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Agricultural Credit Information Booklet



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Increasing Awareness and Access to Agricultural Credit in Rural Communities

Brief Statement of Purpose / Project Summary

The project will support a series of programmatic activities aimed at increasing awareness and access to agricultural credit in rural communities.

The proposed activities will assist in building capacity at DFI's interested in supporting the agriculture sector, while also establishing a better understanding and commitment at board and management level.

The target beneficiaries of this project will be farmers, agribusiness owners, members of District Development Assemblies (DDAs) and Community Development Councils (CDCs), Departments of Agriculture, Irrigation and Livestock (DAIL), and Development Finance Institutions (DFIs).

Project Goals and Objectives

The objectives of the Program are twofold:

- To raise awareness on financial services – specifically credit - amongst relevant government authorities, farmers, community leaders, DFIs and other stakeholders;
- To enhance the capacity of DFIs on different aspects of agricultural lending.

Description of Project Activities

- AMA will hold a series of awareness workshops in eight selected provinces at which representatives of DFI's will present and provide information on their financial service offerings (with a focus on agricultural credit) to farmers and representatives of the community.
- AMA will design and disseminate a collection of promotional materials including informational brochures on agricultural credit, standing banners and using its existing media network to publish news, success stories and other relevant information on agricultural credit.
- AMA will implement specific capacity building initiatives that will induce and support the entry of DFI's into agricultural financing through structured trainings, an in-country and international study tour. This will help to equip providers of agriculture credit to address the needs and challenges they face in the areas where they operate.

Afghanistan Microfinance Association (AMA) was established by the Microfinance Investment Support Facility for Afghanistan (MISFA) in 2005 and in 2007 registered with the Ministry of Justice. It was formed as a national network of Development Finance Institutions (DFIs) in Afghanistan and functions as a coordinating body for the Development Finance Sector.

AMA's mission is to build an inclusive, sustainable and responsible development finance sector through policy advocacy, knowledge management, coordination and networking, and capacity building.

AMA's vision is to promote financial inclusion through creation of an enabling environment for the development finance sector in Afghanistan.

AMA has recognized the need for access to a range of financial services, including the provision of credit to the underserved agriculture sector in Afghanistan. As a membership-based organization, AMA supports activities that help catalyze both sides of the credit equation: the latent demand for credit in rural and agricultural communities; and chronic undersupply of finance by formal financial institutions.

AMA has experience in serving its member institutions by conducting workshops, training and organizing exposure visits (in-country and international). AMA, under its lobby and advocacy services, organizes regular awareness events involving local government authorities in different provinces, with the purpose of eliciting support for the Development Finance Sector and generally enhancing knowledge about the sector.

AMA signed a one-year grant agreement with Agriculture Credit Enhancement (ACE II) on January 17, 2016. The grant supports a series of programmatic activities aimed at increasing awareness and access to agricultural credit in rural communities



The Agricultural Credit Enhancement (ACE-II) Program is a three-year initiative that commenced in June 2015 and builds on Phase one of the Agriculture Credit Enhancement program (ACE). Under the first iteration of ACE (2010 – 2014), USAID established and managed the Agricultural Development Fund (ADF), a government development fund domiciled within the Ministry of Agriculture, Irrigation, and Livestock (MAIL), until its transition to an independent institution. Since inception, the ADF has disbursed AFN 5.5 billion in loans to over 36,000 rural households and agribusinesses through innovative and culturally acceptable financial products. Most importantly, the fund's efforts have measurable impact: businesses receiving loans see on average a 36% increase in sales, and farmers using loans see their productivity increase by 25%.

The overarching goal of ACE-II is to transform the ADF into a robust and sustainable institution capable of expanding agricultural credit across Afghanistan. To achieve its objectives ACE-II will focus on various initiatives that facilitate the provision of credit to the agriculture sector through the intermediation of ADF funds. This includes encouraging financial intermediaries to enter into agriculture-related finance - in particular those that will service the financing needs of farmers and micro-small agriculture enterprises; and advocating best practices and financial innovation that will improve constraints in lending to the agricultural sector.

