FINANCIAL ACCESS FOR INVESTING IN THE DEVELOPMENT OF AFGHANISTAN (FAIDA)

FINAL REPORT

February 5, 2017

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FINANCIAL ACCESS FOR INVESTING IN THE DEVELOPMENT OF AFGHANISTAN (FAIDA)

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Cover photo: FAIDA beneficiary Sediqa Tamossoki founded the Herat Women Silk Fabric Producing Association in 2008 with a personal investment of $100. She now employs 131 women and hopes to create more jobs that build the capacity of marginalized people, especially women. (Photo: Herat Women Silk Fabric Producing Association)

DISCLAIMER

The authors’ views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States government.
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## ACRONYMS

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>A2F</td>
<td>Access to Finance</td>
</tr>
<tr>
<td>ABA</td>
<td>Afghanistan Banks Association</td>
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<td>ABS</td>
<td>Agribusiness South component</td>
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<tr>
<td>ACE</td>
<td>Agriculture Credit Enhancement Project</td>
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<td>ADWSO</td>
<td>Afghanistan Development and Welfare Services Organization</td>
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<tr>
<td>AFSD</td>
<td>Afghanistan Financial Sector Development Program</td>
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<tr>
<td>AIA</td>
<td>Afghanistan Insurance Authority</td>
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<tr>
<td>AIBF</td>
<td>Afghanistan Institute of Banking and Finance</td>
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<tr>
<td>AIPA</td>
<td>Afghanistan Insurance Personnel Association</td>
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<td>AMA</td>
<td>Afghanistan Microfinance Association</td>
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<td>AML</td>
<td>Anti–Money Laundering</td>
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<td>APS</td>
<td>Afghanistan Payment System</td>
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<td>AREU</td>
<td>Afghanistan Renewable Energy Union</td>
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<tr>
<td>ATAR</td>
<td>Afghanistan Trade and Revenue Project</td>
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<tr>
<td>AWBF</td>
<td>Afghan Women’s Business Federation</td>
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<tr>
<td>AWCC</td>
<td>Afghan Wireless Communications Company</td>
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<tr>
<td>CFT</td>
<td>Combating the Financing of Terrorism</td>
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<tr>
<td>CHAMP</td>
<td>Commercial Horticulture and Agricultural Marketing Project</td>
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<tr>
<td>CSPI</td>
<td>Community-Based Saving Promoting Institution</td>
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<tr>
<td>DAB</td>
<td>Da Afghanistan Bank</td>
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<tr>
<td>DABS</td>
<td>Da Afghanistan Breshna Sherkat (Afghanistan’s national electricity company)</td>
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<td>DMFI</td>
<td>Deposit-Taking Microfinance Institution</td>
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<td>EMI</td>
<td>Electronic Money Institution</td>
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<td>FAIDA</td>
<td>Financial Access for Investing in the Development of Afghanistan Project</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>IAIS</td>
<td>International Association of Insurance Supervisors</td>
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<td>IIFC</td>
<td>Islamic Investment &amp; Finance Cooperatives Group</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>Acronym</td>
<td>Definition</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
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<td>MISFA</td>
<td>Microfinance Institution Support Facility for Afghanistan</td>
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<td>MNO</td>
<td>Mobile Network Operator</td>
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<tr>
<td>MSME</td>
<td>Micro, Small, or Medium-Sized Enterprise</td>
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<td>PCR</td>
<td>Public Credit Registry</td>
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<td>RADP-S</td>
<td>Regional Agricultural Development Program–South</td>
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<tr>
<td>SIBOS</td>
<td>Swift International Banking Operations Seminar</td>
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<tr>
<td>SME</td>
<td>Small or Medium-Sized Enterprise</td>
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<td>WFP</td>
<td>World Food Program</td>
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EXECUTIVE SUMMARY

Economic progress, led by private sector growth, is a crucial development priority for Afghanistan. In the last decade, the Afghan government and the international community have emphasized that rebuilding Afghanistan and ensuring the state’s viability hinge on creating a foundation for sustainable economic growth. In a joint report entitled *Securing Afghanistan’s Future*, the Afghan government and its international partners cited private sector growth as essential to that foundation because such growth generates needed employment and increases revenues necessary for a sustainable state.¹ In recent strategic plans, both USAID and the U.S. Department of State have focused on creating a robust private sector to advance Afghanistan’s reconstruction and promote its overall development.

In 2011, in line with these calls to strengthen Afghanistan’s financial profile, USAID launched the Financial Access for Investing in the Development of Afghanistan Activity (FAIDA), to assist the Afghan government in developing Afghanistan’s financial infrastructure and its private sector. FAIDA, which means “profit” or “benefit” in Dari, Pashto, and Urdu, focused on creating a sustainable, diverse, and inclusive financial sector and, in particular, a financial sector that could serve micro, small, and medium-sized enterprises (MSMEs) — which represent the majority of business endeavors in Afghanistan. A six-year, $113.98 million project, FAIDA worked across six components — Enterprise, Banking, Regulatory, Better than Cash, Agribusiness South, and Gender — to build Afghanistan’s financial sector holistically.

From 2011 to 2017, FAIDA’s interventions across components complemented each other and reinforced the activity’s overall goal. Through its Enterprise and Banking Capacity components, FAIDA helped bridge the divide between financial institutions and Afghan consumers. FAIDA assisted small business owners and aspiring entrepreneurs to learn about banking and finance and to access relevant finance options. At the same time, the project supported Afghan banks and financial institutions, developing their capacity to create and deliver appropriate financial products and services. Recognizing that Afghanistan’s lack of regulatory and legal frameworks often impeded financial growth, FAIDA collaborated with Afghan stakeholders to establish laws and regulations that would assist growth.

The activity also furthered Afghanistan’s emerging mobile banking systems with its Better than Cash initiatives. FAIDA helped mobile network operators with new tools for electronic payments. Such methods helped address and reduce problems common in Afghanistan’s historically cash-based economy, including corruption, “missing” payments, and exclusion from banking due to transportation, infrastructure, and security issues. FAIDA also focused on agriculture’s central role in Afghanistan’s economy, helping strengthen agricultural value chains — in particular, in the country’s southern region. The activity worked with farmers and agribusinesses to improve their access to finance, thus promoting sustainable, commercially viable agriculture — a crucial component for stability and security.

Finally, across all its activity work, FAIDA incorporated a specific focus on Afghan women — a demographic that suffers from limited financial autonomy, often lacks financial literacy, and is greatly underrepresented in the financial sector. With its gender team, FAIDA helped Afghan women develop their financial and professional profiles through training, internship, and networking opportunities, aiming to ensure women’s enhanced financial literacy, economic standing, and participation in developing Afghanistan’s private and financial sectors.

FAIDA benefitted thousands of Afghans by improving Afghanistan’s financial infrastructure and bolstering job creation. Each project component realized specific results. For instance, from 2011 to 2017, FAIDA mobilized almost $60 million in private financing, created 7,183 full-time equivalent jobs, and benefitted more than 138,983 families. FAIDA developed hundreds of targeted training and certification programs that increased the capacity of 2,722 financial sector employees. The activity also provided 46 formal written comments on numerous laws and regulations, strengthening the regulatory infrastructure for Afghanistan’s financial sector. FAIDA also offered new programs and opportunities to hundreds of Afghan women.

FAIDA prioritized sustainability, working with the Afghan government and with existing initiatives to maximize activity impact and to ensure Afghan investment in initiatives. Through this collaborative approach, FAIDA worked with numerous Afghan ministries, including the ministries of finance, economy, commerce and industry, culture and information, rural rehabilitation and development, energy and water, education, health, urban development and housing, and women’s affairs. The activity also cooperated with other USAID projects, including the Afghanistan Trade and Revenue Project (ATAR), the Agriculture Credit Enhancement Project (ACE), and the Commercial Horticulture and Agricultural Marketing Project (CHAMP), as well as projects funded by Germany’s Gesellschaft für Internationale Zusammenarbeit, increasing impact through joint efforts and shared resources.

The FAIDA team and its Afghan partners implemented FAIDA in challenging conditions. After years of conflict, at FAIDA’s start, Afghanistan ranked as one of the world’s poorest countries and scored low on many human development indicators. FAIDA’s work to strengthen Afghanistan’s economic profile and its financial sector advanced the country’s recovery — marking an important step in reconstruction for industries and economic sectors decimated by years of turmoil. During its implementation period, FAIDA addressed this challenging context, laying a foundation for Afghanistan’s continued economic progress and the greater participation of Afghans in the Afghan and global economies.
KEY ACCOMPLISHMENTS

Working across six components, FAIDA recognized numerous accomplishments. The figures below provide a numerical overview of the activity’s impact.

<table>
<thead>
<tr>
<th>7,183</th>
<th>138,983</th>
<th>$59,015,515</th>
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<tbody>
<tr>
<td>Full-time equivalent jobs created among FAIDA’s partners across all 34 provinces of Afghanistan as a direct result of activity assistance.</td>
<td>Families benefitted through FAIDA interventions, including technical assistance and activities in training, access to finance, marketing, and mobile money.</td>
<td>Facilitated in private financing for clients of financial institutions and businesses, including $3.3 million in private financing for women.</td>
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<tr>
<th>104,067</th>
<th>45</th>
<th>302</th>
</tr>
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<tbody>
<tr>
<td>Clients supported, including financial intermediaries, enterprises, and households, through increased access to financial services.</td>
<td>Public-private dialogue mechanisms used to engage public and private sector participants on relevant issues and promote a positive lending environment.</td>
<td>Training sessions conducted and certification programs launched to expand technical and professional capacities of financial sector professionals, technicians, and operators in line with international standards.</td>
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<tr>
<th>2,722</th>
<th>1,253</th>
<th>15,836</th>
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<tr>
<td>Financial sector employees of retail financial institutions, mobile money operators, and the government trained. FAIDA assisted organizations, such as the Afghanistan Institute of Banking and Finance, to identify and respond to the training and capacity building needs of financial sector institutions and professionals.</td>
<td>Financial sector supervisors, working with retail financial institutions, mobile money operators, and the government, trained and empowered in their roles.</td>
<td>Businesses supported through FAIDA’s assistance with business planning services, training, financial planning, and financial projections.</td>
</tr>
<tr>
<td>33</td>
<td>Financial products created or improved, including Sharia-compliant products, finance leasing, home equity loans, operation leasing, and purchase order finance. FAIDA also assisted commercial banks and microfinance institutions with implementation of these new products.</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Working groups established with partners, such as the Afghanistan Microfinance Association and Afghanistan Banks Association, to discuss issues in finance and banking, microfinance, credit regulations, Islamic banking, and bank governance.</td>
<td></td>
</tr>
<tr>
<td>4,248</td>
<td>Female participants supported, increasing women’s access to productive economic resources, including assets, credit, income, and employment, and promoting gender equity in the financial sector.</td>
<td></td>
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<tr>
<td>100,660</td>
<td>Users joined the mobile money initiative and began using electronic payments after receiving FAIDA training.</td>
<td></td>
</tr>
<tr>
<td>104,589</td>
<td>Individuals began new or better employment opportunities as a result of their participation in FAIDA workforce development programs.</td>
<td></td>
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<tr>
<td>2,005</td>
<td>Merchants enabled by FAIDA programming to use mobile money to receive payment for goods and services.</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Financial institutions supported and their capacity increased to expand their membership and service offerings and increase their assets.</td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Financial sector laws, regulations, and policies received commentary and assistance from FAIDA’s team, including laws on secured transactions, bankruptcy, and accounting.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Microfinance institutions supported to implement strategic plans and emerge as valued service providers for members and for Afghanistan’s financial sector.</td>
<td></td>
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SECTION ONE

FOSTERING BANKING AND CREDIT IN AFGHAN COMMUNITIES

FAIDA’s Enterprise component sought to address a crucial challenge in Afghanistan’s economic development — lack of access to and use of the formal banking system. Reports from the last five years note that the vast majority of Afghans fall into the unbanked category; only 3 percent to 5 percent use formal banking. Unfamiliarity with a functioning banking system, limited access to banks, and objections to interest-based practices have led many Afghans to rely on money service providers (hawalas) to access finance. Afghans’ lack of recourse to formal banking has limited the growth of the formal financial sector and constrained access to finance for the public and small businesses. Further, Afghans earning a livelihood through MSMEs may face vulnerabilities in informal banking and lending spheres.

Through its Enterprise component, FAIDA worked at the micro level to strengthen financial services and improve access to such services across Afghanistan. To achieve this, FAIDA partnered with retail financial institutions, assisting them to increase the number of clients they serve, reach multiple client segments, and offer broad geographic coverage. Two project teams — the Strategic Value Creation team and the Product Design and Development Team — facilitated access to finance by linking lenders to businesses and by identifying, developing, and providing customized financial solutions, such as Islamic finance products.

Working across all 34 provinces of Afghanistan, the teams took on a critical task of developing financial products that addressed both borrowers’ and lenders’ needs. Focused on the crux of FAIDA’s mission — promoting economic growth by enabling credit — the enterprise teams realized numerous gains for Afghanistan’s financial landscape. From 2011 to 2017, FAIDA mobilized almost $60 million in private financing, created 7,183 full-time equivalent jobs, and benefitted more than 138,983 families.

BRINGING BUSINESS AND BANKS TOGETHER

Historically, banking in Afghanistan has been highly geographically centralized, with more than 75 percent of total loans completed in Kabul Province. To address this narrow reach of financial products, FAIDA launched initiatives to broaden knowledge about banking and attract banking customers across the country. The activity initiated outreach mechanisms, such as roundtables and exhibitions that linked financial institutions and businesses, creating opportunities. FAIDA set up a network of regional and provincial coordinators to cover all 34 provinces. The coordinators linked enterprises with financial institutions, and this approach allowed FAIDA to facilitate more than $60 million in loans.
Business-to-bank (B2B) roundtables. Partnering with the Afghanistan Banks Association (ABA), FAIDA launched B2B roundtables in 2012, hosting 12 sessions in 10 provinces in the initiative’s first year. At roundtables, financial institutions presented their products and services and gathered information from a range of Afghan business participants about loan and capital needs in different sectors. The sessions provided businesses with information about each bank’s specific loan processing requirements, thus addressing knowledge gaps and, as a result, expediting financing activities. These exchange sessions also helped address businesses’ limited awareness of or preconceived perceptions about financial institutions and the ABA. Businesses, Afghan government officials, and community leaders had the opportunity to learn directly about financial institutions and the options they present and to exchange viewpoints with the institutions. This yielded positive results for access to finance. During the life of the project, the FAIDA team made possible 50 B2B roundtables with 4,005 businesses participating and almost $59,015,515 million in private financing mobilized. On average, representatives of women-owned businesses constituted 28 percent of attendees.

**LINKING FINANCE WITH INDUSTRY**

In 2012, FAIDA supported the ABA to launch a national Access to Finance (A2F) Exhibition. The first exhibition drew more than 2,000 business, bank, MFI, and insurance company representatives as well as entrepreneurs from all regions of Afghanistan, and 1,600 participants attended nine workshops relevant to their industries and fields of activity. The exhibition connected businesses with financial institutions, informed business owners about financial products, and identified businesses’ needs for customized financial products.

After a second successful A2F Exhibition in 2013, FAIDA expanded the scope of its A2F initiative by supporting summits and exhibitions in several sectors, including health, mining, and renewable energy — a key element for Afghanistan’s development and economic improvement.

*Expanding financing for health and mining.* In 2014, FAIDA and the USAID-funded Health Policy Project organized an A2F roundtable, Financing the Health Sector in Kabul. Attended by representatives of the Afghanistan Private Hospitals Associations, Afghanistan National Medicine Services Organization, Afghanistan Midwife Association, Doctor Unions, and Afghan Medical Laboratory Association, the roundtable generated five concept notes for a potential of $4.5 million in loans, thus facilitating access to finance for health enterprises by linking them with potential lenders and insurance companies. In 2015, FAIDA collaborated with another USAID-funded effort, the Mining Investment and Development for Afghan Sustainability Project, on an A2F event for mining sector stakeholders in Kabul. This event yielded potential loans valued at $16.8 million across several mining subsectors, including marble, gypsum, geoscience, jewelry, mineral extraction, precious stones, and gems.

*Growing the energy sector for national development.* FAIDA sought to develop Afghanistan’s energy sector through its focus on finance and with an overall aim of benefitting economic development.

Afghanistan lacks stable access to electricity, with only 25 percent to 30 percent of its population connected to the grid. The country’s population of more than 32
million has one of the world’s lowest rates of electricity usage. Recent statistics indicate that biomass, such as wood or dung, meets 85 percent of Afghanistan’s energy needs. The lack of reliable energy or electricity limits everyday life and hampers economic development. This is particularly true in rural areas, which largely lack power but have great potential for economic development.

FAIDA promoted renewable energy development and electrification for overall economic development. In 2015, the project supported the Afghanistan Renewable Energy Union (AREU) and the Ministry of Energy and Water to organize the first and second Access to Finance Renewable Energy summits and exhibitions in Kabul and Kandahar as well as the first Afghanistan-India Renewable Energy Summit in New Delhi, India. The sessions in Kabul and Kandahar trained Afghan businesses on replicating best practices in renewable energy solutions and focused on investment opportunities in the renewable energy sector in Afghanistan. The Afghanistan-India Renewable Energy Summit introduced Indian businesses in the renewable energy sector to investment opportunities in Afghanistan and established partnerships with potential Indian investors. These summits allowed for 385 business-to-business matchmaking meetings between Afghan and Indian businesses and almost $90 million in potential deals.

FAIDA also supported AREU to expand its geographic reach through roadshows. AREU organized five one-day Access to Finance Renewable Energy roadshows and seven one-day Access to Finance-Innovation Roadshows in the Herat, Bamyan, Balkh, Jawzjan, and Nangarhar, Kandahar, and Mazar-e-Sharif provinces to build on the successes of the three Indian-Afghanistan Innovation Partnership fairs. Through the renewable energy roadshows, AREU identified 57 potential solar, hydropower, biomass, and wind source projects with a total value of $114.7 million. The innovation sessions identified 79 project ideas, valued at almost $8 million, including projects across the education, health, clean energy, agriculture, water and sanitation, and information and communication technology sectors for loan facilitation and grants.

In 2016, FAIDA organized a two-day Afghanistan Energy Business Opportunities Conference in Dubai, United Arab Emirates, in collaboration with Afghanistan’s Ministry of Energy and Water. The conference promoted foreign investment and joint-venture opportunities in Afghanistan’s energy sector, including in solar, wind, biomass, geothermal and hydro-electric projects, and also provided a matchmaking forum for investors. The conference attracted more than 250 participants from Middle Eastern, Central Asian, South Asian, Turkish, European and North American energy sector companies. It also yielded a contract of $300 million
between the Alokozay Group and the Afghan government for development of a second hydro-dam in Surobi.

