products and services to the businesses 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 the MFIs representatives to know more about their loans products, its terms and conditions.

Since the beginning of the project in November 2016, 26 workshops have been conducted



where 467 entrepreneurs/businesses participated. Besides awareness raising about access to finance opportunities, 133 of the participants received AFN 10.2 million (USD 141,000) loan from different MFIs in different provinces.

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

AMA Completed the Second Round of Women Internship Program

AMA successfully completed the second of the three rounds of Women Internship Program through which 102 women interns completed six months of internship in Microfinance Institutions (MFIs) and Community-based Saving Promoting Institutions (CSPIs).

With the completion of the internship period, as of July 2018, 11 of the women interns secured permanent jobs in MFIs where they received their internship. It is hoped that the concerned MFIs will hire the remaining interns as soon as there are employment vacancies.

The program 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, it helps MFIs to recruit young female talents who are ready to utilize their theory into practice.

AMA through financial support of USAID's WIE-Promote project implements the program.

SAMN Regional Conference

Afghanistan Microfinance Association (AMA), through financial support of Afghanistan Microfinance Investment Support Facility for Afghanistan (MISFA), sponsored participation of nine delegates from Afghanistan microfinance sector to the 3rd South Asian Micro entrepreneurs Network (SAMN) Regional Conference held in Colombo, Sri Lanka during March 6-7, 2018. Around 300 participants including high-level representatives of the Sri Lanka Government, donors, practitioners, researchers, service providers and the wider microfinance community across South Asia and internationally, participated in the conference.

Four of the nine delegates attended the conference as speakers and took part in the inaugural session, panel discussions, and grand debate. This provided the opportunity for

Afghan delegates to speak about Afghanistan experience on their selected topics and meet with their peers for networking and discussion on similar microfinance issues.

The two-day conference focused on the role of regulators in financial inclusion, impact investment, digital finance, and role of networks in financial inclusion. It provided the member countries the opportunity to highlight innovation in terms of Financial Inclusion ecosystem, investment flows and responsible finance across South Asia by increased access to finance. In addition, it provided a platform to the thought leaders from South Asia to interact and assess opportunities for regional integration and cross-learning within the financial inclusion space.



Exclusive Interview

Sharon D'Onofrio is the Executive Director of the SEEP Network. Sharon's more than twenty years of experience in economic development includes serving as a general manager for a microfinance institution in El Salvador and Regional Technical Advisor for Latin America. She possesses extensive experience in developing knowledge management, training, and capacity building programs for development organizations and has authored numerous technical guides on network development.

Prior to assuming the position of SEEP's Executive Director in 2011, Sharon served as Senior Advisor to SEEP's Association Development Community of Practice.

Sharon first discovered her passion for promoting women's economic opportunities while working as a volunteer in Northern Mexico providing financial education to women entrepreneurs.



Q1: What role does the SEEP Network play in the promotion of Microfinance Industry globally?

Founded in 1985, the SEEP Network was an early pioneer in microfinance. Over the past thirty years, our members have been leaders in innovation, particularly with respect to reaching populations that are not easily served due to geographic remoteness, inexperience with financial services, and limited education and income.

Our mission is to empower our members to be effective agents of change, to accelerate learning, and to increase their collective impact. We have over 100 organizational members working in 160 countries around the world.

Q2: What services does the SEEP Network offer to its members, particularly in emerging markets such as Afghanistan?

SEEP is a collaborative learning network. Last year we convened over 4,000 individuals in SEEP supported learning events.

The Afghanistan Microfinance Association (AMA) is one of over 30 microfinance networks within SEEP's membership. We share best practices in network management with the AMA and work to increase its visibility globally. We foster connections with other member organizations.

Q3: What are some of the key challenges ahead of the microfinance industry globally?