ACE-II is also expanding the use of agricultural credit by encouraging women, who make up over half of the agricultural workforce, to use loans to expand their production. ACE-II is conducting a series of awareness raising and capacity building Shuras and follow up extension work to expand the use of agricultural credit in this important group. ACE-II is also encouraging new and innovative ways to facilitate financial services to target groups and/or provide and finance equipment or services that support agricultural finance through an Innovation Grant Fund.





Afghan Rural Finance Company (ARFC) is an Afghan non-Bank financial institution, registered with the Afghanistan Investment Support Agency (AISA) in 2007 and operates throughout the country.

ARFC has ten years of experience in providing loan to diverse businesses throughout Afghanistan, in order to pave the way for Afghanistan people to grow up Gross Domestic Product(GDP) of the country and decrease unemployment rate.

ARFC offers commercial debt capital to any business or individual that improves the local, regional or national economy by creating jobs and growing rural enterprises in Afghanistan. Urban-based companies and individuals will also be eligible when the activity of the enterprise being financed benefits rural areas.

ARFC is a Small and Medium Enterprise (SME) provider that helps development of better financial status so you can meet your business requirements and contribute to economic growth in the country. ARFC is your business partner working together to design loan products with the right financing structure to meet your targeted business objectives. Our goal is to have a long term relationship with our clients.

ARFC stepped into banking sector to contribute to economic development of the Country. The main motive of ARFC is to polish the Afghan community and to prosper their work, as well as provide platform for growth of trade, manufacture, services and many other activities which can be fruitful to the nation. We wish to give hand to Government in developing an economically strong country.

Products and services:

1. Short Term Murabeha Loan
2. Medium and Long Term Murabeha Loan
3. Women Murabeha Loan
4. Islamic Agriculture Loan
5. Diminishing Mushareka



Agricultural Credit Product

Purpose:

Finance of Working Capital for agriculture related production, trade companies, and value chain loans.

As of March 2017, ARFC has 21 Agriculture borrowers with USD 2.4 million portfolio outstanding.

Client Eligibility Criteria:

- The company should have fixed business premises.
- The company should not be involved in the following activities: military connected businesses, tobacco, alcohol, gambling.
- In case of sole proprietorship company, the owner of the company is the customer. The customer should be between 22 and 60 years of age. In case of partnership and family business, one of the debtors should be at least between 22 and 60 years of age.
- The business activity to be financed should be located in Afghanistan and incorporated by Afghan law.
- The customer should be an Afghan national.

Loan Size:

From \$20,000 up to \$500,000.

Loan Term:

From 12 up to (24-36) months, based on Credit Committee Decision.

Collateral:

Immovable and Movable Properties.

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FINCA Afghanistan is a subsidiary of the FINCA Microfinance Holding (FMH). FINCA's microfinance subsidiaries are owned or controlled by FMH, a social investment partnership created to help FINCA scale up and serve more people in need.

FINCA International, a 501(c)(3) not-for-profit corporation, is the majority owner of FMH and has six prominent partners who share its mission: IFC, KfW, FMO, Zurich-based responsAbility Global Microfinance Fund, Triple Jump, and Netherlands-based Triodos Bank. With headquarters in Washington, DC, FINCA reaches over 1.6 million clients through its 21 subsidiaries in Africa, Eurasia, the Middle East and South Asia, and Latin America. Its vision is to build a global network of sustainable and scalable social enterprises that improve lives worldwide.

FINCA Afghanistan started activities in 2003 with the objective of improving the socio-economic condition of the poor and alleviating poverty through a micro credit program in the country. In 2007 FINCA Afghanistan registered as a joint stock company, and by 2014 had achieved financial sustainability.