CULTIVATING AGRICULTURAL MARKET OPPORTUNITIES

Agriculture accounts for at least a quarter of Afghanistan’s gross domestic product. Before decades of conflict, Afghanistan held a substantial share of the dried fruit and raisin market, exporting products such as almonds, apricots, and pomegranates globally. But conflict destroyed much of the country’s agricultural infrastructure, including irrigation systems, storage facilities, and road networks; disrupted movement of goods; and hampered internal and external market opportunities.

Today, despite challenges in the sector, agriculture remains vital to Afghanistan’s economy and future. Most Afghans depend on agriculture as part of their household income and as a direct source of food. Yet farming has remained largely at the subsistence level due to the numerous constraints that agricultural producers face in bringing goods to market.

FAIDA addressed financial challenges in the agricultural sector by strengthening value chains. In 2012, the project launched its Contract Farming Activity to organize commercial agricultural production of large- and small-scale farmers. The activity helped farmers, traders, processors, and exporters access finance and credits, and thus supported value chains to bring agricultural products to market. In its first year, the activity facilitated 317 contract farming agreements between producers and traders for an estimated value of $4.5 million. In 2013, FAIDA assisted with contract farming agreements valued at more than $8 million.

In 2014, FAIDA collaborated with other USAID projects — ACE, CHAMP, and ATAR — joining efforts to support agribusinesses and agricultural exports. Working with ACE, FAIDA facilitated loans in the agricultural sector and developed loan applications for agro-enterprises. Coordinating with CHAMP and ATAR, FAIDA helped 21 Afghan traders attend Gulfood, the world’s largest annual food exhibition, at which the traders displayed pomegranates, juices, apples, saffron, dried fruit, and nut products to tens of thousands of buyers at the Dubai World Trade Center. Participation in Gulfood generated seven potential deals with a total value of $5 million.

EXPANDING FINANCIAL INCLUSION THROUGH ISLAMIC FINANCE

Financial inclusion — the share of the population that uses financial services — represents a continuing challenge in Afghanistan’s economic development. According
to World Bank data, only 10 percent of Afghans hold accounts with a financial institution. Among many contributing factors are negative perceptions of banks and physical distance from bank branches. The International Monetary Fund noted one particularly significant factor recently — 34 percent of Afghan adults cite religious reasons for not having a bank account. That is, those surveyed objected to using banks based on Islamic tenets prohibiting riba (interest-taking).

To address these reservations, FAIDA formed a Product Design and Development Team to work in Afghanistan’s emerging Islamic banking sector. Although the concepts related to Islamic finance are rooted in longstanding religious and cultural traditions, modern practices in Islamic banking have emerged only in the last few decades. Recent data gathered by the Afghanistan Investment Climate Organization indicated that 58 percent of Afghans reported low awareness of Islamic banking.

In 2012, the Product Design and Development team designed the Islamic Finance Window Operating Model to help banks and other financial institutions offer Sharia-compliant services. The model then served as a road map for financial institutions on developing, implementing, and offering Sharia-compliant services. Notable products included diminishing musharakah (joint enterprise), mudarabah (profit-sharing contractual agreement), commodity murabaha (cost-plus financing), takaful (Islamic insurance), letters of guarantee, and leasing. FAIDA helped implement these new products in five financial institutions in 2012; in 2013, the project expanded to assist nine financial institutions.

With modern Islamic banking practices nascent in Afghanistan, the banking system operates by providing both conventional banking and Islamic banking options; separate Islamic banks for customers preferring this track did not exist during the life of the project. Thus, since Islamic financial products were new offerings, many financial institutions required support to meet their clients’ needs and to comply with rules and regulations from the Da Afghanistan Bank (DAB), the country’s central bank that oversees all banks.

Assisting the Afghan financial sector with this challenging context, FAIDA built the capacity of financial institutions including the Afghanistan Banks Association, Bank-e-Millie Afghan, Afghanistan International Bank, Afghanistan Rural Finance Company, and Pashtany Bank to roll out new Islamic finance products and to comply with DAB banking regulations. To build knowledge, in 2013, FAIDA sponsored an Islamic banking study tour to Malaysia for DAB and commercial banks. The visit resulted in Ghazanfar Bank applying for and receiving approval from Malaysia’s Bank Islam to open the first fully Sharia-compliant correspondent banking account in Afghanistan.

**BUILDING CAPACITY AND ECONOMIC PARTNERSHIPS**

In working to foster a more inclusive financial sector, FAIDA recognized that imparting knowledge to Afghans would play a large role in creating sustainable gains. Through its Enterprise component, FAIDA built capacity with the following initiatives:

- *Embedded advisors.* FAIDA embedded a consultant with the Afghanistan International Bank for nine months over two phases to reengineer the bank’s retail banking activity, including the development and launch of risk asset–
based products and services for the small and medium-sized enterprise (SME) markets in Afghanistan. The consultant provided more than 15 training sessions.

- **Study visits and training.** FAIDA sponsored delegations for the Euromoney Small and Medium Enterprise Master-Class Study Tour, an Islamic banking study tour in Malaysia, and the Third Annual Insurance Summit in Dubai. The project also offered numerous one-day training sessions to insurance employees from the Afghan National Insurance Company (ANIC), Afghan Global Insurance (AGI) Company, and Afghanistan Insurance Authority (AIA).

- **India-Afghanistan partnerships.** FAIDA supported the development of India-Afghanistan economic partnerships. In 2013, the project facilitated the India-Afghanistan Business-to-Business Matchmaking event in coordination with the Indian Embassy of Afghanistan, members of a Confederation of Indian Industry delegation, and the Afghan business community. The event yielded 10 deals with a total value of $12.88 million. Further advancing this front for partnerships, in 2014, FAIDA assisted the Afghan Builders Association to conduct the Afghanistan-India Construction Sector matchmaking event in India. With participation from 70 Indian businesses and 25 Afghan businesses, the event generated potential deals worth $6 million.

- **India-Afghanistan Innovation Partnership Fair.** FAIDA also helped organize the India-Afghanistan Innovation Partnership Fair, a platform to identify, support, and scale innovative solutions relevant to Afghanistan. Three fairs were held between 2013 and 2015, with representatives of Indian businesses, Afghan enterprises, banks, and microfinance institutions attending. These sessions provided opportunities for hundreds of business-to-business matchmaking meetings.
Beneficiary Mohammad Baqa, above, sells mulberries harvested by family members in his grocery store in Panjshir Province. FAIDA’s 2011 Mulberry Initiative collected, processed, and tested demand for mulberries in national and international markets. (Photo: FAIDA Project)
SECTION TWO
BUILDING SUSTAINABLE FINANCIAL INSTITUTIONS FOR GROWTH

FAIDA’s Banking Capacity component worked at a meso level, engaging financial institutions directly to help them to be profitable, extend their services throughout Afghanistan, and increase their lending capacity. The program built the organizational and human capacity of financial sector partners, enabling them to provide training, advocacy, and other member services.

FAIDA’s support to the Afghan financial sector through this component aligned with U.S. government development objectives. In its Assistance Objective Four, the U.S. Mission to Afghanistan Post Performance Management Plan, 2011–2015, called for helping Afghanistan attain “a developed business climate that enables private investment, job creation, and financial independence.” By assisting financial institutions and associations, FAIDA worked to implement the plan’s development hypothesis for Afghanistan: “the best way to create prosperity and sustainable jobs and to reduce poverty is to promote growth of individual businesses and sectors, [and to] support a competitive market economy and private sector growth.”

FAIDA’s work to help rebuild Afghanistan’s economy, beginning with its financial institutions, represents a critical undertaking — and a nascent process, only recently begun after more than 30 years of conflict. In 2001, at the time of the Taliban’s fall, decades of turmoil had decimated Afghan financial and banking systems. The six state-owned banks that made up the banking system were largely inactive. According to the Special Inspector General’s 2014 Afghanistan Report, by 2001, the DAB, Afghanistan’s central bank, was fulfilling only one function — printing currency. Banks had ceased lending activities to consumers, and the informal hawala (money transfer) system had replaced banking services, including taking deposits, providing credit, and managing foreign exchange operations. Microfinance programs existed only with extremely limited reach — approximately 10,000 clients at the end of 2001, or roughly .05 percent of the population.2

In 2003, with a new government and support from the international community, Afghanistan began reconstructing its financial and banking systems. The country established basic laws and regulations for banking sector operations and for bank lending activities, ushering in a period of rapid development for the banking system. For instance, in 2004, total commercial bank assets were less than $300 million; in 2008, 16 commercial banks had total assets of almost $1.7 billion.3 Yet, as the financial system began to rejuvenate, financial institutions still faced numerous

challenges, including the lack of legal and regulatory frameworks, insufficient staff capacity and knowledge, high transaction costs and risks, ongoing security and political issues, and a limited ability to offer tailored financial products.

FAIDA’s Banking Capacity component addressed these issues by working with financial industry associations and apexes, including the Afghanistan Institute of Banking and Finance (AIBF), the Afghanistan Microfinance Association (AMA), the Microfinance Institution Support Facility for Afghanistan (MISFA), and the ABA, as well as with microfinance institutions and insurance organizations. FAIDA also helped establish new organizations, including the Afghanistan Insurance Personnel Association (AIPA), the first Afghan insurance association.

LAYING THE GROUNDWORK

FAIDA’s sector capacity building team and training team began their work with Afghanistan’s financial institutions by assessing capacity and needs. Using an institutional assessment tool, FAIDA conducted evaluations with the AIBF, AMA, and ABA and assisted the organizations to formulate plans and goals based on the results. The AIBF received a FAIDA grant of almost $95,000 to work on three initiatives: establishing a microfinance department, establishing an Islamic finance department, and launching a distance learning program with three diploma streams. FAIDA’s support to the AMA and ABA helped those organizations transition from mostly dormant bodies to active institutions with missions and visions.

In addition, through sustained meetings with the AIBF, AMA, MISFA, and ABA, FAIDA helped establish a clear division of roles and labor among the organizations, enabling them to operate more efficiently and to play a more effective role in the microfinance sector. The FAIDA teams also established 302 financial sector training and certification programs based on international standards and the Afghan context, and conducted training sessions with sector employees.

REJUVENATING FINANCIAL INDUSTRY ASSOCIATIONS AND APEXES

Serving as financial intermediaries — channels mobilizing savers’ funds into credits for investors — banks and microfinance institutions play a key role in economic development. In Afghanistan’s recovering economy, FAIDA’s support to the AIBF, AMA, MISFA, ABA, and AIPA in carrying out their mandates helped grow the country’s financial future by making finance accessible. The sections below detail FAIDA’s work with these important financial sector actors.

BOLSTERING BANKING CAPACITY: SUPPORT TO THE AIBF

Afghanistan’s banks and microfinance institutions suffer from a lack of capacity and knowledge. Established in 2010 as the main research arm of the banking industry, the AIBF focuses on strengthening the financial sector through training and capacity building for banks, microfinance institutions (MFIs), and insurance companies and their personnel. From 2012 to 2016, the AIBF realized several major accomplishments with FAIDA support.

*Afghanistan’s first distance learning diploma program.* With a grant from FAIDA, the AIBF initiated a distance learning program to promote inclusion and widen opportunities for women professionals and Afghans living in remote areas to
enhance their skills. The opportunity for distance learning mitigated lack of access to training due to logistics and conservative cultural norms. In 2012, in collaboration with Kampala (Tanzania) International University, the AIBF accepted its first class for diplomas in microfinance management, human resource management, and managerial accounting. In 2013, the first cohort of 32 students graduated from the program. The program also added four diplomas in banking and finance, Islamic finance, management studies, and marketing management. In 2014, the program increased its enrollment to 72 students.

Afghan Women Internship Program. To strengthen Afghan women’s capacity and expand women’s employment in the financial sector, in 2012, the AIBF initiated a six-month Women in Finance internship program for recent women graduates. Interns received training in basic banking skills and business English. The program graduated three cohorts from 2012 to 2014, a total of 296 women interns.

Customized training. In 2012, the AIBF developed and delivered training sessions for the Islamic Investment & Finance Cooperatives (IIFC) Group and the Afghanistan International Bank. Training for the IIFC, an MFI, included eight microfinance courses for 394 participants from 14 provinces. The institute also developed a customized course in English and Dari for employees of the Ministry of Rural Rehabilitation and Development to increase awareness about microfinance. In 2013, the AIBF trained 525 individuals, offering long-term courses for banks and microfinance institutions on topics such as human resource development, bank operations management, and fundamentals of risk management, as well as short-term sessions on topics such as agriculture insurance, agriculture value chain finance, and anti-money laundering. In 2014, the AIBF focused on microfinance training, collaborating with the AMA to conduct training needs assessments with MFIs and to train MFI employees in provinces and remote areas. The AIBF developed four certificate courses for loan officers, branch managers, finance managers, and internal audit officers and conducted 40 training sessions for 662 MFI employees, including 53 women and 29 supervisors. With FAIDA’s support, the AIBF played a lead role in the training sector, increasing its credibility in the sector, generating training income, and ensuring better-informed banking and financial institution professionals across Afghanistan.

Workshops, forums, and leadership. The AIBF held a corporate governance workshop, facilitated by an International Monetary Fund advisor, to discuss risk governance in banks and lessons learned from Afghanistan’s 2010 crisis with the near collapse of the Kabul Bank. In 2013 and 2014, the institute organized 27 forums for 295 financial sector employees, including forums on women in finance, corporate social responsibility, and risk management. With a grant from FAIDA from 2012-2014, AIBF trained a total of 2,133 financial institution employees and Afghan women graduates. A World Bank consultant began supporting the AIBF in March 2013 and
conducted a comprehensive assessment of the institute covering its operations, management, and leadership. The report yielded 73 recommendations, and a new executive director came on board to lead the AIBF to improved sustainability and credibility.

Strategic planning for the future. With FAIDA support, the AIBF developed and began implementing a communication strategy. The organization also began work on longer-term plans, designing a strategic and sustainability plan for 2017-2022 and initiating a collaboration with the Indian Institute of Banking and Finance focused on exchanging knowledge and drawing from Indian expertise and resources to provide further training opportunities for Afghan banking professionals.

MAKING FINANCE ACCESSIBLE: SUPPORT TO THE AMA

AMA serves as Afghanistan’s national network of development finance institutions. Established in 2005 by MISFA and its partner MFIs, AMA aims to promote a sustainable development finance sector through lobbying and advocacy, sector coordination and networking, capacity building, and knowledge management. After its formation, AMA remained mostly dormant until 2011. In that year, FAIDA support reactivated AMA and enabled it to achieve numerous gains for the development finance sector from 2012 to 2016. During FAIDA implementation, AMA made major strides toward its goal to establish itself as the voice of the development finance sector.

Lobbying and advocacy. Afghanistan’s emerging development finance sector has faced a significant challenge due to lack of community and local government knowledge about its work and microfinance. To address this gap, in 2012, AMA launched program and legal awareness meetings among MFIs, provincial and district-level authorities, local government departments, and communities, educating officials and wakili guzars (community leaders) on the benefits of microfinance and gaining their backing for microfinance activities. In 2013, AMA meetings with governors, mayors, district development assemblies, and community development councils in Parwan, Kunduz, and Nangarhar provinces yielded enhanced support for microfinance. In 2014, AMA expanded its activities to Takhar, Kunduz, Badakhshan, Herat and Baghlan provinces; in 2015, AMA awareness building activities also reached Jawzjan and Samangan provinces.

Sector coordination and networking. Coordination is a crucial aspect of AMA’s work, particularly given Afghanistan’s geography and numerous remote locations. With FAIDA support, AMA used forums, CEO coordination meetings, and MFI regional coordination meetings in Kabul and in the provinces to create a platform for information sharing and networking. In 2013, AMA launched the Community-Based Saving Promoting Institutions (CSPI) Forum to provide a specific outlet for CSPIs and organizations promoting community-based savings. This initiative was particularly relevant because the CSPI model has garnered considerable interest in the search for ways to deliver financial services to Afghanistan’s rural poor — a population that traditional MFIs cannot always reach due to poor infrastructure, high costs, and low transaction amounts.

AMA also promoted sector networking by:
• Facilitating the participation of nearly 800 employees and clients of development finance institutions in the second A2F Exhibition through a microfinance pavilion at which MFIs and CSPIs showcased their products and services.

• Participating in the Kabul International AgFair to increase the visibility of Afghanistan’s development finance sector and to provide information about MFIs agriculture and livestock loan offerings.

• Promoting MFI use of the public credit registry (PCR), an online credit reporting system initiated for Afghanistan’s financial institutions in 2014; the system helps track existing loans and thus determine loan eligibility. As of the close of the project in February 2017, of seven MFIs approached to use the PCR, five had begun using it and two were in the process of joining the community of PCR users.

• Finalizing the Code of Conduct for Afghanistan’s development finance sector, with input from AMA, MFIs, and CSPIs; the code took effect in 2016.

• Organizing a special session with CSPIs to understand their issues, challenges, and opportunities; input collected informed a report on the status of CSPIs in Afghanistan, a document that serves as a reference for all sector stakeholders.

• Organizing a youth A2F workshop in Kabul in 2016 with collaboration from the Ministry of Information and Culture (MoIC) and the Ministry of Education. The workshop raised awareness among youth and relevant stakeholders on MFI products and services available for youth and linked youth to MFIs, promoting access to finance that will lead to increased livelihood possibilities and job creation for youth.

• Organizing a renewable energy A2F workshop at the Department of Energy and Water in Kabul; the workshop raised awareness among renewable energy businesses about microfinance opportunities and linked the businesses with MFIs to pursue potential funding.

• Collaborating with FAIDA to grow and expand the Women’s Access to Finance and Islamic Finance workshop series. The AMA began working with FAIDA in 2014 to organize and run 10 workshops for women across Afghanistan. In addition to providing training for 536 women, the sessions gave participants a chance to meet bank and MFI representatives to discuss financing options. FAIDA guided the AMA, assisting it as it assumed greater responsibility for running the women’s workshop series.

**Capacity building.** With FAIDA support, AMA approached its capacity building work systematically, building the skills of sector personnel with a range of opportunities. In 2012, AMA completed a training needs assessment to pinpoint sector staff needs. Using that knowledge AMA conducted a training-of-trainers for 20 MFIs and organized 11 peer learning workshops for 13 MFIs in seven provinces. In 2014, AMA organized two in-country study visits for CSPIs to visit MFIs and learn from their operations, and for member organization staff to visit internal control and risk management departments of financial institutions. The association also organized a
study tour to the Microfinance Council of the Philippines and participation in the Livelihoods Asia Summit in New Delhi, India. The AMA also signed an agreement with the AIBF to ensure training for MFI employees across different regions of Afghanistan, thus ensuring more qualified staff for the future.

Knowledge management. To better share microfinance trends, AMA introduced sector update reports, collecting and publishing data from all Afghan microfinance organizations with its MicroView statistics portal and its quarterly e-magazine. In addition, AMA conducted the first and second salary surveys for Afghanistan’s development finance sector, collecting data from 2,355 staff and 12 institutions to provide compensation guidelines. The AMA also developed a social performance management strategy to use with MFIs to help them increase clients’ reception of services.

