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**AFGHANISTAN**

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

Annual Report 2015

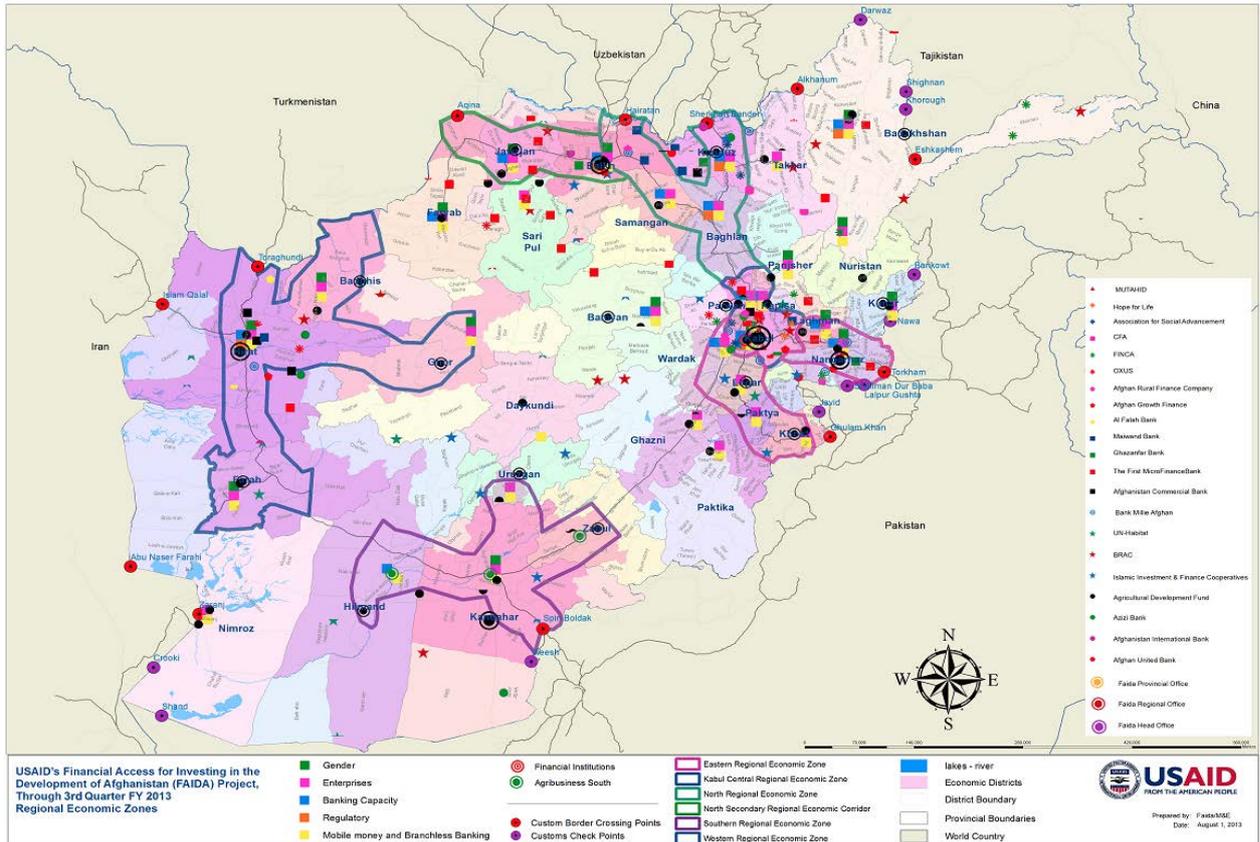


Distinguished guests present at the inauguration ceremony of the Afghanistan – India Renewable Energy Summit on August 6, 2015 at the Federation of Indian Chamber of Commerce and Industries (FICCI) House in New Delhi, India. Speaking on the stage is H.E. Mr. Ali Ahmad Usmani, Afghanistan Minister of Energy and Water and from left to right is Mr. Kabul Khan Tadbeer, Chairman of Afghanistan Renewable Energy Union (AREU), Mr. Shaida Mohammad Abdali, Afghan Ambassador to India, H.E. Engineer Nasir Ahmad Durani, Afghan Minister of Rural Rehabilitation and Development (MRRD), Mr. Devin Narang, Managing Director of Sindicatum Sustainable Resources, and Chairman, FICCI Bio Energy Task Force, Mr. Abdul Razique Samadi, Chief Executive Officer (CEO) of Da Afghanistan Breshna Sherkat (DABS), H.E. Mr. Amar Sinha, Indian Ambassador to Afghanistan, and Ms. Sheila Sudhakaran, Assistant Secretary General of FICCI.

*Photo by: Mr. Fakhruddin Mujeeb, FAIDA M&E Field Monitor*

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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

A2F	Access to Finance
AACC	Afghan American Chamber of Commerce
AAEP	Afghanistan Agriculture Extension Project
ABA	Afghanistan Banks Association
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ABC	Advance Business Consultants
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
AHG	Afghanistan Holding Group
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
AOP	Administrative Office of the President
APG	Asia/Pacific Group
APHA	Afghanistan Private Hospital Association
API	Application Program Interface
APPF	Afghan Police Protection Force
APS	Afghan Payment System
APS	Afghanistan Payments System
ARDS	Afghanistan Reconstruction and Development Service
ARFC	Afghanistan Rural Finance Company
ATAR	Afghanistan Trade and Revenue Project
ATM	Automatic Teller Machin
ATS	Automatic Transfer System
AUB	Afghan United Bank
AWC	Afghanistan Women Council
AWCC	Afghan Wireless Communications Company
B2B	Business To Business
BA	Boloro Afghanistan