As of December 31, 2016 the company operating in 11 provinces had approximately 25,000 borrowers, total assets of AFN 1.226 billion (\$18.3 million) and an equity base of AFN 332 million (\$5 million). FINCA Afghanistan serves clients throughout the North, West and Central regions of Afghanistan.

Headquartered in Kabul City, it has 18 branches and 4 market offices established in rural and urban areas, employing 359 staff.

Products and services:

1. Business Murabaha Agreement
2. Small enterprise Loan
3. Small and Medium Enterprise
4. Emergency Credit Loan
5. Women Murabaha Group
6. Agriculture and Livestock



Agricultural Credit Product

Purpose:

To purchase seeds, fertilizer, medicines, paying labor cost, land improvement, water irrigation improvement, crops collection, processes, purchasing animals, foods for animal, breeding, fattening, accommodation for animals.

As of March 2017, FINCA has 9,122 Agriculture borrowers with USD 2.9 million portfolio outstanding.

Client Eligibility Criteria:

- Citizens and residents of Afghanistan; 18 - 65 years old; and
- Valid NID or passport; female clients can also use one of her family member's ID card.

Loan Size:

From AFN 20,000 up to 200,000

Loan Term & Grace Period:

6 - 24 months & 1 - 8 months

Collateral:

Title deed is mandatory for loan above AFN 50,000

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The Islamic Investment & Finance Cooperatives (IIFC) Group was established in 2009 with USAID funding. It is registered with the Ministry of Commerce & Industries with the mandate to establish, develop and strengthen Islamic Investment and Financial Cooperatives (IIFCs) on a continuous basis.

The IIFC Group is a network of 27 member-owned, sharia-compliant financial cooperatives and has rapidly grown to become the second-largest provider of financial services to low-income Afghans.

The IIFC Group's mission is to expand and strengthen Afghanistan's network of IIFCs so that those institutions can deliver effective, sustainable, Islamic-compliant financial services to Afghans.

The IIFC Group's overriding objective is to support IIFCs in becoming long-term sustainable and viable community institutions so that each IIFC is able to offer efficient and effective financial services to their members that will have a positive economic impact on the lives of the members.

The IIFC Group's headquarter is located in Kabul with 4 sub-offices in Balkh, Helmand, Kabul and Kandahar provinces.

The Group is led by a nine member Board of Directors that includes representatives of economic scholars, private sector, international advisors, religious scholars and regional councils. A separate three person Board of Supervisors consist of a Parliamentarian and a representative from the Ministry of Economy and Ministry of Foreign Affairs.

Products and services:

1. Agriculture Loan
2. Business Loan
3. Employee Loan



Agricultural Credit Product

Target Clients:

Farmers who already have membership with IIFC by payment of AFN 50 for Permanent Member Share and AFN 50 for Share Investment Member.

As of March 2017, IIFC Group has 3,370 Agriculture borrowers with USD 3.7 million portfolio outstanding.

Client Eligibility Criteria:

- Afghan; 18 - 60 years old; and
- Resident of relevant province.

Loan Size:

From AFN 25,000 up to 75,000

Loan Term & Grace Period:

2 - 9 months & till crop harvesting

Collateral:

Share and Saving Deposit

Contacts:

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Mutahid Development Finance Institution was established in April 2011 and is directly supported by MISFA. Mutahid is an Afghan development finance institution aims to offer financial services to, and create opportunities for, Afghan entrepreneurs, through an operationally self-sustainable, and innovative, development finance institution.

Mutahid is considered not only an economic tool to alleviate poverty but also an approach to a social mission.

The creation of Mutahid (meaning United in English) is an opportunity to combine the best components of six consolidated microfinance institutions in to "Mutahid" and to salvage the significant (several million dollars) investments made over the last few years to create one larger, stronger and sustainable, best practice MFI based on the core principles of ideas, ethics and hard work while incorporating the lessons learned of previous years.

