



Financial Access for Investing in the Development of Afghanistan (FAIDA)

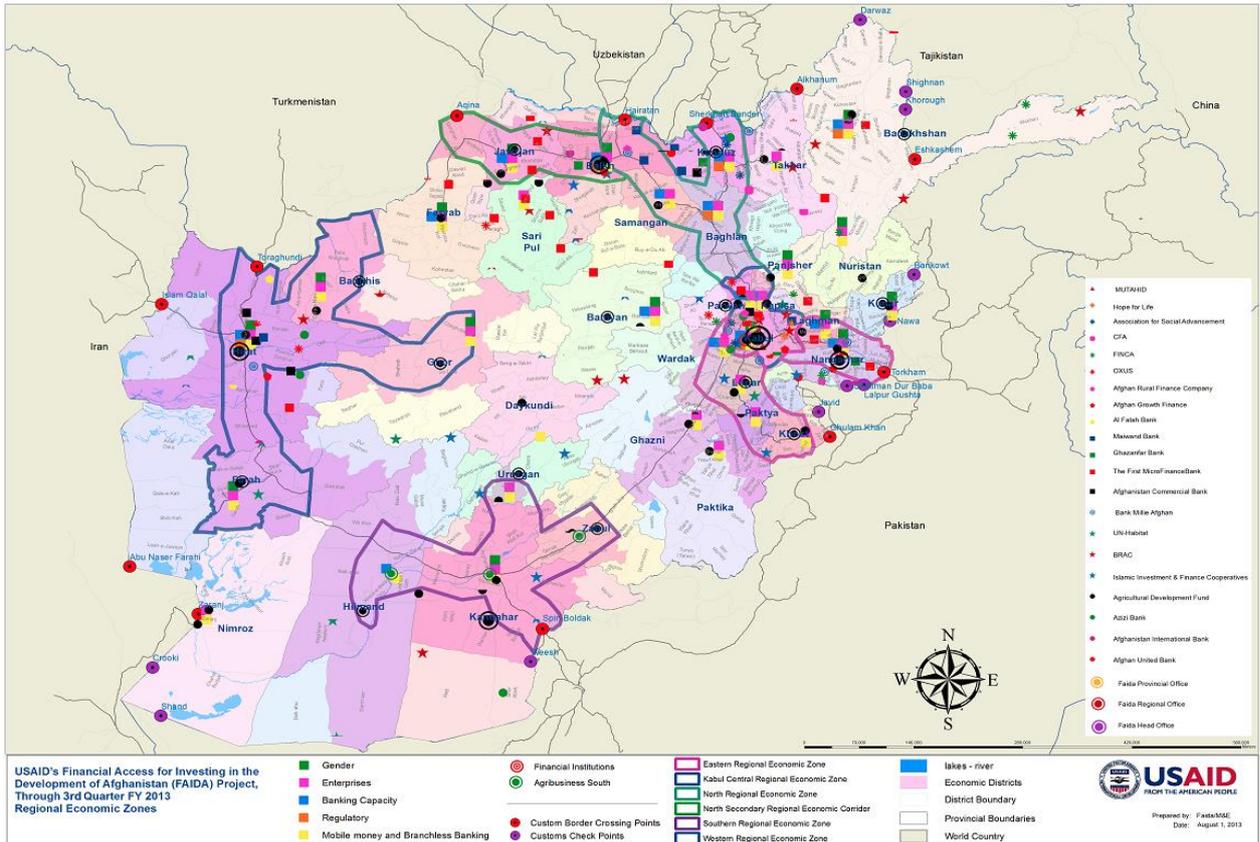
Annual Report 2014



Ms. Fawzia is a Master Trainer at a tailoring association in Mazar-e-Sharif. Besides delivering training to association students, she also produces different designs of cloths to sell in the market.

Photo by: Ms. Kubra Raufi, FAIDA Gender Provincial Coordinator

Contract Information	
Project Title	Financial Access for Investing in the Development of Afghanistan (FAIDA)
USAID Contract Number	306-C-00-11-00531-00
Contracting Officer's Representative (COR)	Abdullah Sawiz
Contracting Officer	Peggy Manthe



FAIDA Overview

FAIDA assists the Government of the Islamic Republic of Afghanistan and the private sector in developing the financial sector. FAIDA helps USAID's Afghan partners in building capacity to deliver finance where it can be used most effectively, and in developing a legal framework and market infrastructure in which financial sector institutions and their business partners create value that provides growth and employment opportunities for all Afghans. FAIDA provides technical assistance to Afghanistan's mobile network operators to introduce innovative mobile money products and services. It supports initiatives designed to support a sustainable, commercially viable, agribusiness-based economy as the best way to achieve long-term stability, security and enduring peace in Southern Afghanistan. FAIDA also directly assists Afghan women entrepreneurs by providing specially targeted business development trainings to enable them to gain access to financing and opportunities for economic and professional growth.

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ACRONYMS

AACC	Afghan American Chamber of Commerce
AAEP	Afghanistan Agriculture Extension Project
ABA	Afghanistan Banks Association
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ACB	Afghanistan Commercial Bank
ACCI	Afghanistan Chamber of Commerce and Industries
ACDR	Afghanistan Center for Disputes Resolution
ACREOD	Afghan Community Research and Empowerment Organization for Development
ACTED	Agency for Technical Cooperation and Development
ADF	Agriculture Development Fund
AIA	Afghanistan Insurance Authority
AIB	Afghanistan International Bank
AIBF	Afghanistan Institute of Banking and Finance
AIPA	Afghanistan Insurance Personnel Association
AKF	Agha Khan Foundation
ALN	Afghanistan Livelihood Network
AMA	Afghanistan Microfinance Association
AMF	Asia Microfinance Forum
AML	Anti-Money Laundering
AMLA	Afghan Medical Laboratory Association
ANIC	Afghanistan National Insurance Company
ANMSO	Afghanistan National Medical Services Organization
ANS	Asia Network Summit
APPF	Afghan Police Protection Force
APG	Asia- Pacific Group
APHA	Afghanistan Private Hospital Association
APS	Afghan Payment System
AREDP	Afghanistan Rural Enterprise Development Program
ARDS	Afghanistan Reconstruction and Development Service
ARFC	Afghanistan Rural Finance Company
ATAR	Afghanistan Trade and Revenue Project
A2F	Access to Finance
AUB	Afghan United Bank
AWC	Afghanistan Women Council
AWCC	Afghan Wireless Communication Company
BAL	Bank Alfalah Limited
BCCI	Balkh Chamber of Commerce and Industries
BDT	Business Development Training
BMA	Bank E Millie Afghan
BMP	Best Management Practices
BoM	Bill of Material
BOS	Board of Supervisor
BPC	Banking Production Center
B2B	Business To Business
BWTP	Banking with the Poor
CAMELS	Capital Asset Management Earning Liquidity Sensitivity
CBCG	Commercial Banks Consultative Group
CBCMP	Capacity Building and Change Management Program
CCO	Chief Commercial Officer
CDCs	Community Development Council

CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFT	Combating the Financing of Terrorism
COO	Chief Operating Officer
CHAMP	Commercial Horticulture and Agriculture Marketing Program
COR	Contracting Officer Representative
CRO	Chief Risk Officer
CSPis	Community Saving Promoting Institutions
CSU	Colorado State University
DAB	Da Afghanistan Bank
DAFA	Development Assistance Facility for Afghanistan
DAIL	District Agricultural, Irrigation and Livestock
DCA	Development Credit Authority
DDA	District Development Assembly
DFI	Development Financial Institute
DFID	Department for International Development
DMFIs	Deposit-taking Microfinance Institutions
DO	Development Objective
DR	Disaster Recovery
DUA	Dunya University of Afghanistan
EMPI	Entrepreneurship and Management Processes International
FATF	Financial Action Task Force
FICCI	Federation of Indian Chamber of Commerce and Industry
FINCA	Foundation for International Community Assistance
FMFB	First Microfinance Bank
FSRRP	Financial Sector Rapid Response Project
FTE	Full-Time Equivalent
FY	Fiscal Year
GAP	Good Agriculture Practices
GIRoA	Government of the Islamic Republic of Afghanistan
GIZ	German International Cooperation
GPFA	Global Partnership for Afghanistan
KYC	Know Your Customer
HBL	Habib Bank Limited
H.E.	His Excellency
HFL	Hope for Life
HiH	Hand in Hand
HPP	Health Policy Project
IAIS	International Association of Insurance Supervisors
IIBF	Indian Institute of Banking and Finance
IBFIM	Islamic Banking and Finance Institute Malaysia
ICB	International Competitive Bidding
ICT	Information and Communications Technologies
IDEA NEW	Incentives Driving Economic Alternatives for the North, East, and West Program
IDLG	Independent Directorate of Local Governance
IIFC	Islamic Investment and Finance Cooperatives
IR	Intermediate Result
ISAF	International Security Assistance Force
JAFZA	Jabel Ali Free Zone Authority
KCCI	Kabul Chamber of Commerce and Industries
LTD	Limited Liability Company

MAIL	Ministry of Agriculture, Irrigation and Livestock
MCN	Ministry of Counter Narcotics
MESA	Middle East and South Asia
MFIs	Microfinance Institutions
MISFA	Microfinance Investment Support Facility for Afghanistan
MNO	Mobile Network Operator
MoEW	Ministry of Energy and Water
MoF	Ministry of Finance
MoLSAMD	Ministry of Labor, Social Affairs, Martyrs and the Disabled
MoPH	Ministry of Public Health
MoU	Memorandum/memoranda of Understanding
MRRD	Ministry of Rural Rehabilitation and Development
MSMEs	Micro Small and Medium Enterprises
MTN	Mobile Telecommunications Network
NBP	Nation Bank of Pakistan
NFC	Near Field Communication
NGOs	Non-Governmental Organizations
NKB	New Kabul Bank
NMDP	New Market Development Program
NSDP	National Skills Development Program
OEGI	Office of Economic Growth and Infrastructure
OMEED	Organization for Management of Enterprises & Economics Development
PPA	Public Private Alliance
PCR	Public Credit Registry
PO	Purchase Order
POS	Point of Sale
PRRD	Provincial Rural Rehabilitation and Development Directorate
RADP-S	Regional Agricultural Development Program-South
RFP	Request for Proposal
SAMN	South Asia Microfinance Network
SANA	Social Awareness Newer Alternatives
SFL	Shelter for Life
SIBOS	Swift International Banking Operations Seminar
SMEs	Small and Medium-sized Enterprises
STTA	Short Term Technical Assistance
SUMEF	Swiss University of Management, Economics & Finance
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEC	Total Estimated Cost
TIN	Tax Identification Number
UAT	User Acceptance Testing
UN	United Nations
FAO UN	Food and Agriculture Organization of the United Nations
U.S.	United States
USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
WFP	World Food Program
WIBMIP	Women in Business Management Internship Program
WIFIP	Women in Finance Internship Program
WIGIP	Women in Government Internship Program
YTM	Yield to Maturity

Project Overview

Activity start/end date: February 3, 2011 - February 6, 2016

Name of prime implementing partner: Chemonics International Inc.

Name of Sub-contractors/Sub-awardees: Connexus Corporation (formerly AZMJ); Crimson Capital Corporation; Micro Banking International Foundation; Services International Limited, LLC; and Afghan Police Protection Force (APPF).

Brief project description: USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project, under Contract Number 306-C-00-11-00531-00, assists the Government of the Islamic Republic of Afghanistan and the private sector in developing Afghanistan's financial sector. FAIDA supports USAID's Afghan partners in developing their capacity to deliver financial services and products where it can be used most effectively, and in developing a legal framework and market infrastructure in which financial sector institutions and their business partners create value that provides growth and employment opportunities for all Afghans. FAIDA provides technical assistance to Afghanistan's mobile network operators to introduce innovative mobile money products and services. As a national program, FAIDA promotes financial inclusion across Afghanistan, including initiatives designed to support a sustainable, commercially viable, local and national economy as the best way to achieve long-term stability, security and enduring peace. FAIDA also directly assists Afghan women entrepreneurs by providing specially targeted business development trainings to enable them to gain access to financing and opportunities for economic and professional growth.

Enterprises Component: Works with partner institutions to provide tailored financial solutions where access to capital will complete value chains and increase competitiveness. Links lenders to businesses in need of financing, with a special focus on remote areas.

Banking Capacity Component: Enhances the capacity of financial professionals and organizations to strengthen Afghanistan's financial sector. Supports the introduction of Islamic and conventional financial services and products to lenders and the private sector.

Regulatory Component: Creates an enabling lending environment that reduces risk and increases certainty. Develops new or updated regulations across all financial sectors and key institutions.

Better Than Cash Component: Provides technical assistance to Afghanistan's mobile network operators to introduce innovative new products and services and expand the use of mobile money.

Gender Mainstreaming Unit: Ensures that women are integrated in financial sector activities and are provided access to finance and opportunities for economic and professional growth.

Executive Summary

In its fourth year of implementation, the Financial Access for Investing in the Development of Afghanistan (FAIDA) project has continued to make important progress in its mandate to support a more sustainable, diverse, and inclusive financial sector within Afghanistan.

The Enterprises Component works at the micro level with partner financial institutions to provide tailored financial solutions where access to capital will complete value chains and increase competitiveness. FAIDA facilitated \$16.41 million in loan applications in 2014 by linking lenders to businesses in need of financing in addition to organizing the India-Afghanistan Innovation Partnership Fair. The loan facilitations have resulted in a total of 2,863 new jobs in 2014, of which 2,104 were for men and 759 were for women. Through its regional and provincial coordinators, FAIDA extended its outreach programs to all provinces in the country and has successfully conducted the Afghanistan Banks Association's (ABA) Access to Finance (A2F) Business to Bank Roundtables across the country.

The Banking Capacity Component enhances the capacity of financial sector associations, training providers, and other financial sector infrastructure organizations to support lenders. After making significant strides in strengthening the institutional capacity of the Afghanistan Institute of Banking and Finance (AIBF) and Afghanistan Microfinance Association (AMA), FAIDA began to support the Afghanistan Banks Association (ABA) in its efforts to improve its effectiveness as an association. This component aims to engage financial institutions directly, providing them with targeted assistance that enhances their capacity to lend, to be profitable and to extend their services throughout the country. Designed as a consulting window for financial institutions, FAIDA's Banking Capacity Component delivers need-based technical assistance that includes risk management, bank application process streamlining, loan monitoring and evaluation, collection advisory services for non-performing loans, technical assistance for enhanced Microfinance Institution (MFI) profitability, and operational sustainability. FAIDA is supporting MFIs such as Hope for Life, Shelter for Life, IIFC Group, FMFB, ARFC, FINCA and OXUS.

