

# MICROMAG 10

June 2019

Funded By:  **MISFA**<sub>LTD</sub>  
Microfinance Investment Support  
Facility for Afghanistan



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MISFA extends its support to AMA

Microfinance Investment Support Facility for Afghanistan (MISFA) extended its financial support to AMA through provision of grants for the year 2019.

The grant agreement was signed between AMA and MISFA on February 11, 2019. Through this agreement, MISFA provides grant to AMA for its core activities and operations under its four functions during the year 2019.

National Public Credit Registry

AMA facilitated the completion of the national Public Credit Registry (PCR): the registration of small-and-medium enterprises (SME) clients' information in PCR. As a result, all the MFIs: FINCA, OXUS, FMFB, Mutahid DFI, ARFC and IIFC-Group, successfully uploaded their data related to microfinance loans into the live environment of the system.

AMA has played an active role in engaging all MFIs to become part of the Public Credit Registry of the Da Afghanistan Bank (Central Bank of Afghanistan). The Association will build on these efforts to promote the importance of the PCR to sector stakeholders. The Registry is likely to

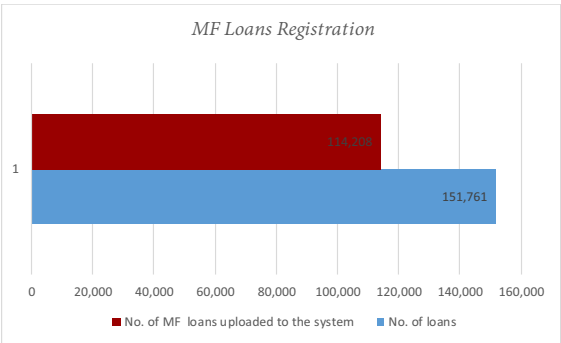
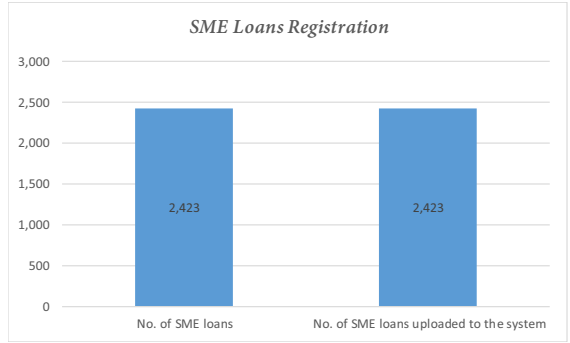
The Executive Director of AMA thanked MISFA for its generous support to AMA for the past few years and further said that AMA is looking forward for future supports of MISFA.

MISFA, being one of the founding members of AMA, has been providing technical and financial support to AMA since its inception in 2005.

AMA will continue with its advocacy and lobbying efforts during the second half of the year 2019.

reduce duplication, multiple lending, over-indebtedness and delinquency/fraud, which will ultimately improve the quality of the MFIs' portfolios.

76% of the total microfinance clients are registered into the system, however the remaining 24% out of total loans that are mostly female clients and received group loans do not have NIDs due to which the system does not accept clients information with unique NID. MFIs have uploaded 114,208 out of 151,761 which shows 76% of their active loans into the system, as of June 30, 2019.



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 a quarterly basis and those are self-reported. To maintain the reliability and credibility of the publication, as per its members and stakeholders request, AMA started 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).

AMA validated Six MFIs data they provided for the first and second quarter of 2019 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.

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 the end of the year 2019. This is a step forward towards self-regulation of the microfinance sector in Afghanistan and AMA becoming a Self-Regulatory Organization in the future.

Meeting with the Governor of Baghlan Province

AMA meets the Provincial and District Governors to raise their awareness and knowledge about the microfinance sector, discuss the challenges that MFIs face, and attract Government support. With the above mentioned objective, AMA along with its member MFIs met Mr. Mohammad Farid Basim the Governor of Baghlan province on June 08, 2019.