BACCI	British Afghanistan Chamber of Commerce and Industry
BAL	Bank Alfalah Limited
BCCI	Balkh Chamber of Commerce and Industries
BDT	Business Development Training
BER	Budget Execution Review/report
BIN	Bank Identification Number
BMA	Bank Millie Afghan
BMP	Best Management Practices
BoM	Bill of Material
BOS	Board of Supervisor
BPC	Banking Production Center
BWTP	Banking with the Poor
CAMELS	Capital Asset Management Earning Liquidity Sensitivity
CBCG	Commercial Banks Consultative Group
CBCMP	Capacity Building and Change Management Program
CBS	Core Banking Solution
CCO	Chief Commercial Officer
CCO	Chief Credit Officer
CDCs	Community Development Council
CEO	Chief Executive Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFT	Combating the Financing of Terrorism
CHAMP	Commercial Horticulture and Agriculture Marketing Program
COO	Chief Operating Officer
COR	Contracting Officer Representative
CRO	Chief Risk Officer
CSPIs	Community Saving Promoting Institutions
CSU	Colorado State University
CTO	Chief Technology Officer
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Sherkat
DAFA	Development Assistance Facility for Afghanistan
DAIL	District Agricultural, Irrigation and Livestock
DB	Database
DCA	Development Credit Authority
DDA	District Development Assembly
DFI	Development Financial Institute
DFI	Development Finance Institution
DFID	Department for International Development
DMFIs	Deposit-taking Microfinance Institutions
DO	Development Objective
DR	Disaster Recovery
DUA	Dunya University of Afghanistan
EMP	Emerging Markets Payments
EMPI	Entrepreneurship and Management Processes International
FAO UN	Food and Agriculture Organization of the United Nations
FATF	Financial Action Task Force
FI	Financial Institution
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
GB	Ghazanfar Bank
GIRoA	Government of the Islamic Republic of Afghanistan
GIZ	German International Cooperation
GPFA	Global Partnership for Afghanistan
H.E.	His Excellency
HBL	Habib Bank Limited
HFL	Hope for Life
HiH	Hand in Hand
HPP	Health Policy Project
HSM	Host Security Module
IAIS	International Association of Insurance Supervisors
IBFIM	Islamic Banking and Finance Institute Malaysia
IBM	International Business Machinery
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
IFRS	International Financial Reporting Standards
IIBF	Indian Institute of Banking and Finance
IIFC	Islamic Investment and Finance Cooperatives
IP	Internet Protocol
IR	Intermediate Result
ISAF	International Security Assistance Force
JAFZA	Jabel Ali Free Zone Authority
KCCI	Kabul Chamber of Commerce and Industries
KYC	Know Your Customer
LTD	Limited Liability Company
LUN	Logical Unite Network
MAIL	Ministry of Agriculture, Irrigation and Livestock
MCIT	Ministry of Communications and Information Technology
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	National Bank of Pakistan

NDA	Non-Disclosure Agreement
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
OEL	Oracle Enterprise License
OMEED	Organization for Management of Enterprises & Economics Development
OS	Operating System
OVM	Oracle Virtual Machine
PCR	Public Credit Registry
PDD	Product Design and Development
PDU	Power Distribution Units
PL	Pacific Logistics
PLA	Program and Legal Awareness
PO	Purchase Order
POS	Point of Sale
PPA	Public Private Alliance
PR	Primary Site
PRRD	Provincial Rural Rehabilitation and Development Directorate
RADP-S	Regional Agricultural Development Program-South
RCM	Regional Coordination Meeting
RFC	Rifa Technology Company
RFP	Request for Proposal
RRD	Rural Rehabilitation and Development
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
SOW	Scope of Work
STTA	Short Term Technical Assistance
SUMEF	Swiss University of Management, Economics & Finance
SV	Smart Vista
SVFE	Smart Vista Front End
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEC	Total Estimated Cost
TIN	Tax Identification Number
TTP	Third Party Processor
U.S.	United States
UAT	User Acceptance Testing
UN	United Nations
USA	United States of America
USAID	United States Agency for International Development
USG	United States Government
VLAN	Virtual Local Area Network
VM	Virtual Machine
VPN	Virtual Private Networks
VSU	Vetting Support Unit

WFP	World Food Program
WIBMIP	Women in Business Management Internship Program
WIFIP	Women in Finance Internship Program
WIGIP	Women in Government Internship Program

## Project Overview

**Activity start/end date:** February 3, 2011 - August 5, 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.

- **Enterprise 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 fifth year of implementation, the Financial Access for Investing in the Development of Afghanistan (FAIDA) project has continued to make significant progress towards accomplishing its stated goals to support a more sustainable, diverse, and inclusive financial sector within Afghanistan.

**The Enterprise Component** works at the micro level with financial institution partners to provide tailored financial solutions where access to capital will complete value chains and increase competitiveness. During the year 2015, FAIDA facilitated the submission \$30.8 million in loan applications to lenders from which \$9.3 million have been approved and disbursed to businesses in need of financing. These loan facilitations have resulted in a total of 1,547 new jobs in 2015, 1,063 of which were for men and 484 of which were for women. FAIDA and the Indian Embassy in Afghanistan supported the Herat Chamber of Commerce and Industries (HCCI) in organizing the third two-day long India-Afghanistan Innovation Partnership Fair in Herat City in early March. 350 business-to-business matchmaking meetings took place during the fair, during which more than \$20 million worth of potential business deals were recorded. During 2015, FAIDA supported the Afghanistan Renewable Energy Union and the Ministry of Energy and Water in organizing the first and second Access to Finance - Renewable Energy Summit and Exhibitions in Kabul and Kandahar, and the first Afghanistan-India Renewable Energy Summit in Delhi, India. During these events a total of 385 business-to-business matchmaking meetings were held between Afghan and Indian businesses, and over \$89.91 million in potential deals were made. FAIDA also launched a number of initiatives during 2015 including; seven ABA Access to Finance (A2F) Business to Bank Roundtables in Nangarhar, Kabul, Badakhshan, Jawzjan, Bamyan and Balkh provinces. 445 businesses attended these events, 128 of which were women-run. During these A2F-Businesses to Bank Roundtables, 109 concept notes worth a total of \$19.1 million were developed and submitted to lenders. Throughout the year, seven A2F Innovation and five Access to Finance Renewable Energy Roadshows in Bamyan, Balkh, Jawzjan, Herat and Nangarhar provinces took place. As result of the Innovation Roadshows, seventy-nine potential Innovative Ideas worth a total of \$7.9 million were identified in education, health, clean energy, agricultural, water and sanitation and Information Communication Technology (ICT) sectors. As result of Access to Finance Renewable Energy Roadshows, 54 micro and macro level projects in solar, hydropower, biomass and wind sources worth a total of \$114.7 million were identified.

**The Banking Capacity Component** enhances the capacity of financial sector associations and their member financial institutions, training providers, and other financial sector infrastructure organizations, to support lenders.