Less than 10 years ago it was relatively easy to refer to the "microfinance industry" and have a shared understanding of what that means. That is no longer the case. Where once specialized organizations, typically called microfinance institutions dominated the market, we now see a great diversity of actors. This is principally due to the increased role of technology in the provision of financial services. While ultimately this should lead to much greater access to financial services, it represents a challenge.

It is much more difficult, for example, to establish common principles of practice and norms of behavior, particularly associated with consumer

protection. As financial services become easier to access there is a risk of predatory pricing, over-indebtedness, and a focus on high-profit consumer lending.

We consider one of the most important roles for microfinance associations is to promote responsible finance. This means maintaining a focus on customer benefits and a shared commitment to quality service provision. This can be done through the promotion of common codes of conduct among members and through close coordination with government entities responsible for supervision of financial markets.

Q4: How do you see the role of an association in the promotion of microfinance in a country?

In addition to their role in promoting responsible finance, associations can promote innovation. New product development can be expensive for individual financial institutions. Associations can lower these costs by investing in research to identify new market opportunities and sharing this information with their members. They can also help influence public policy. Governments need quality information to make informed decisions about regulations and laws.

An association can help inform the government about trends in the market. Associations can also help build the confidence in the sector. Transparency is key to this process. The consistent and accurate collection of performance data is very important.

Q5: General perception is that Microfinance has not been effective in poverty alleviation. What do you think?

For far too long microfinance was focused on access to financial services and not the quality or appropriateness of those services. Short-term credit was the most common service. Credit can do as much harm as good.

If microfinance is viewed narrowly as the just the provision of short-term loans, then it is understandable why there would be limited impact on poverty. For poorer populations, there should be a "savings first" approach.

Q6: Digital Finance is a focus area for financial institutions in Afghanistan. What supports can the SEEP Network provide for this initiative?

We can help promote partnerships with other SEEP members working in the region. We can increase the visibility of your work by sharing AMA news and resources through our global communications platform.

Q7: Microfinance Networks are expected to be sustainable (to cover its expenses from its income). How do you define sustainability of MF networks?

The business model for microfinance networks can be complex. Sustainability most often means a sustainable source of revenue from earned income as well as some grants.

Revenue from a member in the form of dues is very important. While this may not be the majority of the organization's income, regular dues payment indicates the organization is valued by its members.

Members should also be willing to pay fees for training and conferences. Associations may find means to generate income through other types of services.

Frequently these are 'back office' services that can reduce the costs of individual members. These may be related to access to technology for example. Associations may receive grants from local governments or funders if they are able to contribute to the development objectives of these organizations.



The First MicroFinance Bank, Afghanistan (FMFB-A) on June 9, 2018, announced the launch of a new loan under the brand name "Awdat". It has been designed especially for vulnerable Afghan returnees who may have not previously been able to avail loans from local banks due to their distinct economic condition and financial needs.

A total of 6 million Afghan refugees were hosted in Pakistan and Iran, making Afghanistan the largest refugee-producing country in the world. Afghans are currently the second largest refugee group after Syrian refugees. The majority of Afghan refugees (95%) are located in Iran and Pakistan.

"Awdat" is the first loan of its type to be introduced in the country. The loan is tailored exclusively for Afghan returnees who, after a

period of immigration to Iran and/or Pakistan, have returned to their homeland during the last 1-5 years. Softened collateral requirements, low-interest rate, and flexible repayment tenures would enable borrowers to have access to finance for the purpose of setting up or expanding their new/ existing income-generating activities.

"Awdat is designed to provide loans with greater flexibility and lower interest rates to vulnerable returning refugees," said Frank van der Poll, CEO, FMFB-A. "By committing to a portion of our lending portfolio in loans to Afghans returning from abroad after years of war and conflict, FMFB-A continues to uphold its commitment to social responsibility by helping those who can't access financing from commercial banks."