The Governor was briefed on Development Finance Sector operations, its challenges and issues, and requested for extension of his support in overcoming the challenges. The challenges ahead of MFIs in Baghlan are lack of enough support from local Government authorities especially the Security Departments, and Community Leaders.

Mr. Basim appreciated AMA and its members MFIs' activities and operations in Baghlan province and promised his full support.





## Kabul Green Homes Project Achievements

Scaling up Green Homes in Kabul towards Sustainable Energy Consumption and Low Emission Development, simply named Kabul Green Homes Project (KGHP) is being implemented by Acting for Climate Solidarity (Geres) together with its Afghan partners: The Rural Movement Organization (RMO) and the Afghanistan Microfinance Association (AMA) in collaboration with Kabul Municipality.

The overall aim of the project is large-scale market-driven production of approved Energy Saving Solutions and their sustainable consumption by private households in Kabul and beyond contribute to Economic growth, Poverty Reduction, and Climate Changes mitigation thanks to the project implementing partners, local authorities for their supports and the Kabul communities for their strong interest enabled the project reached much highlighted achievements.

The Research and Development team of the project, designed, developed and validated 11 energy saving solutions for most of Kabul housing types. The Awareness team has reached 696,290 people and informed them about project activities and Energy Saving solutions through awareness campaign. Technical and value chain teams of the project

trained 132 SMEs and/or craftsmen, designed and implemented policies for ESS implementation through subsidy policies, thus 3,955 houses are already equipped with energy saving solutions which will save approximately 1,107 tons of heating fuel and 937 tons of CO2 per year.

The project is at its final year and strongly focusing on sustainability, the first study was done in August 2019, which identified main factors for project sustainability.

Microfinance section of the project is one of the main components for project sustainability. AMA as in charge and facilitator of microfinance components in collaboration with their member's Microfinance Institutions (MFIs), developed strategy for creation and generalization of green loans for project SMEs and households.

As mentioned, one of the main factors of Project sustainability is the availability of loans for construction of ESS through member MFIs. The two famous MFIs like; First Microfinance Bank (FMFB-A) and Islamic Investment and Finance Cooperatives (IIFC -Group) are providing loans to KGH Project based on signed MoUs between MFIs and AMA.



The First MicroFinanceBank  
اولین بانک قرضه های کوچک  
'bank with a social mission'

# Introducing our Online Banking

## BANKING, BEYOND BANKING HOURS!

- ✓ Transfer Funds
- ✓ Find Locations
- ✓ 24/7 Access
- ✓ Check Balances
- ✓ Manage Alerts
- ✓ View Recent Transactions



## Afghan Rural Finance Company (ARFC)

Afghan Rural Finance Company (ARFC) is an Afghan Non-Bank financial institution, registered with the Ministry of Commerce and Industry in 2007 and operates in Kabul, Mazar-e-Sharif, Herat and Nangarhar. ARFC has twelve 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 Production (GDP) of the country and decrease unemployment rate.

ARFC offers commercial debt 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 your business partner working together to design loan products with the right financing structure to meet your targeted business objectives. ARFC's goal is to have a long term relationship with clients. ARFC stepped into financial sector to contribute to economic development of the Country.

The main object of ARFC is to polish the Afghan community and to prosper their work, as well as provide platform for growth of trade, agriculture, production, services and many other activities which can be fruitful to the nation.

Products and services

1. Short Term Murabehe Loan 2. Medium and Long Term Murabehe Loan 3. Women Murabehe Loan 4. Diminishing Mushareka

Loan Size:

• For Man businesses from \$20,000 up to \$500,000. For women businesses from \$ 5,000 up to \$ 100,000.