Building sustainability. During FAIDA’s implementation period, MISFA transitioned a range of responsibilities to AMA as the latter increased its organizational and technical capacities. In 2014, in line with its goal to serve as an effective voice for the development finance sector, AMA assumed coordination, advocacy, public information, and communication activities on behalf of the microfinance sector, with financial support from MISFA. In September 2015, USAID approved AMA’s five-year strategic and sustainability plan for 2015-2020.

BUILDING AFGHAN CAPACITY IN MICROFINANCE: SUPPORT TO MISFA

MISFA was launched in 2003 as an apex organization to support rapid growth of microfinance as Afghanistan’s economic rebuilding began. Afghanistan’s only second-tier lender in microfinance, MISFA coordinates and channels donor funding to the country’s MFIs and provides emerging MFIs with technical assistance.

FAIDA supported MISFA to strengthen its mission and vision — building the capacity of the Afghan microfinance sector, thus broadening financial inclusion in the country. Specifically, the project assisted MISFA to develop its 2013-2015 strategic plan, which focused on strengthening existing MFI partners and identifying new partners. In addition, MISFA began planning to transition some of its non-key activities, such as advocacy and communications, to AMA, as that organization increased its capacity through FAIDA and MISFA support.

MISFA also supported the microfinance sector’s future and sustainability, in particular by working on passage of a regulation on deposit-taking microfinance institutions (DMFIs). MISFA provided clarifications to the Supreme Council of the DAB on Article 12, Licensing, Regulation, and Supervision of Depository Microfinance Institutions; with MISFA’s input, the DMFI regulation received approval in December 2014. This regulation made the legal environment friendlier and more conducive to Afghanistan’s still-emerging microfinance sector by providing flexibility for microfinance organizations to change their status if doing so would benefit their portfolio and overall growth. This is particularly relevant for sustainability, as much of Afghanistan’s microfinance sector was established under the auspices of the international NGO community due to lack of existing microfinance structures and expertise in the early days of reconstruction.

At FAIDA’s close, MISFA had transferred its four regional offices and the coordination, advocacy, and communications responsibilities of the microfinance
sector to AMA management, thus accomplishing an important step in building the Afghan microfinance sector’s profile and strength.

In November 2016, the combined portfolio of MISFA’s partner MFIs stood at $100.1 million in outstanding loans to almost 130,000 borrowers, of whom almost 35 percent were women.

REPRESENTING AFGHANISTAN’S BANKING SECTOR: SUPPORT TO ABA

The ABA was launched in 2004, against the backdrop of Afghanistan’s reemerging banking sector, to meet the growing sector’s need for a united body to articulate banks’ collective concerns in dialogues with the DAB, the Afghan government, and other stakeholders. After its establishment, ABA struggled to become an effective association and was mostly dormant for several years. In 2012, FAIDA began assisting ABA, helping the organization grow and increase its effectiveness.

With guidance from FAIDA, ABA developed a strategic plan for 2012-2015; in 2013, ABA received a grant of $613,830 to implement its plan and broaden its presence in the Afghan financial sector. ABA became increasingly recognized, both in Afghanistan and abroad, for its advocacy and coordination with banks, including noteworthy accomplishments in the areas below.

Access to Finance exhibitions. ABA organized Afghanistan’s first A2F exhibition, providing a venue for financial institutions and businesses to interact. FAIDA’s Banking Capacity team coordinated eight workshops for 1,300 participants, including sessions on the construction sector, insurance, credit guaranty schemes and credit registries, leasing, mobile money, and access to finance for women-owned businesses. The second A2F exhibition promoted branchless banking and electronic payments to more than 3,700 visitors.

Enhanced coordination with DAB. ABA improved its coordination and engagement with DAB by conducting quarterly consultative groups with the DAB governor to address topics such as classification for loan concentration, loan guarantees, lending definitions, anti-money laundering laws, and bank investment in offshore banks.

Advocacy for the Anti–Money Laundering and Combating the Financing of Terrorism Laws. ABA conducted advocacy for the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Laws, meeting with government officials and participating in press conferences, television interviews, and roundtable discussions. The AML Law and the CFT Law passed in June and July 2014, respectively, marking an accomplishment for Afghanistan; earlier that year, the country had been placed on the Financial Action Task Force (FATF) gray list because Afghanistan’s lack of AML and CFT regulations were deemed to make it a safe haven for illicit financial transactions. With passage of the laws, Afghanistan met FATF benchmarks.

Support to the Public Credit Registry. The PCR, an online credit reporting system initiated for Afghanistan’s financial institutions in 2014, helps track existing loans and thus determine loan eligibility. ABA organized a meeting on PCR implementation for its member banks, covering data structure, mandatory fields of data, and bank preparation for the system. ABA also coordinated with banks’ IT staff to ensure the completion of any necessary revisions to software, thus enabling banks to report...
uniformly to the PCR. By 2015, the PCR had registered 13,740 loan closing reports and 62,559 loan opening reports.

*Participation in the Swift International Banking Operations Seminar (SIBOS).* In 2013, with support from FAIDA, ABA exhibited for the first time at SIBOS, a key forum in Dubai for the global financial community to debate and collaborate on payments, securities, cash management, and trade. Nine ABA member banks had more than 80 meetings to discuss correspondent banking relations and other banking issues with international banks. In 2014, ABA and five member bank representatives attended SIBOS in Boston, Massachusetts. The delegation had almost 100 meetings with international banks and organizations, including Commerzbank, the Commercial Bank of Qatar, Canara Bank, the International Finance Corporation, Citibank, and the Indian Bankers’ Association.

*High-level meetings and cooperation.* In 2015, ABA met with the Afghan president’s special advisor on the financial sector, Ajmal Ahmady, and provided information for a comprehensive report on Afghanistan’s banking sector. Following this meeting, ABA staff met with the head of the Private Sector Relations Department of the Administrative Office of the Presidential Palace to further discuss challenges in the banking sector and to explore ways the department could support banking. With FAIDA’s assistance, ABA then submitted a proposal to the president on banking sector challenges with Afghanistan’s legal and regulatory frameworks. The proposal compiled the experience and recommendations of member banks on all banking law issues. ABA also met with representatives of the U.S. Department of the Treasury to discuss ways that Treasury technical advisors could support banking in Afghanistan.

*Knowledge-building in Islamic banking.* In 2014, ABA organized a study tour and Islamic banking training in Malaysia for its members banks. Delegates received training in Sharia contracts, deposit operations, financing operations, Sharia governance, and legal frameworks.

**INVESTING IN THE INSURANCE SECTOR’S GROWTH**

As a complement to the reconstruction of Afghanistan’s financial sector, FAIDA worked on building an active insurance sector — a vital component for economic growth. In a post-conflict setting in particular, a vibrant insurance industry encourages businesspeople and investors by protecting their capital and investments, thus making them more likely to start ventures. In addition, a strong insurance sector can contribute to economic and infrastructure development by financing major projects.

FAIDA supported Afghanistan’s nascent insurance sector, working primarily with the AIA and the Afghanistan Insurance Personnel Association (AIPA).

*Afghanistan Insurance Authority.* Established in 2005 as a supervisory authority for Afghanistan’s insurance sector, the AIA assesses individual insurance providers. With FAIDA assistance, the AIA developed an insurance supervision manual and worked on its organizational structure and key job descriptions to become a stronger regulatory force in the sector. In February 2014, AIA attained observer status in the International Association of Insurance Supervisors (IAIS), enabling it to benefit from IAIS training courses.
**Afghanistan Insurance Personnel Association.** AIPA was established in 2013 to meet the needs of the growing insurance sector and to collectively represent the interests of the insurance community. FAIDA supported AIPA’s formation, with the Afghan National Insurance Company and Afghan Global Insurance serving as founding members. Following its formal registration in 2014, FAIDA supported AIPA to develop association bylaws, an organizational chart, a strategic plan, and a budget. AIPA represents the sector in dialogue and consultations with the AIA, businesses, individuals, government ministries, and other stakeholders. In its first years of operation, AIPA conducted 17 training workshops for insurance professionals and organized participation of its members in the A2F exhibition and the India Afghanistan Innovation Partnership Fair. In 2015, AIPA received a grant of almost $55,000 from FAIDA to build the capacity of industry personnel and to increase awareness about the insurance sector in Afghanistan. AIPA began a training-of-trainers program on key insurance topics and developed plans to implement long-term programming to ensure trained professionals for the industry. To support sector personnel, AIPA also developed a code of conduct and a glossary of insurance terms — beneficial tools in Afghanistan’s emerging insurance market. By 2016, Afghanistan had increased the number of its insurance corporations to four: the Afghan National Insurance Company, Afghan Global Insurance, Insurance Corporation of Afghanistan, and Sky International Insurance.

**SUPPORTING FINANCIAL INSTITUTIONS**

FAIDA responded to the needs of individual financial institutions either through direct engagement or through their corresponding associations and apexes.

FAIDA’s assistance to individual financial institutions included the following:

- Supporting the development of Islamic finance products. FAIDA provided technical guidance to the Afghan Rural Finance Company with *murabaha* and *salam* agriculture-related Islamic finance products; Bank-e- Millie Afghan on diminishing *musharakah* and *ijara* (Islamic leasing); and the IIFC Group with *murabaha* products.

- Guiding the First Micro Finance Bank to assess its lending process for SMEs and to examine technology solutions for core banking systems. With FAIDA’s assistance, the bank analyzed its market position and prepared to scale up its SME lending.

- Supporting the IIFC, Afghanistan’s second-largest provider of microfinance services, to expand from 29 to 31 outlets; expand its loan portfolio from $19 million to $24.2 million; and to reduce risk and increase profitability by standardizing and streamlining operations, loan applications, and its applicant appraisal system.

- Assisting Oxus, an MFI focused on increasing access to finance for women and youth, through technical guidance and a grant for direct use in microloans. With FAIDA’s support, Oxus financed 470 loans to women and youth.
SECTION THREE
ENABLING FINANCIAL ACTORS

To complement its work strengthening financial institutions, FAIDA focused on creating an enabling environment for the financial sector — an environment that would reduce risk and increase certainty. Many economic specialists hold that, if access to finance plays a key role in developing an economy, functioning legal frameworks represent a crucial system component because they enable financial actors to participate in sector activity and transactions.

Supporting banking and finance legal frameworks through its Regulatory component, FAIDA helped DAB and a range of Afghan stakeholders to strengthen Afghanistan’s financial laws and regulations. From 2011 to 2017, FAIDA provided formal written comments on numerous laws and regulations related to the financial sector, including laws related to banking, electronic money, AML, trade and customs, and collateral and mortgages.

The project also assisted DAB officials and commercial bankers to meet requirements for participation in global finance bodies — a step that helped the entire Afghan banking sector establish profitable international relationships aligned with international best practice. Additionally, FAIDA organized 45 public-private dialogue events and offered guidance on reforms necessary to improve Afghanistan’s standing in the World Bank’s Doing Business indicators, a ranking of business climate and regulations in 189 economies across the globe.

REGULATING DEBTOR-CREDITOR RELATIONSHIPS IN AFGHANISTAN

Lacking many of the apparatuses of a modern financial system, Afghanistan’s economy has historically had a large percentage of activity in the informal sector, and transactions have been largely cash-based. Formal debtor (borrower)—creditor (lender) relationships were not widely present in Afghanistan. Further, the legal structures that govern debtor-creditor relationships, enabling parties to establish a level of trust necessary for financial transaction, are still emerging. For instance, aspiring borrowers may lack financial statements or financial history, making it difficult to establish collateral. Further, even if potential borrowers establish collateral, financial institutions often hesitate to accept it. As aspiring lenders, banks may not write loans because they cannot establish any certainty of repayment or courses of action against delinquent borrowers. To help address this issue across different sectors in Afghanistan’s economy, FAIDA worked with Afghan stakeholders to build legal mechanisms that would enable a range of “debtor-creditor”—type relationships. The project also helped build awareness about new laws and regulations and the new options they provided.

Building awareness about the Law on Secured Transactions. In June 2009, Afghanistan adopted the Law on Secured Transactions in Movable Property, enabling local financial institutions to use movable assets as collateral. By permitting borrowers to use movable assets, such as equipment, inventory, or machinery, as collateral, the
law increased access to finance. More specifically, MSMEs prevail in Afghanistan’s economy, and research shows that allowing these businesses to present movable assets as collateral increases their access to finance. Between 2011 and 2017, FAIDA built awareness of this new law and its implications through numerous information sessions. The project also provided guidance to the ABA on specific articles of the law.

**Strengthening the Collateral Registry System.** In conjunction with the Law on Secured Transactions in Movable Property, the DAB also established the Collateral Registry System for movable properties in 2010. The electronic registry enables banks or other financial institutions to create client accounts and to record movable properties. FAIDA formed a working group on the law and the registry to assist with the law’s implementation and to monitor its application and any need for potential amendments. The project also organized information sessions about the collateral registry, including a session at the 2013 A2F event, to explain how the registry operates.

By mid-2016, the DAB, commercial banks, and relevant stakeholders noted that the Collateral Registry System had more than 1,300 clients. The system helps lenders to advance against movable assets and borrowers to offer moveables as collateral and receive loans — practices that were not possible before the establishment of the registry. 853 SMEs regard the secured loans system made possible through the registry as the main factor in their ability to access finance.

**Exploring housing finance.** FAIDA established a working group on housing finance building on input from USAID and Afghanistan’s Ministry of Urban Development and Housing. FAIDA explored options to develop Afghanistan’s housing market and worked on an analysis of worldwide housing finance policies that might serve as a model for Afghanistan. Modern mortgage practice is mostly nonexistent in Afghanistan. A joint World Bank and International Finance Corporation study on housing in Afghanistan noted that lack of finance is a major constraint to the development of the country’s housing market. According to the study, most of Afghanistan’s banks have committed little or no funding to the housing sector; a main reason for this lies in the lack of a legal regime to support long-term loans, such as those for housing. This dearth of finance impacts Afghanistan’s population negatively; house purchases occur on a cash basis, preventing many segments of the population from buying homes and property.

In 2015, the World Bank noted a demand for 1.4 million new residences in Kabul. Further, the demand for housing may grow to as many as 2 million new residences. An operational mortgage sector is key to ensuring the housing sector.

FAIDA helped advance the mortgage sector in Afghanistan by training real estate appraisers to meet anticipated and growing needs. When FAIDA began implementation, Afghanistan counted almost no real estate appraisers. Yet any new mortgage requires an appraisal of collateral used to secure the mortgage. In addition to beginning this appraiser training, FAIDA also conducted a study of growth in the housing sector and demand for appraisers, with the aim of helping the sector

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prepare adequately for expansion. FAIDA found that growth in the sector could create 225,000 jobs and the need for 6,000 appraisers within the next five years.

Supporting the DAB and ABA. From 2011 to 2012, FAIDA advised the DAB, providing technical commentaries and recommendations on numerous banking and financial sector laws and regulations. From 2012 to 2016, FAIDA provided legal and regulatory support through the ABA.

In 2014, the DAB established a Risk Management Department, realizing the need for this department due to DAB’s significantly different risk exposure than that experienced by commercial financiers. In 2016, FAIDA assisted the newly established Risk Management Department by providing training at DAB’s request. FAIDA presented a 20-day training with 17 people attending from the risk management, human resources, accounting, internal audit, and treasury departments. With this assistance, the Risk Management Department increased its effectiveness.

ESTABLISHING LEGAL FRAMEWORKS

In addition to advising on laws, FAIDA worked with Afghan stakeholders to produce draft laws and regulation.

Electronic Money Institution Regulation (EMI). FAIDA facilitated re-drafting of the Electronic Money Institution Regulation, including new draft input elicited through public-private dialogue mechanisms with affected regulatees and licensees. This ensured that the EMI Regulation and other regulatory initiatives for mobile money are constitutional and adhere to Afghanistan’s obligations to investors and licensees with legal rights that predate the new initiatives. In July 2011, DAB’s Supreme Council approved the EMI Regulation, and it became codified as an amendment to the Regulation on Money Service Providers. FAIDA then assisted DAB regulators in licensing and oversight of mobile network operators. Further, the project continued to advise the DAB on functional amendments to the EMI Regulation that would remove regulatory limitations preventing smaller financial service providers from profitable involvement in e-money. FAIDA also provided recommendations to DAB on making small e-money operators eligible for licenses — a measure that would help boost e-money use.

Branchless Banking Regulation. In 2014, FAIDA produced a draft of the Branchless Banking Regulation at the request of DAB and ABA member banks. Article 3 of the draft law states that, by establishing branchless banking financial service providers, DAB seeks to extend financial services to Afghanistan’s unbanked and under-banked. Branchless banking is a distribution strategy to deliver financial services without dependence on branch banks. Distribution could take place, for instance, through mobile phones, the internet, or automated teller machines. The draft Branchless Banking Regulation defined certain branchless banking services that licensed banks can offer and set minimum requirements for branchless banking financial service providers regarding data protection, network security, AML policy, consumer protection, and risk management.

Deposit-Taking Micro-Finance Institutions Regulation. In February 2014, the draft Regulation on Deposit-Taking Micro-Finance Institutions made it to the docket of DAB’s Supreme Council. The DMFI Regulation, drafted primarily by FAIDA, received
unanimous approval from the Supreme Council in spring 2014. The regulation will enhance financial inclusion in rural areas by using MFIs’ market penetration in those areas to encourage rural inhabitants to establish savings accounts.

**ADVOCATING FOR AFGHANISTAN’S GLOBAL FINANCIAL POSITION**

FAIDA assisted Afghan stakeholders with legal advocacy to preserve and improve Afghanistan’s place in the global financial community.

*Promoting correspondent bank relationships.* In 2011, FAIDA began assisting the DAB on a series of rules to ensure that banks overseen by the DAB function as open, transparent institutions in alignment with standards of the international banking community. FAIDA provided the DAB with a draft regulation to address concerns of the International Finance Corporation and the International Monetary Fund regarding Afghanistan’s banking environment.

In 2013, FAIDA provided assistance to the ABA to address legal and regulatory challenges hindering Afghan banks in pursuing correspondent banking relations with European and U.S. banks. The project provided Afghan commercial banks with an overview of corporate governance international best practice conducive to a clear separation between ownership and control in banking. In addition, FAIDA organized meetings between Afghan banks and other banks at the 2013 SIBOS event in Dubai, leading to the establishment of three new correspondent accounts.

*Advocating on Anti–Money Laundering and Combating Financing of Terrorism Laws.* In 2014, ABA contacted FAIDA because the FATF, an inter-governmental body that sets standards and promotes implementation of legal, regulatory, and operational measures to combat money laundering and terrorist financing, had placed Afghanistan on its gray list, due to the Afghan government’s failure to enact the country’s draft laws on AML and CFT. FAIDA supported the ABA in drafting a letter to Afghan officials explaining the need to comply with AML and CFT laws in order to participate in global financial bodies, and the likely effects of an additional downgrade in the absence of any corrective action. With FAIDA’s guidance, the ABA determined the effects of a further downgrade proposed by FATF to be the halting of international money transfers, loss of Afghan banks’ reputations, decline in trade, and eventual bank failures. With continued effort and FAIDA support, ABA’s advocacy succeeded. Parliament passed the AML and CFT laws, and President Karzai signed them in June 2014.