The Regulatory Component works to create an enabling environment that will allow for a strengthened financial sector. In 2014, the Regulatory Component composed the first draft of the Branchless Banking Regulation. If enacted and implemented, the Branchless Banking Regulation will promote financial inclusion, making it less expensive for banks to establish a presence in under-banked territories. The Regulatory Component responded to ABA's request for assistance in composing a letter to the government, advocating action that would ameliorate the effect of an impending downgrade of Afghanistan by the Financial Action Task Force. FAIDA drafted this letter and ABA submitted it to relevant decision makers. As a result of ABA's advocacy, the FATF-compliant Anti-Money Laundering/Combating the Financing of Terrorism law ultimately passed and Afghanistan's banking sector was not downgraded. At ABA's request, FAIDA completed two ABA initiatives, the development of trade finance materials and a Bonds Working Paper. These initiatives are designed to allow ABA to become a resource for bankers. The Regulatory Component also assisted Harakat in producing a set of recommendations and related comments (known as the "Eleven Private Sector Priority Recommendations for London Conference" or the "London Priorities"). As a result, access-to-finance initiatives became a high priority in the Conference's Final Communique and Action Plan.

The Better Than Cash Component provides technical assistance to Afghanistan's mobile network operators to introduce innovative new products and services and expand the use of mobile money. A milestone accomplishment in 2014 was an agreement reached between AWCC and New Kabul Bank, facilitated by and with support from FAIDA. The AWCC and New Kabul Bank agreement would allow the Ministry of Finance (MOF) to disburse their employee salaries through mobile technology in remote areas of the provinces. Another successful project in which FAIDA provided technical support was between the World Food Program (WFP) and AWCC. AWCC registered about 8,818 WFP beneficiaries and 35 merchants in four provinces (Kabul, Badghis, Ghor, and Bamyan) and disbursed

\$345,655 through mobile money, allowing WFP beneficiaries to purchase food products through their mobile phones with authorized WFP merchants.

The Gender Mainstreaming Unit is cross-cutting and involves all technical components of FAIDA. By integrating gender in all areas of implementation, FAIDA has been able to increase women's access to finance and furthered their economic and social empowerment. FAIDA assisted the Afghanistan Microfinance Association (AMA) in organizing ten AMA Women's Access to Business Development Opportunity & Islamic Finance workshops in provinces throughout Afghanistan, as a result, a total of 536 women were trained, women entrepreneurs were able to exchange ideas with MFIs, and 151 concepts notes with potential loans of \$332,870 were developed. To support the increased engagement of professional women in the financial sector, FAIDA continues to support a financial sector internship program for 300 Afghan women graduates through its grantee, Afghanistan Institute of Banking and Finance (AIBF). FAIDA has also signed an agreement with the Ministries of Economy, Commerce and Industry, Finance, and Women's Affairs for the proposed FAIDA Women in Government Internship Program. As a result of the agreement, 60 recent graduates of Kabul University were selected to participate in FAIDA's Women in Government Internship Program.

Enterprises Component

FAIDA's fourth year proved a productive period for the Enterprises Component. Though the Enterprises Component encountered challenges, especially a difficult investment environment due to political uncertainty, the FAIDA team continued to make significant gains. The Enterprises Component facilitated 2,998 loans valued at \$16.41 million during the calendar year. In addition, loan facilitation activities continued and FAIDA launched various initiatives, including 10 Afghanistan Banks Association (ABA) Access to Finance (A2F) Business to Bank Roundtables.

In 2014, the Enterprises Component continued its work in the provinces, coordinating closely with USAID representatives at the field offices and Afghan stakeholders. FAIDA's regional and provincial coordinators closely engaged with private enterprises, industrial parks, private sector associations, commercial banks, women's business development organizations, and others to identify and engage Afghan firms with viable lending prospects. In consultation with aforementioned entities, the Enterprises Component identified agriculture, renewable energy, construction, carpeting, services, trade, and small manufacturing as priority sectors for enterprise level lending.



Zahir Plastic Company's technically skilled factory employee is blowing PET bottle.

Photo by: Mr. Ahmad Wali Pathan, FAIDA Business Planning Officer

To promote lending to Afghan agribusinesses, FAIDA worked closely with several financial institutions and USAID funded projects in Afghanistan. FAIDA collaborated with the Agriculture Credit Enhancement (ACE) project, a USAID funded program, to facilitate loans in the agricultural sector and develop loan applications for agro- enterprises in various provinces following ACE-lending guidelines. FAIDA also worked closely with the Assistance in Building Afghanistan by Developing Enterprises (ABADE) project to help businesses access loans outside the public-private-partnership model of ABADE. For example, FAIDA assisted the Kabul Packages Company in developing a business plan for expansion, bringing in 90 skilled laborers and 200 operations workers, of which 80 were women. FAIDA further assisted the Kabul Packages Company in facilitating loans to cover machinery and operating expenses for the company. FAIDA worked together with the Health Policy Project (HPP) project, a USAID funded program, to organize an ABA-A2F Business to Bank Roundtable titled "Financing the Health Sector" in Kabul, from which 12 potential loans worth \$10,000,000 were identified.

Afghanistan Banks Association (ABA) Access to Finance (A2F) Business to Bank Round Tables

The Enterprises Component supported the Afghanistan Banks Association (ABA) in organizing 10 ABA A2F Business to Bank Roundtables in 10 provinces of Afghanistan in 2014. The primary objective of the Business to Bank roundtables are to link enterprises with financial institutions.

During the year, a total of 623 businesses, including 206 women-owned businesses, participated in the roundtables. Representatives from 15 financial institutions presented their services and learned more about loan products needed by different Afghan businesses that participated. The enterprises also gained more information about each bank's specific loan processing requirements. The roundtables were found to be very effective as they expedited financing activities and improved ABA's image with businesses, the Government of Islamic Republic of Afghanistan (GIROA) officials,

and community leaders. As a result of these roundtables, 64 concept notes, totaling \$1,909,500 in potential loans has been identified and submitted to lenders.

India-Afghanistan Innovation Partnership Fair

FAIDA supported the Balkh Chamber of Commerce and Industries' (BCCI) collaboration with the Indian Embassy in Kabul and FICCI to organize the two-day 2nd India-Afghanistan Innovation Partnership Fair event in Mazar-e-Sharif from March 4-5, 2014. Fifty-five businesses showcased their products and services including 22 Indian businesses, 25 Afghan enterprises, and eight banks and MFIs. Around 1,750 visitors attended the event, of which more than \$5,000,000 of potential business deals were recorded for businesses in the agriculture, health, education, ICT, and clean energy sectors. More than 300 Business-to-Business matchmaking meetings took place, of which 23 potential business deals were identified.



Distinguished guests on stage during the inauguration ceremony of the 2nd India-Afghanistan Innovation Partnership Fair on March 4, 2014 at the Baran Empiratory Hotel, Mazar-e-Sharif. From left to right are: Mr. Arash Younasi, Chairman Balkh Chamber of Commerce and Industries (BCCI); H.E. RC Yadav, First Secretary of Commerce, Indian Embassy to Afghanistan; H.E. Mohammad Fayaz Mehrayen, Chief of Staff of the Governor of Balkh Province; and Mr. Rakesh Singh, Leader of Indian Delegation.

Photo by: Mr. Mehdi Khirad, FAIDA Communications Specialist

The India-Afghanistan Innovation Partnership Fair is a platform to leverage creativity, expertise, and resources to identify, support, and scale innovative solutions relevant to Afghanistan. The objective of the fair is to bring together various actors within Afghanistan's social innovation ecosystem including, but not limited to: social innovators, businesses, associations, social venture capitalists, angel investors, donors, service providers, and corporate foundations. The goal is to stimulate and facilitate financial and non-financial contributions from the private and public sectors in support of development innovation. Innovation helps businesses discover what opportunities exist now, or are likely to emerge in the future. Successful businesses not only respond to customer and organizational needs, but also often anticipate future trends and develop an idea, product, or service that allows them to meet this future demand rapidly and effectively.

FAIDA worked with twenty Indian organizations that participated in the first and second India Afghanistan Innovation Partnership Fairs to promote innovative initiatives in Afghanistan. Two India Afghanistan Innovation Fairs, the first in December 2013 and the second in March 2014, resulted in 27 potential deals worth over \$9 million. SANA, an India-based NGO and Google Innovation award winner, submitted three concept papers in December 2013 for a low-cost water purification system, bio toilets, and a solar power system that could be implemented in three schools in Kabul. FAIDA continued to work in 2014 with the Indian Embassy to secure funding through the Indian Government's India Fund to facilitate the SANA project. FAIDA is assisting organizations like Rajasthan Udyog, an Indian manufacturer and trader of stone working equipment and participant of the 2nd Innovation Partnership Fair, in setting up an office in Kabul. Rajasthan Udyog has received six proposals for a total of \$2.1 million from marble producers to upgrade their existing manufacturing facilities.

During the reporting period, FAIDA worked closely with the Federation of Indian Chamber of Commerce and Industries (FICCI) to promote the Second Innovation Fair which took place in March 2014. The Third Innovation Partnership Fair was scheduled to take place in November 2014, however due to political uncertainties; the event has been moved to the first quarter of 2015.

Examples of deals resulting from the second innovation fair include:

- Teach for India facilitated the formation for Teach for Afghanistan. Teach for Afghanistan is part of the Teach for All global network and the idea was generated during the second Indian-Afghanistan Innovation Partnership Fair in Mazar-e-Sharif after meeting with Teach for India. FAIDA has facilitated different meetings in order to support access finance for starting the Teach for Afghanistan operations. The program was to start in 2014, but due to the country's political situation, the program was not able to start. Currently they are deciding a new date for the program's launch and looking for seed capital in order to kick off their operation and FAIDA is assisting them in facilitating finance through a grants and partnership scheme
- Afghanistan Builders Association requested from Pipal Tree Ventures a capacity building program for Afghan construction workers. Pipal Tree Ventures approached FICCI for the funding of the training program. FICCI solicited the funds from DFID India. DFID India coordinated with DFID Afghanistan to allocate the funds. The training program will begin in the first quarter of 2015 in India.
- Afghan Community Research and Empowerment Organization for Development (ACREOD) proposed Operation Asha, an Indian Company, to assist in an integrated community development approach project in Afghanistan. They have developed a proposal and are looking for possible funding. They have already received 10% funding from CHMI Learning Exchange India. FAIDA has shared the proposal with the Indian Embassy for possible funding through the India Fund.
- Medical Park will be collaborating with Fortis Hospital from India and with Ilyas Medical Diagnostic Lab in Mazar-e-Sharif. The proposed activity is that Fortis Hospital will provide technical assistance to Ilyas Medical Diagnostic Lab by sending in doctors to perform surgeries as needed. Major surgeries which cannot take place in Afghanistan due to lack of the required equipment will take place in India. Ilyas Lab will refer patients to India for major surgeries. The owner of Ilyas Medical Diagnostic Lab will be traveling to New Delhi, India in the first quarter of 2015 where they sign a Memorandum of Understanding (MOU).
- Medical Park Company established a partnership with Ameen Karim Box Factory in order to upgrade the current manual factory to semi-manual. This company is located in Kandahar city and produces cartons for packing dry and fresh fruits. The company had various machines which were operating manually and now with the help of their Indian partner, will

be upgraded to semi-manual. FAIDA has facilitated meetings for the Indian company to access finance, and as a result, they have agreed with ADF to apply for a loan in the amount around \$700,000 - \$800,000. Currently their collateral assessment is under review and once the value is approved by the court they will move forward with the loan.

Trade Show Participation and Business-to-Business Matchmaking Events

Gulfood, which was held from February 23-27, 2014, at the Dubai World Trade Center, is the world's largest annual food exhibition and attracted 4,500 exhibitors and tens of thousands of buyers and visitors in 2014. FAIDA supported twenty-one Afghan traders in attending the event, where they displayed their pomegranates, juices, apples, saffron, dried fruit, and nuts products. FAIDA also supported the participation of seven women in the Gulfood 2014 Exhibition from February 23–27, 2014. Participation in this event generated seven potential deals worth \$5 million. Support for the Gulfood event was organized jointly with two other USAID projects, Commercial Horticulture and Agricultural Marketing (CHAMP) and ATAR.

Construction Sector Business-to-Business (B2B) Meet in India

FAIDA assisted the Afghan Builders Association in organizing the Afghanistan-India Construction Sector B2B matchmaking event in India on January 31, 2014, in coordination with the Federation of Indian Chamber of Commerce and Industries (FICCI) and the Indian Embassy in Kabul. Twenty-five Afghan businesses, including five women-owned businesses, participated in the event, which generated four potential deals worth \$6 million. Afghan businesses were interested in building materials, construction equipment, as well as design and technology transfer from Indian participants. Over 70 Indian construction businesses and members of FICCI attended this event.

Financing the Health Sector

The Afghanistan Banks Association (ABA), with support from the FAIDA project and the USAID funded Health Policy Project (HPP), organized a one-day ABA-A2F Business to Bank Roundtable—Financing the Health Sector in Kabul on August 12, 2014.

The objective of the roundtable was to facilitate access to finance for health enterprises by linking them with potential lenders and insurance companies. The roundtable provided enterprises with the opportunity to exchange viewpoints, identify challenges and opportunities in improving their productivity, and finding access to finance. Attendees included public and private health sector representatives and members of the Afghanistan Private Hospitals Associations (APHA), Afghanistan National Medicine Services Organization (ANMSO), Afghanistan Midwife Association, Doctor Unions, and Afghan Medical Laboratory Association (AMLA). The event was attended by 145 participants with representatives from 35 women-led businesses, nine banks, and six Microfinance Institutions (MFIs). This event generated five concept notes for a potential of \$4.5 million in loans.



Abdul Qadeer Qadeer, General Director of Policy, Planning and External Relation Affairs for the Ministry of Public Health (MoPH) delivers remarks at the Afghanistan Bank Association (ABA) - Access to Finance (A2F) Business to Bank Roundtable: Financing the Health Sector.