## Hand in Hand Afghanistan Expands its Operation to More Provinces

Hand in Hand Afghanistan with financial support from GIZ, The Hilti Foundation, Australian Embassy in Kabul and Hand in Hand International, has started new projects to expand its operations and reach more vulnerable people covering Kabul, Parwan, Herat, Balkh and Bamiyan provinces. These projects will support a total of 3,750 poor and marginalized people including returnees and IDPs where majority of the beneficiaries are women.

- Creating Future Economic Prospects for Reintegration of Returnees and IDPs in Herat and Bamiyan provinces of Afghanistan through the Layers Poultry Value Chain: The project aims to improve skills and capacity of 2,250 (90% female) returnees and IDPs to create 2,250 stable and income-generating layer poultry enterprises and enhance their access to market through the creation of sustainable layer poultry value chain. This project is funded by Deutsche Gesellschaft für International Zusammenarbeit (GIZ) GmbH through the Hand in Hand International.

- Reducing poverty through entrepreneurship and female empowerment:

The project aims to support 250 women in Sholgara district of Balkh province in establishing eco-friendly beekeeping enterprises. These women will be mobilized in Self-Help Groups, trained in group management, micro-finances, business development and practical beekeeping and will be supported to establish beekeeping micro-enterprises. This project is funded by Hand in Hand International.

- Empowering Women in Afghanistan:

The objective of this project is to economically empower and strengthen the socio-economic rights of poor rural women in Kabul, Parwan and Balkh provinces. The project targets 1,100 women whom to be trained in entrepreneurship, skills and provide support for micro-enterprise development and market linkages.

This project is implemented in partnership with Every Voice Counts (EVC) and is funded by Hilti Foundation through Hand in Hand International.



Views of Shah Rahim Village | Khulm District | Balkh Province





## Exclusive Interview with Mr. Ali Rawnaq

Sayed Muhammad Ali Rawnaq began his microfinance career with reputable organizations ARMP and FMFB-A, starting as a branch manager and advancing to head of operation. Mr. Rawnaq joined FINCA Afghanistan in April 2014 in the capacity of Deputy Chief Operating Officer and, after six months, was promoted to Chief Operating Officer. In March 2018, Mr. Rawnaq was promoted to the position of Acting Chief Executive officer (A/CEO) of FINCA Afghanistan and was announced as CEO of FINCA Afghanistan in 2019.

Mr. Rawnaq holds a Bachelor in Science and Finance from UMEF University and an MBA in Leadership & Sustainability from Cambria University. Simultaneously he has participated in a number of national and international trainings delivered by the ITC-ILO, IFAD, CGAP, Central Bank and World Bank covering various subjects including Finance, Operation, Risk, Savings Mobilization, Product Development, Leadership and Management.

### Q1: What is FINCA's mission in Afghanistan?

To alleviate poverty through lasting solutions that help people build assets, create jobs and raise their standard of living.

### Q2: What are some of key challenges ahead of microfinance sector in Afghanistan?

- Security that limits expansion of microfinance institutions to reach more customers both in urban and rural areas.
- Economic instability that impacts the ability of the customers to pay back their loans.
- Judiciary system process for defaulters is not active in proceeding the default cases.
- Lack/slow innovation of products/service delivery by Microfinance institutions particularly embracing technologies to reduce cost of operation as well as extend access to finance

### Q3: How do you see the role of AMA in the promotion of the microfinance sector in Afghanistan?

AMA could play a very important roles by raising awareness among the community and lobbying microfinance to the government and donor

agencies, in the meantime, AMA being member of the international summits could bring new ideas/innovations to the sector in order to extend access to finance



## Exclusive Interview with Mr. Ali Rawnaq

### Q4: What do you recommend for further improvement of the microfinance sector in Afghanistan?

Effective plan in lobbying, coordination between community and MFIs, connecting MFIs to the innovative products/services delivered in other countries.

### Q5: As you are aware, the microfinance sector is not regulated in Afghanistan. Do you think the sector should be regulated? Why?