*Advocating on Know Your Customer.* In December 2016, FAIDA reviewed the banking sector’s Know Your Customer (KYC) practice and related regulations providing the DAB, the Afghan Payments System (APS) and APS member commercial banks, including Azizi Bank, Bakhtar Bank, Ghazanfar Bank, and Bank-e-Millie Afghan, with a dedicated KYC manual for banks on compliance with DAB AML and CFT regulations. FAIDA also helped the APS KYC practice to develop a vendor analysis methodology to select third parties for core banking applications APS plans to procure as a hub for microfinance institutions.

*Advancing the Afghan Banking Law.* In 2013, FAIDA analyzed the Draft Banking Law. In 2016, FAIDA assisted the DAB and the Afghan banking community to advocate to Parliament for passage of a key legislative decree related to the Legislative Decree of the President of the Islamic Republic of Afghanistan on the Issuance of the Banking
Law of Afghanistan. To ensure the Parliament approved key structural provisions of the decree, FAIDA provided thorough commentaries and recommendations to clarify the decree’s completeness, accuracy, consistency, and enforceability. The commentaries covered five key topics:

1. The parliamentary approval procedure for the law
2. Public — both national and international — interest in the stability of Afghanistan’s financial system and the decree’s contributions to this interest
3. Maintenance of public confidence in the Afghan banking system, both nationally and abroad, and the decree’s effect on such confidence
4. The protection of banks, local businesses, foreign investors and depositors from bankruptcy consequences and the decree’s efforts in this area
5. The Banking Law’s overall compliance with international best practice

**Insuring electronic money transactions.** In November 2016, FAIDA provided the DAB’s EMI team, the Afghanistan Deposit Insurance Corporation, and mobile financial service providers with technical assessments and recommendations to further develop EMIs. FAIDA also helped the corporation with regulations enabling insurance of mobile money and other electronic money transactions. In addition, the project conducted dedicated training sessions on mobile money deposit insurance.

**FOSTERING AFGHAN PROFESSIONAL STANDARDS**

**Establishing accounting laws.** In 2013, FAIDA and the World Bank worked with Afghan stakeholders to spearhead the National Steering Committee on Accounting and the Technical Steering Committee on Accounting. The committees began work to address Afghanistan’s lack of any national laws to regulate qualifications for practicing as a licensed auditor. Essentially, without professional standards or bodies for accounting, Afghanistan had been suffering from a dearth of properly trained and locally based accountants. With input from both committees, FAIDA began drafting the Accounting Law in 2014.

**Laying the foundation for property appraisal.** At the ABA’s request, FAIDA worked on building the foundations of a property appraisal system for Afghanistan. During FAIDA’s implementation period, banks often indicated that the lack of a formalized, uniform system of asset appraisal and valuation impeded extension of credit, and thus consumer access to finance. Indeed, an accurate appraisal and valuation system holds a key place in financial system operations. Yet, although many provisions of Afghan law required independent appraisals of property, Afghanistan lacked professionals trained in property valuation; any form of certification or licensure regarding people presenting themselves as appraisal professionals; and any appraisal standards to which lenders, borrowers, sellers, buyers, or the judiciary could turn for valuation information. To address this deficiency, FAIDA employed an appraisal expert to establish a uniform system of teaching, testing, certifying, and overseeing the appraisal profession. The appraisal expert produced an appraisal manual to provide guidelines for the future Afghanistan Appraisers’ Association, bylaws and rules for examination and certification processes, and training materials for basic and intermediate courses in appraisal.
SHARING AFGHANISTAN’S REGULATORY DEVELOPMENTS

FAIDA helped spread information about Afghanistan’s progress in improving its regulatory environment, in particular through the following:

- In 2014, representatives from the ABA and its member banks traveled to New Delhi, India, to present at a renewable energy financing event. On this trip, the delegation also visited the India Banks Association and several Indian banks to explore opportunities for correspondent banking relationships and to present information about Afghanistan’s strengthened regulatory environment. ABA representatives also traveled to Malaysia and facilitated establishment of a correspondence relationship between an Afghan bank and a Malaysian counterpart bank.

- In 2015, FAIDA participated in the Electronic Money Summit on the occasion of the visit of Jason Foley, USAID’s deputy administrator for Afghanistan and Pakistan. The regulatory team helped prepare for the summit, working with DAB’s first deputy general governor on remarks about the EMI Regulation, electric or mobile money use in Afghanistan, and challenges to address for expanded consumer buy-in.
Afghanistan’s telecommunications (telecom) sector has witnessed phenomenal growth during the last 15 years. In 2002, the country had almost no telecom infrastructure — most Afghans did not own phones, and placing an international call required travel to neighboring Pakistan or Tajikistan. Yet, with the launch of the first private telecom company in 2002 and the rapid development of infrastructure, services, policy, and a regulatory framework, telecom boomed. By 2012, the sector generated more than 12 percent of total Afghan government revenues, with more than $160 million in average annual revenues. Telecom also provided more than 110,000 direct and indirect employment opportunities across Afghanistan.

The growth of mobile services represents a particularly important aspect of the sector. At the end of 2002, Afghanistan counted only 20,000 mobile subscribers; by March 2013, mobile subscribers numbered more than 19 million in a population of approximately 30 million. This significant mobile penetration also now offers opportunities for mobile banking or mobile money to give Afghans access to financial services. Using cell phone technology to enable money transfers, bill payments, and deposit and withdrawal services, mobile banking has begun to improve Afghans’ financial lives by addressing persistent issues such as lack of access to banks, corruption, and logistical difficulties of financial transactions caused by the lack of transportation and security. For instance, mobile banking enables a police officer in a rural area to receive his salary each month, instead of every other month, a young entrepreneur to make a loan payment without leaving work, or a family to pay its bills without waiting in line for a day.

Through its Better than Cash component, FAIDA supported Afghanistan’s mobile money sector and its mobile network operators (MNOs) to expand the use of mobile money. From 2012 to 2016, the project counted 2,005 merchants participating in mobile money. In 2015, FAIDA saw 100,660 users of electronic payments.

ENCOURAGING INNOVATION

In its first two years of implementation, FAIDA took a number of steps to promote innovation and broaden mobile money services, including:

- Offering a $5 million Innovation Grant Fund to support private companies in mobile money work, with a grant announcement at the 2011 Afghanistan Mobile Money Stakeholder Summit.

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6 Ibid.
• Promoting the entry of new commercial mobile money services. In 2012, FAIDA encouraged Etisalat to launch its mHawala mobile money service and the Afghan Wireless Communication Company (AWCC) to start its registration for merchant payments via cell phone. Prior to these launches, Roshan was the only MNO offering commercial mobile money services.

• Implementing a crowdsourcing contest through FAIDA to which 5,000 university students submitted designs for mobile money applications. The MNOs selected eight innovative applications for implementation.

BREAKING NEW GROUND WITH PILOT PROJECTS
FAIDA assisted MNOs to work with clients and partners to launch several mobile money initiatives.

Payment of electric bills. In 2013, with FAIDA support, Etisalat partnered with Pashtany Bank and the Da Afghanistan Breshna Sherkat (DABS), Afghanistan’s national electricity company, on a pilot project for mobile money electricity payments. Through this work, DABS’ bill payment customer information system was developed and integrated into Etisalat systems. In 2012, Etisalat registered 100,000 households to use its mHawala service to pay their electric bills. In 2013, Etisalat signed up 3,200 new households to use its services for utility bills. To build awareness about this service, the company ran a campaign in 2014, sending mHawala-branded vans across Kabul to spread information to different districts. In 2015, customers paid more than 2,545 bills, for a total of $1,143,812, with mHawala. In addition to providing a convenience to customers who might otherwise have to spend a day paying bills in person, mobile electricity payments also began helping the DABS run more efficiently through prompt revenue collection. By the end of 2016, DABS recorded 26,217 active customers who paid bills totaling almost $3.5 million through the mHawala service. In addition to supporting the partnership between Etisalat and the DABS, FAIDA encouraged other MNOs to engage with the DABS to provide bill payment services. As a result, other service providers, including the AWCC and Roshan are providing bill payment service to customers in Kabul.

E-payments for microfinance. With technical and financial support from FAIDA, Roshan partnered with Mutahid Microfinance Institution to implement a new payment system for Mutahid members and customers. Roshan added a new feature to its mobile money platform, M-Paisa, for loan payments. This payment option enabled Mutahid customers to receive funds easily and to make loan repayments without having to take leave from work. By the end of 2016, Mutahid counted 11,000 clients using mobile money services to repay their loans.
Food security. In 2014, FAIDA organized an opportunity for Afghan MNOs to present their mobile money services to the World Food Program (WFP) so the WFP could consider using mobile money services instead of paper vouchers for its food security work. Following the presentation, the AWCC and the WFP signed an agreement for a pilot project that registered 603 WFP beneficiaries to use mobile money to purchase goods from authorized merchants. With the success of the pilot, WFP expanded its use of mobile money to Kabul, Bamyan, Badghis, and Ghor provinces, providing services to 8,818 WFP beneficiaries. In 2015, the WFP broadened the scope of its collaboration with the AWCC, awarding the company three mobile money contracts to serve 66,738 people. This expanded group of mobile money users included almost 5,000 visually impaired women receiving $35-dollar monthly stipends as participants in a vocational training program run by the Afghanistan Blind Management program. Through the AWCC’s service, participants received their salaries in a secure and convenient manner.

Salary payments for ministry employees. With FAIDA support, the AWCC also signed a memorandum of understanding with the New Kabul Bank for a pilot project to pay salaries of 50 Afghan Ministry of Finance employees in rural areas. Under the agreement, the AWCC registered the ministry employees and linked their New Kabul Bank bank accounts to the AWCC’s mobile MyMoney service. This set-up enabled the employees to receive their salaries regularly in areas where banks do not have branches. Without such a mobile payment option, a ministry agent would have to travel with cash to distribute salaries in person — a burdensome and sometimes dangerous task. With the success of this pilot, the ministry expanded its mobile payments. In August 2015, the AWCC registered 11,000 Afghan local police in Kapisa, Kandahar, and Parwan provinces for mobile salary payment. By October 2016, the ministry had disbursed nearly $15 million in salary payments with the new system. These types of mobile services helped combat a persistent problem with cash payments — employees often observe portions of their salary go missing due to corruption and mismanagement.

In 2016, FAIDA also supported the Ministry of Labor, Social Affairs, Martyred, and Disabled to begin work on a mobile salary payment system for ministry employees. Responding to a presidential initiative issued on creating a digital financial ecosystem for government ministries, the ministry implemented a pilot phase for employees to receive mobile salary payments. With FAIDA assistance, the ministry and Roshan registered 3,500 employees for mobile money payments by December 2016. The Afghan government intends to continue supporting this effort, and the ministry planned to present information to the president’s office on the pilot and on advantages of mobile money, including building employee records, accountability, transparency, and timesaving.

E-tax payment. FAIDA supported the Independent Directorate of Local Governance with work in Nangarhar and Herat provinces on a pilot phase of digital tax collection. The pilot began in Jalalabad municipality with installation of 36 point of sale machines for the Shops Licenses Renewal Department, which recorded 301 tax payment transactions totaling nearly $16,000. The digital tax payment system enables 24-hour payment and ensures transparency and accuracy in collection. Shopkeepers using the system to renew and pay their shop licenses reported that the system saved them time and money because they did not have to close their shops to pay
taxes in person. By FAIDA’s end, the directorate planned to expand the use of the tax collection system to all provinces.

**PROMOTING GROWTH AND USE OF PAYMENT SYSTEMS**

FAIDA worked with Afghan stakeholders to promote improvements in Afghanistan’s payment infrastructure and wider consumer use of payment technology.

*Assisting the Afghanistan Payment System.* The APS is a national retail payment infrastructure system offering interoperability between Afghanistan’s banks and non-bank payment partners. An interoperable payment system allows for flexibility in transactions between entities — for instance, in such a system, payments can flow from an end user that is a customer of one bank to an end user that is a customer of another bank. Common national payment standards and operating procedures enhance the efficiency of electronic payments and reduce transaction costs. Thus, such standards improve mobile money systems. In mid-2016, with FAIDA support, the APS completed a bank launch with six full member banks participating. The APS began leading discussions on national and mobile switches — payment gateways that facilitate a transaction by transferring information between a payment portal and the acquiring bank. By 2016, the APS had completed 90 percent of the national payment switch platform and installation and customization of the national switch. With FAIDA support on some continued areas for improvement, the APS planned to launch commercially in 2017 to provide service to member banks’ customers.

*Funding innovation.* As part of its Innovations and Better than Cash Initiatives Grant Fund, FAIDA awarded a grant of $250,622 to Top Vision and a grant of $767,495 to Boloro, with each company also contributing to its proposed initiatives.

With its grant from FAIDA, Top Vision worked to improve mobile money services by addressing an access issue — each MNO was using its own exclusive agent network and thus was unable to accept mobile transactions from other MNOs. This practice caused market inefficiencies and acted as a barrier to mobile technology uptake. By using “white label agents” to provide a platform for transactions across MNOs, Top Vision began to improve mobile money services. Its 200 white label agents registered 46,804 new customers for mobile money service. With its grant, Top Vision improved Afghan citizens’ access to mobile money services by creating a larger agent network, and thus enabling retail customers to access services quickly, inexpensively, and conveniently.

Boloro, a mobile money company that manages the settlement of funds between MNOs and merchants, used its grant to expand its platforms and functions. Boloro developed a mobile money platform for e-kiosks to replace the use of top-up cards. The user-friendly e-kiosks feature voice instructions in Dari, Pashto, and English. Boloro’s e-top-up system is integrated with Afghanistan’s five MNOs. The company received more than 100 e-kiosks to install throughout Kabul that enable customers to pay bills and loans directly and quickly. Boloro also began discussing integration of its system with the APS to enable customers to benefit from all APS services. By mid-2016, Boloro counted 229,164 e-top-up transactions completed through e-kiosks in Kabul, totaling more than $300,000 in payments. Boloro planned to expand its services with 200 e-kiosks in Heart, Mazar, Kandahar, and Nangarhar provinces.

*Spreading the mobile money message.* In 2015, in conjunction with the Afghan government, MNOs, financial institutions, and mobile money service providers,
FAIDA began work on a public awareness campaign to promote mobile money and non-cash payment methods. FAIDA selected Kosha Media to run the campaign in 2016. The campaign reached more than 13 million people across the country, and it had a direct impact on awareness of mobile money. All MNOs recorded increased inquiries about mobile money services both during and immediately following the campaign.
SECTION FIVE

ADVANCING AGRICULTURAL VALUE CHAINS

The overwhelming majority of Afghans earn their livelihoods through agriculture. The sector employs more than 80 percent of the country’s labor force, and most Afghans engage in subsistence farming, growing food for their families. However, after years of conflict, Afghanistan’s agricultural systems lagged far behind modern agricultural practices. Further, in a system that is still rebounding, farmers, agribusinesses, and agricultural suppliers often lack capacity to address common problems. Recognizing the importance of agriculture for subsistence and improved economic stability, USAID and the FAIDA team introduced the Agribusiness South (ABS) component into the project in 2012. With a focus on Afghanistan’s agriculturally rich southern region, the component aimed to transition assistance to Afghan agriculture from agricultural stabilization work to longer-term, sustainable agriculture development. ABS scaled up agribusiness activities to promote sustainable, commercially viable agriculture — a crucial component for stability and security in Afghanistan’s southern region and the country as a whole.

As a transition activity, the ABS component ran from December 2012 to October 2013. During this time, FAIDA employed a strategic approach to increase economic growth quickly; FAIDA’s interventions mitigated critical gaps in agribusiness value chains and helped ensure high-value agricultural produce, including pomegranates, grapes, almonds, melons, cucumbers, and peppers arrived at market. The component targeted four pillar areas: supply distribution systems for agricultural inputs, market development, post-harvest handling, and crosscutting activities. Working in 12 districts of Helmand, Zabul, and Kandahar provinces, FAIDA conducted 98 training sessions and organized five market conferences for 2,169 participants. Training courses covered topics including managing crop cycles, preventing crop losses with insect management, handling and storing fertilizer, analyzing and controlling hazards, understanding market information, and keeping inventory records.

The table below lists selected examples of ABS accomplishments from each pillar.

AGRIBUSINESS SOUTH BY THE NUMBERS

- Conducted 98 training sessions on 23 distinct topics
- Provided 22 technical assistance consultations
- Trained 2,169 Afghans, 12 percent of whom were women

“Now we tell farmers to bring samples, then we recommend the right fertilizer or pesticide. Business has increased 10 percent in the last few months because of this. Farmers trust me, and they appreciate the extra service I give them.”

—RASHID AHMAD SAHRAI, INPUT SUPPLY DEALER
### SELECTED ABS ACCOMPLISHMENTS BY PILLAR

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<th>PILLAR</th>
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| Supply distribution systems for agricultural inputs | • Collected information for agricultural input suppliers (e.g., seed and fertilizer sellers) on plant diseases, insect management, fungicides, and fertilizers, helping them inform agribusinesses for a better crop yield.  
• Combatted a blight of grape crops in Kandahar province by gathering samples and photos for testing to ensure the proper techniques — green pruning, vineyard clean-up, and canopy management — were employed to treat the grape disorder. |
| Post-harvest management | • Conducted training on food safety, crop-specific post-harvest requirements, and process control. Trainees received both theoretical and practical instruction for which FAIDA simulated a pack house environment to train participants in grading, sorting, and packing fruit, including practice in using equipment. |
| Market development | • Worked with provincial advisors and local market specialists to develop a market report on fresh and dried fruit.  
• Organized four agribusiness market conferences in Kandahar and Helmand provinces, creating a platform to address market issues. |
| Crosscutting activities | • Promoted gender integration by recruiting female agribusiness entrepreneurs and workers to participate in food safety standards and agribusiness planning training. With support from the gender integration manager, numerous women participants also traveled and stayed outside their home provinces. |

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Qarizada Tomato Paste Production Company in Mazar-e-Sharif, Balkh Province. FAIDA helped the company develop a concept note to obtain a $1.5 million loan from the Agriculture Development Fund in 2012. (Photo: FAIDA Project)
In recent years, Afghanistan’s leaders have begun to make women’s development a goal. The Afghanistan National Development Strategy, 2008–2013 identified gender equality as a priority and set out policies and benchmarks for progress. Similarly, the National Action Plan for the Women of Afghanistan 2008–2018 called for “gender mainstreaming” to advance Afghan women’s standing. Yet, women’s financial inclusion and labor market participation require continued progress. A 2013 World Bank report on women’s status in Afghanistan indicated that women’s potential remains particularly hampered in these areas⁸; Afghan women have restricted access to paid employment and limited financial inclusion. Recognizing that women’s economic participation and financial advancement require continued effort, FAIDA incorporated a focus on gender across all its components to provide women with equal opportunities.