- Afghanistan Microfinance Association (AMA), supports MFIs including IIFC Group (Islamic Investment & Finance Cooperatives Group), The First MicroFinance Bank (FMFB), Afghanistan Rural Finance Company (ARFC), FINCA Afghanistan, OXUS Afghanistan, Mutahid Development Finance Institution (DFI) and Tikkum Olam Microfinance (TOM).
- Afghanistan Banks Association (ABA), supports banks including Bank Alfalah Limited, Afghan United Bank (AUB), Afghanistan International Bank (AIB), Azizi Bank, Bakhtar Bank, Bank-e-Millie Afghan (BMA), FMFB, Ghazanfar Bank, Habib Bank Limited (HBL), New Kabul Bank (NKB), Pashtany Bank (PB) and Da Afghanistan Bank (DAB).
- Afghanistan Insurance Personnel Association (AIPA), supports three insurance companies: Afghanistan National Insurance Company (ANIC), Insurance Company of Afghanistan (ICA) and Afghan Global Insurance (AGI).
- Afghanistan Institute of Banking and Finance builds the capacity of Afghanistan Financial Institutions.

## The Regulatory Component

This component works to help Afghanistan create an enabling lending environment that reduces risk and increases certainty. The Regulatory Component collaborates with various counterparts to write new or updated regulations across all financial sectors and key institutions.

In 2015, the Regulatory Component, *inter alia*:

- Produced guidelines and rules, and designed and delivered an initial training course, for appraisal of real estate in accordance with Afghani law and International Valuation Standards.
- Drafted a comprehensive review of Afghanistan’s “debtor-creditor” law scheme, and made targeted remedial recommendations.
- Delivered a major training workshop on project finance.
- Delivered a training workshop on trade finance.
- Delivered a training workshop on the financing of renewable energy projects.
- Assisted the “Better than Cash” Component regarding the Money Service Provider Regulation and the “Mobile Money Awareness Campaign.”

**The Better Than Cash Component** provides technical assistance to Afghanistan’s mobile network operators as they introduce innovative new products and services and expand the use of mobile money.

In 2015, with the support of FAIDA, AWCC and New Kabul Bank signed an agreement allowing the Ministry of Finance (MoF) to disburse their employees’ monthly salaries through mobile technology in remote areas in the country. Based on the agreement, a pilot program was launched in January of 2015 in which fifty employees of the Ministry of Finance (MoF) biometrically registered for AWCC’s M-Wallet Mobile Money Service. With this service, the employees’ transferred their salaries directly into their M-Wallet accounts and withdrew the money from AWCC’s authorized agents in selected remote areas. Following the success of the pilot project, in August 2015, MoF registered 600 Afghan Local Police (ALP) in Kapisa province. Through December 2015, a total number of 3,000 ALPs from Parwan and Kandahar provinces also benefited from this service.

FAIDA also provided technical support to the World Food Program (WFP) and AWCC project, and AWCC registered about 15,000 WFP beneficiaries in M-Wallet mobile money service across the country.

FAIDA also announced an Annual Program Statement (APS); No. 4, “Innovations and Better than Cash Initiatives Grant Fund.” As a result, Top Vision received a \$250,622 grant which included Top Vision’s \$52,361 contribution, and Boloro received \$767,495 grant which included Boloro’s \$181,990 contribution. In 2015 Top Vision hired 169 white label agents to facilitate mobile money services to Roshan and Etisalat customers and registered 46,804 customers for the mobile money service. In December 2015, Boloro Afghanistan received sixty-three Electronic Kiosks, and plans on installing Point of Sale (POS) machines in January 2016, which will be utilized to facilitate mobile money services locally.

The Afghanistan Payment System (APS) Data Center completed their development work, and the National Switch (Data Center) is now live. APS also increased their membership to four full members: Azizi Bank, Ghazanfar Bank, Bank-e-Milli Afghan, and Pashtany Bank.

*The National Switch is a unified platform which will enable any Afghan user to transfer and receive money from any ATM, POS and terminal or cell phone. Deployment, provision of technical support and distribution of POS devices, Acquiring of foreign cards transactions on both POS and ATMs, provision of card payment clearing and settlement services on behalf of its members and clients, monitor ATMs on behalf of its member institutions, Issuance and management of domestic-branded proprietary payment cards, switching of card-based transactions including access to International*

*networks such as Visa, MasterCard, American Express, etc. through APS' partners, establishing a Mobile Financial Services and payments infrastructure with Afghanistan GSM Mobile Network Operators, establishing infrastructure for the provision of new and innovative payment solutions utilizing emerging payment technologies, ensuring alignment with Da Afghanistan Bank (DAB) payment regulations, supporting the establishment of non-bank outlets to facilitate financial transactions (for example mobile telecom agent networks).*

In December 2015, FAIDA and Kosha Media signed a subcontract to launch a public awareness campaign aiming to increase the use of non-cash payment devices in the country in February, 2016. The Government of the Islamic Republic of Afghanistan, mobile network operators, financial institutions, and mobile money service providers, with the support of United States Agency for International Development (USAID) will launch the campaign during 2016. The main objectives of this campaign are to generate awareness of the benefits of mobile money and to increase the number of users of mobile money. This campaign adheres to instructions by the presidential administration directing relevant ministries and agencies to employ non-cash payment methods wherever practical. The nationwide campaign will be presented through media outlets including television, radio, social media, mobile cinema and print.

Throughout 2015, Etisalat registered 34,184 new Da Afghanistan Breshna Sherkat (DABS) customers for their mHawala service with different Etisalat flagships and other active agents in Kabul. As of December 2015, there were more than 3,912 DABS customers registered for Etisalat mHawala. As of December, 2015, customers paid over 2,545 bills through mHawala service, totaling \$1,143,812. In addition, 3,912 customers paid their electricity bills through mHawala service of Etisalat, totaling \$1,428,907.

**The Gender Mainstreaming Unit** is cross-cutting and involves all technical components of FAIDA. It integrates gender in all areas of implementation and ensures that women benefit from equal opportunities, especially in regards to access to finance and opportunities for economic and professional growth. FAIDA is continuing to provide technical support for the smooth transition of responsibilities of the Women's Access to Finance and Islamic Finance Workshops' to the Afghanistan Microfinance Association (AMA). AMA has hosted seventeen Women's Access to Finance and Islamic Finance workshops in the provinces. The workshops highlighted a range of support services and credit offering opportunities for business expansion and the exchanging of ideas between MFIs and businesswomen. As a result of the roundtable discussions, 355 concept notes for new businesses were developed, with a total potential value of \$417,938 in loans. To date, a total of 128 loans were approved with a potential value of \$109,216.