Regulation is fine for MFIs as long as reflecting

the MFIs' mission and goals. Regulation shall ease operating for MFIs that stumbling and regulation shall support MFIs' case to the judiciary system.

### Q6: Any other information you may want to share.

Given the anemic bottom lines with most of the MFIs, Access to Finance requires MFIs to heavily invest in infrastructures and technology which requires grants from donors. AMA shall bridge MFIs with donors for obtaining financial supports to expand Access to Finance.

## Meeting with the Deputy Governor of Badakhshan province

To proceed with the top-down approach of raising awareness of the local government authorities and attract their support, AMA organized a meeting of Development Financial Institutions (DFIs) with Mr. Akhtar Mohammad Khairzada the Deputy Governor of Badakhshan Province on August 2019. Representatives of the MFIs accompanied AMA's North Regional Coordinator in this meeting.

The MFIs representatives briefed the Deputy Governor on Development Finance Sector operations, its challenges and issues, and

requested him for extension of his support, particularly in resolving issues with Attorney, and Court.

Appreciating the work done by MFIs in Badakhshan and AMA for coordination Mr. Khairzada announced his full support and promised that he will advise all relevant directors to extend their support to the microfinance sector. The DFIs representatives were happy about this meeting and said that the Governor's support will be very helpful in solving most of their problems in the province.



## The First MicroFinance Bank, Afghanistan (FMFB-A)

The First MicroFinance Bank, Afghanistan (FMFB-A) started operations in 2004 and is part of the Aga Khan Agency for Microfinance (AKAM), which has financial institutions operating in over 15 countries throughout the developing world. It is affiliated with the Aga Khan Development Network (AKDN), a group of nine development agencies working in health, education, culture and rural economic development primarily in Asia and Africa. We provide credit and deposit products to a wide range of clients including micro, small and medium enterprises along with commercial banking, international and domestic remittance services. Our credit activities focus on micro enterprises, small businesses and the creation of productive sources of income and employment.

Our primary objective in Afghanistan is to contribute to poverty alleviation and economic development through the provision of sustainable financial services to the poor and underserved. Since 2016, we are a member of the Global Alliance for Banking on Values (GABV) – an independent network of banks using finance to deliver sustainable economic, social and environmental development. Our values-based banking agenda focuses on providing affordable financial services that promote entrepreneurship, agriculture, incremental housing and clean energy in Afghanistan. The First MicroFinance Bank, Afghanistan is operating in 14 provinces through 38 branches and 8 loan processing offices covering 80 districts. As of September 2019, our current portfolio is AFN 5,408,224,936 with 199,822 active clients.

### Our Vision

To be recognized as the leading microfinance services provider in Afghanistan contributing to poverty alleviation and economic development through the provision of sustainable financial services primarily targeting at the micro and

## Meet Our Member!

small businesses and households.

### Our Mission

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. At the same time, the Bank has to remain financially sustainable.

### Our Values

#### We Are Innovative

We are forward thinking and blaze trail by embracing ideas that challenge conventional views and provide our people the chance to turn ideas into reality.

#### We Are Client-Centric

At FMFB-A, the client comes first. We strive to exceed customer expectations and contribute to a better 'quality of life' by understanding and serving their needs in the best possible way.

#### We Have a Social Mission

We believe that our responsibility extends beyond our core business and are committed to delivering financial solutions that enable positive social impact.