From the start of implementation, FAIDA developed a gender strategy and employed a gender team to integrate gender considerations into project work. With an overall focus on improving women’s financial inclusion over the long term, FAIDA strengthened women’s capacities, helped them build social capital, and provided knowledge sharing opportunities.

BUILDING SKILLS

Partnering with local stakeholders, FAIDA supported numerous training courses for women, including:

Women’s Access to Finance and Islamic Finance Workshops. FAIDA assisted Afghan women to start up and run businesses, offering a series of business and finance training courses — the Women’s Access to Finance and Islamic Finance workshops. Sessions covered business planning, financing of projects, marketing, developing a concept note, customer analysis, and

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competitor analysis, and operations planning. In the first year of workshops, 437 women received training. In 2014, FAIDA began working with the Afghanistan Microfinance Association (AMA) to organize and run 10 Access to Finance and Islamic Finance workshops for women across Afghanistan. In addition to providing training for 536 women, the sessions gave participants a chance to meet bank and MFI representatives to discuss financing options. The 2014 meetings yielded 151 concept notes with potential loans of $332,870. FAIDA continued working with the AMA as the organization assumed greater responsibility for the women’s workshop series. By the end of 2016, nearly 2,800 women had participated in 51 workshops, receiving training in business planning, concept note development, Islamic financing, and marketing. The workshops produced 566 concept notes totaling $576,399 and led to facilitation of 225 loans valued at $240,207.

*Business development and mobile money agent courses.* Supported by a FAIDA grant, Etisalat started a series of business development and mobile money agent training courses for women. Offered at the Kabul Women’s Garden, the training sessions presented business development principles and prepared participants to work for mHawala, Etisalat’s mobile money platform. From 2013 to 2015, 1,500 women participated in the training, and approximately 800 began working as mobile money agents. The applied training aspect of the program provided a valuable channel to open up job opportunities to women.

*Afghan Women’s Business Federation (AWBF) training.* With a grant from FAIDA, the AWBF prepared a series of training courses to improve Afghan women entrepreneurs’ business skills and increase their access to finance and resources. From 2012 to 2013, the AWBF conducted training for 199 participants in five provinces: Kabul, Mazar-e-Sharif, Herat, Badakhshan, and Samangan. Courses covered developing business and marketing plans, financing with loans, tracking business finances, management basics, and supervision and decision-making. Following the training, the AWBF assisted 101 participants interested in obtaining financing to develop concept notes and submit them to financial institutions.

*Afghanistan Development and Welfare Services Organization (ADWSO).* As a FAIDA grant recipient, the ADWSO implemented training and consultation services in Balkh province for women entrepreneurs, improving their skills and increasing their access to resources. The ADWSO employed several novel approaches, including:

- A call center that women entrepreneurs could contact at their convenience to obtain information and advice on marketing, accounting, project management, access to finance, and business planning.
- A series of 27 eight-day training sessions on topics including marketing, management, access to finance, and communication for groups of 30 women entrepreneurs. Participants’ needs and interests determined the precise content for each group of sessions.
- Opportunities for one-on-one business “house calls” — the ADWSO visited interested women entrepreneurs to provide them with business advice.
- Preparation of a directory of women involved in informal economic activity.
- Training on record-keeping for transactions for 60 women participants.
LEARNING ON THE JOB

By supporting several internship programs, FAIDA encouraged Afghan women to gain hands-on experience and learn by doing.

Exploring private sector careers. In a 2012 survey, FAIDA found Afghan women’s employment levels in the financial sector quite low. Based on this, working with the AIBF, FAIDA initiated the Afghan Women’s Internship in Banking and Finance to help open career opportunities for Afghan women in finance and fill the sector’s gender gap. The program consisted of a six-month training period during which interns received instruction in microfinance management, human resource management, financial accounting, effective communication, marketing management, and general banking. In addition to enhancing the technical skills of approximately 400 women during its four cycles, the internship program helped participants experience workplace culture, gain confidence, and expand their networks. FAIDA and the AIBF also matched close to 161 participants with full-time positions in financial institutions after graduation from the training.

Learning about public sector work. To expand opportunities for Afghan women further, in 2014, FAIDA signed a memorandum of understanding with the ministries of economy, commerce and industry, finance, and women’s affairs to welcome participants as part of the Women in Government Internship Program. In 2014, 60 newly graduated Afghan women interned with ministries in Kabul as participants in the program. Based on program success in Kabul, in 2015, FAIDA launched the Women in Government Internship Program in Balkh, Herat, Nangarhar, and Kandahar provinces, attracting more than 70 students. The program focused on on-the-job training, and each intern was assigned a mentor for guidance and advice. FAIDA also organized weekly skills-building sessions in administrative skills, human resource management, computer literacy, and English language. Each participant’s placement at a ministry corresponded to her interests and skills. As ministry interns, young women worked on the following types of tasks: developing and maintaining databases, visiting women’s shelters and compiling records on them, preparing financial statements and invoices, and drafting advocacy letters. Through this work, recent female university graduates explored opportunities in Afghanistan’s public sector and developed themselves personally and professionally. The program received praise from Afghan government officials for involving women in the country’s development. In particular, the communication and technology director at the Ministry of Finance commended a program participant for her work on a database to record Parliament members’ cases and petitions at the ministry; the ministry began using this new system for its records and hired two interns as full-time staff. By 2016, the internship program had helped place 96 graduates in full-time positions with government entities or the private sector.

“Working has helped me pursue many of my goals for the future in a more tangible light. There is no classroom substitute for working a ‘real life’ job alongside experts. The gender team helps women in a very real way. It was a special experience.”

— ZIBA NABIZADA, AIBF INTERN
Developing women business leaders. To promote future women business leaders, FAIDA signed an agreement with the American University of Afghanistan and the International Center for Afghan Women’s Economic Development to implement the Women in Business Management Internship Program. The five-month program accepted 60 interns for training on human resource management, marketing, business operation, communication skills, IT, microfinance management, and project management. Following completion of theoretical work, interns participated in a one-month mentorship aimed at promoting gender diversity among Afghanistan’s future managers and decision-makers. The mentorship used experiential learning methods, such as virtual, online learning spaces and “flipped classrooms” — classrooms that reverse the typical order of pedagogical elements, for instance, lecture and homework.

FORMING CONNECTIONS

FAIDA encouraged Afghan women’s professional development and financial empowerment by helping businesswomen and aspiring entrepreneurs form connections:

- In 2013, FAIDA’s gender team led the Afghan women’s business delegation to participate at the Doing Business with Afghanistan Conference in Delhi and Mumbai, India.

- With FAIDA support, the AIBF hosted an inaugural Women in Finance Forum in 2013. Women participants agreed to meet for the forum six times per year and established a list of key discussion topics, starting with “security at the workplace.”

- FAIDA encouraged five Afghan businesswomen to participate in the 2013 Gulfood Annual Food and Hospitality Show, one of the world’s largest annual food exhibitions, held in Dubai. At the event, participants signed contracts to export their dry fruit products to the United Arab Emirates, Saudi Arabia, Malaysia, Jordan, Pakistan, Kuwait, Canada, Singapore, and India. In 2014, seven women entrepreneurs attended the Gulfood Show, meeting with 200 buyers and producers to discuss potential partnerships. The seven women’s companies booked $10 million in potential deals.

SHARING KNOWLEDGE

FAIDA promoted knowledge sharing that would benefit women in their financial lives and supported women to share their experiences and inform economic development.

- In partnership with the Ministry of Women’s Affairs and Etisalat and with approval from the Ministry of Religious Affairs and Pilgrimage, FAIDA printed a Women’s Rights in Islam booklet, covering women’s rights and family law — relevant to women’s well-being and financial health. Etisalat distributed
copies of the booklet to women registered to pretest for business development training, giving out 5,000 copies at the Kabul Women’s Garden.

- Working with the Afghanistan Investment Support Association, the Ministry of Culture and Information, and the Afghanistan Small and Medium Enterprise Development Project, FAIDA collected information for a comprehensive database of formally registered women-owned businesses in Afghanistan. FAIDA conducted a survey to update information that was scattered, absent, or outdated. As a result, the Afghan Women’s Business Directory now contains information on 300 women-owned businesses.

- FAIDA representatives and Afghan women entrepreneurs met with USAID’s Office of Economic Growth and Infrastructure in 2014 to provide input about the challenges Afghan women face in their business pursuits and financial endeavors. Eight women entrepreneurs participated and shared information from their experience to inform future programming. Challenges cited included weak financial and digital literacy hampering access to opportunities, poor access to finance due to weak collateral, and little awareness about markets.
SECTION SEVEN

FAIDA’S IMPACT

By working holistically to improve Afghanistan’s financial sector, FAIDA achieved multidimensional impact that benefitted numerous aspects of the country’s financial profile. This section discusses FAIDA’s impact by component.

Through its Enterprise component, FAIDA connected businesses in need of financing with financial institutions to meet those needs. Working with key value chains, anchor companies, and business networks (including associations, chambers of commerce, and strategic enterprise development partners) FAIDA facilitated linkages between providers of financial services and Afghan MSMEs. To increase the involvement of financial sector associations and to work in concert with other USAID projects, FAIDA expanded its activities to include business planning services, financial planning, and financial projections.

Under its Banking Capacity component, FAIDA worked to build the human and institutional capacity of partner organizations and their retail members, including MFIs and commercial banks. FAIDA assisted financial sector apex institutions, such as the AIBF, to identify and respond to the training and capacity needs of the industry’s institutions and professionals. FAIDA’s activities helped partners implement strategic plans to enable them to emerge as valued service providers for members and ensured a strong and integrated system to educate Afghan professionals to staff the country’s financial sector. FAIDA also worked with financial sector institutions to develop 33 new financial products, including Sharia-compliant loan products and value chain finance products. In addition to developing products, FAIDA expanded the usage of existing products. The activity worked with associations, such as the ABA and AMA, to assess members’ needs in adopting and implementing products.

FAIDA’s Regulatory component team focused on creating an improved enabling environment and better regulation by supporting Afghan-led advocacy efforts and promoting policies to develop Afghanistan’s financial sector. FAIDA provided technical expertise on 46 laws, regulations, and policies with direct impact on the financial sector, in particular on access to finance. FAIDA improved the lending environment through facilitating public-private dialogue events and information exchange seminars and by providing guidance on reforms necessary to improve Afghanistan’s performance against the World Bank’s Doing Business Indicators.

Under its Better than Cash component, FAIDA supported Afghanistan’s mobile money sector and its MNOs to expand the use of mobile money. The activity leveraged the power of technology to strengthen systems for mobile money, branchless banking, and electronic payments. Promoting partnerships with and among commercial banks and MNOs, MFIs, value-added service providers, and IT solution providers, FAIDA increased the number of mobile and electronic service delivery mechanisms. FAIDA’s assistance to MNOs and their partner banks enhanced these organizations’ technical and operational capacity to deliver mobile financial services. In addition, by assisting financial institutions in adopting branchless banking, FAIDA promoted greater financial inclusion for unbanked and under-banked segments of the Afghan population.
Under its Agribusiness South component, FAIDA stimulated the Afghan economy by helping to build inclusive financial markets extending into rural areas. FAIDA also helped bolster financial infrastructure and a broader range of support services to strengthen the agribusiness sector.

FAIDA’s gender team incorporated gender considerations across all components. The activity focused on promoting gender equity in all initiatives and aimed to open opportunities to women at all levels of the financial sector and create an environment conducive to women’s continued participation.

The statistics below summarize some of FAIDA’s most important areas of impact for Afghanistan’s financial sector from 2011-2017:

- Increased the total number of mobile money transactions from 38,368 transactions to 2,059,053 transactions, and increased the value of transactions from $5.5 million to $162.8 million
- Increased the value of salary payments from $2.2 million to $56.5 million
- Increased loan repayments through mobile money from $0.1 million to $3.6 million
- Increased utility payments and bill payments from zero to $3.5 million
- Increased customer cash withdrawals from $2.3 million to $35.5 million
- Increased customer purchases (merchant sales) from zero to $8.6 million
- Increased total deposits in the Afghan banking sector from $2.7 billion to $4.2 billion
- Increased total current accounts in the Afghan banking sector from $1.8 billion to $3.1 billion
- Increased total saving accounts in the Afghan banking sector from $615 million to $773 million
- Increased total loans extended within the Afghan banking sector from $673 million to $754 million
- Increased the number of partner institutions using mobile money applications from 1 to 23
- Increased the total number of ATMs in Afghanistan by 253 percent from 80 to 202 machines
- Expanded the total number of mobile subscribers in Afghanistan to 16.8 million, a 175 percent increase

9 Da Afghanistan Bank, Banking Sector Financial Statistics.
10 Da Afghanistan Bank, Mobile Money Dashboard.
12 Afghanistan Microfinance Association, MicroView and MicroMag reports.
SECTION EIGHT
LESSONS LEARNED AND RECOMMENDATIONS

FAIDA’s implementation yielded a number of lessons learned and recommendations for future work. This section presents a summary of the most important lessons and recommendations by component.

ENTERPRISE COMPONENT

Through its Enterprise component, FAIDA addressed the challenge of Afghanistan’s substantial unbanked population. The activity increased awareness of the formal banking system and its offerings. In addition, FAIDA helped develop numerous Islamic financial products — an important factor to attract consumers in a majority Muslim country with a market interested in Islamic finance. The Enterprise component also fostered bank and industry connections, helping to encourage financing of businesses and projects — in particular, in energy.

FAIDA’s lessons in enterprise include:

- Lack of confidence in the market remains a major issue. Banks hesitate to extend new loans, and businesses hesitate to expand operations. Enterprises still require greater awareness of and more knowledge about loans and access to financial services. Businesses also could benefit from further experience in business management. The security situation remains the biggest obstacle in developing enterprises.

- Use of renewable energy to build up Afghanistan’s energy sector has many benefits. Renewable sources of energy will significantly decrease current levels of greenhouse gas emissions and will have positive environmental, economic, and social impacts. Renewable energy technology will help Afghanistan alleviate poverty and expand rural development while promoting sustainability and job creation.

- A2F events and promotion of A2F initiatives hold great potential for increased inclusion of businesses and improved access to finance. In addition, close work with provincial chambers of commerce and private associations has potential to provide access to financial services and financial literacy capacity building for these organizations’ members.

- Innovation events linking various actors in Afghanistan’s social innovation ecosystem including, social innovators, businesses, associations, NGOs, financial institutions, investors, donors, service providers, and corporate foundations fostered innovative approaches during FAIDA implementation. Future innovation events could bolster further development by improving commercial links with other countries to leverage creativity and expertise.

FAIDA recommends the following steps for continued work:
• The Afghan government must work with the informal money changing and money lending systems so traders and lenders of this type come under regulation. This will help consumers and the formal banking system.

• Afghanistan’s financial institutions must increase their outreach to potential clients. Afghans often remain unfamiliar with formal banking or are new to it, and thus would benefit from information and orientation.

• Afghan financial institutions should continue to examine the market for Islamic financial products and to develop specific products that respond to consumer demand.

• The Afghan government and its financial institutions should continue to examine productive ways to invest in the country’s energy sector. An improved energy sector would improve quality of life for many Afghans, as the country has suffered from electricity shortages that hamper activity and development.

**BANKING CAPACITY COMPONENT**

FAIDA’s support helped the Afghan banking sector grow stronger and increase its capacity. FAIDA’s lessons in banking capacity include:

• Banks in Afghanistan are highly liquid; the banking sector’s aggregate lending amounts to $700 million. The credit-to-deposit ratio for banks does not exceed 20 percent despite the fact that DAB guidelines stipulate it can be increased to 80 percent. Banks should focus on developing financial products relevant to Afghanistan’s current business environment, which holds many opportunities in agriculture, to unlock further finance opportunities.

• Banks remain hesitant to lend to new businesses, in particular because of the country’s current economic, political, and legal uncertainty. Such uncertainties remain difficult for projects to mitigate.

• With FAIDA’s support, the AMA established itself as a strong organization and became the voice of the microfinance sector. AMA received the trust and support of MISFA and took on a portion of the latter’s regional portfolio. AMA represents a successful model of organizational development and development efforts.

• The ABA realized accomplishments during FAIDA’s implementation period. The ABA can achieve more with a clear plan, goals, and financial support.

• In 2015, during the solicitation and award process for FAIDA’s third annual program statement, the activity team encountered an issue that resulted in a lesson learned for future solicitations. One applicant was very competitive and advanced to the final rounds of evaluation with a grant application focused on strengthening the capacity of female-owned businesses through targeted training sessions and lending mechanisms. Although this applicant’s proposal was competitive, another organization submitted a very similar proposal but with an additional focus on youth. FAIDA determined that the best value for USAID’s funding was with award to the applicant that intended to target both women and youth with its project. After receiving a loss letter,
the unsuccessful applicant submitted a formal protest. Investigation showed that the nuance of youth in the successful applicant’s proposal was indeed a legitimate determining factor for award. This solicitation and award process as well as the protest demonstrated that Afghan organizations could benefit from further capacity building regarding proposal preparation and successful features of applications.

FAIDA’s experience yielded the following recommendations as steps that would advance sector progress.

- Continue technical support to the AIBF on implementing its strategic and sustainability plan. The AIBF should aim to function with a sound business model, enabling it to offer high-quality training sessions and courses and to serve as a one-stop shop for Afghanistan’s financial sector.
- Advise the ABA in policy and advocacy so it can better represent and advocate for member banks, ensuring the sector receives support through one channel from both donors and the government.
- Work with the ABA and DAB to overcome issues and impediments to establishing correspondent banking relationships with credible U.S. and European banks.
- Advise banks through the ABA on Islamic finance products and policies so the banks can offer a variety of Islamic products that comply with Sharia, given the high demand for such products in the Afghan market.
- Support the AMA in continuing its activities and member services and in implementing its strategic and sustainability plan to advance on the path to self-reliance and longevity.
- Provide targeted training and awareness-building sessions for traders on using the formal banking system’s trade finance tools, and thus decreasing use of hawala and other money transfer services.
- Encourage all financial institutions to work on access to finance for youth, women, and renewable energy businesses to improve Afghanistan’s overall level of development.

**REGULATORY COMPONENT**

Through its Regulatory component, FAIDA enabled the growth of correspondent banking, trade and investment, e-money, and the real estate sector. FAIDA gathered the following lessons:

- E-money diffusion and further development are crucial to the development of the Afghan economy. E-money means faster payments, more security, less corruption, more efficient taxation, and increased consumer demand.
- Compliance with corporate governance, regulatory provisions, and AML/CFT and KYC enhances international banking relationships and helps Afghan banks increase their reputation for reliability.
• DAB has an interest in cooperation in particular in relation to internal department organization, competence enhancement, and capacity building.