FAIDA continues to support a financial sector internship program to allow for greater opportunities for women to find employment in financial institutions. Since 2012, 400 women in four cycles of six months each have completed the Women in the Financial Sector Internship program at the 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 a proposed FAIDA Women in Government Internship Program in Kabul. As a result of the agreement, sixty recent graduates of Kabul University completed a six month internship program. FAIDA has also signed an agreement with the Departments of Information & Culture, Economy, Communication and Information Technology, Women's Affairs, Finance, Public Works, Governor Houses for another purposed Woman in Government Internship Program in Balkh, Herat, Nangarhar and Kandahar provinces. A total of ninety-two university graduates are enrolled in this internship program in the above-mentioned four provinces. FAIDA signed an agreement with the American University of Afghanistan (AUAF) and the International Center for Afghan Women's Economic Development (ICAWED) to implement the Women in Business Management Internship program. The primary objective of this program was to provide an opportunity to sixty recent female graduates to develop their essential skills, experience, and working relationships to increase their employment opportunities and enable them to succeed in Afghanistan's private sector.

## Enterprises Component

In 2015, the Enterprises Component continued its work in all 34 provinces of Afghanistan through its five regional coordinators in Center, North, East, West, and South regions. The coordinators worked closely with USAID implementing partners, provincial chambers of commerce, local and international NGOs, financial institutions, provincial governments, and private sector associations from a myriad of sectors including education, pharmaceutical, agriculture, renewable energy, construction, carpeting, services, trade, small manufacturers, and women-owned business development organizations to facilitate access to finance.

Also to promote lending to Afghan agribusinesses FAIDA worked closely with several financial institutions and USAID-funded projects in Afghanistan. FAIDA collaborated with the USAID-funded Agriculture Development Fund (ADF) project to facilitate loans in the agricultural sector and develop loan applications for agro-based enterprises in various provinces.

### **Afghanistan Banks Association (ABA) Access to Finance (A2F)-Business to Bank (B2B) Roundtables**

The Enterprises Component supported the Afghanistan Banks Association in organizing six ABA A2F B2B roundtables in Nangahar, Badakhshan, Jawzjan, Bamyan and Balkh provinces of Afghanistan in 2015. The primary objective of the Business to Bank roundtables were to link enterprises with financial institutions.

These roundtables were attended by 445 businesses, including 128 women-owned businesses. During the referenced roundtables, representatives from fifteen financial institutions presented their services and learned more about loan products needed by different Afghan businesses. The enterprises also gained more information about each bank's specific loan processing requirements. The roundtables were perceived to be very effective as they expedited financing activities and improved financial institutions' images among businesses, the Government of Islamic Republic of Afghanistan (GIROA) officials, and community leaders. As a result of these roundtables, seventy-four concept notes totaling \$2.3 million in potential loans have been identified.

### **A2F B2B Roundtables - Financing the Mining Sector**

On February 17, 2015, with FAIDA's support, and in collaboration with the USAID-funded Mining Investment and Development for Afghan Sustainability (MIDAS) project, ABA organized a one-day A2F B2B Roundtable event for stakeholders in the mining sector in Kabul. The roundtable specifically targeted enterprises in the mining sector in Afghanistan by linking them with potential and available lenders. The roundtable provided the enterprises with the opportunity to exchange viewpoints, and identify challenges and opportunities in improving their productivity and establishing links with finance. H.E. Dr. Dawood Shah Saba, Minister of Mines and Petroleum, H.E. Khan Afzal Hadawal, Da Afghanistan Bank's (DAB) Acting Governor, H.E. Mustafa Mastoor, Deputy Minister of the Ministry of Finance, and Mr. Ahmed Siar Khoreishi, Chairman of ABA, were speakers at the event. Overall, 165 people participated in the ABA-A2F B2B Roundtable on Financing the Mining Sector, which included twenty women, thirteen banks, three MFIs, three insurance companies, and fifty-five private sector representatives.

A number of thirty-five potential loans were discussed in the B2B roundtables. The potential loans were valued at \$16.8 million across various sectors, including marble, gypsum, geo-science, jewelry, mineral extraction, oil and gas, precious stones, gems and coal mining.

### **3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair in Herat**

On March 10-11, 2015, FAIDA and the Indian Embassy in Afghanistan supported the Herat Chamber

of Commerce and Industries (HCCI) to organize the two-day 3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair event in Herat City. Sixty-seven businesses showcased their products and services, including ten Indian businesses, fifty-seven Afghan enterprises, and eight banks and MFIs. Overall, 1,850 people participated in the 3<sup>rd</sup> Annual India-Afghanistan Innovation Partnership Fair, which included 140 VIPs from Herat’s Governor’s office, the Indian Consulate in Herat, donor agencies, national and international NGOs, businesswomen, board members of HCCI, the Herat business community, as well as representatives from other western provinces’ chambers of commerce and industry. During the first day of the fair, 600 people (of which 25% were women) attended the inaugural ceremony and 1,250 people (of which 35% were women) attended the second day.

More than 350 business-to-business matchmaking meetings took place, which yielded more than \$20 million in potential business deals; an additional forty-two potential business deals are still in progress.



*Inauguration ceremony of the Afghanistan Banks Association (ABA) – Access to Finance (A2F) Business to Bank Roundtable - February 17, 2015*

*Photo by: FAIDA Communications*

### **Feedback from the 3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair Exhibitors:**

*“I am very thankful to USAID/FAIDA and HCCI who organized such a successful exhibition where we, Indian and Afghan businesses, can showcase our products.”*

*Mr. Shubhendu Dash of Access Development Services (Indian Company)*

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*“The organizer of this event is brilliant. This is a well-organized event which is beyond our expectations.”*

*Mr. Iftikar Ahmed of Goonj (Indian Company)*

\*\*\*

*“We made good software deals with our Afghan counterparts and, hopefully, we will have good trade relations in the future.”*

*Mr. Sachin Gaur from Mobile Harvest (Indian Company)*

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*"It was a great event and the Indian participants are very happy with the arrangements".*

*Mr. Vinay Jaju of Onergy (Indian Company)*

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*"I have never seen such an event in my entire life. I have attended similar events inside India and outside but this event was beyond expectations."*

*Mr. Rajnush Agarwal of Rajiasthan Udyog (Indian Company)*

### **Follow up on Afghanistan-India Construction Sector Business to Business Matchmaking Event**

During 2015, the FAIDA team followed up on the potential deals that were made during Afghanistan-India Construction Sector Business to Business Matchmaking Event that was held on January 31, 2014. FAIDA helped Asian Consulting Engineers PVT.LTD award a contract worth \$157,650 to Green Tech Construction Company. Similarly, the Omar Muneer Construction Company purchased electrical goods worth \$238,000 from three different Indian Companies: Kirloskar, Advance Power Control System, and Havells/Capital Firms.