#### We Always Do the 'Right' Thing

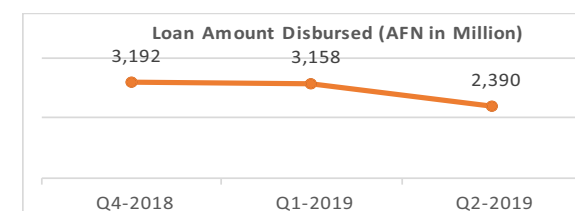
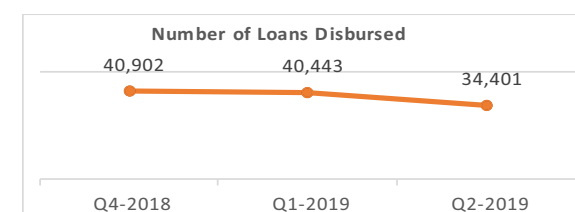
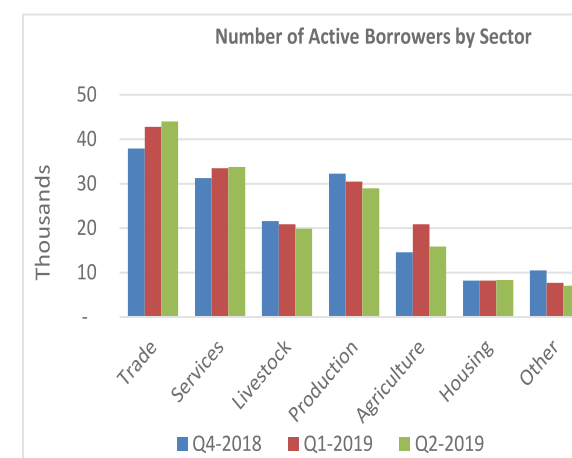
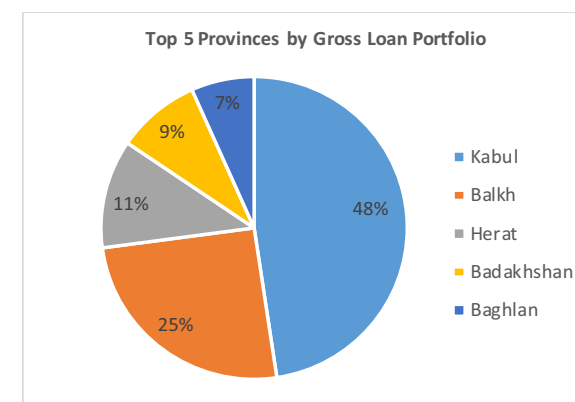
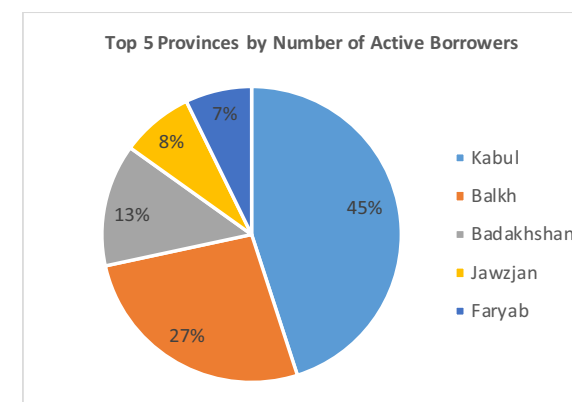
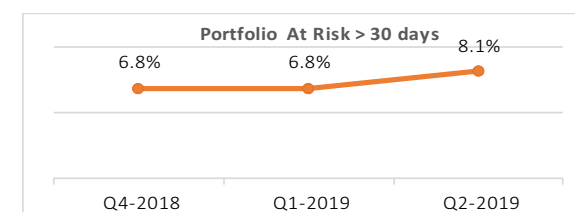
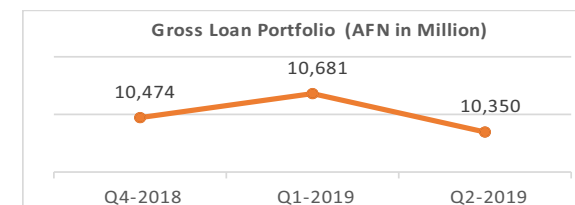
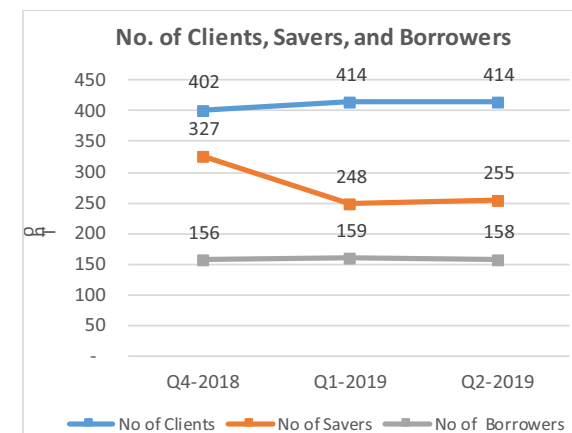
We are honest and accountable in everything we do, maintain the highest possible ethical standards and foster trust through transparency, open communication and feedback.