For Afghanistan's future economic development, FAIDA recommends a focus on the following regulatory issues:

• Promote correspondent banking relationships. Afghanistan's financial institutions should continue to build and strengthen correspondent banking relationships to assist overall development of the country’s banking system. FAIDA found that support for meetings, workshops, and presentations to help small and medium-sized commercial banks face regulatory and legal challenges related to correspondent banking relations would benefit the banking sector. In addition, Afghan banks should initiate regular bank-to-bank meetings with foreign banks to focus on establishing correspondent accounts.

• Advance the Banking Law. FAIDA recommends that further steps be taken to align the structure and contents of the Banking Law with international best practice, thus fostering the development of the Afghan economy at the macro level. FAIDA’s latest commentaries on achieving this alignment should be implemented and enacted. Developing the Banking Law in this manner would ensure greater stability in the Afghan financial system, create more confidence in the banking system, encourage foreign banks to establish correspondent banking relationships, and protect Afghan banks and depositors.

• Encourage the use of e-money. From its implementing experience, FAIDA found that further diffusion of e-money is crucial to continued development of the Afghan economy. The project recommends implementing its latest commentaries on how to increase the use of e-money, because e-money means faster payments, more security, less corruption, more efficient taxation, increased consumption due to easier access to microfinance, and increased circulation of money at the lowest socio-economic levels — all beneficial to Afghanistan’s economy.

• Create stronger connections between business and trade and the financial system. Afghanistan should aim to bridge existing gaps between its business environment and its banking and financial system. Traders still work largely outside the financial system in their transactions and exports. With further support from donors and the international community, financial associations, such as the AIBF, could work with exporters, traders, and business associations to educate them about the opportunities trade finance offers. In
addition, FAIDA recommends that DAB, public institutions, the government, and donors work to establish an increased climate of trust that would consider both financial institutions’ interests and concerns and incentives for traders and exporters to apply for and gain access to credit on more flexible and favorable terms. The project also recommends adoption of a reliable and transparent law on trade and investment arbitration to facilitate the development of foreign trade and investment.

- Foster growth of the real estate sector. Afghanistan’s real estate sector has large potential for development, yet it lacks a strong structure to reassure foreign investors. FAIDA found that specific assurances related to bankability of projects, infrastructure development, and security — including the protection of individuals, plants, and machineries — would encourage foreign investors. With such assurances, Afghanistan could then more effectively offer access to long-term credit for potential buyers, bringing about a significant development in the real estate market. Such development would also help meet demands for residential housing where, today, current practices and laws restrict development and keep it essentially stagnant.

FAIDA recommends employing a global approach to address the issues above and to create a better-regulated and stronger Afghan economy.

**BETTER THAN CASH COMPONENT**

FAIDA advanced Afghanistan’s mobile-enabled payment services, in particular by bringing providers to the market. Yet the sector still has progress to make in reaching scale and commercial viability. FAIDA’s experience yielded the following lessons:

- The challenges that Afghanistan’s mobile money sector presents require a tailored approach that suits the country’s cultural and economic development context and meets real market demand.

- MNOs’ lack of interconnectivity limits the development of mobile money. The APS (National Switch of Afghanistan), supported by FAIDA, will facilitate interconnectivity among banks and MNOs.

- Uptake of mobile money requires either significant investments from the private sector (MNOs) or broad government support, and, ideally both.

- New activities should match supply and demand. Outreach and training should be conducted with users before, during, and after product rollout.

- Support from USAID and other international development actors can provide incentives to companies and reduce losses, yet mobile money products must ultimately have a solid business case and business plan for long-term success.

- In 2015, FAIDA issued a request for competitive subcontract proposal, entitled, “Request for Proposal No. FAIDA-2015-001-Mobile Money Public Awareness Campaign.” Proposals under this solicitation were for what was intended as one of the hallmark activities of the Better than Cash component. Thus, the proposal evaluation process received close review and attention to ensure both best technical approach and best value for USAID was achieved.
During evaluation of applications, FAIDA selected the three most competitive written proposals for oral presentation. One organization selected was a large telecom company with significant expertise in the media and advertising sector in Afghanistan. Although this telecom organization presented a strong written proposal, its oral presentation fell far short of the competitive mark, representing a poor overall understanding of the technical requirements. FAIDA’s evaluation committee noted that the organization showed a lack of understanding of: how to promote a product such as mobile money, the concept of financial inclusion and its relationship to mobile money, and how to employ a methodological approach. Thus, the organization did not receive an award. Upon receiving its loss letter, this organization filed a formal protest. During review of the protest, FAIDA made clear to the organization that the incongruences in its written and oral presentations had rendered its overall application uncompetitive. FAIDA also used this opportunity to help the organization better understand USAID competitive bidding processes. Thus, this solicitation process demonstrated that often Afghan organizations require additional capacity building to present competitive applications.

From its experience, FAIDA recommends the following:

- Foster government prioritization of developing payment infrastructure. By sending clear signals that it plans to support policies that will enable a wide range of financial service providers to offer payment products, the Afghan government will help promote private sector investment and support from donors — two important factors for further payment infrastructure development.

- Provide government support for revising policies around payment services and fund disbursement. The Afghan government should work to incentivize investment by commercial providers in payment services that are electronic, interoperable, and promote individual account ownership.

- Increase the capacity of the DAB. The government and the DAB should work on building DAB’s capacity, enabling effective supervision of all financial service providers including non-bank EMI license holders. DAB’s capacity is critical to growing e-money systems and services, safeguarding Afghanistan’s financial system, and protecting consumers.

- Provide government support to the APS and adoption of its systems promoting bank interoperability. The government should prioritize further work on the APS because, if utilized by all banks and mobile money providers, the APS will provide the foundation for a national digital financial services system, including an interoperability service for transfers as well as fraud and risk management services. The government could consider a mix of policy tools and financial incentives to encourage financial service providers to connect to the national payment switch. In addition, the government could consider making participation in the APS a condition for all electronic payment providers, including banks, mobile telephone companies, and third party providers.
AGRICULTURAL SOUTH COMPONENT

FAIDA’s Agribusiness South (ABS) component operated from 2012 to 2013, with a focus on Afghanistan’s agriculturally rich southern region. ABS scaled up agribusiness activities to promote sustainable, commercially viable agriculture. As it aimed to transition assistance to Afghan agriculture from agricultural stabilization work to longer-term, sustainable agriculture development, FAIDA’s ABS component collected the following lessons and recommendations:

- Despite a number of clear successes, the ABS component also faced significant challenges that ultimately led to the component’s premature closure through a contractual de-obligation of $2.8 million. FAIDA encountered two primary problems: (i) a very difficult lending environment in the south of the country, as compared to Kabul and other regions in which FAIDA had worked with success. Few private banks had branches in southern Afghanistan at the time; there was very little microfinance activity; and very few lending institutions present offered Islamic financing products, which were very important for borrowers in this particular market (ii) the short implementation period allotted for the component did not match the actual needs, and thus, FAIDA did not achieve its target results as quickly as expected. For example, a 2014 audit from the Office of the Inspector General noted that FAIDA and USAID “took a strategic focus on longer-term and lending opportunities that did not fit the implementation timeline.” This strategic focus was, in fact, based on needs assessments conducted once implementation had begun. Yet, ultimately, the lack of alignment between existing needs and the implementation period, combined with immense lending challenges and the fact that USAID anticipated the award of the Regional Agricultural Development Project-South, led to a determination that the activities under this component no longer represented the best path forward.

- Trainee feedback and pre- and post- training test results demonstrated that there is strong demand for input supply, postharvest handling, and agribusiness and association planning and management training. FAIDA recommends continuing similar, in-depth technical training. Future training should include large-scale producers and combine hands-on practical exercises with theory.

- FAIDA expected that technical training would have to be conducted in the various ABS target district regions to reach the target audience. Yet agribusiness owners and key employees proved willing and able to travel to Kandahar City, Lashkar Gah City, and Camp Xenia to attend training, and they were even willing to stay overnight during multiple-day courses.

- Increased use and scale of cold chain technologies is a prerequisite for realization of lucrative, out-of-season market opportunities. However, support to government-owned, large-capacity cold storage facilities, often poorly managed by unqualified lessees, has proven an unsuccessful model. A better course of action is the promotion of privately owned, smaller and more versatile facilities designed for packing and storing multiple products with different holding requirements. Utilization of refrigerated containers and
trailers should also be developed for field cooling, transport to cold storage facilities, especially for medium-term storage.

- Support for private sector development by the local and provincial government is, unfortunately, the exception, and not the norm in the region. Future agricultural programs should find ways to realize an increase in collaboration between Afghan government officials, private associations, and agribusinesses.

**GENDER COMPONENT**

FAIDA advanced women’s standing in Afghanistan by facilitating access to information and finance, providing professional and personal growth opportunities, and encouraging women to form beneficial connections. With its workshops, training courses, and internships, FAIDA built the skills of thousands of women and helped hundreds to enter the labor market.

Still, women’s inclusion and improvement in development indicators specifically related to women remain critical areas in which Afghanistan must improve — to ensure Afghan women’s well-being and the country’s growth and stability. During its implementation, FAIDA realized a number of achievement in women’s inclusion and also faced numerous challenges. From this experience, FAIDA presents the following lessons and recommendations:

- Identifying women in the provinces interested in or seeking financial access or careers in finance often proves difficult. For cultural and religious reasons, women frequently were not allowed or willing to travel to participate in activity initiatives. FAIDA’s tools and approaches helped mitigate some of these challenges to maximize participation of women, yet the overall problem remains significant.

- On-the-job training provided through internship programs proved the best tool to help recent female university graduates find employment opportunities.

- Future activities should further link business women to lenders; identify more women borrowers; facilitate more networking opportunities for women; and help identify more potential businesswomen.

Consensus in the international development community holds that gender equality matters for development and long-term progress. FAIDA suggests that involving greater numbers of women in the labor market and the finance sector will help break a negative cycle of women’s lack of inclusion; in a 2013 World Bank study on women’s status in Afghanistan, Afghan women mentioned facing challenges in workplace settings because they were operating in an environment with few other women, and thus had relatively few examples or role models to draw from.

FAIDA recommends that future activities build on its work to improve women’s financial literacy and participation in the working world — and, in particular, the financial sector. Both Afghanistan and the international community should prioritize women’s inclusion for the sustained well-being of women — and of the country.
SECTION NINE
FAIDA’S LEGACY

During its six years of implementation, FAIDA’s interventions helped Afghanistan’s financial sector and its national economy to progress. Investing $113.98 million across six components — Enterprise, Banking, Regulatory, Better than Cash, Agribusiness South, and Gender — the project adopted a holistic approach to build stronger Afghan financial institutions and to enable more Afghans to access finance. In a recovering economy, FAIDA’s work on financial systems opened up new financial possibilities and helped improve livelihoods across Afghanistan, including for historically underrepresented groups such as women and youth.

By strengthening Afghanistan’s financial infrastructure, FAIDA directly impacted the lives of hundreds of thousands of Afghans. From 2011 to 2017, the project mobilized almost $60 million in private financing; enabled more than 104,064 clients to benefit from financial services; supported more than 15,836 businesses; and developed more than 33 new financial products. In total, FAIDA’s efforts benefitted more than 138,983 Afghan families. With these results, the project established a foundation from which Afghanistan can continue to progress and to grow its financial sector.

In discussing Afghanistan’s path forward, the Afghan government, in its recent strategy paper, Realizing Self-Reliance, emphasized its commitment to strengthening the financial and private sectors to realize a “vibrant, functioning real economy” and “stable growth.” The government announced its intention to bolster the agriculture sector — the country’s largest market for job creation — and to work on regulatory and legal reform, financial inclusion and small business development, and mobile banking and payments to widen access to financial services and to increase transparency.

In 2016, FAIDA’s last full year of implementation, USAID announced the Afghanistan Financial Sector Development Program (AFSD) which, once launched, will build on the foundation established by FAIDA and the government of Afghanistan.

As AFSD begins implementation, it could work with the Afghan government and the country’s financial institutions to reach the following mid-range goals:

- A ratio of 50:100 rural to urban loan clients established
- 60 financial sector reforms drafted and adopted
- 100 percent of DAB Financial Supervision Department examiners certified in international investigation standards
- 14 correspondent relationships established by Afghan banks
- $30 million in private sector financing mobilized to MSMEs
- $90 million in electronic financial transactions completed

The ability to cite such targets began with FAIDA. FAIDA’s interventions advanced the challenging work of stabilizing and growing Afghanistan’s financial infrastructure.

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The project left a legacy of improved access to finance — a legacy that it hopes Afghanistan’s government and financial sector will build on to catalyze further advances, leading to wider and more equitable provision of financial services for all Afghans.
## ANNEX I

### RESULTS VS. INDICATORS, FEBRUARY 2011 – FEBRUARY 2017

<table>
<thead>
<tr>
<th>Code</th>
<th>Indicator</th>
<th>Unit of measurement</th>
<th>Total Life of Project Targets</th>
<th>Total Life of Project Results</th>
<th>Percentage Reached</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>Number of full-time equivalent jobs created</td>
<td>Number</td>
<td>6,445</td>
<td>7,183</td>
<td>5,195</td>
</tr>
<tr>
<td>1.1</td>
<td>Number of families benefitted</td>
<td>Number</td>
<td>40,471</td>
<td>138,983</td>
<td>123,260</td>
</tr>
<tr>
<td>1.2</td>
<td>Amount of private financing mobilized</td>
<td>Value</td>
<td>46,050,000</td>
<td>59,015,515</td>
<td>55,704,727</td>
</tr>
<tr>
<td>1.3</td>
<td>Number of businesses supported with U.S. government assistance</td>
<td>Number</td>
<td>13,021</td>
<td>15,836</td>
<td>10,848</td>
</tr>
<tr>
<td>1.4</td>
<td>Number of new financial products developed by U.S. government-assisted financial institutions</td>
<td>Number</td>
<td>33</td>
<td>33</td>
<td>0</td>
</tr>
<tr>
<td>1.5</td>
<td>Number of SMEs that have received loans from financial institutions</td>
<td>Number</td>
<td>213</td>
<td>853</td>
<td>485</td>
</tr>
<tr>
<td>1.6</td>
<td>Total number of clients (households and/or microenterprises) benefiting from financial services provided through U.S. government-assisted financial intermediaries, including non-financial institutions or actors institutions or actors</td>
<td>Number</td>
<td>28,115</td>
<td>104,067</td>
<td>99,813</td>
</tr>
<tr>
<td>1.7</td>
<td>Number of persons receiving new employment or better employment (including better self-employment) as a result of participation in U.S. government-funded workforce development programs</td>
<td>Number</td>
<td>2,550</td>
<td>104,589</td>
<td>100,094</td>
</tr>
<tr>
<td>2.1</td>
<td>Number of financial sector training and/or certification programs established or supported that meet international standards</td>
<td>Number of trainings</td>
<td>246</td>
<td>302</td>
<td>0</td>
</tr>
<tr>
<td>Code</td>
<td>Indicator</td>
<td>Unit of measurement</td>
<td>Total Life of-Project Targets</td>
<td>Total Life of-Project Results</td>
<td>Percentage Reached</td>
</tr>
<tr>
<td>------</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Number of financial sector employees trained with U.S. government assistance</td>
<td>Number of trainees</td>
<td>3,095</td>
<td>2,722</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,147</td>
<td>575</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Number of financial sector professionals/supervisors trained with U.S. government assistance</td>
<td>Number of trainees</td>
<td>969</td>
<td>1,253</td>
<td>129%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,076</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Number of financial institutions with enhanced capacity as result of U.S. government assistance</td>
<td>Number</td>
<td>31</td>
<td>31</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Number of public-private dialogue mechanisms utilized as a result of U.S. government assistance</td>
<td>Number</td>
<td>42</td>
<td>45</td>
<td>107%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Number of working groups established to address financial sector development issues as a result of USG assistance</td>
<td>Number</td>
<td>29</td>
<td>22</td>
<td>76%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance</td>
<td>Number</td>
<td>67</td>
<td>46</td>
<td>69%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Users of electronic payments</td>
<td>Number</td>
<td>31,700</td>
<td>100,660</td>
<td>318%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>98,139</td>
<td>2,521</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Number of participating merchants</td>
<td>Number</td>
<td>1,400</td>
<td>2,005</td>
<td>143%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,783</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td>Cross-cutting</td>
<td>GNDR-2 Proportion of female participants in USAID-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)</td>
<td>Number</td>
<td>2,950</td>
<td>4,248</td>
<td>144%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>4,248</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX II

PARTNER INSTITUTIONS: PROBLEMS ENCOUNTERED, LESSONS LEARNED, STRENGTHS, WEAKNESSES, AND RECOMMENDATIONS

AFGHANISTAN BANKS ASSOCIATION (ABA)

The ABA was established in September 2004 to meet the need of the growing banking sector for a united body to represent all banks and to serve as their voice in dialogues with the DAB, government, and other stakeholders. ABA is a non-political, non-government, non-profit and independent association formed by the local and foreign commercial banks branches striving for a strong, healthy, and competitive banking industry in Afghanistan, representing the common interests of the banking sector. ABA has set its immediate and short-term goals to evolve as an association that can be counted as one of the best in the region. ABA aims to build the capacities of banking professionals, and create a favorable environment, generating public awareness about Islamic banking, and enhancing the awareness of the judiciary.

ABA requires support to develop the capacity to achieve these goals. ABA will be a strong, credible, progressive organization that promotes best practices in the financial industry and sets standards for efficiency and excellence in the sector. The ABA helps promote an understanding of the banking industry to the public, all levels of government, and other interested stakeholders through a broad range of activities. The association also provides a forum for dialogue between these groups and the banks and works to coordinate and promote best practices in banking in Afghanistan.

PROBLEMS ENCOUNTERED

- Limited knowledge and stringent criteria of banks have prevented businesses from accessing trade finance tools.
- ABA faces a lack of resources, including human resources and financial resources, to enable the institution to play a better role in the development of the banking sector.
- Banks’ high-interest rates on loans have limited access to finance for SME and corporate clients.
- Women have fewer opportunities to access finance because they often do not have collateral in their names since mostly the title deeds of properties are in men’s names in Afghanistan.
- Special courts for recovery of bad loans should be established.
- Corruption in government offices and lacking law enforcement has created massive problems for banks and forced sale of mortgaged properties.
- Banks in Afghanistan suffer from a lack of relationships with large-scale, global corresponding banks. Banks are hesitant to partner with Afghan banks for a number of reasons including Afghanistan’s poor country rating, and the low number of official business-related financial transactions. Corresponding bank
relations have not increased in recent years, and even in some cases appear to be declining.

LESSONS LEARNED

- Most of the worldwide suppliers are not prepared to use trade finance tools, such as letters of credit, when exporting to Afghanistan and remain set on conducting financial transactions through direct payments, such as hawala dealers and money service providers, who are widely used for business transaction settlements. Since banks criteria are very stringent on trade finance services and Afghan businesses typically import from China, Pakistan, Iran, Central Asian countries, and the United Arab Emirates, these are the countries where suppliers usually request a 99 percent advance of direct payment through hawala dealers.