### **Afghanistan Renewable Energy Union (AREU)**

#### **"Access to Finance" - Renewable Energy Summit and Exhibition in Kabul**

The Ministry of Energy and Water's Renewable Energy Department (RED) and the Afghanistan Renewable Energy Union (AREU) in organizing the first "Access to Finance" - Renewable Energy Summit and Exhibition in Kabul on June 13<sup>th</sup> and 14<sup>th</sup>, 2015, with the support of the USAID, and in collaboration with the Embassy of



*Inauguration Ceremony of the Access to Finance Renewable Energy Summit and Exhibition held on June 13, 2015 at the Ministry of Energy and Water, Kabul, Afghanistan.*

*Photo by: Jan Ali Faizi, FAIDA Communications Specialist*

India in Afghanistan. This event aimed at helping Afghan businesses replicate best practices in renewable energy solutions from the region and establish linkages with local financial institutions.

The main objective for the "Access to Finance" - Renewable Energy Summit and Exhibition was to improve access to finance through targeted discussions and meetings between relevant stakeholders and linking enterprises with financial institutions in preparation for the Renewable Energy Summit and Exhibition in Delhi on August 7, 2015. In addition, the Summit helped create awareness among participants, including businesses, associations, NGOs, and individual investors and inform them of the benefits of how renewable energy can influence their lives. Six different workshops coinciding with the exhibition focused on investment opportunities in the renewable energy sector in Afghanistan, regulatory mechanism and access to finance for business investing in the sector.

More than 350 participants from the renewable energy sector (solar, wind, biomass, geothermal and hydro), financial institutions and international donors attended the event. Additionally, there were fifteen financial institutions comprising of banks, microfinance institutions, and insurance companies present at the event.

## “Access to Finance” - Renewable Energy Summit in Kandahar

On July 7, 2015, USAID/FAIDA, in collaboration with the Indian Embassy in Afghanistan supported the AREU and the Ministry of Energy and Water’s (RED) held the second “Access to Finance” - Renewable Energy Summit in Kandahar province.

About 300 participants, including representatives from the renewable energy sector, banks, the Indian Consulate General in Kandahar, individual investors, and government official from Kabul, Kandahar, Uruzgan, and Zabul provinces attended the event. Approximately seven financial institutions and fifteen individual media representatives attended the event.

During the one day summit, Mr. Wahidullah Sabawoon, Phoenix delivered the following presentation on the launch of Kandahar 10MW Solar Project:

- The Government of Islamic Republic of Afghanistan is in the process of designing the first large scale 10MW size ground mounted solar PV plant to be set up in the city of Kandahar through private sector participation.
- A land of 60 acres has already been identified for setting up the project. Several industrial parks and new industries are to be established in the adjoining areas, in addition to the existing customer base.
- The project was initiated by USAID via a proposal to the Government of Afghanistan. The proposed program is the first attempt wherein a renewable energy project of such large capacity and scalable model is being implemented by way of independent power producers in Afghanistan.
- Kandahar is located in the Southern part of Afghanistan, receives abundant sunshine through most of the year with 300 sunny days. The average annual solar resource is 5.8 kWh/m<sup>2</sup>/day; hence it is highly suited for solar power generation.

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## Afghanistan-India Renewable Energy Summit New Delhi, India

The Ministry of Energy and Water and the AREU organized the Afghanistan-India Renewable Energy Summit and facilitated a one-day study visit to the leading Indian Renewable Energy producers in New Delhi, India during August 6<sup>th</sup> and 7<sup>th</sup>, 2015. The study visit was organized with USAID’s support and in collaboration with the Indian Embassy in Afghanistan and FICCI. This event aimed to accelerate renewable energy deployment in Afghanistan, help Afghan businesses replicate the best renewable energy solutions from the region, and establish links with international partners and local financial institutions.



The main objective of this summit and study visit was to introduce Indian businesses from the renewable energy sector to renewable energy investment opportunities in Afghanistan and to establish partnerships with potential Indian investors in the renewable energy sector.

The inaugural ceremony of the summit was held at FICCI's headquarters in New Delhi. There were more than 200 public and private sector representatives in attendance, including 150 participants from Indian businesses in the renewable energy sector. Representatives from Afghanistan included high dignitary officials from the Afghan Ministries of Energy and Water and Rural Rehabilitation and Development, DABS, the Afghanistan Ambassador to India, the Indian Ambassador to Afghanistan, representatives of AREU, thirty-four prominent Afghan businesses in the renewable energy sector, representatives of the financial sector, Afghan sponsors, and local and international media stationed in New Delhi.



*Business-to-Business Matchmaking during Afghanistan – India Renewable Energy Summit in Delhi, India on August 6, 2015*

*Photo by: Mr. Fakhruddin Mujeeb, FAIDA M&E Field Monitor*

During the Summit, Afghan businesses had the opportunity to meet Indian businesses, Afghan government officials, FICCI directors in the renewable energy sector, and Indian financial institution representatives. They promoted their companies by showcasing their promotional products in solar, wind, biomass, geothermal, and hydro power. A total of 385 business-to-business matchmaking meetings were held between Afghan and Indian businesses with over \$89.91 million in potential deals; \$13 million out of the \$89.91 million were made during the site visits.

### **Follow up on Afghanistan – India Renewable Energy Summit potential deals**

FAIDA's Enterprises team followed up on the potential deals from the Afghanistan – India Renewable Energy Summit. This resulted in the Bakhtar Bastan Solar and Wind Company purchasing approximately \$47,000 in deep-cycle batteries from the Indian Exide Industries limited company.

### **Access to Finance Renewable Energy Roadshow**

During the year 2015, FADA supported AREU in organizing five one-day Access to Finance Renewable Energy Roadshows in Herat, Bamyan, Balkh (Mazar-e-Sharif City), Jawzjan (Sheberghan City) and Nangarhar (Jalalabad City) provinces.

Approximately 276 participants, including representatives from the provincial chambers of



*Access to Finance Renewable Energy Roadshow, Jawzjan province, Afghanistan – November 7, 2015*

*Photo by: Mohammad Ewaz Hassani, FAIDA North Regional Coordinator*

commerce and Industries, directors of industrial unions, businesses from the renewable energy sector, enterprises, local community leaders, teachers, students from universities and microfinance institutions including: Afghanistan Microfinance Association (AMA), Agriculture Development Fund (ADF), First Microfinance Bank (FMFB), FINCA Afghanistan, MUTAHID Development Finance Institute (DFI), Afghanistan Rural Finance Company (ARFC), OXUS Afghanistan) and Banks including; New Kabul Bank (NKB), Bakhter Bank, Afghanistan International Bank (AIB), Maiwand Bank, Ghazanfar Bank), attended the roadshows.