Afghanistan Women Council

Afghanistan Women Council (AWC) is a non-governmental, non-political, non-profit, non-sectarian Charity Organization founded in 1986 by the efforts of Ms. Fatana Ishaq Gailani and a group of Afghan women with an aim to assist Afghan women and children. The primary objective of AWC is to empower women by building their capacities; improving their health, education and living conditions; and strengthening their socio-economic status.

- Vision:**
To empower women by building their capacities to raise their standard of living and make them self-sufficient.
- Mission:**
To enlighten women and children, improve their living conditions and strengthen their health, education and socio-economic status in society by their multi-lateral involvement in development activities.

Governance:
AWC believes in good governance and observes best practices of the good governance. AWC has its professional board of directors chaired by Professor Mrs. Fauzia Assifi. Regular board meetings are being conducted, holding the board of executive to account.

The board of directors strongly focuses on the most important issues such as security, donor liabilities, funding opportunities, organizational sustainability, and institutional capacity building. The board is strongly insisting on the accountability and transparency.

The model AWC adopts:
The approaches of AWC are the two key elements of education and financial capability of women in Afghanistan.

The education element is focusing on the literacy, peacebuilding, conflict resolution, environment protection, women rights, human rights, children rights, health and hygiene, gender-based violence and psychosocial support to the women and children.

The financial capability is focusing on market assessment, vocational training on market-driven skills, business development services, productions, and market linkages and providing women with the financial support for their economic sustainability.

Women Economic Empowerment - Rural Development Program

In its program over the years, while working for overall enterprise development in five provinces, Afghanistan Rural Enterprise Development Program (AREDP) has consciously involved more women in its program. The program has facilitated women to build on their economic security through participation in Savings Groups, Enterprise Development, Village Level Savings Groups (VSLAs), SMEs, etc. The fact that the overall women participation in AREDP program is about 58% on a weighted index, it talks volume on its intervention strategies and approach for women economic empowerment.

With the Government of Afghanistan's step towards strengthening women economic empowerment and thereby taking up Women Economic Empowerment – National Priority Program (WEE-NPP), which is much more inclusive and one of its pillar is WEE-RDP.

AREDP while transitioning to WEE-RDP, would be more of a facilitating agency and involve implementing and facilitating partners who have been strengthened by Citizen Charter for the overall growth of the rural economy.

WEE-RDP is designed to be a more women-centric program and it would be implemented in all 34 provinces with better institutional alignment with WEE-NPP objectives. The new project intends to build on the overall experience of AREDP and would simultaneously leverage the institutional platform of Community Development Councils (CDCs) established and

nurtured under ongoing Citizen Charter program of the Ministry of Rural Rehabilitation & Development (MRRD).

Under WEE-RDP, greater emphasis is being given to collaborating with non-governmental institutions, private sector entities, service providers and organizations, and civil society organizations in the implementation of project activities while fostering partnerships with both the public and private sector to leverage technical resources and access to finance.

Synergies will also be built among potential Government organizations such as Ministry of Women Affairs, Ministry of Labor & Social Affairs, Ministry of Commerce & Industries, Ministry of Agriculture, Irrigation & Livestock, etc. and non-government and civil society organizations.

The project will follow a demand-driven/market-led approach to establish market linkages at the national, provincial and local levels and special emphasis will be given to identify and support women-centric sub-sectors. Women led enterprises and its further aggregation to higher level institutions will be promoted under WEE-RDP.

The main objective of WEE-RDP is to increase social and economic empowerment of poor rural women in selected communities.

WEE-RDP is planning to cover 76 districts in 34 provinces which include 6,301 villages with a target of 500,000 beneficiaries.

Client Success Story

Eid Mohammad is a 25-year old single man living with his family in Herat province. He has two sisters and a brother. His sisters and brother are school students.

Eid Mohammad started his tailoring business six years ago in Herat province. At that time, he only had a tailoring machine and few customers. He worked alone but he could not afford his family expenses. When he heard about financial assistance through microfinance institutions, he saw an opportunity to grow his business. He submitted a loan application to FINCA Afghanistan and got approved for an AFN 50,000 loan.