Photo by: Mr. Noman Loodin, FAIDA Communications Assistant

Afghanistan Renewable Energy Union (AREU)

FAIDA worked closely with Afghanistan Renewable Energy Union (AREU), the Renewable Energy Department (RED) of the Ministry of Energy and Water (MoEW), Indian and Turkish Embassies, the Federation of Indian Chamber of Commerce and Industry (FICCI), and renewable energy businesses

to organize the Renewable Energy Summit and Exhibition in Kabul during the 1st quarter of 2015. Ten Indian and seven Turkish businesses are expected to showcase their renewable energy products and services along with 25 Afghan businesses. It is expected that the event will attract approximately 1,500 visitors. Due to increased insecurity in Kabul, the Renewable Energy Summit and Exhibition was moved from December 9-10, 2014 to the 1st quarter of 2015.

FAIDA organized an Association Management and Development Training for board members and other members of AREU on October 15, 2014. This training covered association planning, roles and responsibilities of board members and financial planning and activity planning for AREU. The training was attended by 50 members and was aimed at introducing best association management practices in the development of AREU. The Renewable Energy Association Management and Development Training is expected to assist AREU in engaging with banks and to help facilitate loans for its members in order to help reach the Afghan government's goal of providing all households with access to electricity by 2032 through conventional and renewable energy products.

Enterprises Component's Indicators

The tables below and related narratives describe the Enterprises Component's progress towards contractual indicators:

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
A	Number of full-time equivalent (FTE) jobs created	587	75	63	86	1,171	548	283	50
		662		149		1,719		333	

Loans made by financial institutions as a result of the Enterprises Component's loan facilitation activities permitted the expansion of businesses, generating new jobs, and helping to retain many more jobs not reflected by this indicator.

Code	Indicator	Total Achieved During Period			
		Q1	Q2	Q3	Q4
		1.1	Number of families benefitted	1,762	1,419

Loans facilitated by the FAIDA project and the trainings organized by the project benefitted 12,529 Afghan families in different provinces of Afghanistan. It is worth mentioning that this indicator reflects the total number of families that have benefitted through all FAIDA components' interventions, including the Enterprises component.

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
1.2	Amount of private financing mobilized	\$852,741	\$59,283	\$5,140,555	\$94,912	\$1,704,723	\$462,382	\$7,907,463	\$195,366
		\$912,024		\$5,235,467		\$2,167,105		\$8,102,829	

The majority of loans facilitated by FAIDA were with the following lenders or financial institutions: DCA with AIB, OXUS, FMFB, ACE/ADF, Ghazanfar Bank, and Afghanistan Rural Finance Company (ARFC). The loans received were mainly for agribusiness, small manufacturing, and trading activities.

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
1.3	Number of businesses supported with U.S. government assistance	1,007	171	252	244	1,378	666	560	288
		1,178		496		2,044		848	

The Enterprises Component has supported businesses through training programs and ABA-A2F Business to Bank Roundtable events to facilitate finance and build the capacity of Afghan enterprises. FAIDA's Regional Coordinators also work directly with enterprises, providing business counseling to individual enterprises.

Code	Indicator	Total Achieved During Period			
		Q1	Q2	Q3	Q4
1.4	Number of new financial products developed by U.S. government-assisted financial institutions	0	0	0	0

This year the Product Design and Development (PDD) team focused on implementing products covering finance, banking, and insurance for both conventional and Shari'a compliant operations. The PDD team continued to revise SME loan products for FINCA and OXUS based on their target audiences. In the reaction to market needs, the team developed an Islamic Finance Window Operating Model which is being considered as the road map by financial institutions on how to develop, implement, and offer Shari'a compliant services.

Banking Capacity Component

The Banking Capacity Component works to strengthen civil society organizations which support the growth of the financial sector through a combination of grants and in-kind technical assistance. Based on an institutional capacity assessment, FAIDA supports financial sector associations to develop and/or advance their operational strategy, so that they can become participatory and sustainable. Strong and vibrant financial sector associations will allow the Afghanistan financial sector to increase support services and system infrastructure, including enhanced access to growth capital, a market for technical support and education services, enhanced advocacy capacity, and an effective knowledge management infrastructure. FAIDA also facilitates cooperation with relevant stakeholders such as the Central Bank, Ministry of Agriculture, Irrigation & Livestock (MAIL), Ministry of Rural Rehabilitation and Development, municipalities, Provincial Rural Rehabilitation and Development Directorates (PRRDs), District Development Assembly (DDAs), Community Development Councils (CDCs), law enforcement agencies, and community leaders (Wakil-e-Guzars) to collect and publish information on financial institutions and MSME lenders.

These associations, strengthened by FAIDA's support and evolving as sustainable institutions, will result in a developed financial infrastructure and a broader range of support services to strengthen the sector. At the same time, FAIDA will invigorate the economy by helping to build inclusive financial markets through strong and profitable financial institutions that extend into rural areas by expanding MSME access to capital.

Afghanistan Banks Association

The Afghanistan Banks Association (ABA) was established in 2004 to meet the needs of the growing banking sector for a united body that would articulate their collective concerns in dialogues with the Da Afghanistan Bank (DAB), Government of the Islamic Republic of Afghanistan (GIROA), and other stakeholders. Since May 2012, FAIDA has supported ABA to strengthen and increase its visibility and effectiveness. FAIDA's support has included facilitating and implementing ABA's Strategic Plan: 2012-2015 and supporting ABA in organizing the Inaugural Access to Finance (A2F) Exhibition in 2012, awarding ABA a grant of AFN 31,581,620 (\$613,830) in February 2013, and broadening its presence in the Afghanistan financial sector. FAIDA has also worked to strengthen ABA's ability to play a serious advocacy and coordination role for the banking sector, especially related to the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) laws, and to evolve into a sustainable association.

In 2014, ABA played a key role in several notable developments in the Afghanistan financial sector, such as: the enactment of the AML and CFT Laws, joining the ABA-DAB Joint Committee to Standardize Checks, joining the Steering Committee of the Afghanistan Center for Dispute Resolution (ACDR), participating in study tours to Bahrain and Malaysia, and participating in the London Conference.

ABA is now active and is increasingly recognized – within and outside Afghanistan – for its work and activities such as advocacy efforts on the enactment of AML/CFT Laws, Access to Finance (A2F) Business to Bank Roundtables in the provinces, participation in SWIFT International Banking Operations Seminar (SIBOS) 2014 in Boston, USA, facilitating the implementation of the Public Credit Registry (PCR), publication of a Corporate Governance Report based on the self-assessment of seven member Afghan banks, and its widely distributed newsletters.

In the course of my Chairmanship, FAIDA was instrumental in accelerating the advent of the day when ABA plays a pivotal role generating understanding of the banking industry by and among all levels of government, the banks themselves, and other stakeholders. Banking, and the immense benefits that it can bring to Afghanistan, is in its nascent stages here. With USAID/FAIDA's continued cooperation, the ABA looks forward to serving as a true forum for dialogue and meaningful reform."

- Mr. Khalil Sediq, ABA Chairman

Enactment of the Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Laws

H.E. Hamid Karzai, the former President of GIROA, approved the AML Law on June 26, 2014 and the CFT Law on July 3, 2014. ABA in coordination with DAB, played a key advocacy role in the enactment of the AML/CFT Law through meetings with various key government officials including H.E. President and appearances in a series of press conferences, television interviews, and roundtable discussions. These laws were a benchmark specified by the Financial Action Task Force (FATF) at the Asia/Pacific Group (APG) meeting in February 2014. In the February meeting, the FATF had decided to temporarily downgrade the Afghanistan banking sector to the gray list due to the lack of AML/CFT regulations, lower standards in the Afghanistan banking sector, and subsequently, threatened to move Afghanistan to the dark gray list in its next meeting in October 2014, if the country did not criminalize money laundering, establish a system to trace terrorist money, and track the cash flow across the country's porous borders.

Coordination with Afghanistan's Central Bank

ABA further enhanced its coordination with DAB during the year. Formal coordination meetings with DAB are coordinated through the Commercial Banks Consultative Group (CBCG) and commercial banks, in which the DAB Governor, senior officials, and the bank CEOs participate. Two CBCG meetings were conducted during 2014 – in March and July, in addition to periodic meetings with the Governor and First Deputy Governor and follow-up. Some key aspects of coordination with the Central Bank include:

- Broadening the Sectorial/Industrial Classification for Loan Concentration
- Clarifications on cancellation of Loan Guarantees
- Clarifications on Lending Definitions
- Banks' Investment in Offshore Banks
- Implementation of recently approved AML/CFT laws
- Foreign bank branches paid-up capital conversion from foreign currency to local currency
- Foreign financing of loans
- Foreclosure of mortgaged property
- Renewal of work permits and visas to expatriate staff of foreign banks

London Conference on Afghanistan 2014

On October 19, 2014 ABA participated in the Private Sector Priorities for Reform Conference ("Reform Conference") a preparatory conference organized in Kabul with funding from the Department for International Development (DFID), GIZ, and IFC. The purpose of the Reform Conference was to provide sector-specific and "cross-cutting" policy level reform suggestions for the London Conference on Afghanistan that took place on December 4, 2014. Mr. Khalil Sediq, Chairman of ABA and Director of Harakat, also participated in The Ayenda Conference, from December 3-4, 2014, an associate event of the London Conference on Afghanistan. The conference was not limited to financial services and access-to-finance issues, but rather, included 16 focus groups, such as agriculture, agribusiness, services, access to finance, trade and transit, and workforce development. Given that the sector specific portion of the conference contained a morning module on financial services and another module on access to finance as a cross-cutting theme, Harakat requested FAIDA's assistance in establishing recommendations on financial reform priorities for these two modules.

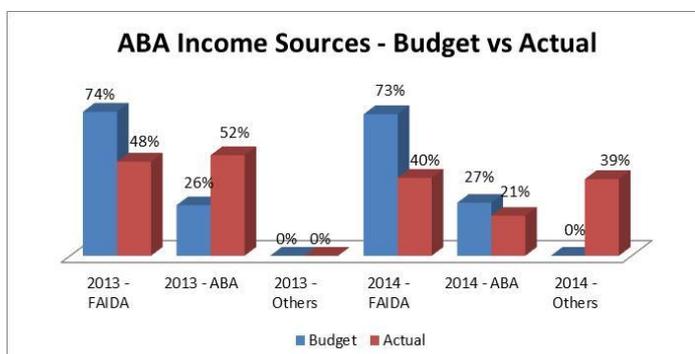
FAIDA, in coordination with MISFA, ABA, and AMA, provided Harakat with the necessary draft presentations and technical support related to access to finance. At the Reform Conference, ABA's Member Services Coordinator and AIB's Head of Credit represented the banking sector while AMA's Executive Director and the Government Relations and External Affairs Manager of MISFA represented the microfinance sector. Four representatives from FAIDA also participated.

DAB's Public Credit Registry (PCR) Department

ABA supported the DAB's PCR in facilitating implementation of the online public credit registry system and organizing regular coordination meetings at ABA. The banks initiated the online reporting system in June 2014. The PCR project was completed on December 31, 2014, with adoption of all international practices applied in the region. The PCR has so far registered 76,299 reports, consisting of 13,740 loan closing reports and 62,559 loan opening reports.

Banks' Staff Capacity Building

In July 2014, in a meeting between ABA, USAID, and FAIDA to discuss the progress of the Afghanistan banking sector, ABA indicated its preference for changing the governance and management of AIBF, with ABA taking the lead on improving AIBF management and building the capacity and increasing the effectiveness of AIBF. Subsequently, in September 2014, ABA established a Banks' Capacity Building Committee. The committee agreed to support the Afghanistan Institute of Banking and Finance (AIBF) in developing new AIBF training syllabi. ABA member banks provided feedback and recommendations on AIBF's training syllabus for improvement.



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Institution Building

ABA organized its General Assembly Meeting on December 24, 2014 to elect new board members and consider ABA's annual financial audit report. Mr. Khalil Sediq has completed two terms as Chairman of ABA and will not be eligible for another term. During the meeting, the ABA General Assembly elected Mr. Siar Khorieshi, CEO of Ghazanfar Bank as the new Chairman of ABA for a two-year term effective January 1, 2015. CEOs of Maiwand Bank, FMFB, Azizi Bank, and Bank Alfalah were elected as ABA Board members. The ABA General Assembly in its meeting on December 24, 2014 also reviewed and approved the Report of the 2013 Statutory Audit conducted by M/s Zeeshan Ali & Co.

FAIDA held periodical progress review meetings with ABA. With the extension of FAIDA beyond August 2, 2014, at the request of ABA, FAIDA approved a no-cost grant extension for the period of June–December 2014. On December 11, 2014, ABA submitted its request for a modification granting the no-cost extension for the period of January–October 2015. ABA has focused on reducing costs and was also able to raise funds from GIZ-NMDP which resulted in reduced ABA's dependency on FAIDA grants and therefore improved sustainability.

ABA's increased profile has generated donor interest. Harakat, USAID's IDEA NEW project, and GIZ have approached ABA and expressed their intentions to support ABA through financial grants:

- **German Society for International Cooperation (GIZ):** On May 25, 2014, ABA signed a grant agreement with the New Market Development Program (NMDP), funded by the World Bank, and jointly implemented by GIZ and the Ministry of Commerce and Industries (MOCI). The NMDP focuses on strategic business planning, market research, the introduction of quality management systems, and providing technical and management trainings. The grant will be in effect until January 2015 and will support training and exposure visits to Malaysia focused on Islamic Banking practices, participation in SIBOS 2015, and provide marketing materials such as pens, notebooks, brochures, rollup stands, and diaries for interested AMA member banks. The total grant budget is \$213,685, with GIZ's NMDP contributing 70% of funding, totaling to \$149,579, and the remaining 30 percent coming from ABA member banks.

- **Harakat:** Harakat met ABA and its member banks in January 2014 to discuss Shariah-compliant lending for Small and Medium Enterprises (SMEs). Harakat is starting a project on Shariah Compliant lending to SMEs, which will include: the development of regulations and acts for DAB; development of Sharia compliant products in collaboration with commercial banks; development of SMEs toolkits; DAB capacity building; and public awareness campaigns.
- **USAID's IDEA NEW Project:** On November 5, 2014, the USAID funded Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW) project, which is planning to organize two Access to Finance (A2F) events in Kabul and Nangarhar provinces, met ABA and sought ABA's support in organizing and inviting its member banks to participate. ABA confirmed its support.

