



# MicroMag Issue - 11

## December 2019



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## Foreword

In line with its communication strategy, AMA providing information on the development finance sector in Afghanistan to its targeted audiences at national and international levels through different publications. AMA publishes Micro Magazine, Annual Report, State of the Sector, MicroView, Clients Success Story Booklet, AMA also publishes bi-monthly e-newsletters.

AMA is proudly presenting its publications and cordially welcomes your comments and suggestions for further improvements of the publications.

Mohammad Akbar Sarwari  
Executive Director, AMA

## Background

The Afghanistan Microfinance Association (AMA), the national network of development finance institutions in Afghanistan, was created in 2005 by the Microfinance Investment Support Facility for Afghanistan (MISFA) and microfinance institutions (MFIs). AMA promotes the sustainable development of the Afghan financial sector through sector coordination, networking, knowledge management, lobbying, advocacy, and capacity building.

Microfinance Investment Support Facility for Afghanistan (MISFA) provide support to AMA through the provision of financial, technical, and infrastructure development assistance. MISFA assists the AMA to become the representative and voice of the Afghanistan development finance sector, achieve institutional sustainability, and play a key role in advocacy efforts. As of December 2019, the combined portfolio of 10 AMA member institutions stood over AFN 9.6 billion (\$123 million) in outstanding loans to over 150,509 borrowers, of whom 37% are women.

## AMA advocacy strengthens local government support to MFIs

Sustained and targeted outreach and advocacy by the Afghanistan Microfinance Association (AMA) in 2019 has strengthened multi-level support to microfinance institutions (MFIs), across provincial and local governments.

Following discussions in AMA coordination meetings in different regions conducted in the period of July-December 2019, the key issues below were identified by MFIs as the main factors adversely affecting their operations on the ground:

- Lack of cooperation and support from local government authorities, particularly the Offices of the Governor and Attorney-General, Justice and Police Departments.
- Not enough cooperation and support from Community Leaders on client verification.
- Negative public perception of microfinance. To address these challenges, AMA focused on an annual advocacy plan on behalf of the sector that included intensified outreach and consultation meetings with key stakeholders in each province to discuss issues and seek support.

AMA's top-down approach of meeting higher authorities at the provincial level first, resulted in better communication, coordination and cooperation among the sector players and local authorities.

AMA, along with representatives of MFIs, met with Provincial and District Governors, Deputy Governors, Mayors, Police Departments, Attorney Generals, and community leaders in different provinces.

During these meetings, the MFI representatives briefed government authorities on the history of the microfinance sector and microfinance

providers in Afghanistan, and how their mandate of financial inclusion contributes to poverty-reduction.

By highlighting how MFIs help low-income household's access financial services that they would not otherwise get from banks and formal financial institutions, AMA and its member MFIs increased awareness of how their successful operations would benefit local communities.

They then shared the challenges they face in their operations and requested support, specifically, official Letters of Support for the microfinance program issued by the provincial authorities to relevant government departments of the province.

The consultations also gave sector representatives the opportunity to directly appeal to their government partners to intensify cooperation and support with the MFIs operating in their provinces.

Local officials appreciated learning about the successes and achievements of the sector and pledged their support to the sector. They recognized the microfinance program to be a key contributor to reducing poverty in their province and in the country as a whole, by providing capital loans to low-income households to start/expand their small businesses.

Main outcomes of the meetings:

- Increased awareness and positive perceptions of microfinance among local government authorities; and
- Stronger support by wakil-e-guzars to MFIs in client verification processes.

*“The Microfinance Program in Afghanistan is key to reducing poverty and contributes to the growth of the national economy. Development Finance Institutions (DFIs) provide financial services to the low-income members of our communities, who have no access to banking services. DFIs' operations are therefore endorsed and supported by all relevant provincial and local authorities. The Sectorial Directorate, Economy Directory, Attorney-General, ANP, ANDS Governor Office will support the DFIs from provincial level to district and from district to remote areas of Badakhshan province.”*

*Akhtar Mohammad Khairzada  
Deputy Governor of Badakhshan*





## Learning Event: Inclusive Finance India Summit 2019

AMA, with financial support from the Microfinance Investment Support Facility for Afghanistan (MISFA), organized the participation of the Afghanistan microfinance sector in the 16th Inclusive Finance India Summit, in Delhi, on December 4-5, 2019.