He used the loan to purchase necessary items, such as cloths and machinery, as well as to hire employees for his tailoring business. He continued to repay and borrow from FINCA Afghanistan as he saw the benefits of taking a loan for business expansion.

Upon completion of the first cycle loan, he applied for AFN 50,000 in the second cycle. He used the money to purchase two tailoring machines and hired three employees. After six

months, and with some savings, he opened a small shop particularly to sell his products in the market. He hired four female employees too for producing and selling the products. So far, Eid Mohammad received five loan cycles from FINCA Afghanistan. After six years, Eid Mohammad separated his production center from his shop. He opened two more shops in the Jebraeil area of Herat and started selling his products in his new shops.

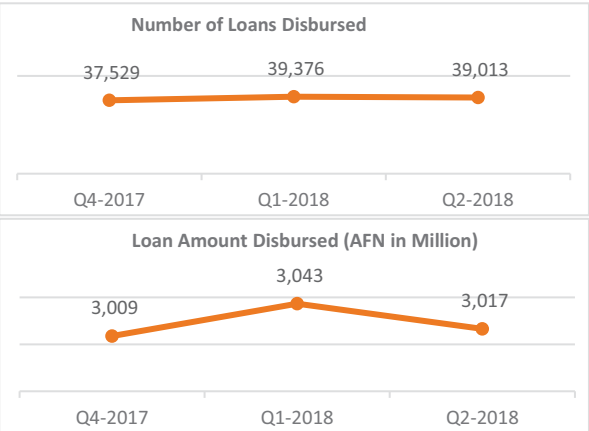
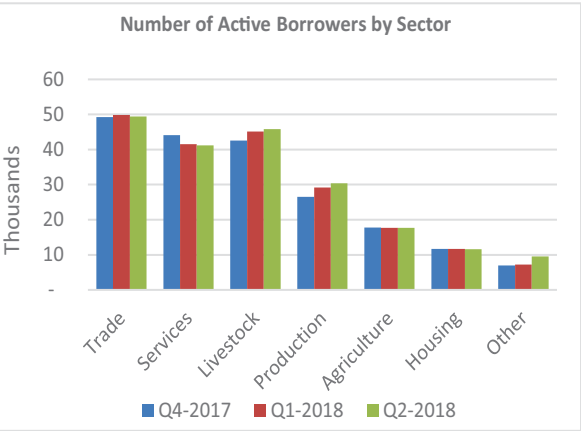
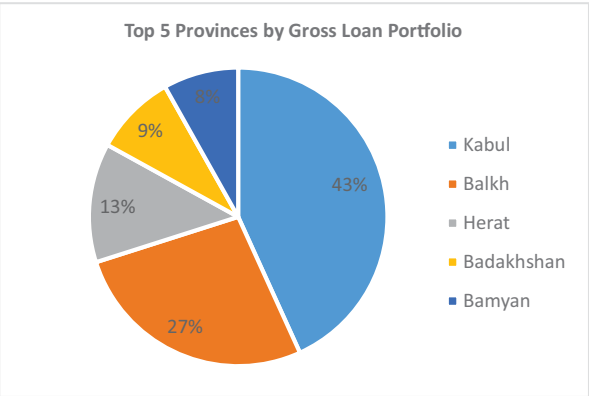
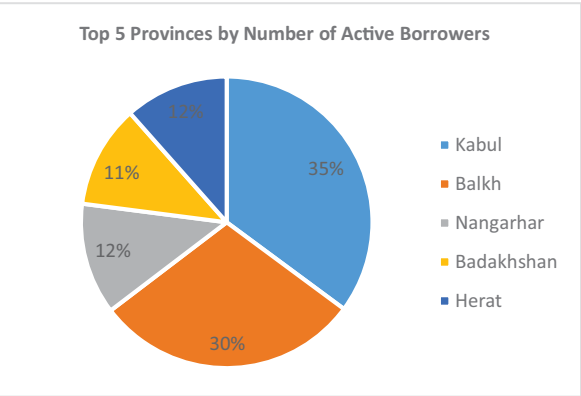
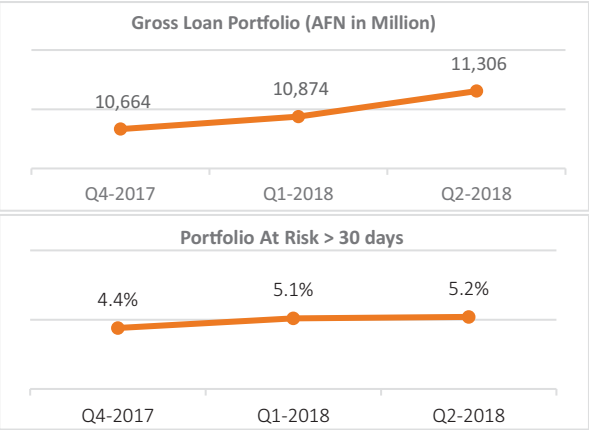
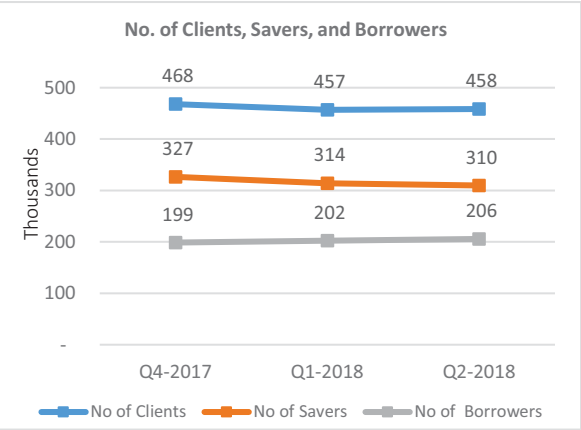
Eid Mohammad started his business with AFN 14,000 (USD 200), and now he has a production center and a couple of shops with a capital of around AFN 1,000,000.