Microfinance Investment Support Facility for Afghanistan (MISFA)

Established in 2003, the Microfinance Investment Support Facility for Afghanistan (MISFA) is a unique facility, which pools diverse donor funds and provides streamlined, flexible support services to microfinance institutions (MFIs) in Afghanistan. It is the only second-tier lender to MFIs in Afghanistan. FAIDA continued its support of MISFA through regular meetings and coordination on the Afghanistan microfinance sector, which included need-based technical support from AMA and AIBF. MISFA has adequate funding and also received a World Bank grant for \$32 million in 2014, therefore, FAIDA does not provide grants or in-kind technical assistance to MISFA.

FAIDA continued its work with MISFA on Depository Microfinance Institution (DMFI) regulation. The regulation on Licensing, Regulation, and Supervision of Depository Microfinance Institutions was initially approved in principle by DAB's Supreme Council in March 2014. Subsequently, after completing the necessary steps and reviewed by the General Counsel of DAB, the DMFI Regulation was finally approved in December 2014.

With support from USAID's FAIDA project, MISFA also achieved the following:

- Enhanced the coordination and strengthened the microfinance sector and provided clarity on the roles between MISFA and Afghanistan's financial sector support organizations such as the Afghanistan Microfinance Association and Afghanistan Institute of Banking and Finance; and
- Supported the institutional strengthening of AMA in order to take ownership of regional coordination, communications, and advocacy roles – roles previously held by MISFA. In 2014, AMA completed the take over the management and responsibility of all four MISFA Regional Offices and AMA is now responsible for the coordination, advocacy, and communications responsibilities of the microfinance sector, with financial support from MISFA.

FAIDA will support AMA, in coordination with MISFA, especially on microfinance sector coordination and strengthening better than cash initiatives with the MFIs.

Afghanistan Microfinance Association

Established in 2005, the Afghanistan Microfinance Association (AMA) is the national network of Development Finance Institutions (DFIs) in Afghanistan. AMA aims to promote a sustainable development finance sector in Afghanistan. In 2014, major activities and achievements of AMA included:

Lobbying and Advocacy. AMA continued to liaise with relevant government agencies on behalf of its members and the development finance sector. Though formally started in 2005, a lack of awareness and connections with government officials, community elders and the public resulted in inadequate

support. This lack of support has remained one of the main challenges for the development finance sector. To create an enabling environment for development finance institutions and advocate for the microfinance sector, AMA works to positively influence government officials and other relevant stakeholders through events such as Program and Legal Awareness workshops for government officials in municipalities, Provincial Rural Rehabilitation and Development Directorates (PRRDs), District Development Assemblies (DDAs), Community Development Councils (CDCs), law enforcement agencies, and community leaders (Wakil-e-Guzars). While AMA continues to be more active in Kabul, Parwan, and Nangarhar provinces, during 2014 AMA scaled up its activities in Takhar, Kunduz, Badakhshan, Herat and Baghlan provinces. AMA programs resulted in enhanced awareness and support for development finance from government officials and community leaders. Microfinance Investment Support Facility for Afghanistan (MISFA) also supports AMA in conducting Program and Legal Awareness meetings.

The Program & Legal Awareness Meeting which we had in District 12 of Kabul was a good gathering, the District Governor, Wakil-e-Guzars, and Scholars attended. Microfinance is very much demanded by our people in this district. Our perception towards microfinance is changed and we are supporting MFIs by verifying their clients' character and properties.

*- Dr. Samiullah Stanekzai,
Head of Wakil-e-Guzars, District 12*

AMA and the Agency for Technical Co-operation and Development's (ACTED) Afghanistan Livelihood Network (ALN) project organized a one-day workshop on "Financing Livelihoods and Job Creation through Microfinance" in Afghanistan on August 27, 2014. One hundred and twenty delegates from 45 INGOs, NGOs, UN organizations, Ministries, and MFIs participated in this workshop. Inaugurating the workshop, H.E. Wais Ahmad Barmak, Minister for Ministry of Rural Rehabilitation and Development (MRRD) emphasized the role of MFIs in job creation.

The workshop was a strong advocacy and awareness raising initiative with senior government officials, NGOs, and UN agencies. The participants understood about the outreach, geographical coverage, status, achievements, challenges, and plans of development finance in Afghanistan. As per the workshop evaluation, 70% of the workshop participants said that vocational training and women's development programs can be linked to microfinance institutions.

Member Services, Networking and Coordination: AMA builds bridges between its various partners through a number of forums, including CEO Coordination Meetings, MFIs Regional Coordination Meetings and CSPI Forum Meetings in Kabul and in the provinces. In addition to creating a platform for meeting and networking, the meetings are used to share AMA's recent progress and achievements, plans for the next months, new initiatives of MISFA and AIBF and any other matters of importance.

In addition to the regular coordination and networking events, AMA also organized:

- **Kabul International AgFair:** AMA and its member microfinance institutions (MFIs) participated in the AgFair for the first time during September 24-26, 2014. The AMA booth served to increase the visibility of the Afghanistan development finance sector. H.E. Mr. Mohammad Asif Rahimi, Minister of Agriculture, Irrigation and Livestock (MAIL) visited AMA booth and was happy to know that some MFIs also offer Agriculture and Livestock loans. Over 400 visitors visited AMA's booth over the course of the three days. As a result of participation in the AgFair:
 - Three roundtables were conducted for 35 entrepreneurs from Kabul and Jalalabad in coordination with USAID's IDEA-NEW project.
 - Mr. Najib Samim, AMA's Executive Director, was invited to Khurshid TV in October and December 2014, for a 20 minutes interview each time, to talk about AMA and the microfinance sector's services, achievements, and plans, increasing the recognition and visibility for AMA, and the microfinance sector.

- From November 17-19, 2014, AMA and five AMA members participated in the first regional conference titled, "Banking the South Asia's Half Billion Unbanked," organized by South Asian Microenterprise Network (SAMN) in Islamabad, Pakistan. During the two-day conference, the Afghan delegation participated in the conference through speeches and presentations at the plenary and split sessions highlighting the Afghan experience. MISFA funded AMA and its members to participate in this event.
- AMA's Executive Director was sponsored by SAMN and Banking WithThe Poor (BWTP) Network to participate in Asia Microfinance Forum (AMF) and Asia Network Summit (ANS) from August 5-8, 2014 in Shanghai, China. As a SAMN board member, Mr. Samim represented both AMA and SAMN in the two events. More than 500 delegates from Asia, particularly from South Asia, attended AMF.

AMA also provided technical support to some of its member MFIs – FINCA and OXUS, through FAIDA's consultants in strengthening their SME lending processes.

AMA with the support from FAIDA trained 60 employees of the Aga Khan Foundation (AKF) on Islamic Finance and in two groups during January and February 2014. During the four-day training for each group, AMA also arranged a visit of the participants to four FINCA clients who had obtained Islamic loans.

AMA facilitated meetings between its member MFIs and the Public Credit Registry (PCR), and initiated the usage of PCR by the MFIs, with SME loans initially being entered. The charges from DAB's PCR are based on inquiry with each inquiry costing AFN 150 (about \$2.60). AMA was able to negotiate with PCR and reduce the rate for MFIs, with the rates set at AFN 5,000 (about \$86) for 1 to 200 inquiries in a month and AFN 10,000 (about \$172) for inquiries over 200 in one month.

Knowledge Management and Communications: AMA published soft and hard copies of their Quarterly Development Finance Sector Update Reports on operational data of its member MFIs and DFIs. These reports disseminate the sector information and highlight the performance of the sector providing comparisons across each quarter and they are fast becoming a good resource and reference material. AMA continues to publish bi-monthly e-newsletters and changed its half-yearly newsletters to Microfinance Magazine (Micro Mag) for communicating with various national and international stakeholders. AMA conducted and published the second Salary Survey of Afghanistan Development Finance Sector from July–August 2014. The soft copy of the publication was circulated to almost 800 national and international microfinance sector professionals. Five hundred copies of the report were published and circulated among AMA members, donors, and stakeholders such as ABA, DAB's PCR and International Fund for Agricultural Development.

MISFA initiated the Progress out of Poverty Index (PPI) with its partner MFIs, to understand, monitor, and track the impact of microfinance on clients' progressing out of poverty. To build upon MISFA's initiatives, AMA developed a Social Performance Management strategy and mechanisms, with FAIDA providing short term technical assistance, for enhancing the reception of microfinance services by clients and the public in order to increase profitability for MFIs. As a pilot, one of the AMA's member institutions, the IIFC Group was evaluated against the full set of Universal Standards for Social Performance Management and given a report and recommendations for improving social performance.

This social performance assessment was IIFC's first exposure to the concepts and principles of social performance management. Given this, IIFC scores ranging between 40% and 67% on all dimensions of social performance is a solid baseline from which to begin work. The assessment indicates that in general, IIFC has worked to build a culture of accountability for targets and fulfillment of job responsibilities. What it lacks are clearly defined social goals and objectives related to the population it seeks to benefit and the social outcomes it hopes to achieve. Once the social goals and objectives are defined, the culture is conducive to the adoption of strong social performance

management practices and the current systems and structures could be easily adapted to support this.

IIFC's community-based structure has the potential to be highly flexible and responsive to the differing cultural and economic conditions throughout the country. Presently, this potential is not fully realized as the participatory bodies such as the IIFC boards of directors and credit committees need strengthening and capacity building. This is essential for the good functioning of the system and should be a priority investment for IIFC. Greater capacity at the local level combined with strengthened feedback and data collection mechanisms should improve social performance management and social outcomes.

Capacity Building: As part of its capacity building initiatives, FAIDA supported AMA in organizing:

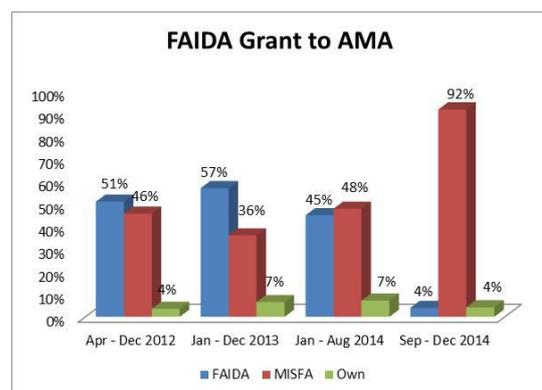
- **Governance Training:** AMA, with support from FAIDA, organized Governance Training for all five members of its Board of Directors, Executive Director, and Member Services Manager from January 29-30, 2014. An action plan to strengthen AMA governance was drafted and implementation was initiated in February 2014. AMA finalized the implementation and of the 17 action points identified, AMA implemented eight.
- **Study Tour to Philippines:** With the financial support of MISFA, four members of AMA's Board, three staff, and two representatives from MISFA and FAIDA visited the Microfinance Council of the Philippines, Inc. (MCPI) and its stakeholders in Manila, Philippines from March 10-12, 2014. The purpose of this visit was to enhance their understanding of how to function more effectively as an association. The delegation also interacted with the Central Bank of the Philippines to understand the Central Bank's role in Philippines microfinance sector. They also had meetings with two members of MCPI and the People's Credit & Finance Corporation – a microfinance financing agency and an equivalent of MISFA in Afghanistan. These interactions provided a better understanding of how these institutions support the development of microfinance sector in Philippines, the role of each institution, and allowed the participants to compare these institutions with similar institutions in Afghanistan.
- **As a follow-up of the Livelihoods Workshop in August 2014,** AMA with support from FAIDA sponsored the participation of six senior staff from among its member organizations to attend the Livelihoods Asia Summit hosted December 10-11, 2014, in New Delhi, India. The Afghanistan Livelihood Network (ALN) also facilitated the participation of 20 staff from among livelihoods promoting institutions in Afghanistan. The summit focused on the status of livelihoods in various South Asian countries, and provided a forum for diverse stakeholders to meet and share experiences and breakthroughs, and also discuss issues and challenges the poor face and build consensus on strategies that will help in strengthening the enabling environment and deliver sustainable outcomes. The Afghan delegates benefited from the opportunity to meet with different stakeholders and learn more about new initiatives, innovations, studies and research that have been implemented, piloted and conducted for the improvement of livelihood projects which support better family income and thus reduce poverty.
- **In-Country Study Visits:** AMA organized two in-country visits for its member organizations' staff. The first visit focused on Internal Control and Risk Management, while the second provided an opportunity for CSPIs to see the overall operation of MFIs. From January 19-22, 2014, AMA organized a study tour for Community-based Savings Promoting Institutions (CSPIs) to two MFIs – FINCA and IIFC Balkh, and, one CSPI – Hand in Hand (HiH) in Balkh province. The purpose of the study tour was that CSPIs see the operations of MFIs and learn from their experiences and how to link their saving groups to MFIs. Twelve representatives (three female and nine male) from seven organizations: Afghanistan Women Council (AWC), CARE Afghanistan, Hand in Hand (HiH), Organization for Management of Enterprise and Economic Development (OMEED), Afghanistan Rural Enterprise Development Program (AREDP), MISFA, and FAIDA participated in the study tour. The delegation visited the FINCA branch and clients in Mazar-e-Sharif on day one, and, IIFC

Balkh branch and clients in Khulm district on day two and HiH office and clients in Sholgra districts on day three of the study tour.

AMA organized an in-country exposure visit for its member organizations' staff, working in Internal Control/Risk Management departments, during November 4-5, 2014 in Kabul. The two-day exposure visit was hosted by OXUS Afghanistan and The First Microfinance Bank (FMFB). The exposure visit focused on Internal Control/Risk Management process, performance, experience sharing, best practices, successes and challenges of the hosted MFIs. Twelve Internal Control/Risk Management employees from six MFIs –IIFC Group, ARFC, Mutahid DFI, FINCA, OXUS and FMFB participated in the exposure visit.

Institution Building: Recognizing the increased organizational and technical capacities of AMA, as a result of FAIDA's technical support and monitoring, MISFA initiated the transitioning of coordination and advocacy responsibilities by handing over the Nangarhar Regional Office to AMA in June 2013. Based on the successful transition of the Jalalabad Regional Office, MISFA formalized the transition process by entering into an MOU with AMA in December 2013 to transition certain responsibilities from MISFA to AMA by the end December 2014. With FAIDA's support, AMA has continued to enhance its institutional capabilities. As part of its sustainability and strategic plan, AMA completed the management transition of all four of MISFA's Regional Offices in 2014. AMA is now responsible for coordination, advocacy, public information, and communication activities on behalf of microfinance sector, with financial support from MISFA. Since September 2014, almost all of AMA's costs are being supported by MISFA, and AMA has since begun following MISFA's branding strategy.