Seven delegates from the Afghanistan government and microfinance sector were among the more than 1,000 Summit participants, which included high-level representatives from the Indian Government, donors, practitioners, researchers, service providers and the wider microfinance community across South Asia and internationally.

The summit gathered a diverse set of stakeholders to share experiences, celebrate

accomplishments, and propose recommendations for improving both policy and practices toward making financial inclusion meaningful for clients.

The two-day learning event delved into various policy and operational issues with views and experiences of over 70 speakers through seven plenary and six technical sessions. Technology in advancing financial inclusion continued to be the focus of the Summit. There were sessions for new Fintech companies to highlight their solutions and discuss issues around offering more appropriate, needs-based credit products to microfinance clients. The summit also provided the delegates an opportunity to participate in live polls, providing feedbacks and posing questions.



## Microfinance Stakeholders Roundtables in Balkh and Herat Provinces



AMA organized two separate roundtables in Balkh and Herat provinces. The roundtables were designed to facilitate open dialogue between local government and community leaders on the one hand, and representatives from development finance institutions (DFIs) on the other.

They provided an opportunity for law enforcement (police and Attorney-General officials), as well as municipality and community elders and wakil-e guzars to learn how DFIs stimulate local economy. With a better understanding of the role of DFIs in providing financial services to low-income members of their communities, these local stakeholders are

encouraged to strengthen their support to development finance actors in their provinces. DFI partners were also able to raise awareness to specific operational issues that they seek support on from the local authorities.

130 participants, including AMA Executive Director Mr. Mohammad Akbar Sarwari and the Secretarial Director of Balkh for the first roundtable in the province, attended the roundtables held in November 2019. Among the key topics discussed were related to communication, loan disbursement and collection methods.



## Exclusive Interview with Mir Ahmad Shekib Mir the Director General of Da Afghanistan Bank's Financial Inclusion Department.

Mr. Mir has more than 12 years' experience in the financial sector and in monetary policy. He has served in various positions at the DAB: as Deputy Director General of Monetary Policy, Senior Economist, and Senior Financial Risk Manager. He was appointed to his current position in 2016.

As head of this department, Mr. Mir leads the DAB and the Government of Afghanistan's efforts to implement the National Financial Inclusion Strategy for Afghanistan, in close coordination and collaboration with a large number of public and private stakeholders. This policy focuses on providing financial services to the unbanked and underserved adult population of the country.

Mr. Mir has received his Masters degree in policy economics from Williams College and University in the United States and is the pioneer of growth diagnostic studies in Afghanistan.



### **Q1: How do you see the role of microfinance institutions and saving groups in promoting the economy of the Afghan people?**

MFIs play an important role in providing financial services to the low-income people in Afghanistan, particularly the underserved and unserved segments of the population, who are not normally served by the local banks. MFIs promote the economic life of the Afghan people by improving their access to credit, and savings. Similarly saving groups provide the opportunity to the members to save and borrow and promote group members economic life.

### **Q2: How do you see the role of AMA in promoting the microfinance sector in Afghanistan?**

AMA has played an important role in promoting the microfinance sector in Afghanistan. AMA has contributed a lot in terms of public awareness, capacity building and knowledge

sharing of best practices and establishing strong networking and coordination among the stakeholders of the development finance sector.

Currently, there is a good scope for AMA to play a vital role in the promotion of the development finance sector through effective coordination and networking, and public awareness activities, coordination meetings and publications. AMA can help to inform the key stakeholders such as government, donor community and public about trends in the market, which in turn can help build confidence in the sector.

There is no specific regulator that pertains to the microfinance sector in Afghanistan as well as client protection principles, this is where AMA can play a vital role--promoting the microfinance sector in Afghanistan. We appreciate MISFA's continued and generous support to AMA for the past several years.

## Exclusive Interview

### **Q3: Da Afghanistan Bank- the Central Bank of Afghanistan is looking to regulate the microfinance sector; do you think it is the right time for regulation? If yes, why?**

Since MFIs are mostly dependent on grants and donors support, regulating them in a time when the international community and donors aid is declining will help them to get support from the Central Bank, which will in turn help them better manage their liquidity, credit and operational risks, improve their management, and receive support from the Central Bank as the regulator when they are in financial distress.