Vision: To be a world-class financial services organization that provides products and value-added services to the economically challenged, helping them generate higher incomes, build an asset base and achieve a sustainably better standard of living.

Mission: To offer financial services to, and create opportunities for, Afghan entrepreneurs, through an operationally self-sustainable, and innovative development finance institution.

Products and services:

1. Group Loan
2. Individual loan
3. Group Murabaha Loan
4. Individual Murabaha loan
5. SME Loan



Agricultural Credit Product

Purpose:

Mutahid currently have five different product categories which are based on the method of lending (Mutahid does not define products based on the purpose or activity). Mutahid has its loans primarily for income generating activities under the mentioned five products which include agricultural and livestock loans too.

As of March 2017, Mutahid has 726 Agriculture borrowers with USD 0.2 million portfolio outstanding.

Client Eligibility Criteria:

- Citizens and residents of Afghanistan; 18 - 60 years old; and
- Valid NID or passport and update business license.

Loan Size:

From AFN 50,000 up to 250,000

Loan Term:

12 - 24 months

Collateral:

Urfi and Sharia Title Deed

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OXUS Afghanistan was found on 2007 and is a wholly owned subsidiary of OXUS Holding, the investment vehicle of the OXUS Group. The OXUS Group was itself created in 2005 at the initiative of ACTED, a humanitarian non-governmental organization headquartered in Paris, which remains the group's majority shareholder. OXUS has the mission of providing financial services to the working poor and the under banked and aspires to improve the sustainable livelihood of its customers.

Staff members of OXUS Afghanistan are proud to offer adapted and socially oriented financial services to populations who are often excluded from the traditional banking system.

OXUS is dedicated to build teams of recognized professionals, create and provide the most efficient microfinance services.

OXUS Afghanistan provides conventional and Islamic financing which helps Afghanistan people to have access to finance. In addition, OXUS Afghanistan is financing women to empower Afghan women and youth entrepreneurs through Microfinance and financial support.

OXUS Afghanistan believes to empowering system and provides loans and financial support business ideas that serve the rural communities and low income families and create jobs and services.

Products and services:

1. Group Loan
2. Individual loan
3. Agriculture Murabaha Loan
4. Social Loan
5. SME Loan
6. Salary Loan
7. Gold Loan

8. Staff Loan



Agricultural Credit Product

Purpose:

Finance of Working Capital for agriculture related production, trade companies, and value chain loans.

As of March 2017, OXUS has 1,147 Agriculture borrowers with USD 0.7 million portfolio outstanding.

Client Eligibility Criteria:

- Have good business sense.
- Can provide one financial guarantor and neighbor guarantors.
- Can provide any other collateral required.

Loan Size:

From AFN 10,000 up to 2,000,000

Loan Term:

6 - 36 months

Collateral:

Urfi and Sharia Title Deed

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The First Microfinance Bank Afghanistan (FMFB-A) is part of the Aga Khan Agency for Microfinance (AKAM) which has programs in over 15 countries throughout the developing world.

FMFB Afghanistan has a commercial banking license and started its operations in Afghanistan in 2004. It has its footprint in 14 provinces (76 districts) with 38 branches, and 9 Loan Processing Offices.

Being the only microfinance bank in Afghanistan, FMFB has emerged as the most successful microfinance institution in the country offering savings, loans, remittances and a host of commercial banking services.

As of February 2017, FMFB Afghanistan is catering to an active client base of over sixty thousand with USD 75.9 million outstanding balance and a deposit book exceeding USD 84.3 million.

Vision: To be recognized as the leading microfinance services provider contributing to poverty alleviation and economic development through the provision of sustainable financial services primarily targeting at the micro and small businesses and households. To reduce poverty, diminish the vulnerability of poor populations and alleviate economic and social exclusion, it aims to help people become self-reliant and eventually gain the skills needed to graduate into the mainstream financial markets.