FAIDA has been supporting AMA in organizing the Women Access to Business Opportunities and Islamic Finance Workshops, and during 2014 ten such events were organized in different regions. As a result of FAIDA's support since 2011, AMA is now able to raise income from MISFA in support of certain operational functions. As such, AMA asked FAIDA to transition responsibility for the Women Access to Business Opportunities and Islamic Finance Workshops before the end of 2015. FAIDA is working in consultation with AMA on a transition plan with the expectation that beginning in 2015; AMA will take the lead on organizing these workshops.



To encourage employment of women staff within AMA, FAIDA facilitated the recruitment of two female interns during 2014. AMA is hiring FAIDA's regional gender staff, initially in the Kabul and Herat regional offices and then expanding to the Kunduz and Jalalabad regional offices. This is also part of transitioning FAIDA's Gender Coordinators in a manner that is compliant with AMA human resources policies.

The fourth AMA General Assembly meeting was held on April 30, 2014. Presentation topics included an overview of AMA's previous year's achievements, as well as the goals and milestones for the upcoming year. AMA's audited financial statements were also presented and approved. Three members of AMA's existing Board were re-elected for a second term of two years. With grant funding from FAIDA, AMA is developing its five year Strategic and Sustainability Plan: 2015-2020.

FAIDA's technical and financial support to AMA, particularly in 2014, was very vital, enabling AMA to raise funds from MISFA for all its core activities for 2015 and further funding commitment for the years ahead. By offering quality services in 2014, AMA gained trust and credibility among its members, donors, and stakeholders. We are looking forward to receiving further support from FAIDA for the year 2015 and onwards"

Najibullah Samim, Executive Director of AMA

Customized Support to Financial Institutions

During 2013, FAIDA began providing technical support to the IIFC Group to improve its systems and operations, and to the First Microfinance Bank of Afghanistan to develop its SME growth strategy. During 2014, FAIDA expanded its customized technical support to FINCA and OXUS MFIs. These MFIs requested from AMA technical support, and AMA coordinates this need with FAIDA.

- **Afghanistan International Bank (AIB)** submitted the Islamic Banking Window license application to DAB in February 2014 and received its Islamic Banking Operation Window License from DAB on July 2014. AIB intends to start its Islamic Banking operation in 2015. FAIDA supported AIB in its application for an Islamic Banking Operation Window License.
- **FINCA** is one of the leading MFIs in Afghanistan and focuses on enhancing access to finance for women, ethnic minorities, and returning refugees. As of March 2014, FINCA-Afghanistan had 14 branch offices across eight provinces with a total of 27,515 borrowers and total outstanding loans of USD 12.51 million. The Small Enterprise Loan (SEL) comprises 60% of FINCA's loan portfolio, which FINCA aims to further increase by strengthening the SEL product and support systems. Based on a request from FINCA, through AMA, FAIDA is supporting FINCA in revising its SEL product and operational processes while addressing risk management, and developing a credit score card for its SEL clients.
- **OXUS** is one of Afghanistan's fastest growing MFIs operating in Afghanistan. OXUS offers a variety of loan products to its clients based on the needs of the clients. Their major loan products include Micro Enterprise Loans (MELs) and Small and Medium Enterprise (SME) loans.. OXUS, through AMA, requested FAIDA's technical support to build the capacity of its Afghan staff, which is particularly critical while OXUS proceeds to hire a Chief Operation Officer. FAIDA has also assisted OXUS in work planning to support the following areas:
 1. Strengthened the MEL product by reviewing and revising the operational processes, loan application and appraisal system, loan utilization checks, and loan monitoring
 2. Strengthened the SME product by suggesting revisions to the product features designing the loan application and appraisal system, and designing the credit scorecard.
 3. Developed a Branch Financial Analysis Tool to help the OXUS management team analyze the portfolio quality, profitability, and productivity of each of the OXUS branch office on a monthly basis and take necessary action to improve performance.

Thanks for your excellent technical support to strengthen our Micro Enterprise Loan (MEL) and Small and Medium Enterprise (SME) departments by developing the Operational Process Manual, Loan Application and Appraisal systems, excel based templates for cash flow, financial analysis, Branch level financial analysis tool, and Credit Scorecard.

My team and I found all the tools and manuals developed by you to be useful for strengthening the MEL and SME departments and also useful to strengthen our Training Department. I appreciate your efforts in conducting orientation for my team members to build their capacities.

Thanks to AMA, FAIDA, and USAID for making available your valuable technical assistance to OXUS.

- Salim Khan, CEO of OXUS

FAIDA also provided a fixed obligation grant of AFN 14,700,000 (\$300,000) to OXUS MFI in July 2012, to increase access to finance by expanding the funds available for microfinance lending. As a result of the FAIDA grant, OXUS was able to leverage additional loan funds totaling to AFN 156,994,726 (\$2,948,792) from MISFA from June 2012 – December 2014.

- **Islamic Investment & Finance Cooperatives (IIFC) Group:** Starting at the end of November 2012, FAIDA embedded a long-term consultant within IIFC Group for 12 months to provide technical assistance. In addition to providing coaching and mentoring support to the IIFC Group’s senior management, especially to the Acting CEO of the IIFC Group, FAIDA provided technical support to improve the functioning of IIFC Group and its member IIFCs.

During the first year of support to IIFC Network, FAIDA and IIFC Group management identified the need for customization and upgrades to Micro Banker, the Management Information System (MIS) of IIFC Group. These system improvements were needed to align the technology with IIFC operations, generate critical management reports to support decision making, and enhance the system’s security functions to better protect IIFC and their clients’ financial resources. During 2014, FAIDA supported this process at both the IIFC Group and IIFC levels through regular follow-up with IIFC Group and Micro Banker. The system upgrades were successfully completed in May 2014. The customization and up-gradation enabled both IIFC Group and its member IIFCs to generate required reports and understand the exact status and performance of the IIFCs/IIFC Group at any given point in time and take immediate corrective action.. The additional safeguards will better protect members’ savings and make the system more fraud proof.

I am very happy to inform you that we successfully completed the Customization and Up-gradation of our IIFC and IIFC Group’s MIS (Management Information System) by 12th June 2014. I also hereby confirm that all the reports mentioned in the contract were delivered by the Micro Banker and we tested them and found them working. The gigantic Customization and Up-gradation task was started during October 2013 and finished by June 2014.

The Customization and UP-gradation enables both IIFC and IIFC Group to generate required reports to know the exact status and performance of the IIFCs/IIFC Group and staff at any given point of time and help us to take immediate action to address the identified issues. The additional safeguards added in the new system will better protect the members’ savings and make the system more fraud proof.

We take this opportunity to express our sincere thanks to USAID and FAIDA for the support provided.

- Bashir Mohammad Khan, CEO of IIFC Group

As a result of FAIDA’s technical assistance provided from November 2012 to May 2014, the performance of the IIFC and IIFC Group improved in the following ways:

- Reduced risk and increased profitability across IIFCs through standardized and streamlined operations, loan application and applicant appraisal systems
- Strengthened internal controls through development of an Internal Audit System and training of internal audit department staff, resulting in systematic and periodical internal audits
- Improved portfolio quality and reduced non-performing loan portfolio, with Portfolios At Risk (PAR) falling from 11% to 5%
- Improved fund utilization with total portfolio assets increasing from 73% to 83%
- Expanded loan portfolio from \$19 million to \$24.2 million, representing a 22% increase
- Grew the number of IIFC members from 92,135 to 108,718, representing a 10% increase
- Grew the number of IIFC borrowers from 21,468 to 23,213, representing a 9% increase

- Developed IIFC Growth and Performance Improvement Strategy
- Supported IIFC Group in obtaining approval of AFN 178 million (USD \$3.6 million) from the Ministry of Agriculture, Irrigation and Livestock's Agricultural Development Fund (ADF) to provide loans to member IIFCs
- The outcome of the improved management and performance are reflected in:
 - The number of IIFC outlets increased from 29 to 31.
 - The number of profitable IIFCs increasing from 11 (with operational grants) to 22 (without operational grants) out of 31 IIFCs outlets.
 - Cumulative operational self-sufficiency (profitability) of IIFCs increased from 82% to 121%
 - IIFC Group's self-sufficiency increased by from 106% to 109%

On April 12, 2014, IIFC Group requested AMA's support in conducting an assessment of the feasibility to transform IIFC Group into a Commercial Bank like FMFB. AMA approached FAIDA for technical assistance in this regard. FAIDA provided short term technical assistance to conduct a preliminary assessment on the feasibility of IIFC Group transforming itself into a Depository Microfinance Institution (DMFI) or a Commercial Bank in Afghanistan.

The cost-benefit analysis of such a transformation suggests that because the IIFC Group is close to the required equity levels for a commercial bank, the best course of action is to pursue transformation to a commercial bank. In the long run, this will provide IIFC with the required flexibility for deposit products, as opposed to what would be the case as a DMFI. This analysis also shows that IIFC should start the corporatization process by consulting with member IIFCs and presenting the benefits of this transformation through clear, stand alone, and consolidated financial statements showing the organization's true equity, along with a plan that strives to broaden their shareholder base to include participation of all the active IIFCs. Although in the near term the IIFC Group could probably manage with loans from development institutions, they should realize that their long-term growth is dependent upon generating independent funding sources, and becoming a commercial bank like FMFB is the best option in the long run.

A Generic Feasibility Assessment Report for DMFI Transformation was developed based on the IIFC Group Transformation – Feasibility Assessment Report. This generic report was shared with AMA for distribution to MFIs and any others interested in DMFI Transformation.

- **ARFC's Islamic Finance Murabaha Product Implementation:** FAIDA supported ARFC in developing Murabaha (an Islamic loan product which is based on concept of cost plus profit, and is not an interest-bearing loan) in 2012-13. As a result, in 2014 ARFC disbursed 39 loans with a total value of \$4,462,000, and created 61 jobs, of which 12 were for women. Inclusive of these 39 loans, the total ARFC financing under the Murabaha product since March 2012, developed by FAIDA, has reached \$7.9 million with a total of 69 loans disbursed, which has created 142 Jobs, of which 20 have been for women.
- **Implementation of Small Business Banking and Retail Banking Products by AIB:** FAIDA supported AIB during 2012-13 in re-engineering the retail banking and develop related products, such as payroll loans. As a result, in 2014 AIB approved 62 loans with a total value of \$172,784. FAIDA also supported AIB in structuring SME banking and developing related products, such as Small and Medium Business Terms Loans. Consequently, during 2014 AIB approved four SME loans with a total value of \$124,919, and created 36 jobs.
- **Support to USAID Development Credit Authority (DCA) Loan Guarantee Recipients:** In September 2014, USAID's DCA provided micro-loan guarantees of \$13.5 million to three Microfinance Institutions (MFIs) – The First Microfinance Bank (FMFB) Afghanistan, OXUS Afghanistan, and FINCA Afghanistan. On December 15, 2014, FAIDA organized a workshop on the USAID-DCA program so that MFIs and Banks can share information on how they can best

support each other and the DCA program to ensure economic growth and access to finance for all Afghans.

A brief orientation on USAID DCA was made to the bankers present. It was mentioned that the primary aim of the DCA is to build the confidence of commercial banks operating in Afghanistan and to demonstrate to banks that loans to underserved sectors can be profitable, in order to encourage continuous lending to underserved sector without the need for support from international donors or with guarantees. The goal is that private credit markets become more amiable to providing resources that spur economic growth and advance development objectives. After the orientation, the DCA recipient MFIs made a presentation. Mr. Sher Zaman, CEO of FINCA and Mr. Salim Khan, CEO of OXUS provided more information on their MFIs. A discussion followed on topics such as current portfolio size, NPAs, existing lenders, and the ability of MFIs to repay in a timely manner. The bankers present were interested in DCA's Loan Guarantee program, and expressed their interest in lending to MFIs.

Subsequent to the workshop, the MFIs contacted HBL. FAIDA also met with AIB, Ghazanfar Bank, and Maiwand Bank to follow-up on USAID DCA's guarantees to MFIs. All three banks, AIB, Ghazanfar Bank and Maiwand Bank, have expressed interest to consider lending to the MFIs.

- **FAIDA Pre-Grant Application Workshop:** The FAIDA Grant Department held a pre-application workshop on December 1, 2014 at FAIDA office. This workshop allowed eligible and interested applicants the chance to ask questions about the Annual Program Statement and receive guidance on how to complete the concept paper. A presentation was conducted by the FAIDA Grants Department on the new Annual Program Statement, the eligibility criteria of grant funding for 2015, mechanism of grant funds. Eight representatives from four Banking Capacity partners –ABA, AMA, AIBF and AIPA participated in the workshop.

Subsequently FAIDA received concept notes from ABA, AIBF, AIPA, and AMA and after review by Grant Concepts Evaluation and Selection Committee all the concept notes were approved in principle. After the concept notes were approved, the grant application will have to be submitted by each partner.

Insurance:

a) Afghanistan Insurance Personnel Association (AIPA):

FAIDA supported the formation of the Afghanistan Insurance Personnel Association (AIPA), with the Afghan National Insurance Company (ANIC) and Afghan Global Insurance (AGI) serving as founding members. The association was registered with the Ministry of Justice in February 2014. FAIDA supported AIPA in developing the association's bylaws, organizational chart, strategic plan, and budget. A series of meetings took place to review AIPA's activity plan and budget and discuss the possibility of a third insurance firm, Insurance Corporation of Afghanistan (ICA), becoming a member of AIPA. ICA in principle confirmed its membership with AIPA but has yet to formally obtain AIPA's membership.

With FAIDA's extension confirmed, the possibility of strengthening AIPA through a combination of grants and in-kind technical assistance is now feasible. Following the release of FAIDA's Annual Program Statement, AIPA developed its one year activity plan and budget and approached FAIDA in December 2014 for grant and in-kind technical assistance with an aim to achieve organizational sustainability. AIPA's grant application is currently under review.

b) Afghanistan Insurance Authority (AIA): AIA was established in 2005 as a supervisory authority for the insurance sector in Afghanistan within the Ministry of Finance. AIA supervises and assesses individual insurance providers, taking into account the specific circumstances of each insurer. FAIDA supported AIA in developing an Insurance Supervision Manual and other policies and procedures to guide AIA in assessing the risk profile and controls of a given insurance provider. FAIDA's consultant developed Insurance Supervision manuals, a three year supervision plan, completed a training needs assessment, delivered two training on Afghan Insurance Law and Insurance Supervision/Financial Examination of Insurers, recommended a functional organization structure and key job descriptions. These activities helped to ensure that AIA becomes a stronger regulatory force in the insurance sector.