### **Q4: The microfinance sector is expected to be sustainable (that it can cover its expenses from its income). How do you define sustainability of the MF sector?**

When the microfinance sector is able to continue its operation, deliver and provide its services for its customers without any disruption

over time, and balances its expenses and revenues, it can generally be defined as sustainable. However, maintaining financial health of the sector over time can be a better definition of sustainability of the sector.

### **Q5: With the current condition, how do you see the future of microfinance sector in Afghanistan?**

Despite the challenges of insecurity and instability, which has been shadowing over the Afghan economy in the past 15 years, the microfinance sector has been able to grow. Therefore, I believe that the sector is currently in a better position to continue its operations and business.

Moreover, DAB is committed to regulate and support the microfinance sector. This indeed guarantees a promising future for the microfinance sector.

## Kabul Green Homes Project: Scaling up Energy Savings Solutions in Afghanistan

Kabul Green Homes Project (KGHP) is scaling up sustainable energy-saving solutions in Kabul.

This project is a synergy, implemented by a diverse set of organizations, including:

Acting for Climate Solidarity (Geres), together with its Afghan partners, the Rural Movement Organization (RMO), the Afghan Microfinance Association (AMA) and the Kabul Municipality.

The overall aim of the project is to promote large-scale, market driven production of approved Energy Saving Solutions (ESS) and their sustainable consumption by private households in Kabul and beyond. KGHP will work to contribute to: i) economic growth, ii) poverty reduction, and iii) climate change mitigation.

With the strong collaboration of partners and local authorities, as well as the keen interest of Kabul communities to participate, the project has achieved the following:

- MoUs between First Microfinance Bank and IIFC Group to provide “green loans”;
- Construction of demo rooms showing energy saving solutions at FMFB supported demo sites in Herat, Kabul, Balkh and Parwan Provinces;

- ESS training sessions conducted and 132 SMEs trained on ESS;
- 154 demo houses constructed in the project target area (plus 3 demos through financial support of FMFB);
- 4,110 houses equipped with ESS under different categories of subsidies;
- 129,519 people received direct awareness and 567,136 people received indirect awareness about project and energy saving solutions and green loans;
- Solar House Technician Association supported to improve institutional governance, management and capacity to take on a larger role in the ESS value chain;
- 950 ESS packages constructed through loans in Kabul city.

The project, at its final year, is strongly focusing on sustainability. An evaluation of the project conducted in August 2019, identified the main factors with sustainability potential:

generalization of green loan packages, strengthening of the Solar House Technician Association, consumer groups, awareness through stakeholder's channels.

## Meet our Members!



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

Mutahid DFI has grown consistently during the past four years, and has become one of the leading microfinance providers in Afghanistan. At present, the OLB stands at AFN 602 million as of 21 December 2019, with around 20,000 microfinance and SME borrowers. The current OSS is above 100%, and Mutahid DFI has been experiencing operation profit for the last 3 years.

Mutahid has been providing credit services to the people of Afghanistan since April 2011. It offers various products like microfinance loans (both group and individual), SME loans and Sharia-compliant Murabaha loans. Besides Kabul city, Mutahid is operating in Herat, Balkh, Kunduz, Takhar, and Badakhshan.

Mutahid DFI is one of the first MFIs in the country to offer Sharia-compliant loan products that have been approved by the Islamic Religious Council of Afghanistan (IRCA). The conventional products have been developed based on lessons learned from the failure of the previous MFIs. The requirements in terms of loan documentation, guarantors and collateral have been put in place in order to ensure that the loan amount is used for the intended purpose and to minimize the incidences of fraud and delinquency.

### Vision:

To be an excellent 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:

Mutahid Development Finance Institution mission is to offer financial services to, and create opportunities for, Afghan entrepreneurs, through an operationally self-sustainable, innovative, development finance institution.