STRENGTHS

- ABA represents the banking sector and has strong support from DAB.
- ABA can build on FAIDA’s legacy by organizing access to finance events in new sectors that will enable ABA to earn revenue for sustainability.
- Afghanistan has highly acclaimed and professional bankers in its industry.
- Significant support from the international community.

WEAKNESSES

- Limited resources which reflected on the role and effectiveness of ABA in the industry.
- ABA is not perceived as the main forum for the banks.
- Limited technical, human, and leadership resources at ABA.
- Less conducive and volatile business market.

RECOMMENDATIONS

- Banks should expand their agriculture sector portfolios by developing more products and services that promote access to finance for agribusiness.
- ABA has to be supported with more human resources to carry out its normal day-to-day activities and to play an important role in research and advocacy.
- ABA, through its advocacy with DAB, should come up with some optimal solution to allow businesses to have access to trade finance through banks and to avoid using hawala dealers for their business transactions.

AFGHANISTAN MICROFINANCE ASSOCIATION (AMA)

The AMA is the national network of Afghanistan’s MFIs that was created by microfinance practitioners (MISFA, MISFA partner MFIs, and other stakeholders) in 2005. Registered in 2007, AMA aims at promoting a sustainable microfinance sector
through capacity building of MFIs, advocacy, lobbying, and heightened awareness to establish itself as an effective voice for the microfinance sector. In 2009, AMA was enrolled as a member of the South Asian Microfinance Network (SAMN), a regional microfinance network. The association has received some technical support from SAMN which included a country coordinator seconded for two years to help AMA in coordinating an SAMN project to support Afghan MFIs. The association’s aim is to create a favorable environment in Afghanistan in which institutions/ projects promoting development finance can thrive. AMA also aims to promote, support, strengthen, and offer appropriate support to institutions involved in developmental finance. Within five years, the association will be a well-established, independent, broad-based, credible, and reliable association which will be the voice of the development finance sector in Afghanistan, and advocate and lobby effectively on behalf of the sector. Through conducting training and organizing workshops, conferences, seminars, and roundtable discussions, AMA will develop the capacity of its members. AMA also aspires to be independently sustainable.

PROBLEMS ENCOUNTERED

- AMA and the microfinance industry is not regulated and not awarded priority to with stakeholders and regulators. Yet, AMA can be a significant player in the development of access to finance in Afghanistan. Recent attention was given to AMA, in particular its management and members.

- AMA received technical and financial support from FAIDA in the past five years, which helped it to establish itself as a leader of the microfinance sector. The AMA has not faced any specific problems that hindered its activities during the last few years.

LESSONS LEARNED

- With FAIDA’s support during the past five years, AMA established itself as a strong organization and became the voice of the microfinance sector.

- AMA is now considered a reliable source of information and coordinator of the microfinance sector in Afghanistan.

- AMA received MISFA’s trust and took on some of MISFA’s regional work. Additionally, MISFA committed to continuing its financial support to AMA for the coming years.

- AMA represents a successful model of development and development efforts.

STRENGTHS

- AMA represents 12 member organizations that serve 477,000 active clients (40 percent women) through 155 branches and support a $139 million portfolio in 19 provinces.

- AMA has strong credibility and a strong foundation at the national and international levels.

- AMA has the capacity to represent Afghanistan’s microfinance sector at different levels and advocate on behalf of the sector.
• AMA management and members built a strong reputation with support from grants and other technical assistance.

WEAKNESSES
• Dependency on MISFA for institutional support (financial support) likely represents AMA’s greatest weakness at this stage.
• Limited resources affected AMA’s role and activities.

RECOMMENDATIONS
• Pursue the objectives set up in AMA’s five-year strategic and sustainability plan and to avoid reliance on one donor/supporter.
• AMA should aim to diversify its funding sources to reduce reliance on MISFA.
• AMA should seek further institutional support to achieve its strategic goals and to develop enhanced sustainability.
• AMA should reduce its dependence on MISFA; AMA’s independence on sector-related issues could be compromised, thus diversification of donors remains very important.

AFGHANISTAN INSURANCE PERSONNEL ASSOCIATION (AIPA)
The AIPA was established in 2013 and formally registered on February 10, 2014, to meet the need of the growing insurance sector for a united body representing the interests of the insurance community. AIPA aims to serve as the voice of Afghanistan’s insurance companies and the insurance sector in dialogues and consultations with the Afghanistan Insurance Authority (AIA), businesses, individuals, government ministries, and other stakeholders — internal and external. AIPA is a non-political, non-government, non-profit and independent association formed by some local insurers and individual members from other backgrounds with links to or an interest in the insurance sector. AIPA aims to strengthen the competitiveness of the insurance industry in Afghanistan. Three of the four licensed insurers in Afghanistan are members of the AIPA.

AIPA aims to build the capacities of insurance professionals and to generate greater awareness about insurance. AIPA helps to strengthen the insurance industry in Afghanistan by obligating members to observe a strict code of conduct and professional practice; supporting training initiatives, marketing, and education campaigns; building networks with stakeholders, and taking on advocacy efforts. It provides a forum for dialogue between many entities and works to coordinate and promote best practices in insurance and greater access to, and usage of insurance, to create a robust domestic insurance sector in this country. AIPA aspires to become the natural point of reference for a diverse range of domestic and international audiences who wish to understand, engage with, support, or enter the Afghan insurance sector.

PROBLEMS ENCOUNTERED
• Lack of proper insurance law is a challenge for the insurance industry.
- Forged documents.
- Corporate governance.
- Non-admitted market activities in Afghanistan.

**LESSONS LEARNED**

- Afghanistan Insurance Authority (AIA) should achieve microinsurance implementation by working closely with all the stakeholders, specifically insurance companies. 36 percent of Afghanistan’s population is living below the poverty line. Thus, implementing microinsurance will cover many low-income people to protect them against risks.

**STRENGTHS**

- Highly experienced international insurance industry management.
- Strong foundation for the industry sector, although still embryonic.
- “A” rated international reinsurance availability.
- Knowledge base of local staff is increasing.

**WEAKNESSES**

- Limited opportunities to recruit experienced financial service professionals.
- Low underwriting capital base and reliance on international reinsurance.
- Slim national penetration and weak gross revenue.
- Lack of trust from the public around insurance.
- Weak government support.
- Weak regulatory body.
- Domestic insurance company over licensing

**RECOMMENDATIONS**

- In a volatile country like Afghanistan, government should impose some mandatory insurance regulations on fire, third party liability, and health insurance.

**AFGHANISTAN RENEWABLE ENERGY UNION (AREU)**

The AREU got its start in 2013 and the union embarked on a new mission of renewable energy capability, promotion, and capacity growth in Afghanistan. Afghanistan has a strong need for energy and huge potential for renewable energy with the natural resources it possesses. With an increased focus on alternative and renewable energy, there are many attractive investment opportunities for the national and international companies working in this field in Afghanistan. AREU actively invests own company funds and also raises outside capital for renewable energy projects in Afghanistan. Compared with other technologies and sources of power, which are typically mechanized and capital intensive, the renewable energy
industry is more labor-intensive. This means that, on average, more jobs are created for technical personnel; AREU supports many jobs in Afghanistan. Throughout the country, strong winds, sunny skies, plant residues, heat from the earth and fast-moving water all provide vast and replenishable energy resources. These diverse sources of renewable energy have the technical potential to provide at least a part of the electricity the nation needs. Aware of this potential, AREU is doing its best to create more opportunities for both national and international investors to invest millions of dollars in this field in Afghanistan.

PROBLEMS ENCOUNTERED

- Limited knowledge and lack of professionalism about renewable energy technology.
- Renewable energy businesses face high-interest loans to invest in the sector.
- Lack of loan products and insurance to finance and insure the renewable energy projects in the country.

LESSONS LEARNED

- The Afghan government seeks to provide access to electricity to all households by 2032. Currently, around 28 percent of the Afghan population has access to electricity, and access is primarily concentrated in urban areas. Afghanistan has already made significant strides toward increasing access to electricity and has begun exploring renewable energy as an alternative to traditional energy sources. Since 2002, more than 5,000 renewable energy projects have been completed in Afghanistan.

STRENGTHS

- AREU represents renewable energy’s private sector in Afghanistan and has the support of the Ministry of Energy and Water (MEW) and Da Afghanistan Breshna Sherkat (DABS).
- With FAIDA assistance AREU increased its membership throughout the country, from 10 members to 60; this increased representation is a positive for the organization.
- AREU enjoys a strong working relationship with the Inter-Ministerial Commission for Energy (ICE), Ministry of Energy and Water (MEW), and Da Afghanistan Breshna Sherkat (DABS).

WEAKNESSES

- AREU members have limited technical, management, and leadership capacity and AREU lacks in some areas of human resource.
- AREU lacks potential resource data on Afghanistan’s renewable energy sector.

RECOMMENDATIONS

- Cooperation of AREU with the Ministry of Energy and Water (MEW), Afghanistan Sustainable Energy for Rural Development (ASERD) projects, the
the International Finance Corporation (IFC), and financial institutions will promote renewable energy and investment in the renewable energy sector.

- The Ministry of Commerce and Industries (MOCI) can help attract investment in the renewable energy sector through a tax exemption for renewable energy companies.

AFGHANISTAN INSTITUTE OF BANKING AND FINANCE (AIBF)

The AIBF is a not-for-profit organization positioned to impart professional training, provide institutional development and research services, and facilitate academic education. Its mandate is to develop professionals in the field of banking, finance, and management and to promote professionalism, particularly in the Afghan financial sector. AIBF owners include Da Afghanistan Bank (49 percent), Afghanistan Bankers Association (49 percent), and MISFA (2 percent). It is registered as an NGO with a permanent presence in Kabul. In addition to owner funding, the AIBF receives funding from the World Bank, Harakat, and USAID. AIBF affairs are directly supervised by its Board of Directors, chaired by the sitting Governor of the Da Afghanistan Bank. Directors include chairman of the ABA; managing director of the MISFA; and the institute’s executive director. The general management of the institute is carried out by the executive director. The AIBF has two international training advisers and an international microfinance professional. It also has a one senior trainer and three national trainers, all Afghans. The institute has so far delivered more than 100 training programs in which it has served about 1500 personnel of varied seniority. The institute has also provided consulting in institutional development projects for a number of financial institutions in Afghanistan.

PROBLEMS ENCOUNTERED

- Limited experience in Afghanistan and few experienced trainers to share knowledge and resources with AIBF.

LESSONS LEARNED

- Include AIBF all development efforts to build AIBF capacity and experience in banking and finance.

STRENGTHS

- AIBF now has more highly qualified international and national trainers, specialized in banking and finance. The AIBF is chartered by Ministry of Economy and Education, accredited by Da Afghanistan Bank (Central Bank) and affiliated by ABA, MISFA, and AMA.

- New management eager to develop and enhance practice and achievements.

- AIBF is the only institute of banking and finance with significant support from DAB.

- Significant international/local partnerships and list of prospective partners.

- Opportunities for competition with launch of new and extended programs with international/local tie-ups and partnerships.
• Seminar halls, as well as training halls, with modern facilities.

WEAKNESSES
• AIBF has limited financial resources and this has affected its role and activities.
• Reductions in state funding; the necessity to update programs and services and rising fixed costs contribute to lack of available financial resources.
• Retention along with succession.

RECOMMENDATIONS
• AIBF should focus on building the capacity of AIBF management and trainers and on also on increasing AIBF networking opportunities with international institutions for promotion in regional and international markets.

AFGHANISTAN PAYMENTS SYSTEMS (APS)
With support from the U.S. Department of Defense - Task Force For Business Stability and Operation, Afghanistan Payments Systems LLC (APS) was established in 2011 with License Number D-37351 from Afghanistan Investment Support Agency (AISA).

APS is a consortium of private and state-owned financial institutions and has been specifically established to develop and operate a shared retail payments infrastructure on behalf of its member institutions. APS membership is also open to institutions involved in financial message transmission if licensed by Afghanistan Central Bank (DAB). APS is entirely owned by the member institutions, but operates as a separate, independent company for the shared benefit of all members. APS is based in Kabul, although its members collectively have a number of branches and offices located throughout Afghanistan. Bank-e-Millie Afghan (BMA), Pashtany Bank, and Ghazanfar Bank are the current shareholders and founding members of APS. The Central Bank of Afghanistan (DAB) will not be directly involved in APS, on the basis that commercial banks and other institutions such as mobile network operators should operate the card and mobile payment system.

APS has embarked on a major undertaking to modernize Afghanistan’s retail payments infrastructure with the support of the Central Bank of Afghanistan. In order to provide the envisioned service to participating banks and other financial institutions, APS will implement shared interoperable inter-bank retail payments infrastructure.

PROBLEMS ENCOUNTERED
• Banks are not interested to join.
• Some government entities are not supportive and interested to contribute to the success of the project.
LESSONS LEARNED

- In public private initiatives such as APS, government should grant full support, otherwise it difficult to obtain the required result.

- Before implementation of such an initiative, partners should do a case study in the region, to get a deep understanding of operation and implementation.

STRENGTHS

- The system is established now, enhanced with updated technologies.

- Six banks are full members of the APS.

WEAKNESSES

- The World Bank provided funds, but did not also endeavor to make the initiative a success.

- Lack of technical expertise in government.

RECOMMENDATIONS

- The Central Bank should support and mandate interoperability in all financial institutions.

- The APS should initiate a system of semi white-label-agents to include service from all the providers.

MOBILE MONEY WHITE-LABEL-AGENT REGISTRATION (TOP VISION)

Top Vision Group is an Afghan-owned company. The core businesses are marketing consultancy service, logistic supply and transportation, construction and engineering, and general trading. The company was formed in 2009 as Marketing Service and Logistic Supply, and since then has grown well and provided service to several major clients in different sectors, both commercial and government, within Afghanistan. Top Vision is undergoing an aggressive expansion program including the building of seven regional offices (Kabul, Hirat, Mazar, Jalalabad, Kandahar, Ghazni and Kundoz) Top Vision is totally committed to the rebuilding of Afghanistan and the development of the country. The company has more than 100 full-time employees spread over seven main zones and the company also employs additional staff on short-term contract.

PROBLEMS ENCOUNTERED

- Lack of awareness and trust in the public toward mobile money.

- Low literacy rates.

LESSONS LEARNED

- Donors providing funds/grants to MNOs should require a strong commitment from them as to successful implementation of the required activity.
• To reduce the cost of mobile money transactions, MNOs should work to promote the white-label-agent.

STRENGTHS
• With the support of USAID/FAIDA, Top Vision engaged MNOs in registration.
• MNOs’ involvement in the process increases the sustainability of agents.
• Registration took place in a door-to-door initiative, which encouraged more customers to join the system.

WEAKNESSES
• Lack of available services in the mobile money sectors.
• Lack of agents in the market.

RECOMMENDATIONS
• Since mobile money is still emerging in Afghanistan, to promote the sector, government or donors should support it.
• MNOs should reduce transaction fees to attract customers.

RETAILER ELECTRONIC PAYMENT MACHINE (BOLORO)
Boloro presents an innovative technology concept that will facilitate branchless banking, mobile money operations, and bill payments.

Boloro Afghanistan, through its unique mobile money acceptance platform allows mobile money operators to access a wide range of merchants including educational institutes, Kabul Electricity Company (Brishna), government, microfinance institutions, online stores, passport and drivers’ licensing authorities. Bill payers are given multiple sources of payments, such as their mobile money wallet and cash.

Boloro Afghanistan has integrated with Roshan’s MPaisa and Etisalat’s mHawala. It also has signed an MOU with Afghan Wireless’s My Money. Boloro Afghanistan under the agreement with the mobile money operators is responsible for establishing the network of merchants so that the mobile money subscribers and willing bill payers use their mobile money wallets to pay these merchants through Boloro Afghanistan’s mobile payment platform.

PROBLEMS ENCOUNTERED
• Mobile money is still emerging in Afghanistan and the public had little information on it.
• When FAIDA presented on mobile money in university settings, it was difficult to convince the management of universities to dedicate time and a venue for such a presentation.
• Security in the provinces was also challenging.
LESSONS LEARNED

- Coordination of activities between the public and private sectors could help increase the acceptance of e-payments.

STRENGTHS

- Integration with two MNOs.
- The machine operates in local language and voice over.
- Integrated e-top up with all the MNOs.

WEAKNESSES

- Boloro displayed low technical skill in some areas.

RECOMMENDATIONS

- More product should be developed and introduced.
- The system should be connected with APS.

MOBILE NETWORK OPERATORS (MNOS)

*Etisalat Afghanistan Telecom Company:* Etisalat Afghanistan is a GSM mobile telecommunications company, a subsidiary of Etisalat UAE. The core business is the provision of telecommunication services to the people of Afghanistan.

*Roshan:* M-Paisa is an Afghan corporation and a wholly owned subsidiary of Telecom Development Company Afghanistan Ltd. (“Roshan”). M-Paisa is powered by Roshan’s robust mobile network which has the widest network coverage in Afghanistan, spanning 230 cities and towns in all of Afghanistan’s 34 provinces including remote areas.

*Afghan Wireless Communication Company (AWCC):* AWCC is the only Afghan company that is licensed by the Afghanistan Telecommunications Regulatory Authority to provide major communication services for voice, value-added, and data services for all types of customers from individual to large corporate and government agencies.

PROBLEMS ENCOUNTERED

- MNOs did not contribute to the enhancement of the mobile money services.
- Negative competition among the MNOs diverted effort from the overall success of the sector to the preservation of individual interest.

LESSONS LEARNED

- Donors providing funds/grants to MNOs should require a strong commitment from them as to successful implementation of the required activity.
- To reduce mobile money transaction costs, MNOs should work to promote the white-label-agent.
STRENGTHS

- Most of the MNOs (3 out of 5) received the EMI license from the Central Banks.
- With FAIDA support, the sector has grown and has transacted approximately $300 million.

WEAKNESSES

- Lack of interoperability in the MNO system.
- Lack of coordination and absence of initiative from the government to coordinate the sector activities.

RECOMMENDATIONS

- Since mobile money is still emerging in Afghanistan, to promote the sector, government or donors should support it.

POLICY COORDINATION UNIT OF THE PRESIDENT (PCU)

The President's Policy Coordination Unit leads and coordinates the process of transferring government transactions to mobile money payment systems. This process will happen first for salary disbursements to civil servants, police and the army, and then for other governmental financial transactions. FAIDA is supporting the mobile money payment taskforce by providing the necessary technical and financial support for the government to start the process.

PROBLEMS ENCOUNTERED

- The PCU lacked individuals with knowledge to develop policy. To address this, FAIDA embedded its Better than Cash team leader to provide full-time assistance.

LESSONS LEARNED

- In new and technically complicated initiatives, support from top management, such as the Office the President, enhances outcomes.
- Coordination among ministries and government agencies is feasible, when it is channeled through the Office of the President.

STRENGTHS

- Access to the central decision units’ authority facilitated the success of mobile money in Afghanistan.
- Attracted support from the president.