With FAIDA's support, AIA attained the observer ship of the International Association of Insurance Supervisors (IAIS) on February 25, 2014. Since then, AIA's Supervision and Legal Units haven taken advantage of the IAIS website that allows them to download training courses.

AIA organized a 15 day workshop on IAIS's Insurance Core Principles (ICPs) which took place April 12-30, 2014. Thirty-five (10 Female and 25 Male) employees from AIA's Internal Audit, Investigation and Evaluation General Directorate participated in this training.

Afghanistan Institute of Banking and Finance (AIBF)

Formally established in November 2010, the Afghanistan Institute of Banking and Finance (AIBF) is working to strengthen the financial sector by providing training and capacity building programs to banks and MFIs. FAIDA provided a grant to AIBF from April 2012 to May 2014 to strengthen professionalism in the Afghan financial sector by providing education services, trainings, certificate courses, and distance-learning programs. These programs provided a forum to advocate for international best practices and facilitate information sharing. From October 2011 – April 2013, FAIDA provided advisory services to AIBF. While FAIDA initially provided advisory services to AIBF, the organization has been supported in this regard by a consultant sponsored by the World Bank since March 2013.

Key achievements of FAIDA's grant to AIBF from October 2011 – May 2014, include delivery of 145 trainings which trained 1,537 employees of commercial banks and microfinance institutions (MFIs), including 428 women and 708 financial supervisors. AIBF awarded 696 certificates in courses on commercial banking and microfinance. These courses include:

- **Afghan Women Internship Program:** Launched the six-month Afghan Women Internship Program in September 2012. In the three cohorts, a total of 296 women interns have graduated.
- **Distance Learning Diploma Program:** Launched the Distance Learning Diploma Program in December 2011 with 32 employees of banks and MFIs who graduated in March 2013 from one of three diploma courses. In 2013, the course offering increased to seven diploma courses, and currently a second batch of 72 employees are undergoing this program.
- **Microfinance Department:**
 - Developed introductory course in microfinance, and four certificate courses for Loan Officers, Branch Managers, Finance Managers, and Internal Audit Officers. Other microfinance trainings have also been provided.
 - Conducted 40 trainings, which trained 662 MFI employees, including 53 women and 29 supervisors.
- **Organized seventeen forums** with 194 financial sector employees participating, including 63 women and 7 supervisors. Forum topics included Human Resources, Women in Finance, Student Loans in Afghanistan, Banking Opportunities Post-2014, Corporate Social Responsibility, and Risk Management.

FAIDA intends to provide future financial grant support to AIBF, once there is greater clarity on AIBF's institutional governance. The World Bank has proposed support to conduct an organizational capacity assessment of AIBF, which would include a review of its governance structure. The results of this assessment would serve as the basis for the development and implementation of a new strategic plan for AIBF. In the interim, FAIDA intends to conduct financial sector trainings through AIBF, with an emphasis on insurance in order to ensure more efficient and effective insurance provision.

With the help of generous financial support of the United States of America and full coordination and cooperation of FAIDA, AIBF managed to conduct banking & finance related training programs to a total of 2,201 employees of DAB (the Central Bank of Afghanistan), commercial banks, and MFIs, including Afghan female interns, during the tenure of agreement. AIBF is really very thankful to the great financial and technical support of FAIDA team and USAID.

- Sayed Abdul Ghafoor Sadat, Executive Director, AIBF

Banking Capacity Component's Indicators

The tables below correspond to the narratives described above with regards to the Banking Capacity Component's progress towards contractual indicators:

Code	Indicators	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
2.1	Number of financial sector training and/or certification programs established or supported that meet international standards	12		10		0		0	
2.2	Number of financial sector employees trained with U.S. government assistance	4	0	59	8	0	0	0	0
		4		67		0		0	
2.3	Number of financial sector professionals/supervisors trained with U.S. government assistance	2	0	25	5	0	0	0	0
		2		30		0		0	
2.4	Number of financial institutions with enhanced capacity as a result of U.S. government assistance	0		0		0		0	

Regulatory Component

The Regulatory Component endeavors to help Afghanistan create a lending environment that is characterized by reduced risk and increased predictability. The Regulatory Component works with stakeholders to develop new or updated regulations across key sectors and institutions. During 2014, the Regulatory Component provided commentary or full-text drafts regarding a number of laws, regulations, policies, and areas of commercial law that directly impacted access to finance.

Branchless Banking Regulation

One of FAIDA's goals is to draft laws and regulations which facilitate and impact access to finance. In coordination with FAIDA's Better Than Cash Component, the Regulatory Component completed the first draft of the Branchless Banking Regulation (the "Draft Regulation") during the first quarter of 2014, as was requested by ABA member banks and the Da Afghanistan Bank. The first section of the Draft Regulation sets forth its purpose, and the second section sets forth its regulatory scope, as described below:

Article 3 of the Law on Da Afghanistan Bank of the Government of the Islamic Republic of Afghanistan charges Da Afghanistan Bank (DAB) with "improving the economy of Afghanistan," and with "engendering confidence in the banking system." However, due to the limited access to banking services for most of Afghanistan's population, especially poor, rural, and under-educated Afghans, Afghanistan's economic growth has been constrained. To remedy this, DAB has initiated various measures to institute legal and regulatory changes to support new technology-based products and services, which has also enabled increased outreach by the banking sector. With the Draft Regulation, DAB seeks to extend financial services to poor and unbanked clients through the establishment of Branchless Banking Financial Service Providers (BBSP), and enable Branchless Banking (BB). It is the intent of this Regulation that BB, along with the licensing and engagement of BBSPs, will not extend the geographic reach of the banking system in Afghanistan, but will also promote financial inclusion by providing inexpensive, reliable, and efficient banking services to unbanked and "under-banked" communities of Afghanistan.

In addition to the overall purpose of the Draft Regulation summarized above, the regulatory objectives are:

- To define BB activities as a delivery channel by which already-licensed banks can offer certain enumerated services in a reliable, efficient, and cost-effective manner through the engagement of BBSPs.
- To enumerate, define, and describe the banking services that a licensed bank may provide through BBSPs.
- To impose upon BBSPs minimum requirements and standards regarding: fitness and propriety of key individuals; data protection; network security; Know Your Client ("KYC") and Anti-Money Laundering ("AML") policy; consumer/customer protection; risk management, and to make adherence to these requirements and standards prerequisite to the licensure of BBSPs.

An important caveat of the Draft Regulation is that it limits branchless banking to transactions between BBSPs and licensed banks and their customers. At this time, only "bank led" branchless banking is permitted, as was the desire of DAB and echoes the limitations found in the Electronic Money Institution amendments to the Money Service Provider regulation. The remainder of the Draft Regulation is dedicated to addressing: ownership and capitalization requirements of BBSPs; distribution channels; permissible BB transactions; Know Your Client ("KYC")/ Anti-Money Laundering ("AML") minimums; reporting; corporate governance of BBSPs; due diligence to be undertaken by principles; consumer protection; and oversight and supervision.

Presentation on Draft Banking Law

During the first quarter of 2014, FAIDA drafted for USAID, at USAID's request, a PowerPoint presentation regarding the contents of the Draft Banking Law. In preparation, FAIDA met with consultants from Adam Smith International (ASI), who are advising the Ministry of Finance regarding the sale of New Kabul Bank and reporting to the IMF. The ASI consultants suggest that the Draft Banking Law, while laudable, may, at present, be unnecessary from a substantive and practical standpoint. As for the Draft's delay at the Ministry of Justice, the ASI consultants speculate that the Ministry's "Taqeen" unit may be experiencing problems with the translation of the Draft.

Arbitration Law and Enforcement

During the month of March, following discussions that USAID/Afghanistan held with a local law firm and discussions between FAIDA and ABA member banks, it has become apparent that the lack of a formal (or informal) arbitration institute or body in Afghanistan reinforces the tendency of banks to lend to only wealthy, well-known clients. This tendency is perpetuated because banks lack faith in the judicial system. Due to this environment, FAIDA is examining the feasibility of assisting in the establishment of an arbitration institute or body in Afghanistan.

FAIDA has reviewed the current Arbitration Law. The Ministry of Commerce and Industry describes the law thusly: "The Arbitration Law establishes nationally and internationally applicable transparency procedures for a binding arbitration tribunal to resolve business disputes that cannot be amicably settled. Parties will be able to choose their own panel of arbitrators. These procedures will be available to Afghan and foreign businesses (and individuals) alike. The Law permits anyone with an unsatisfied arbitration award to sue to enforce it in Afghanistan's commercial court." A review of the text reveals that it contains provisions of the United Nations Commission on International Trade Law (UNCITRAL) Model Arbitration Law. The Arbitration Law, however, does not provide "ad hoc" arbitration, instead deferring to a Central Registry which is likely not operative. Furthermore, the law does not, as a practical matter, provide for arbitration between non-Afghan entities and Afghan entities.

The Afghanistan Chamber of Commerce and Industry (ACCI) offers arbitration and mediation services, and recently purports to have administered 58 arbitrations, thus acting as the de facto Central Registry. However, FAIDA has not been able to identify regulations that enable or authorize the ACCI to administer arbitration services. Moreover, the ACCI's Arbitration and Mediation Rules appear to only apply to Afghan-registered entities.

Regarding trade or investment related arbitration, (i.e. disputes that involve non-Afghan entities and/or the state), the Ministry of Commerce treats disputes as mediations and appoints a lawyer to represent the interests of both parties, with a view towards compromise. This system provides multiple challenges, most notably, the Afghan government is not subjected to jurisdiction under this arbitral tribunal and there is doubt as to the nature of enforcing arbitral award against the state or an Afghan entity.

FAIDA also interviewed Mr. Aziz Sadat, a lawyer frequently appointed by the government to mediate disputes. He stated that the ACCI model has potential, but most foreign investors choose the Dubai Commercial Court's arbitral forum if they are able to convince an Afghan party to agree to the arbitration. The following recommendations were made on encouraging the use of arbitration: (1) the involvement of the ACCI, the Ministry of Commerce, the Attorney General, and the Ministry of Justice; (2) bifurcated efforts between domestic and international disputes; and (3) including capacity building elements.

ABA and its member banks have asked FAIDA for assistance regarding the establishment of an arbitral tribunal for commercial matters. At the end of 2014, feasibility efforts were underway,

including an examination of the degree to which the establishment of such a tribunal may require an amendment to existing law.

Deposit Insurance and Deposit-Taking MIFs

The Regulation on Deposit-Taking Micro-Finance Institutions (DMFIs), which was primarily drafted by FAIDA, made it to the docket of the Supreme Council of the Central Bank in February 2014 with AMA providing some input. The DMFI Regulation will enhance financial inclusion in rural areas by utilizing the market penetration of MFIs in those areas to encourage rural inhabitants to establish savings accounts. In the spring of 2014, the Supreme Council approved the Regulation unanimously. Thereafter, USAID queried whether deposit-taking MFIs would be bound to insure deposits. The Supreme Council did not wish to directly address the question of deposit insurance in the text of the DMFI Regulation and FAIDA was called upon to perform legal research regarding this question. The response to the question follows:

- Article 12.1.1 of the DMFI Regulation states that, “Except as otherwise provided in this Regulation, DAB must endeavor to apply by analogy to DMFIs the Law on Banking in Afghanistan.” In other words, the Law on Banking is the controlling law. The DMFI regulation is simply an instrument to “fill the gaps” between DMFIs and banks, and to make DMFIs subject to the legal and regulatory obligations of banks. In the context of deposit insurance, and in the context of a myriad of other regulatory areas, it does so via the “application by analogy” provision stated above.
- Acting under the authority of the said Law on Banking, the Supreme Council of the Central Bank: (1) requires all deposit-taking institutions to maintain policies of deposit insurance; (2) assesses premiums for deposit-taking institutions; and (3) collects those premiums (per Supreme Council Resolution number 43 of 04-09-1388, promulgated pursuant to the Law on Banking). In other words, all banks (and, by virtue of Article 12.1.1 of the DMFI Regulation, all DMFIs) are “obliged to be a deposit insurance member” (see, e.g., Circular number 1300-01/ADIC). The challenge remains in that the Afghan Deposit Insurance Corporation does not possess claims-paying ability. Prudential regulation and supervision remain the only means of defense regarding the protection of depositors’ money in Afghanistan. The DMFI Regulation became effective in December 2014.

Financial Action Task Force Downgrade-Legislative Advocacy with ABA

In late April 2014, the Afghanistan Bankers’ Association contacted the Regulatory Component regarding the potential Downgrade of the Afghanistan banking sector, which would have immediate negative impact on financial services and economic growth. The Afghanistan Bankers’ Association asked for FAIDA’s assistance regarding the composition of a letter to the government, which would advocate action that would ameliorate the effect of the Downgrade.

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its member jurisdictions (which includes the Ministry of Justice and its related bodies). The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. The FATF is a policy-making body that works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. FATF accomplishes its goals through the issuance of ratings and recommendations regarding the degrees to which individual countries comply with standards regarding money laundering and the financing of terrorism. At the FATF Asia/Pacific Sector Meeting, held in Paris from February 12-14, FATF downgraded the Afghanistan banking sector to the “gray” list. This decision was taken after the Afghanistan government failed to enact the draft AML/CFT law, which has been languishing for two years. To exacerbate matters, FATF further stated that, if

the Afghanistan government fails to enact the draft AML/CFT law before June 2014, FATF will “Black List” the Afghanistan banking sector.

After some discussion, ABA and FAIDA concluded that, if the Afghanistan banking sector was to be black-listed, the following consequences would occur:

1. International money transfers through the banking sector in Afghanistan would stop. If this were to happen, informal means of transferring money to/from foreign countries would be encouraged, government planning would be weakened, money flow outside of the country would be unaccounted for, and potentially encourage smuggling.
2. The reputation of Afghan Banks would lessen among other international banks and restoring the reputation of the banking sector would take substantial time, even after Afghanistan exits the black list. The relationships fostered by these reputations form the *de facto* basis of most interbank agreements.
3. The black-listing will profoundly negatively impact the ability of Afghanistan buyers and sellers to conduct international trade. The level of imports from Afghanistan’s trading partners would decline, which would increase inflationary tendencies in the country, resulting in economic downturn. Perhaps most importantly, it will substantially diminish the state’s largest source of revenue: customs fees.
4. Afghanistan would face problems of profitability, liquidity, and negative growth. Were the situation to persist, it would be difficult for banks to survive in the long term.