#### We Value Meritocracy

All aspects of FMFB-A employment including our decisions to hire, promote, discipline, or discharge, are purely based on merit, competence, and performance.

For more information, please visit [www.fmfb.com.af](http://www.fmfb.com.af)

## Sector At A Glance



Events

National and International Trainings and Events

International

Financial Education Programme Design and Implementation: Course for Policy Makers and Practitioners

TYPE: Training

Location: Turin, Italy

DATE: 07 Oct 2019 - 08 Oct 2019

Savings Groups Digitization and Financial Linkages

TYPE: Distance Learning

Location: Online

DATE: 07 Oct 2019 - 28 Nov 2019

Financial Inclusion: Implications and Lessons Learnt for Regulators and Policymakers

TYPE: Training

Location: Nairobi, Kenya

DATE: 14 Oct 2019 - 18 Oct 2019

Agriculture Value Chain for Microfinance and SME Practitioners

TYPE: Training

SOURCE: Nairobi, Kenya

DATE: 15 Oct 2019 - 17 Oct 2019

Making Finance Work for Women 2019

TYPE: Event

Location: Singapore

DATE: 22 Oct 2019 - 23 Oct 2019

Inclusive Finance India Summit 2019

TYPE: Event

Location: New Delhi, India

DATE: 04 Dec 2019 - 05 Dec 2019

Digital Finance for Microfinance Practitioners

TYPE: Training

Location: London, United Kingdom

DATE: 09 Dec 2019 - 11 Dec 2019

National

AIBF Trainings: July – December 2019

- ☞ Digital Banking
- ☞ Business & Industry Risk Analysis
- ☞ Human Resource Development
- ☞ Project Management Professional (PMP)
- ☞ Diploma in Banking & Finance
- ☞ General Banking Operations (Herat)
- ☞ Credit Management
- ☞ Marketing Communication
- ☞ Sharia Compliance
- ☞ Risk Based Compliance
- ☞ Certified Quick book Specialist
- ☞ Certified Accountant

Microfinance Client Success Story

In 2016 Frozan, who is now in her final year at school, earned 120,000 Afghanis (\$1,728) from the 120 kg that her burgeoning collection of 20 beehives produced - a sizeable sum given that the country's GDP per person is around \$600 a year.

"It is unique for a girl in a rural area like mine to have a private business and make a considerable income, but I trusted myself, took the chance, worked hard and made a success of it," the 19-year-old said by phone from the city of Mazar-i-Sharif.

Frozan, who goes by one name, is the first school girl in northern Balkh province's Marmul district to keep bees.

A beekeeping novice three years ago, Frozan was taught by the charity that provided the loan how to look after the bees, how to extract honey, and how to improve its quality and volume.

"It is not time-consuming. I do my daily chores at home, I go to school and I can look after the beehives," she said.

That is not the situation for Frozan. The beekeeping profits pay for her and two younger sisters to attend school, and also help her father meet the costs of running a home.

"I am very happy to be self-reliant. I am also glad to have an income and be able to help my father and my sisters," she said.





Microfinance Clients



Prepared & Designed by:  
Zohra Saba.