## OXUS Afghanistan launches two new products

### Murabah Financing Agreement

This is an Islamic financial service (Murabah) used to finance income generating activities by men/women ranging from AFN 10,000 to AFN 3,500,000 in multiple cycles. This product aims to increase current and/or fixed assets: to buy inventory, equipment, vehicle, land and buildings for business. This product is designed for individual borrowers (men/women), who have businesses and want to use this financing in increasing their asset and income. Following are the product's features:

**Loan purpose:** Income-generating activities

**Loan size:** AFN 10,000 to 3500,000

**Target group:** Businessmen/women

**Duration:**

- 6- 12 months maximum loan from 10,000 to 50,000 AFN.
- 6-24 months maximum loan from 50,001 AF to 2,000,000 AF
- 6-36 maximum loan size from 2,000,001 AF to 3,500,000 AF

### Agriculture and Livestock Product

Clients living in rural and urban areas engaged in agriculture, horticulture and livestock activities are eligible to receive this loan. Agriculture and livestock loans range from AFN10, 000 to AFN 2,000,000. The loan could be used to purchase seeds, fertilizer, medicine, to pay for labor cost, land or water irrigation improvements, crops collection, livestock purchase, animal shelter, fodder, and breeding, expenses, as well as agriculture machinery. Following are the product's features:

**Target group:** Farmers and people both male and female engaged in agriculture and animal husbandry.

**Loan size:** AFN 10,000 to 2,000,000 depending on client's capacity

**Duration:**

- 6-12 months for AFN 10,000 to 50,000
- 6-24 months for AFN 50,001 to 2,000,000 AFN.

**Repayment method:** 1-12-month grace period is granted in order to have sufficient time for cultivation and collection of crops. Per contract, the total amount due must be paid by the end of the loan duration, which includes the 12-month grace period.



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



The Islamic Investment & Finance Cooperatives (IIFC) Group expanded its operations, opening a new branch in Mazar-e Sharif city, Balkh province on December 01, 2019. In addition to creating four new jobs, through this branch, IIFC-Group provides financial services to men and women entrepreneurs, who are seeking financial assistance to expand their existing businesses or start a new one.

In the inaugural of this branch, some of the IIFC-Group senior management participated. IIFC-Group provides three types of loans to customers Asan product, Business, and Islamic loans.

IIFC-Group, a Microfinance Institution in Afghanistan, is dedicated to building teams of recognized professionals, to create and provide the most efficient microfinance services. IIFC-Group provides conventional and Islamic financing that provides Afghan entrepreneurs access to finance.

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

IIFC Group provides its clients with a starting loan of AFN 200,000

Branch Address: Balkh province, Mazar-e- Sharif city.

Phone: + 93 (0) 728 666 101 | Email: [info@iifcgroup.org](mailto:info@iifcgroup.org) | Website: [www.iifcgroup.org](http://www.iifcgroup.org)



## Women in Herat village find income-earning opportunities after forming self-help savings group

Sad Gul is among the poor residents of Shadi Barah village in Herat province. She is always looking for a good source of income for the women of her village. After multiple discussions with women in her community, they agreed to collect 20 AFN weekly per person and save it. The total amount of their savings could be offered up as loan to women in times of need.

Sad Gul said that in the beginning, no one was pleased with it, but they gradually realized the benefits of having savings, especially after one of their group members needed assistance following a sudden illness.

Sad Gul and the women of the Shadi Barah village saved up to 10,000 AFN at one time. When a member of their group fell ill and did not have enough money for treatment, she was able to easily borrow 4,000 AFN from the group savings, which she eventually repaid on time after her treatment.

Shortly after the women formed their village savings group, the Women Economic Empowerment Rural Development Program (WEERDP) of the Ministry of Rural Rehabilitation and Development (MRRD) came to their village, and helped formalize their group into a Self-Help Group (SHG) that would be supported by the program.

"Initially, men in the family opposed participation of their wives in the program," said Sad Gul. "However, we tried to save regularly to meet the small economic needs of our families, as well as, to lend our husbands a helping hand to meet the basic needs of our households. Eventually, the men in the village also realized the effectiveness of this program. They do not oppose our participation in the program anymore and even encourages us to take an active part in the SHG."

Since initiation of WEERDP in their village, Sad Gul has been the head of the Shadi Barah Village SHG and chairing group meetings. She has been successful in saving 30,000 AFN for the Group.

"I have great goals to help my family that I want to achieve with the help of this program," said Sad Gul.

Like Sad Gul, the other women in the SHG had also begun their own businesses through the same savings and financial assistance of WEERDP. Some women had started farming, some had engaged in livestock and handicrafts.