After thorough discussion and research, FAIDA and ABA discerned that Members of Parliament believed the AML/CFT law either represented only the interests of certain individuals and groups or that the law was an imposition by particular countries. FAIDA’s contribution to the letter explained that a country’s participation in the international banking system necessarily subjects that country to the rules of the countries in which money-center banks are located. The letter also contained narrative regarding the detrimental effects of a downgrade and was signed by the Chairman of the ABA.

The draft AML/CFT laws were slated for parliamentary action in June 2014. After much pressure exerted by ABA, Parliament passed the laws and President Karzai signed them on June 22, 2014.

Once passed, FAIDA’s Regulatory Component examined the AML/CFT laws to determine whether it complies with the FATF’s “Forty + Nine Recommendations,” as well as with the guidelines from FATF official documents, including the FATF Afghanistan Action Plan. These recommendations include:

1. Adequately criminalizing money laundering and terrorist financing;
2. Establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets;
3. Implementing an adequate AML/CFT supervisory and oversight program for all financial sectors;
4. Establishing and implementing adequate procedures for the confiscation of assets related to money laundering;
5. Establishing a fully operational and effectively functioning financial intelligence unit; and
6. Establishing and implementing effective controls for cross-border cash transactions.

FAIDA preliminarily concluded that the law addresses, at least in the text thereof, each of the FATF's enumerated concerns. Potential challenges in relation to the FATF mandates arise with implementation of AML/CFT outside the context of the Government and the Central Bank. For example, it remains to be seen whether recommendations 2 and 4 listed above will be tested within Afghan courts. Indeed, it remains to be seen whether Afghan courts possess the capacity to freeze or confiscate assets, or to independently determine the factual accuracy of the allegations linking assets to AML/CFT made by the Central Bank.

Appraisal Profession

The Afghanistan Banks Association requested FAIDA's assistance in regards to the certification of appraisal professionals. In furtherance of that effort, and in anticipation of the approval of the said Scope of Work in 2015, the Regulatory Component began working on standards for "valuation certification," such that the ABA may come to understand that, were it to purport to "certify" valuation professionals, the process for that certification must be open, transparent, fair, and dependable. Also regarding the appraisal profession, FAIDA has prepared proposed "Standards of Valuation Practice." These will, if adopted by ABA, serve to formalize the valuation profession, and make appraisal reports more dependable for lenders and for borrowers. The proposed Standards contain:

The purpose of the Standards of Valuation Practice is to promote and maintain a high level of public trust in Afghanistan regarding appraisal practice by establishing requirements for appraisers. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful rather than misleading.

The ABA should promulgate Standards of Appraisal Practice for both appraisers who desire to be certified by ABA (and who maintain such certification), and users of appraisal services (the ABA member banks). The appraiser's responsibility is to protect the overall public trust. The Standards of Appraisal Practice should reflect "international best practices" and current standards prevalent in the appraisal profession.

The Standards of Appraisal Practice do not establish who or which appraisal assignments must comply. This is because ABA is not a government entity with the power to make or enforce laws. Compliance with the Standards of Appraisal Practice should be required when the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply. The Standards of Valuation Practice will address the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Standards Rules, and Statements. This will engender trust in the appraisal profession, and such trust will encourage the use of certified appraisers. In any market, widespread use of certified appraisers generates predictability regarding the value of collateral. Lenders are more prone to lend in an environment characterized by such predictability.

Afghanistan Banks Association Strategic Plan

FAIDA worked with ABA to stress its role as a trade association that serves as: (1) an informal conduit between the regulator (DAB) and those whom DAB regulates (ABA's member banks); and (2) a provider of legislative advocacy services. To best perform these functions, build ABA's capacity, and ensure they remain competitive for grants, FAIDA and ABA worked together to develop ABA's Strategic Plan.

FAIDA and ABA have decided on the following points as substantive programmatic objectives:

1. The relationship between the banking profession and the regulator. In many developing countries, both FAIDA and ABA noted, organizations analogous to ABA enjoy a cooperative

relationship with the banking sector regulator. This relationship can lead to desirable conduct, such as corporate governance reform on the part of banks, if it is understood and managed well. As such, in preparation for this portion of the Strategic Plan, FAIDA researched the role of a bankers' association in the overall context of central bank regulation, supervision, and oversight. It occurs that central banks of many countries find that a routinized, structured relationship with a bankers' association portends much good, as it serves to minimize formal disputes, all the while maximizing compliance.

2. Legislative Advocacy. Specific areas of legal drafting and implementation in Afghanistan remain woefully deficient, and these deficiencies negatively impact access to finance. The Strategic Plan, thus, must provide that ABA will serve as a lobbying role related, at a minimum, to (1) amending Article 18 of the Secured Transactions Law; (2) eliminating interference, both judicial and otherwise, in the mortgage remedy process (i.e. power of sale); and (3) selection composition of a market-friendly Shari'a Board.

3. Sustainability. No bankers' association can serve the interests of its members or the notion of "increased access to finance" if the future of that organization is itself in doubt. Thus, the continued viability of ABA is perceived, both from the standpoint of member banks and the Afghanistan Central Bank, to be important. In view of this, FAIDA and ABA explored devices by which ABA might, in the short-term, increase the income of ABA, while simultaneously preserve its relevance, as well as play a valuable "access-to-finance" role. In this vein, both FAIDA and ABA agreed that the proposal floated earlier in 2014 regarding fee-based training and certification of real estate and other property appraisers should be revisited and re-invigorated. The Central Bank, has, indeed, asked that ABA play this role (and that it do so on fee-based arrangements with aspiring certificate holders). Related provisions have been included in the draft Strategic Plan.

4. Relationship with AIBF. ABA management strongly believes that the Afghanistan Institute of Banking and Finance (AIBF) should operate as a subsidiary organization of ABA. FAIDA researched the matter, and included such a proposal in the Strategic Plan.

The first draft of the Strategic Plan was delivered by FAIDA to ABA management on December 31, 2014. In the first quarter of 2015, FAIDA anticipates that ABA's Board of Directors will vote to accept it.

Regulatory Component's Indicators

Code	Indicator	Total Achieved During Period			
		Q1	Q2	Q3	Q4
3.1	Number of public-private dialogue mechanisms utilized as a result of U.S. government assistance.	1	0	1	2
3.2	Number of working groups established to address financial sector development issues as a result of U.S. Government assistance	0	0	1	1
3.3	Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance	2	0	2	1

¹ Public-Private Dialogue Mechanisms: (i.) Two commentary periods regarding accountancy law; (ii.) two ABA "open meetings" regarding FATF blacklisting.

² Working Groups: (i.) Technical Steering Committee on Accountancy Law; (ii.) ABA group on appraiser certification.

Better Than Cash Component

FAIDA's Better Than Cash Component provides technical assistance to Afghanistan's mobile network operators to introduce innovative new products and services and expand the use of mobile money.

Da Afghanistan Bank (DAB) Issued Electronic Money Institution (EMI) License to MNOs

As a result of technical support from FAIDA to Da Afghanistan Bank (DAB) the new Electronic Money Institution (EMI) regulation was implemented in October 2011 and three new EMI licenses have been issued by DAB. Roshan Telecommunication Company was the first to receive an EMI license in July 2013; Etisalat received its license on August 2013; and AWCC received its license on May 26, 2014. EMI licenses can be issued to mobile money operators and other value-added service providers to own and operate a mobile money service in Afghanistan. Mobile money service provides mobile phone subscribers with the ability to use their electronic wallets on their phones for various transactions, such as international and domestic money transfers, bills payments, micro-loan payments, airtime top-ups, and cash in and cash out services.



Da Afghanistan Bank (DAB) Issued an Electronic Money Institution (EMI) License to the AWCC on May 26, 2014.

Photo by: Mr. Habibullah Safi, FAIDA Branchless Banking & Mobile Money Specialist

In addition to FAIDA's assistance in the EMI regulation, a new initiative is underway at DAB focused on Branchless Banking regulations. This new regulation is currently being drafted by the Regulatory Component and Mobile Money Component of FAIDA. DAB expects to complete this new regulation by the 1st quarter of 2015.

"We would like to thank USAID/FAIDA for its support to DAB in making sure that the regulatory amendments for the new Electronic Money Institution (EMI) license are in place. With these new regulations, it opens up opportunities in mobile financial services and branchless banking that will increase digital payments in Afghanistan."

Noorullah Delawari
Governor, DAB

AWCC/WFP Project

FAIDA's Better Than Cash team met with senior representatives of the World Food Program (WFP) on March 30, 2014, in their Warehouse Office in Kabul City. This meeting was attended by Ms. Mutinta Chimuka, Head of Digital Payments and Mr. Loreto Palmaera, Program Officer, Cash and Vouchers Project of the World Food Program. In this meeting, FAIDA presented an overview of the different mobile money projects being implemented by the MNOs in Afghanistan and recommended that by using the mobile money service instead of paper vouchers, WFP would benefit from increased accountability, transparency, and time management. WFP requested that FAIDA to facilitate a meeting with MNOs to present their mobile money services to WFP.

With technical support from FAIDA, all MNOs presented their mobile money service to WFP's regional offices. WFP expressed interest in using mobile money services as a way to replace their current voucher program for distributing food provisions to recipients. WFP was interested in applying a Near Field Communication (NFC) enabled point-of-sale (POS) terminal with biometric

capability to register new food recipients and to use NFC to purchase food items from authorized WFP merchants. Mobile money would be available as an option for merchant payments by WFP recipients.

With assistance from FAIDA, AWCC and WFP signed an agreement wherein AWCC registered 603 WFP recipients to mobile money services in Kabul city from April 29-30, 2014. Each recipient was paid \$35 in electronic money via their phone and they used the funds to purchase goods from authorized AWCC and WFP merchants in Kabul province.

AWCC has successfully completed the three month pilot program. AWCC registered 603 WFP clients at the beginning of the program by issuing a SIM card with NFC tags for each client every month. A total of \$24,120 each month in electronic money was sent to 603 WFP recipients with each recipient receiving \$40 a month. During this three month pilot \$72,360 has been disbursed to recipients of WFP through mobile money service of AWCC.

The project has been successful, especially given that within two days of receiving mobile money funds, more than 400 clients used their electronic money to buy food provisions. Upon receiving the second payment, recipients used their electronic money in the same month rather than within days. This differentiation in usage from days to a one month period demonstrated a better understanding electronic money and the fact that funds would not disappear, but be available for use at the discretion of the recipient.



Registration of WFP recipients to mobile money in the provinces and the recipients buying goods from authorized merchants of AWCC.

Photo taken by: Masehullah Qadeer, Batter Than Cash Team Leader.

WFP has expanded the payment of their recipients via mobile to four provinces: Kabul, Bamyán, Badghis, and Ghor. In this expansion of the program AWCC is providing services to around 10,000 WFP clients. The expansion took place in Bamyán province on September 6, 2014 where, AWCC registered 2,000 WFP beneficiaries. The total amount transferred during the three-month period through mobile totaled \$68,965 and 9 AWCC authorized merchants have been appointed in Bamyán province to deliver services to WFP beneficiaries. The registration in Ghor and Badghis provinces

started on October 1, 2014. Payments were made on October 30, 2014. The total amount transferred through My Money totals \$69,482. Eight AWCC authorized merchants have been assigned to deliver My Money services to WFP beneficiaries in these two provinces. The second group of Kabul beneficiaries completed registration on December 17, 2014. In this registration, AWCC registered 4,200 beneficiaries in three different locations. Their payments were made on December 20, 2014 and the total amount transferred equaled \$144,827.

“We actually expected a lot of challenges because in the hearing it was a very complicated process to use mobile money for the payment of Clients, but the opposite of our expectation occurred and we didn’t face any problems. Ove all the process was very good and during the PDM (Post Distribution Monitoring) 123 out of 150 clients preferred payment through M-Wallet.

Sayed Bilal Stanikzai, WPF Finance Manager

Etisalat/Da Afghanistan Breshna Shirkat (DABS) Project

Etisalat conducted its three month public awareness campaign in September 2014 on Da Afghanistan Breshna Sherkat (DABS) Electricity Bill Payments services using mHawala mobile money services. As part of this campaign, Etisalat has connected with five televisions and five radio stations to advertise the use of mHawala for electricity bill payments. A unique part of this campaign was that Etisalat had branded four of its vans with mHawala posters and banners. These vans constantly roamed the different districts of Kabul to encourage households to register for the mHawala service as well as link their DABS electricity accounts to their Etisalat SIMs in order for them to pay their bills through mHawala. These vans also encouraged existing DABS customers to pay their bills through mHawala. During the reporting period, around 1,148 new DABS customers have been registered with mHawala and 5,176 DABS customers paid their electricity bills through mHawala mobile money services for a total value of \$54,539.45 in transactions.

Etisalat/mHawala had several problems with their vendor Telepin and Etisalat decided to change their mobile money vendor to Telecom Live Content (TLC). The change was successfully completed in October 2014. TLC added more features to the mHawala service of Etisalat, such as:

- The commission will be split between three parties automatically (agent, super-agent, and mHawala). This feature was not available under the previous vendor Telepin.
- The integration between DABS and the customer is now in real time, therefore, when a customer pays their electricity bill, their DABS account will automatically be credited.

TLC started working in November 2014 to build a web portal where enterprises, customers, and companies would be able to pay their electricity bills through one portal. Another feature, which is being developed, is the new android application for agents, where they would be able to pay electricity bills using this application. Etisalat had already provided this application to their more than 30 agents across Kabul. Etisalat is also working on the same android application for use by their customers as well, where customers would be able to download the app from Google Play and access mHawala services. This application would be ready by the first quarter of 2015.

Afghan Wireless Communications Company (AWCC) and Independent Directorate of Local Governance (IDLG) Project

The FAIDA team approached the Independent Directorate of Local Governance (IDLG) and presented to them the benefits of mobile money services as it relates to disbursing employee salaries in the. A major advantage of the partnership would be that AWCC has integrated its mobile money service with Maiwand Bank, where all IDLG staff already have an account. After several meetings, IDLG signed the Service Level agreement with AWCC on July 2014 to pilot the mobile money payment system.



Masehullah, FAIDA Better Than Cash Team Leader briefing on the features and benefits of mobile money to IDLG employees.

Photo taken by: Habibullah Safi Mobile Money Specialist.