Eid Mohammad is very grateful to the financial assistance of microfinance institutions, as he could use the loans and his perseverance to bring remarkable changes into his business. He believes that taking loans gave him the opportunity to improve his personal and professional life.

In the future, Eid Mohammad plans to increase his production and export his products out of Herat to other provinces.



Sector At A Glance



2018 Calendar of Events

National and International Trainings and Events

International

School of African Microfinance (SAM) 2018

Type: Training

Location: Mombasa, Kenya

Date: 03 Sep 2018 - 14 Sep 2018

Executive Microfinance & Financial Inclusion School 2018

Type: Training

Location: Dubai, United Arab Emirates

Date: 17 Sep 2018 - 21 Sep 2018

Sa-Dhan National Conference 2018

Type: Conference

Location: New Delhi, India

Date: 19 Sep 2018 - 20 Sep 2018

2018 SEEP Annual Conference

Type: Conference

Location: Arlington, VA - United States

Date: 01 Oct 2018 - 03 Oct 2018

APAC Microfinance Forum

Type: Conference

Location: Singapore

Date: 30 Oct 2018 - 31 Oct 2018

Financial Inclusion in a Digital Economy

Type: Conference

Location: Amritsar, India

Date: 23 Nov 2018 - 24 Nov 2018

National

AIBF Trainings: July – December 2018

- ☞ Risk-Based Approach for Modern Internal Auditing.
- ☞ Branch Management.
- ☞ Human Resources Training.
- ☞ Certified Marketing Manager- ACI.
- ☞ Fraud and Forensic Auditing.
- ☞ Saving Mobilization.
- ☞ Project Management Professional (PMP).
- ☞ SME Loan Recovery and Documentation.

Microfinance Clients



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