During the referenced roadshows, AREU registered thirty new members and granted eleven honorary memberships to university teachers as the technical advisors to AREU. As a result of these roadshows, fifty-seven potential solar projects with a total value of \$114.7 million were identified and introduced to AREU.

### Access to Finance Innovation Roadshows

During 2015, FAIDA organized seven one-day Access to Finance-Innovation Roadshows in Herat, Bamyan, Nangarhar, Kandahar, Jawzjan, and Mazar-e-Sharif Provinces.

413 people attended the roadshows, which included representatives from agriculture, health, education, information, communication and technology (ICT), clean energy, waste water and sanitation sectors, including USAID’s implementing partners, including Regional Agriculture Development



*The Innovation Roadshow in Kandahar Province, Afghanistan – October 29, 2015*

*Photo By: Mr. Sharifullah, a participant in the Roadshow*

Program-West (RADP-W), PROMOTE-Women in Economy, Assistance in Building Afghanistan by Developing Enterprises (ABADE), ADF, Herat Industrial Union (HIU), Herat Private Clinics Association, Herat Higher Education Institutes Union, Herat Private Schools Union, innovative businesswomen and various Herat-based businessmen. Representatives from various financial institutions as Kabul Bank, Bakhtar Bank, Afghanistan Micro Finance Association (AMA) First Micro Finance Bank (FMFB), OXUS, Afghanistan Rural Finance Company (ARFC), FINCA, Afghanistan, Afghanistan International Bank (AIB) and Bakhtar Bank presented their products and services to the participants.

The roadshows identified 79 potential innovative ideas worth \$7.9 million education, health, clean energy, agriculture, water and sanitation and ICT sectors for the loan facilitation and grants.

### Enterprise Component's Indicators

The tables below and the related narratives describe the Enterprise component's progress towards the contractual indicators in 2015:

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	55	10	0	0	210	339	5	1
		65		0		549		6	

Loans made by financial institutions as a result of the Enterprise 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	1,941	548	8,182	32,292

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 of FAIDA's components' interventions, including the Enterprise 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	\$1,513,689	\$324,551	\$858,240	\$7,116	\$5,942,121	\$213,102	\$427,727	\$2,950
		\$1,838,240		\$865,356		\$6,155,223		\$430,677	

The majority of loans facilitated by FAIDA were with the following lenders or financial institutions: DCA, AIB, OXUS, FMFB, 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	1,102	265	225	15	462	391	357	189
		1,367		240		853		546	

The Enterprise component has supported businesses through training programs and ABA-A2F B2B 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 response to market needs, the team developed an Islamic Finance Window Operating Model which is being considered as the road map for financial institutions on how to develop, implement, and offer Shari'a compliant services.

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
1.5	Number of SMEs that have received loans from financial institutions								

		0	0	33	8	264	336	32	3
		0		41		600		35	
<b>Code</b>	<b>Indicator</b>	<b>Total Achieved During Period</b>							
1.6	Total number of clients (households and/or microenterprises) benefiting from financial services provided through USG-assisted financial intermediaries, including non-financial institutions or actors	<b>Q1</b>		<b>Q2</b>		<b>Q3</b>		<b>Q4</b>	
		<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>
		0	0	362	186	7,373	809	31,255	1,037
		0		548		8,182		32,292	
<b>Code</b>	<b>Indicator</b>	<b>Total Achieved During Period</b>							
1.7	Number of persons receiving new employment or better employment (including better self-employment) as a result of participation in USG-funded workforce development programs	<b>Q1</b>		<b>Q2</b>		<b>Q3</b>		<b>Q4</b>	
		<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>
		0	0	396	194	7,639	1,147	31,287	1,040
		0		590		8,786		32,327	

## Banking Capacity Component

The Banking Capacity component works to strengthen civil society organizations that 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 and Livestock (MAIL), Ministry of Rural Rehabilitation and Development, municipalities, 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 Micro and Small and Medium Enterprise (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 build inclusive financial markets through strong and profitable financial institutions that extend into rural areas by expanding MSME access to capital.

### Afghanistan Banks Association (ABA)

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 in order to strengthen and increase its visibility and effectiveness. FAIDA's support has included a financial grant of \$613,830 in February 2013 and in April 2015 ABA's request for a no-cost extension to their grant agreement was approved. FAIDA has also worked to



strengthen ABA's ability to play an 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 2015, 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 Afghanistan – India Renewable Energy summit in India.

ABA is now active and is increasingly recognized – both inside 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, facilitating the implementation of the Public Credit Registry (PCR) and its widely distributed newsletters.

### Coordination with Afghanistan's Central Bank

During 2015 ABA has further enhanced its coordination with DAB through formal coordination meetings between DAB's Governor, senior officials, and Afghan banks.

### **DAB's Public Credit Registry (PCR) Department**

All Afghan banks initiated an online reporting system in June 2014, known as the Public Credit Registry (PCR) project. This was completed on December 31, 2014, with the adoption of all international practices applied in the region. ABA, as part of its member services, supported the DAB's PCR by facilitating implementation of the online public credit registry system and organizing regular coordination meetings at ABA. On January 6, 2015, ABA hosted the PCR workshop at ABA's office. Fifteen representatives from ten ABA member banks participated in the workshop. The goal of the workshop was to inform all ABA member banks of the successes of the PCR project.



*ABA Member Banks Coordination Meeting with DAB Officials on Tax Lien in Public Credit Registry – January 6, 2015*

*Photo by: DAB's Photographer, Mr. Zirak Malia*

The PCR has thus far registered 76,299 reports, consisting of 13,740 loan closing reports and 62,559 loan opening reports.

### **Afghanistan-Pakistan Women's Business Conference**

On April 19, 2015, ABA participated in the Afghanistan-Pakistan Women's Business Conference. The conference was jointly organized by the Commercial Law Development Program (CLDP), U.S. Department of Commerce, with additional funding from USAID/Pakistan, from April 20-23, 2015. The aim of the four-day conference was to strengthen the competitiveness of Afghan and Pakistani businesswomen, and to increase cross-border trade and investment between Afghanistan and Pakistan. ABA's Executive Director delivered a presentation on financing opportunities for businesswomen in Afghanistan and took part in a panel discussion on access to finance for women owned businesses.