WEAKNESSES

- The PCU suffered from a lack of experience rolling out mobile money in Afghanistan during this first-ever initiative. Thus, it relied significantly on FAIDA’s Better than Cash technical team.
RECOMMENDATIONS

- Support PCU to establish a unit to follow up on the decisions and executive orders.
- Work with the related government agencies to promote awareness and build technical capacity.

MOBILE MONEY PUBLIC AWARENESS CAMPAIGN (KOSHA)

Kosha Media is a well-organized multiprofile organization based in Kabul, Afghanistan. Kosha is well-equipped to produce creative and international quality campaigns for multimedia usage. Starting from strategy and planning, Kosha has in-house, full-time creative and design teams. Our audio visual production is handled with utmost detail by professional directors and international experts. With an in-house audio studio, Kosha delivers the best quality of sound and scores.

We also provide our clients with offset and digital printing, experiential marketing services, event management, and brand activations.

PROBLEMS ENCOUNTERED

- Mobile money is new in Afghanistan and the public had scant information.
- While presenting in some universities, sometimes it was difficult to convince university management to dedicate time and a venue.
- Security issues in the provinces also proved challenging.

LESSONS LEARNED

- Billboard and radio as well as TV and printed materials are very effective tools of public awareness in Afghanistan.
- Mobile cinema and promotion materials are also important for the success of public awareness campaigns.

STRENGTHS

- Materials were composed of different tools, which covered a wide range of audiences.
- The campaign was conducted in local language and attracted the attention of all targeted audience.

WEAKNESSES

- No weaknesses affected campaign outcomes.

RECOMMENDATIONS

- A registration team should accompany the campaign team, as there might be a need for registration.
SNAPSHOT

USAID Helps Haji Hossein Payman Tailor His Way to Jewelry Business

A loan through a USAID partner helped save Haji Hossein Payman’s Kabul clothing business and then enabled him to expand into selling jewelry.

In 2009, Payman established Etimad Tailoring Company and retail store, which produces suits, jeans, T-shirts, and women’s dresses based on market demand. He uses the best brands and highest quality products to win business and compete with foreign products in the Afghan market.

Despite strong demand for his products, the company’s operations eventually were jeopardized due to financial constraints and a lack of modern machinery. To address the problem, Payman decided to apply for a loan to help his business recover and grow.

In February 2013, USAID/FAIDA determined that the business qualified for a loan and would help Payman.

FAIDA helped the company develop a concept note and worked with the First Microfinance Bank in Afghanistan. Etimad Tailoring Company was ultimately approved for a $100,000 loan for 18 months.

"After receiving the loan," Payman said, "my company’s production, sales and investment level increased up to 30 percent. As a result, I opened a new retail store and hired three new employees to run the store."

After his clothing business rebounded, Payman was confident enough to open a jewelry store in the same market where his clothing store is located. He also created nine jobs for men in Kabul.

The $108 million, five-year FAIDA project was designed to build a sustainable, diverse and inclusive financial sector to meet the needs of micro, small, and medium-sized enterprises throughout Afghanistan. To date, the program has conducted 280 training activities for 2,496 financial sector employees, including 1,190 supervisors from 31 financial institutions.
SNAPSHOT

Afghan Banks Provide Islamic Loans

USAID helps Afghan financial institutions gain the knowledge and expertise to give customers the products they increasingly request.

When the Afghanistan Rural Finance Company’s clients asked for Islamic loans, its president and CEO turned to USAID for help. Hashmat Amarkhail knew what his clients wanted — *murabaha*, or financing compliant with Sharia, which shares profit and loss between borrower and lender. But he didn’t know how the company could provide it.

Technical assistance from USAID helped the company meet its clients’ needs. From 2012 to February 2013, it dispersed 10 Sharia-compliant contracts, worth just under $2 million.

Mohammad Nazir Ayoubi, an auto parts dealer in Herat, is one of Mr Amarkhail’s satisfied customers. “It was very important to get additional capital for my business, but I wanted a loan that followed Sharia principles,” he explains.

It is an increasingly common request in Afghanistan, but until recently most of the country’s financial institutions did not offer Sharia-compliant products. Islamic banking is relatively new, having begun in Egypt only in the late 1960s; Afghan institutions have yet to master its complexities. However, with USAID support, Bank-e-Millie, Ghazanfar Bank, Islamic Investment & Finance Cooperatives Group, and Afghan Growth Finance have started or enhanced their Islamic banking portfolios. Two other banks — Afghanistan International and Pashtany — also requested technical assistance.

Ten senior officers from Afghan financial institutions, including a woman, were sent to Malaysia for a first-hand look at Islamic banking. Taib Sidiqi of Da Afghanistan Bank said the tour resulted in the promise of technical support from Malaysia’s central bank.

At least three Afghan banks started to discuss an Islamic correspondence banking agreement with Malaysia’s Bank Islam Berhad. This will enable them to offer international financial services to clients and is a “crucial step in the development of Afghanistan’s banking sector,” said Mirwais Naseri, deputy chief of operations of Bakhtar Bank.

PHOTO: USAID/FAIDA

Mohammad Nazir Ayoubi invested in his auto parts business using a Sharia-compliant loan.

Until recently, most Afghan financial institutions did not offer Sharia-compliant products. Islamic banking is relatively new, having begun in Egypt only in the late 1960s.
Making the Islamic banking system on a par with international standards will greatly expand access to financing for Afghan businesses

Afghans have used different types of Islamic financing since ancient times, but financial institutions in Afghanistan do not generally offer modern Islamic financing that conforms to international standards. Yet there is strong demand for Sharia-compliant financing from the Afghan business community.

Beginning in 2011, USAID helped Afghanistan’s financial sector develop Islamic banking operations and develop relevant financial products. In addition to technical assistance to individual institutions, USAID sponsored a study tour to Malaysia for 10 senior officers in early 2013 to provide an opportunity to observe modern Islamic financing in practice. The participants, including one woman, were employees of Da Afghanistan Bank, Ghzanfar Bank, Afghan International Bank, Bakhtar Bank, Pashtany Bank, Maiwand Bank, Bank-e-Millie Afghan, Bank Alfalah, Afghan Rural Finance Company and Afghan Growth Financing.

“My meetings with officials of Bank Negara, Islamic Financial Services Board and other Islamic banks in Malaysia provided crucial inputs for setting up Islamic financing regulations appropriate for Afghanistan,” said Taib Sidiqi, head of Islamic Banking at Da Afghanistan Bank. Bank Negara Malaysia, the country’s central bank, pledged technical support to Da Afghanistan Bank on Islamic financing regulations.

Bakhtar, Ghazanfar, and Pashtany banks discussed correspondence banking agreements with Bank Islam Berhad. Correspondence banking will enable banks in Afghanistan to offer international financial services to clients and to enhance investment returns and opportunities for the banks and their clients. Mirwais Naseri, deputy chief of operations of Bakhtar Bank, said, “Islamic correspondence banking is a crucial step in the development of the banking sector in Afghanistan as well as a very important service and investment vehicle to clients.”

said Hashmat Amarkhil, CEO of Afghanistan Rural Finance Company, commented, “The immediate beneficiaries of this study tour are us, the financial institutions, but the real beneficiaries will be the Afghan businesses who are looking for alternative means of financing.”
Targeted Training Enhances the Ability of Afghan Banks to Manage Risk

Training financial sector professionals in risk management is essential to a sound risk management framework within Afghanistan’s financial institutions.

In October 2015, following risk assessments of Azizi Bank and The First Microfinance Bank that included a diagnostic survey and onsite visits, FAIDA conducted risk management framework and methodology training for banks and microfinance institutions at its offices in Kabul.

The main objective of the five-day training was to enhance the ability of Afghan banks to address risk management in general and to develop a risk management framework to mitigate credit, market, liquidity, and operational risks.


The training enhanced participants’ skills and knowledge of risk management by addressing risk governance, Basel Accord history and regulations, risk management framework, and the four main areas of risk for the banking sector — credit risk, operational risk, liquidity risk, and market risk (interest rate risk and foreign exchange rate risk). They now have a clear understanding of how risk management helps their institutions perform better in their day-to-day activities.

Ajmal Barakzai, senior risk officer of Afghan United Bank, commented, “We have gained knowledge of risk management and we will put it into practice in our institutions.”

At the end of training, participants received a risk management framework template, and FAIDA asked Da Afghanistan Bank to lead the finalization of the risk management framework for financial institutions in Afghanistan. Kawus Jahish Hazrat, director general of the bank’s Risk Management Department, noted, “it is duty of Da Afghanistan Bank to implement the risk management framework in the banks” and expressed the bank’s commitment to do so. The 38 participants received certificates for completing the training.

“On behalf of all participants, I would like to thank USAID/FAIDA for providing this opportunity to all of us to share our knowledge and experience with each other and with training facilitator Ms. Thelma for better risk management framework. Hopefully the lessons learned here will be implemented by all of us in all banks in Afghanistan. We are grateful to USAID/FAIDA for providing us such an important opportunity to learn better risk management.”

— Rajendra Singh Sunda
Chief Risk Officer, Azizi Bank
SNAPSHOT
Mobile Money Mitigates Risk During Salary Disbursements

The government’s use of mobile money services to distribute salaries mitigates risk, ensures transparency, and strengthens Afghanistan’s financial system.

Despite progress in numerous development sectors over the past 14 years, Afghanistan’s formal financial sector has struggled to advance. This lagging progress in the financial sector has been felt by many employed Afghans who, due to a lack of transparent structures, rely primarily on notably high-risk cash transfers to receive their salaries. To mitigate the risks involved with these exchanges, the Afghan government is working with mobile network operators and USAID to support an alternative method of transferring cash that is more reliable, timely, and convenient.

As part of these efforts, the Afghan Wireless Communication Company (AWCC), with technical and financial assistance from USAID/FAIDA, developed and implemented a platform for mobile money transfers that serves as a more reliable method for distributing salaries. This platform allows individuals to access their salaries through their mobile phones, either transferring the funds to M-Wallet accounts on their phones or making withdrawals from authorized terminals.

In a pilot program launched in January 2015, 50 employees of the Ministry of Finance registered biometrically for the AWCC’s M-Wallet Mobile Money Service. The service made it possible for those employees to transfer their salaries directly to their M-Wallet accounts and to withdraw the money from AWCC’s authorized agents.

Following the success of the pilot, in August 2015 the ministry included 600 Afghan Local Police in Kapisa province. Currently, 3,000 members of the force from Parwan and Kandahar provinces also benefit from mobile money services.

This technology is instrumental in mitigating risk and corruption, especially in remote areas, and has increased the confidence of donor organizations. Shafiqullah Qarizada, the ministry’s Deputy Minister for Policy, recognizes the instrumental role of mobile money in the development of Afghanistan’s financial sector in the years to come. He stated, “In order to increase access to efficient, transparent, and low-cost alternatives to cash, we need to have digitalized financial payments.” As the program expands, it will continue to provide vital services to individuals throughout the country.

― Shafiqullah Qarizada
Deputy Minister for Policy
Ministry of Finance

PHOTO: Afghan Wireless Communication Company
A member of the Afghan Local Police in Kapisa Province displays his card after registering for the AWCC’s M-Wallet Mobile Money Service.

“This is an important initiative that seeks to create a modern and efficient digital payment network with the goal of promoting easy, quick transactions that will ultimately contribute to large-scale economic growth.”

― Shafiqullah Qarizada
Deputy Minister for Policy
Ministry of Finance
Afghan Dairy Company Expands to Compete with Imports

Producing yogurt, buttermilk, cream, and cheese in the land of milk and honey.

Their yogurt is tangy, their buttermilk is thick, and their cream is the perfect addition to an early morning caffeine fix. Tala Dairy Production Co., founded in 2012 by a group of ambitious and experienced entrepreneurs, aimed to offer home delivery of dairy products to Kabul residents.

But achieving the globally respected standards they aimed for — which required obtaining modern machinery and meeting international production requirements — proved difficult.

Despite Afghanistan’s growing demand for dairy products and the company’s commitment to quality, Tala could not compete with international dairy products available in the country’s markets. To make its local products competitive, the company asked for a USAID-sponsored $20,000 loan from the First Microfinance Bank of Afghanistan (FMFB) in 2012.

USAID, through the FAIDA program, helped dozens of small and medium-sized businesses expand and hire new employees.

With USAID’s help, Tala qualified for the loan, which helped it obtain the equipment and packaging expertise needed to attract new customers. Increased demand encouraged Tala to expand to eight locations across the capital and hire 16 new employees.

“Thanks to USAID’s support, we have expanded our business and have made a small, but nonetheless meaningful contribution to the development of our country,” said Mohammad Nawab Sarabi, Tala’s chief executive director. “Before obtaining a loan ... our company had only 12 employees. After receiving the loan, we hired 16 more and deliver to around 250 families throughout Kabul and Maidan Wardak.”

The $108 million, five-year FAIDA project was designed to build a sustainable, diverse and inclusive financial sector that can meet the needs of micro, small, and medium-sized enterprises throughout the country. Through September 2016, the program facilitated $52.2 million in private sector loans to 5,800 businesses, of which $3.2 million went to 1,760 women-owned businesses. These financial arrangements created nearly 6,000 full-time equivalent jobs and directly supported nearly 76,000 families throughout the country.
SNAPSHOT
Realizing a Dream of Becoming a Financial Sector Professional Through Women-Focused Internship Program

At 25, Samira Aslami had big dreams of becoming a senior accounting professional in Afghanistan’s financial sector when she graduated from the Faculty of Economics of Dawat University in Kabul. However, social and gender gaps within a competitive and emerging market financial sector made it extremely difficult to secure a full-time job in an Afghan financial institution. Despite the numerous challenges and inherently difficult circumstances that women in Afghanistan face in gaining employment, Samira never lost hope.

Samira was soon connected with the USAID/FAIDA project which, to expand women’s employment and reduce the gender gap in the Afghan financial sector, initiated the six-month Afghan Women Internship Program in June 2015. Through partnership with the nonprofit Afghanistan Institute of Banking and Finance (AIBF), FAIDA provided internship opportunities for young women across AIBF’s membership base of governmental and private financial institutions.

Samira was one of more than 100 women who enrolled in the program and received job-specific and technical training at AIBF. She noted that the program was an opportunity to develop skills, increase technical knowledge, and improve critical thinking. Unfortunately, Samira’s husband passed away unexpectedly. She stated that, after graduating from FAIDA’s internship program, she would leverage her experience to gain a full-time job in a prominent financial institution so she could not only provide a good life for her son but also continue her education at the master’s level.

Samira thanks USAID for providing this opportunity and says such internship programs are exceptionally beneficial for improving workforce development prospects for Afghan women in the financial sector because, in addition to providing critical job-based skills, also increases exposure to, and familiarity with, government and private financial institutions.

“The Women in Financial Sector Internship program has provided me a big opportunity to … learn important professional skills that are not taught in Afghan universities. The six-month internship program is in fact a six-month professional experience for Afghan women and has made a finding a job much easier.”

— Samira Aslami
ANNEX V
INDEX OF KEY FAIDA REPORTS

Work Plans

- FAIDA Base Period: February 2011 - August 2012
- FAIDA Option Period 1: August 2012-July 2013
- FAIDA Option Period 2: August 2013-July 2014
- FAIDA Extension Period 2: February 2016-August 2016
- FAIDA Extension Period 3: August 2016-February 2017

M&E Plans

- 2012: Year 1 Plan
- 2013: Year 2 Plan
- 2014: Year 3 Plan
- 2015: Year 4 Plan
- 2016: Year 5 Plan

Annual Reports

- 2011: FAIDA Annual Report
- 2012: FAIDA Annual Report
- 2013: FAIDA Annual Report
- 2014: FAIDA Annual Report
- 2015: FAIDA Annual Report
- 2016: FAIDA Annual Report

Quarterly Reports

- 2011: (Q2 April–June; Q3 July–September; and Q4 October–December)
- 2012: (Q1 January–March; Q2 April–June; Q3 July–September; and, Q4 October–December)
- 2013: (Q1 January–March; Q2 April–June; Q3 July–September; and, Q4 October–December)
- 2014: (Q1 January–March; Q2 April–June; Q3 July–September; and, Q4 October–December)
- 2015: (Q1 January–March; Q2 April–June; Q3 July–September; and, Q4 October–December)
- 2016: (Q1 January–March; Q2 April–June; Q3 July–September; and, Q4 October–December)

**Monthly Reports**

- 2011: February, April, May, July, August, October, November
- 2012: January, February, April, May, July, August, October, November
- 2013: January, February, April, May, July, August, October, November
- 2014: January, February, April, May, July, August, October, November
- 2015: January, February, April, May, July, August, October, November
- 2016: January, February, April, May, July, August, October, November

**Bi-Weekly Reports**

- 2011: Each month February-December two reports submitted on the 7th and 22nd
- 2012: Each month January-December two reports submitted on the 7th and 22nd
- 2013: Each month January-December two reports submitted on the 7th and 22nd
- 2014: Each month January-December two reports submitted on the 7th and 22nd
- 2015: Each month January-December two reports submitted on the 7th and 22nd
- 2016: Each month January-December two reports submitted on the 7th and 22nd

**Weekly Reports**

- 2011: Submitted Every Saturday February-December
- 2012: Submitted Every Saturday January-December
- 2013: Submitted Every Saturday January-December
- 2014: Submitted Every Saturday January-December
- 2015: Submitted Every Saturday January-December
- 2016: Submitted Every Wednesday January-December
## ANNEX VI
### FINAL FINANCIAL REPORT

<table>
<thead>
<tr>
<th>Budget Line Item</th>
<th>Invoiced Feb 2011- Feb 2017 (With Jan 2017- Feb 2017 Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Costs</td>
<td>$56,997,643</td>
</tr>
<tr>
<td>Security</td>
<td>$17,984,492</td>
</tr>
<tr>
<td>Grants Under Contract</td>
<td>$6,428,886</td>
</tr>
<tr>
<td>Indirect Costs</td>
<td>$24,486,130</td>
</tr>
<tr>
<td><strong>Total Estimated Cost</strong></td>
<td><strong>$105,897,151</strong></td>
</tr>
<tr>
<td>Fee on GUC</td>
<td>$284,745</td>
</tr>
<tr>
<td>Fixed Fee on Costs, Excluding Grant</td>
<td>$7,116,994</td>
</tr>
<tr>
<td><strong>Total Fixed Fee</strong></td>
<td><strong>$7,401,739</strong></td>
</tr>
<tr>
<td><strong>Total Estimated Cost Plus Fixed Fee</strong></td>
<td><strong>$113,298,890</strong></td>
</tr>
</tbody>
</table>

### Cumulative Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Obligated Amount</td>
<td>$113,981,225.00</td>
</tr>
<tr>
<td>Total Invoiced to Date + Estimated</td>
<td>$113,298,890</td>
</tr>
<tr>
<td>Estimated % of Obligation to be Spent</td>
<td>99.4%</td>
</tr>
</tbody>
</table>