In addition to FAIDA's briefings with IDLG, AWCC also delivered a briefing on M-wallet services to the Independent Directorate of Local Governance (IDLG) employees on August 17, 2014. The presentation was focused on various features and the usage of mobile money. The FAIDA team has also contributed my speaking on some of the advantages of mobile money: the ability to check bank account balances, transferring money from a bank account to M-Wallet account, and withdrawing funds through an AWCC agent. AWCC was able to start the biometric registration of employees

immediately after the briefing and 135 employees have been registered. The next phase of the project will be expansion into Balkh province.



During registration of IDLG employees to mobile money services in IDLG conference hall.

Photo taken by: Habibullah Safi Mobile Money Specialist

Afghanistan Payment Systems

FAIDA supports the activities of Afghanistan Payment System (APS) in order to help implement a modern national payment system for efficient and transparent payment transactions. APS aims to create a unified platform for the interoperability of commercial bank core banking systems with MNO mobile money platform services. This unified platform will enable any Afghan user to transfer and receive money from any automated teller machine (ATM), point-of-sale (POS) terminal, or mobile phone. FAIDA provided a grant to APS for operational support in 2014 and expects to continue supporting APS in 2015.

The establishment of a retail payment infrastructure in Afghanistan will facilitate greater foreign investment, more efficient corporate and government payments, more efficient payments for cross border e-commerce, as well as improved flow of funds within and across Afghanistan. One of the key objectives of APS's shared infrastructure model is to increase market access to, and utility of, non-cash payments through the use of innovative banking technology. A key pillar of the APS business strategy is to encourage payment interoperability. APS currently has three full members: Bank-e-Mille Afghan (BMA), Pashtany Bank (PB), and Ghazanfar Bank (GB). The technical team of the Banking Production Center (BPC) visited Kabul on February 2014 and met with each bank to and collect the Application Program Interface (API) information from them in order to build the interface. APS was able to build an interface for the three banks and several tests of the interface were successfully completed. Below are updates on APS's activities:

- The interface between SMARTVISTA, which is the technology used by BP,C the vender of APS, and Virmati, which is the core banking system of Pashtany Bank, Ghazanfar Bank and Bank-e- Mille, were successfully established.
- APS’s Managing Director signed a MoU with Emerging Markets Payments (EMP) to connect APS with international payments gateways, such as Master Card, VISA, China Union Pay, and others as a Third Party Processor (TPP).
- APS management decided to build its own Data Center, and accordingly the RFP for the Data Center has been finalized and shared with the World Bank (WB) for a No Objection Letter (NOL).
- APS and WB consultants conducted meetings with Co-location Service Providers in U.A.E for Disaster Recovery (DR) site collocation. Three companies from U.A.E. were shortlisted and the 3 year contract was awarded to Datamena.

Better Than Cash Component's Indicators

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
4.1	Number of mobile money agents	11	0	0	0	47	0	25	80
		11		0		47		105	
		0		0		7		0	
4.2	Number of partner institutions using mobile money applications	30	0	0	0	86	0	7	0
		30		0		86		7	
4.3	Number of participating merchants	0		0		0		0	
4.4	Number of GIROA and local government employees who receive salaries through mobile money	0		0		0		0	

Gender Mainstreaming Unit

Gender mainstreaming is a cross-cutting effort involving all technical components of FAIDA. By integrating gender in all its components, FAIDA ensures that women benefit from equal opportunities, especially in regards to access to finance. The section below includes key gender initiatives and results accomplished by FAIDA in the year 2014.

Gender and Outreach Activities

FAIDA supported the Afghanistan Microfinance Association (AMA) in conducting ten AMA Women's Access to Business Development Opportunity & Islamic Finance Workshops. The goal of the workshops was to increase awareness amongst women about lending and credit processing, usage of micro finance products, and bank requirements for women to access financing. Through the AMA-Women's Access to Business Opportunity, a total of 536 women were trained on developing concept notes, basics of business planning, Islamic financing of projects, and marketing. The workshops identified a range of support services and credit offering opportunities for businesses expansion and exchanging views between banks and businesswomen. As a result, 151 concept notes with potential loans of \$332,870 were developed for businesswomen. Likewise, through two Business Planning trainings, a total of 65 women learned the concepts of industry analysis, customer analysis, competitor analysis, developing a marketing plan, and developing an operations plan.



Women entrepreneurs from Baghlan province working on a business plan, as part of the AMA-Women's Access to Business Opportunities and Financing Workshop conducted by FAIDA.

Photo by: Mrs. Nasrin Rafiq, FAIDA Gender Manager

Dubai Gulfood Exhibition

Seven Afghan Women Entrepreneurs (Kawyan Group, Saffron & Dry Fruits, Women Saffron Growers Association, Arman Sahba, Char Fasil, Active Mothers, and Silver Butterfly) participated in the Gulfood Exhibition from February 23 -27, 2014 in Dubai. The Afghan women entrepreneurs had the opportunity to meet with more than 200 buyers, producers, exporters, and service providers to discuss potential business partnerships. Collectively, the seven women's companies established \$10 million in potential deals with diverse international companies and interested buyers. The main goal of the Gulfood Exhibition was to promote the Afghanistan Trade Fair and identify potential participants, buyers, and agribusiness investors in investing in Afghanistan's agriculture sector.



Gulfood Exhibition Opening Ceremony in Dubai on February 23, 2014

Photo by: Mr. Mohammad Qasim Nasiri, FAIDA Contract Farming Specialist

Afghan Women's Internship in Banking and Finance

FAIDA, through AIBF, initiated the Afghan Women's Internship Program, which aims to fill the gender gap in the financial sector of Afghanistan and build the capacity of Afghan women to find full time jobs in the financial sector. The internship program provides an opportunity for Afghan women to gain valuable work experience, expand their networking, gain confidence, and ultimately find a

suitable career in the Afghan job market. The program consists of a six month training period, which has prepared around 300 women graduates in three internship cycles to be embedded in the financial sector. The interns receive technical training in the areas of: microfinance management, human resource management, financial accounting, effective communication, marketing management, and general banking. The selection process for the interns is transparent and competitive, as are the grading and graduation processes of the program. The interns are assessed on criteria such as: performance on quizzes, class participation, attendance, assignments, and exams.

The first cycle of the internship started in September 2012. In the first cycle 86 of the 100 interns successfully completed the program. Out of 86 graduates in the first cycle, 53 have been placed in financial institutions. In the second cycle, 100 out of 106 graduates successfully completed the program. The graduation ceremony of the 2nd cycle of Afghan Women’s Internship in Banking and Finance took place on January 26, 2014 at the Afghanistan Cultural Center of the American University of Afghanistan (AUAF) to celebrate the program’s success and award completion certificates to 100 women graduates. Senior officials from USAID Afghanistan and Mr. Khan Afzal Hadawal, DAB First Deputy Governor, CEOs of Microfinance Institutions, and HR managers from private banks participated in the event. USAID Representative Ms. Denise Lamaute, Division Chief of the Office of Economic Growth and Infrastructure (OEGI), introduced the program. Ms. Lamaute congratulated the graduates and thanked AIBF for successful implementation of the program. AIBF launched the third cycle of its women’s internship program in March 1, 2014. After the recruitment and screening process, 106 women interns were selected. The prospective interns were evaluated through written assignments, class participation, and a final examination. Ninety-five prospective interns passed the final exam on May 31, 2014. To date, FAIDA and AIBF have contacted financial institutions to begin assigning internship placements and 54 Afghan women have been placed in jobs with financial institutions and other entities.



USAID Representative Ms. Denise Lamaute, Division Chief, Economic Governance Office of Economic Growth & Infrastructure (OEGI), was at the Afghan Women Internship Program Graduation Ceremony.

Photo by: Mr. Noman Loodin, FAIDA Communications Assistant

“Working with the Enterprise Team has helped me pursue many of my goals and aspirations for the future in a more tangible light. There is no classroom substitute for working a ‘real life’ job alongside experts in the field, and to then be able to see how the gender team helps women in a very real way. It was a special experience.”

Ziba Nabizada, AIBF Intern

Women’s Access to Business Opportunity and Finance Event

The Women’s Access to Business Opportunity and Finance Event was held on March 2, 2014 in Kabul. The purpose of the Women’s Access to Business Opportunity and Finance Event was to highlight to families and the community the successes of their mothers and daughters, to provide financial access awareness opportunities, and to celebrate March women’s history month. It was organized by Leading Entrepreneurs for Afghanistan Development (LEAD) with support from FAIDA at the Kabul Star Hotel. Over 118 participants attended the event. The event was officially inaugurated with opening remarks from H.E. Dr. Hussan Banu Ghazanfar, Minister of Women’s Affairs of the Government of the Islamic Republic of Afghanistan. In her opening remarks, H.E. Dr.

Ghazanfar expressed her gratitude to USAID's FAIDA and LEAD projects for organizing such a platform, which provides leading businesswomen and aspiring entrepreneurs to share their experiences and discuss opportunities and challenges for future business activities.



Leading Entrepreneurs for Afghanistan Development (LEAD) and successful women entrepreneurs with their daughters who are the new businesswomen of today.

Photo by Mr. Mohammad Tariq Amanyar, FAIDA M&E Field Monitor

Etisalat – Ministry of Women Affairs (MOWA)

FAIDA awarded a grant to Etisalat to start Business Development Training (BDT) classes at Kabul Women's Garden. The purpose of the grant was to enable 1,500 women to become mobile money agents. Etisalat completed Business Development Training (BDT) and mHawala trainings for 1,500 women graduates at Kabul Women's Garden. A Graduation Ceremony was held on January 26, 2014 to distribute certificates to women participants who had successfully passed the BDT course. Executives of the Afghanistan Payment Company and Mutahid Microfinance Institution were present and attended the ceremony. These executives gave speeches to encourage the women graduates to visit their companies and take advantage of various employment opportunities. Currently, they are looking for women who can become field agents for electronic top-up services of different mobile network operators as well as loan officers and business development managers. Under the Etisalat-MOWA partnership project, Etisalat called 887 women and so far 237 women have signed a contract with Etisalat and started their work as mHawala agents. This is an ongoing process, and Etisalat will continue calling women to invite them for mHawala agent training in the Etisalat office.

FAIDA's Collaboration with other USAID Projects

USAID's Office of Economic Growth and Infrastructure (OEGI) met with FAIDA on January 8, 2014. The purpose of the meeting was to get input from FAIDA, as well women entrepreneurs, on women's economic empowerment to feed into the design of the upcoming "Women in Economy" project. Eight women entrepreneurs participated in the meeting and shared the challenges that they faced and asked for interventions, which addresses the major challenges facing women.

The U.S Deputy Assistant & Trade Representative for South and Central Asian Affairs, Ms. Mara M. Burr, met with FAIDA on January 15, 2014. Ms. Mara M. Burr was briefed about FAIDA's gender activities, but more importantly learned about the gaps that remain in women's economic empowerment and the suggestions and recommendations for overcoming those challenges. FAIDA made a powerful presentation, focusing on the challenges that are often cited by FAIDA's Afghan

women beneficiaries. The challenges included: lack of access to finance due to absence of collateral; lack of awareness and access to markets due to weak representation at the industry and commerce platforms in Afghanistan, poor quality and standard issues; weak financial and digital literacy to get employment opportunities in the financial sector; and high production cost hampering their competitiveness.

FAIDA Women in Government Internship Program

In December 2014, FAIDA conducted a series of meetings with key officials at Kabul University with the Deans of Economics, Computer Sciences and Law, and Political Science, to discuss the upcoming FAIDA Women in Government Internship Program. Deans of Faculties committed to supporting FAIDA's Internship Program and aid in the introduction of promising graduates. Also FAIDA conducted meetings with governmental officials of Ministry of Economy (MOEC), Ministry of Commerce & Industries (MOCI), Ministry of Finance (MOF), and Ministry of Women's Affairs (MOWA). The purpose of the meetings were to provide an update on FAIDA's Women in Government Internship Program and the placement of potential interns. Government officials of four ministries expressed their interest in sponsoring new intern positions and were highly supportive of FAIDA's internship program. They expressed enthusiasm in providing opportunities to young Afghan women to work at Afghan ministries. The ministries were dedicated to providing on the job training and pointed out that following successful completion of the internship program, they will look to hire potential interns.

FAIDA signed Memorandum/Memoranda of Understanding (MOU) with Ministries of Economy, Commerce and Industry, Finance, and Women Affairs. As a result 60 new graduated students from the faculties of Law, Economy, Journalism, Psychology, and Computer Science of Kabul University who are interested in the FAIDA's Women In Government Internship Program, were selected and will start their six months internship program at the Ministries on December 22, 2014, based on their field of qualification.



FAIDA Women In Government Internship program launched by speech of Mr. M. Ismail Rahimi, Director General of Policy and Result Based Monitoring and Evaluation (M&E) at the Ministry of Economy (MOEC) on December 22, 2014.

Photo by Mr. Mohammad Mahdi Khirad, FAIDA Communications Specialist

FAIDA Year Four Results by Indicator

Indicator Name and Number (and disaggregation by gender)	TOTAL Cumulative up to December 2014	TOTAL Cumulative up to December 2014
	<i>Target</i>	<i>Actual</i>
Number of Full-Time Equivalent (FTE) Jobs Created	5,100	5,363
Male		3,849
Female		1,514
Number of families benefitted	14,256	32,975
Male		21,870
Female		11,105
Amount of private financing mobilized	\$30,550,000	\$42,971,279
Male		\$40,285,207
Female		\$2,686,071
Number Businesses supported with U.S. government assistance	7,471	11,723
Male		8,142
Female		3,581
Number of new financial products developed by U.S. government-assisted financial institutions	23	33
Number of financial sector training and/or certification programs established or supported that meet international standards	202	258
Number of financial sector employees trained with U.S. government assistance	2,780	2,410
Male		1,878
Female		532
Number of financial sector professionals/supervisors trained with U.S. government assistance	854	1,142
Male		982
Female		160
Number of financial institutions with enhanced capacity as result of U.S. government assistance	30	31
Number of public-private dialogue mechanisms utilized as a result of USG assistance	27	38
Number of working groups established to address financial sector development issues as a result of USG assistance	20	17
Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance	54	34
Number of mobile money agents	3,365	1,381
Male		1,112
Female		269
Number of partner institutions using mobile money applications	61	28
Number of participating merchants	675	989
Male		989
Female		0
Number of GIROA and local government employees who receive salaries through mobile money	32,000	1,067
Male		455
Female		612