### **ABA's Meeting with President's Special Advisor for Financial Sector**

ABA met with Mr. Ajmal Ahmady, the President's Special Advisor on the Financial Sector on January 27, 2015. Mr. Ahmady has been assigned by the President of the GIROA to develop a comprehensive report on Afghanistan's banking sector. Mr. Ahmady inquired about the most critical issues that ABA members are facing, so that they may be taken into consideration by the Afghan Government for the development and sustainability of Afghanistan's financial sector. ABA's Finance and Administration Manager briefed Mr. Ahmady on ABA activities and the ABA member banks' current operating environment. Subsequently, Mr. Ahmady met with Mr. Ahmad Siar Khoreishi, Chairman of ABA and CEO of Ghazanfar Bank to further discuss the banking sector.



*ABA's Chairman meeting with President's Special Advisor about Financial Sector – Kabul – January 27, 2015*

*Photo by: Mr. Enayatullah Ludin ABA Admin/Finance Officer*

## **ABA's Advocacy Meetings with the Administrative Affairs Office of the Presidential Palace**

ABA conducted meetings with the Administrative Office of the Presidential Palace to discuss the challenges in the banking sector. Two meetings were held during April and May, 2015. Mr. Ahmed Siar Khoreishi, ABA's Chairman, Mr. Abdul Majeed Jabarkhail, ABA's Executive Director, and Mr. Najibullah Amiri, ABA's Deputy Executive Director, met with Mr. Shokrullah Amiri, Head of Private Sector Relations Department, and Mr. Noor Akbar Sarak, Private Sector Relations Expert at the Department of the Administrative Affairs of the Presidential Palace. The purpose of the meeting was to discuss the primary concerns of the banking sector and explore whether the Private Sector Relations Department can be of any support. Mr. Khoreishi discussed issues and proposed suggestions related to the banking sector, including the following:

- Regulatory capital currency conversion and its ramification for banks.
- Banking law should be amended to meet current banking environment.
- The Supreme Council of DAB should meet regularly with banks to understand issues of concern.
- DAB should not only act as a regulator but also an engine for financial development to catalyze a positive environment that can facilitate the growth of the financial industry.
- A proper capacity building program should be organized and implemented for the Financial Supervision Department (FSD) at DAB to enhance the capacities of FSD staff to professionally supervise banks. Examples were shared regarding creating of provision and disposal of collateral.
- A quarterly meeting should be held between H.E. Mr. President and the heads of commercial banks to discuss the challenges faced by the financial industry and how the government can help.

On June 29, 2015, ABA finalized the proposal/list for the President on the challenges that the banking sector faces in the legal and regulatory framework in Afghanistan. This document also includes ABA and its member banks recommendations for each and every issue in banking law and regulations. On July 1, 2015, the final proposal was submitted to the Administrative Office of the President. The recommendations included the following:

- Mandatory clean up in overdraft loans should be removed.
- Asset concentration from 40% of the core capital should be changed to 40% of the gross credit portfolio.
- Special courts for recovery of bad loans should be established.
- Security expenses of banks should be reduced as Afghan Public Protection Force (APPF) has monopolized the market.
- Asset Classification's Watch and Substandard categories time period should be increased.
- ABA suggested increasing the exposure ceiling for a group from 15% to 40% of the regulatory capital of a bank.

**Meeting with US Department of the Treasury at the US Embassy in Kabul:** ABA organized a meeting between representatives from the US Treasury Department and ABA member banks at the US Embassy in Kabul in February, 2015. The general topics covered in the meeting included the Afghan banks' correspondent banking state, and other challenges and obstacles faced by member banks in Afghanistan. CEOs of seven ABA member banks along with ABA's Deputy Executive Director, attended the meeting. From the US Treasury Department Mr. William Larry McDonald, Deputy Assistant Secretary, Mr. Richard N. Seaman, Senior Economic Crimes Adviser, Ms. Amy E. Holman, Economic Counselor and Mr. Daniel D. Rountree, the US Embassy's Financial Attaché, also attended. The meeting participants discussed the economic situation of the banking community, the banking sector's economic outlook for 2015, the regulations that hinder growth, banks' impressions of working with DAB, and what issues US Treasury technical advisors may be able to help with. During the meeting Mr. Ahmed Siar Khoreishi, CEO of Ghazanfar Bank and Chairman of ABA, briefly talked about the history of ABA and the importance of an active association for the banking sector. He also provided information about the overall economic situation of the country, explained the status of the banking sector, and outlined the challenges faced by the Afghan banking sector.



*ABA Member Banks Meeting with US Department of Treasury representative, Mr. William Larry McDonald, Deputy Assistant Secretary, Mr. Richard N. Seaman, Senior Economic Crimes Adviser, Ms. Amy E. Holman, Economic Counselor and Mr. Daniel D. Rountree, the US Embassy's Financial Attaché, on Correspondent Banking Relation in Kabul – February 2015*

*Photo by: US Embassy Representative*

ABA's Chairman thanked USAID/FAIDA for the financial and technical assistance provided.

**Changes at ABA:** USAID's FAIDA met with Mr. Siar Khoreishi, CEO of Ghazanfar Bank and Chairman of ABA as he has resigned from Ghazanfar Bank and will be leaving the bank on December 28, 2015. As the outgoing CEO of the Ghazanfar Bank (GB) and the Chairman of ABA, USAID/FAIDA met him to thank him and also to discuss his future plans.

**ABA's Coordination with PAHNA Group** In February 2015, ABA organized a meeting for its member banks and Mr. Philip Walter Smith, Senior Mortgage Specialist for PAHNA Group. Eleven representatives including CCO, Deputy CCO, Head of Credits, Credit Mangers, and Head of Compliance from seven ABA member banks participated in the meeting.

During the meeting Mr. Smith delivered a brief presentation on mortgage law, regulations and guidelines (both for Islamic and conventional), and mortgage market/practice in the world. He noted that the main objectives of the assignment are to revise the mortgage regulations which are in the Central Bank, and provide trainings to the Mortgage Directorate of the DAB to expand investment and profitability. Moreover, he added that PAHNA Group will standardize mortgage documents for the ABA member banks and MFIs for better securitization of loans. ABA member banks expressed appreciation for PAHNA Group's initiative and asked Mr. Philip to focus on the implementation of mortgage law, which is already available



*ABA's Member Banks Meeting with PAHNA in Kabul on February 2015*

*Photo by: Mr. Jamal Naser, ABA's IT Officer/ Translator*

in Afghanistan. The PAHNA Group, funded by HAKARAT, will work with DAB to review the current mortgage law, regulations and establish necessary guidelines.