Products and services:

1. Deposites
2. Micro-enterprise
3. Small Business
4. Agriculture/livestock
5. Personal Consumption
6. Incremental Housing
7. Small & Medium Enterprise



Agricultural Credit Product

Purpose:

Fattening, breeding, milking, purchase of medicine and vaccines, expansion of livestock rearing and initiation or expansion of farming activities.

As of March 2017, FMFB has 20,000 Agriculture borrowers with USD 21 million portfolio outstanding.

Client Eligibility Criteria:

- Citizens and residents of Afghanistan; 18 - 65 years old, and
- Small businessman/women, farmers.

Loan Size:

From AFN 5,000 up to 250,000

Loan Term & Grace Period:

6 - 24 months & 1 - 11 months

Collateral:

Urfi and Sharia Title Deed



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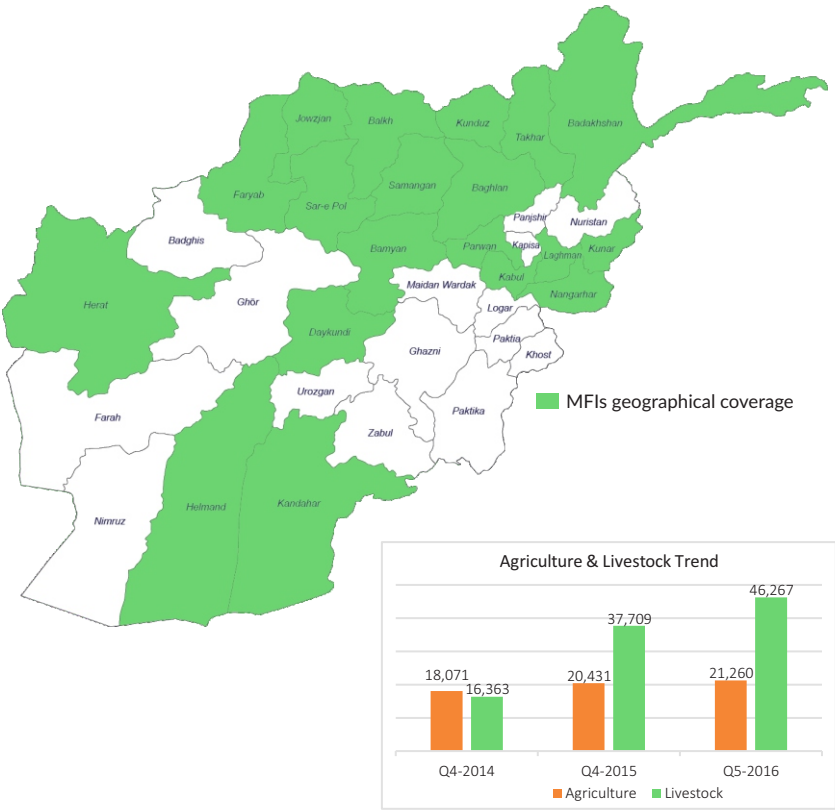
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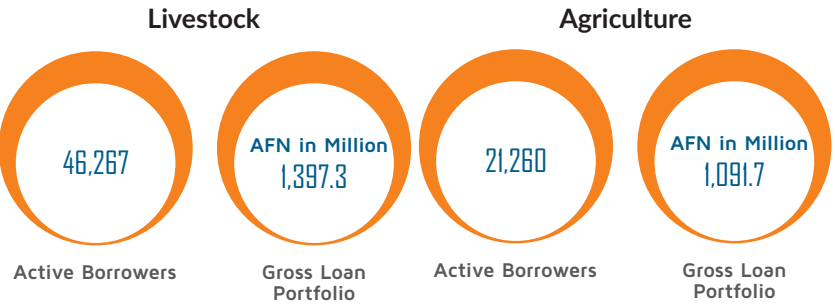
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Agriculture & Livestock Credit At A Glance



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