Sad Gul outlined how she started her own business:

"We made 70,000 AFN of profit from the 30,000 AFN savings we had collected in our group and I thought it was a good time to start a business. I took a loan of 30,000 AFN and made a 60,000 AFN profit."

Sad Gul purchased some fabric for embroidery work with the borrowed money. She designed and sewed the fabrics and sent it for sale to the market. Now she gives fabrics to the other women in the village to sew designs on for a small wage. Subsequently, she sold those pieces of work to the shopkeepers in the market. Maximizing her income-earning opportunity, she would also buy sewed fabrics and give it to the women of the village for sale.

"Now, I think I am self-sufficient and not dependent on anyone, I am grateful for the assistance of the Women Economic Empowerment Rural Development Program (WEERDP) of the Ministry of Rural Rehabilitation and Development (MRRD). It has made a big difference in my life," said Sad Gul.

## Story of Sad Gull





## 2020 Event CALENDAR

### International

**WHAT:** (Forum) Second International Interest-Free Banking and Takaful Forum

**WHEN:** 18 Feb 2020 - 20 Feb 2020

**WHERE:** Addis Ababa, Ethiopia

**WHAT:** (Training) Microinsurance Master Accelerator Program

**WHEN:** 02 Mar 2020 - 13 Mar 2020

**WHERE:** Johannesburg, South Africa

**WHAT:** (Panel Discussion) FINCA Impact Finance International Women's Day Panel 2020

**WHEN:** 04 Mar 2020 - 04 Mar 2020

**WHERE:** Washington, DC - United States

**WHAT:** (Forum) 16th Annual Global Microfinance Forum

**WHEN:** 12 Mar 2020 - 13 Mar 2020

**WHERE:** Lisbon, Portugal

**WHAT:** (Distance Learning) Certified Expert in Agricultural Finance

**WHEN:** 02 Mar 2020 - 31 Aug 2020

**WHERE:** Online

**WHAT:** (Forum) Global Forum on Remittances, Investment and Development - Africa 2020

**WHEN:** 24 Jun 2020 - 26 Jun 2020

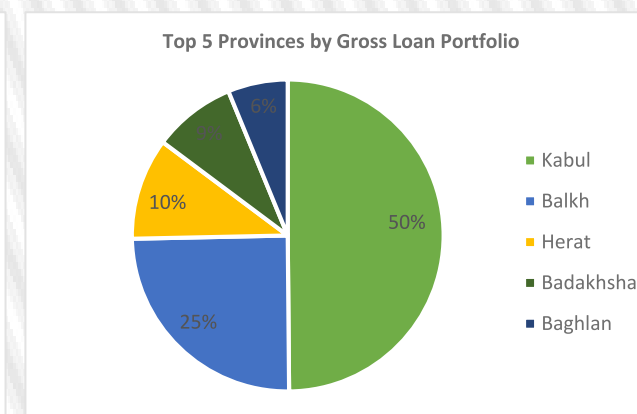
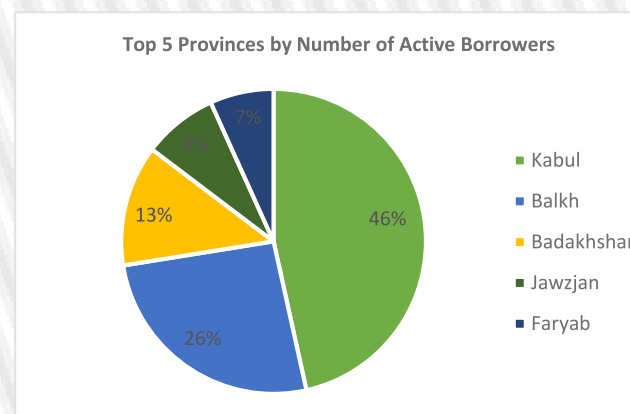
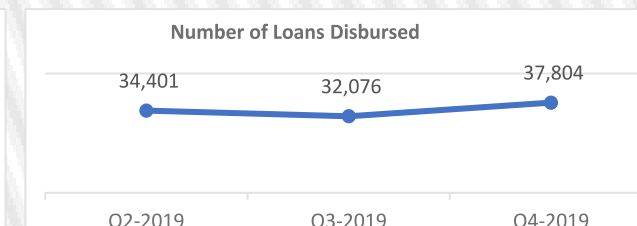
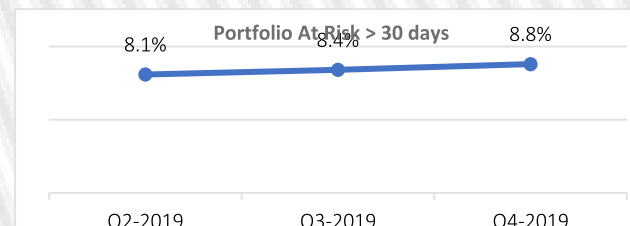
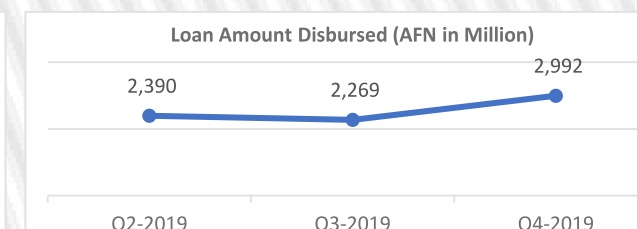
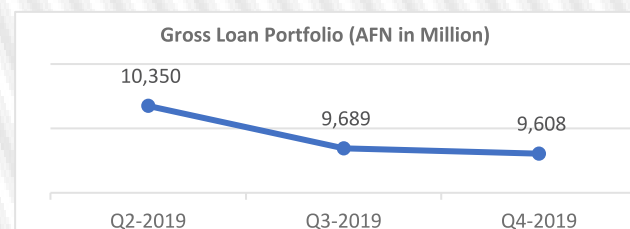
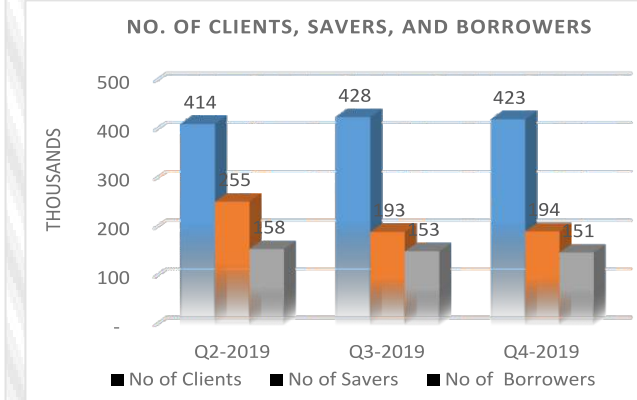
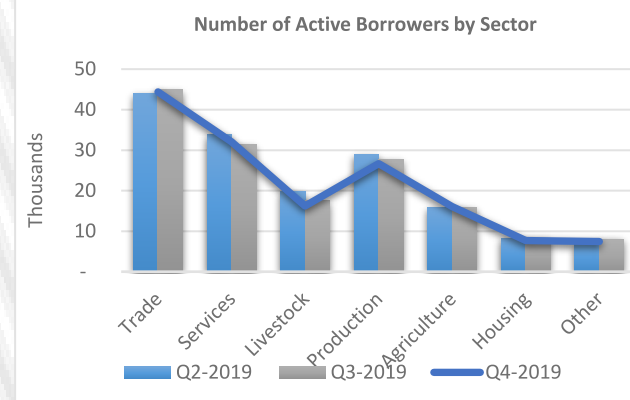
**WHERE:** Nairobi, Kenya

### National

**AIBF Trainings:** January – June 2020

- Associate Professional Risk Manager (APRM)
- Motivation and Employee Retention
- Financial Risk Management
- Loan Structuring & Credit Appraisal
- Building Risk Awareness & Risk Culture
- TOEFL and IELTS
- Bank Marketing, Branding and Relationship Banking
- Internal Credit Risk Modeling
- Project Management Professional (PMP)
- Diploma in Banking and Finance
- Loan Portfolio Management
- Certified Information System Auditor (CISA)
- Marketing Research
- Digital Marketing
- Customer Service Management and Customer Care (Herat)

## Sector At A Glance



Microfinance Clients



Develop & Design by:  
Zohra Saba



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