### **Institution Building**

On July 27, 2015, ABA organized its General Assembly Meeting at ABA's office. The meeting aimed to accomplish the following: the formation of a Special Court; the selection of ABA's second Vice Chairman; and the passage of ABA's Bylaw. ABA's Chairman briefed the members on the problems the banks have with recovery of loans, foreclosure, immovable property mortgage law, and contradictions between mortgage laws with the Supreme Court circular, among other topics. The chairman noted that he had also met Mr. Aklil Hakimi, Minister of Finance, US Department of Commerce/USAID, regarding the creation of a special court for Afghanistan's banking sector, and discussed the related issues and presented statistical figures on banking sector.

### **ABA's Strategic Plan: 2015-18**

The ABA Board of Directors (Mr. Ahmad Siar Khoreishi, Chairman of ABA and CEO of Ghazanfar Bank; Mr. Mukesh Verma, First Vice Chairman of ABA and CEO of Maiwand Bank; Mr. Inayatullah Fazli, Second Vice Chairman of ABA and CEO of Azizi Bank; and Mr. Sarfraz Nazir, Board Member of ABA and Country Head of Bank Alfalah Limited) met on January 18, 2015, to discuss ABA's three year (2015-2018) Strategic Plan, which was drafted with FAIDA's support. ABA's Board members mentioned that the ABA Strategic Plan 2015-2018 is well drafted, and offered some suggestions related to regulations, capacity building, lobbying, correspondent banking issues, and optimal amendments to laws and regulations related to the banking sector. It was agreed that the ABA's Strategic Plan is to be finalized in regular consultation with ABA's Board of Directors. FAIDA's Chief of Party, Team Leaders for Banking Capacity and Regulatory Components also participated in the meeting.

### **Afghanistan Banking Sector**

#### **Risk Management Framework and Methodology Training**

From October 3rd - 7th, 2015, FAIDA's Commercial Banking/Risk Management Consultant, Ms. Thelma Tajirian, conducted a training session on risk management framework and methodology. A total of thirty-eight risk management professionals from DAB, Bank Alfalah Limited, AUB, AIB, Azizi Bank, Bakhtar Bank, BMA, FMFB, Ghazanfar Bank, HBL, New Kabul Bank (NKB), Pashtany Bank, Afghanistan Rural Finance Company (ARFC), FINCA Afghanistan, Mutahid DFI, and OXUS Afghanistan participated in the training. The training covered risk governance, Basel Accord history and regulations, risk management frameworks and the four main areas of risk in the banking sector (credit risk, operational risk, liquidity risk and market risk). Each module also contained case studies and regulations from Basel Accord and DAB. At the end of the training, participants provided positive feedback and thanked USAID/FAIDA for facilitating the training.



*Risk Management Framework and Methodology Training, Kabul FAIDA Office, Kabul, Afghanistan – October 3-7, 2015*

*Photo by: Jan Ali Faizi, FAIDA Communications*

Following the on-site visit of Azizi Bank on September 30, 2015, Ms. Tajirian, completed diagnostics, and analyzed and produced the final risk assessment report for Azizi Bank. She presented the results to Mr. Sunda, Azizi Bank's Chief Risk Officer, at FAIDA's office on October 11, 2015. During the

presentation she made a note of areas that needed improvement, and Azizi Bank's risk management framework.

*"On the last day of the Risk Management Framework and Methodology training, and on behalf of all participants and myself, I would like to thank USAID/FAIDA for providing us with the opportunity to share our knowledge and experiences with each other and with Ms. Tajirian in order to come up with a better risk management framework. Hopefully the lessons learned here will be implemented by all of us in each bank in Afghanistan. USAID/FAIDA staff were very organized, coordinative and remarkable. Ms. Tajirian's training was so perfect and interesting. USAID/FAIDA provided us all with the opportunity to learn better Risk Management. Thank you Ms. Tajirian and thank you FAIDA."*

*- Rajendara Singh Sunda, Chief Risk Officer of Azizi Bank*

### **Afghanistan Central Banks signed MOU with UAE's Central Bank**

On February 4, 2015, Afghanistan's Central Bank signed an MOU with the United Arab Emirates' (UAE) Central Bank, to enhance cooperation.

Mr. Mubarak Rashed Al Mansoori, Governor of the Central Bank of the UAE, and Mr. Khan Afzal Hadawal, First Deputy and Acting Governor of the Central Bank of Afghanistan, signed the MOU. The MOU is aimed at enhancing cooperation by providing training and technical assistance to the employees of the Central Bank of Afghanistan, as well as, establishing a mechanism to cooperate on regulatory matters, supervision of banks and other financial institutions operating in both jurisdictions, and exchange of supervisory information.

### **Customized Support to Financial Institutions**

**OXUS Afghanistan** is one of Afghanistan's fastest growing MFIs. OXUS offers a variety of loan products to its customers based on client needs. Their major loan products include Micro Enterprise Loans (MELs) and Small and Medium Enterprise (SME) loans.

On June 21, 2015, FAIDA signed a grant agreement with OXUS. The total activity budget is AFN 14,250,000 (\$247,826) which also includes 20% OXUS Afghanistan cost share. The grant aims to increase access to finance in Afghanistan by encouraging microfinance lending to women and youth<sup>1</sup>. OXUS will issue all funds received under this proposed grant in microloans directly to women and youth entrepreneurs who have the demonstrated capacity to grow their businesses, yet face difficulties securing loans through commercial banks due to issues such as insufficient credit history. This grant supports FAIDA's Banking Capacity Component objective of strengthening the capacity of MFIs to enhance financial inclusion in Afghanistan by delivering financial services to lesser served demographics such as women, youth, and rural populations.

### **Afghan Rural Company's (ARFC) Islamic Finance Murabaha Product Implementation:**

FAIDA supported ARFC in developing Murabaha (an Islamic loan product which is based on concept of cost plus profit, which is not an interest-bearing loan) from 2012-13. As a result, in 2015 ARFC disbursed twenty-three loans with a total value of \$2,347,000, which created fifty-five jobs, of which twelve were for women. Inclusive of these twenty-three loans, the total ARFC financing under the Murabaha product since March 2012, developed by FAIDA, has reached \$10.4 million with a total of ninety-five loans disbursed, which has created 203 Jobs, of which thirty-two have been for women.

<sup>1</sup> For the purpose of this grant, "youth" is defined as young Afghans between the ages of 18 and 30.

## **Implementation of Small Business Banking and Retail Banking Products by AIB**

FAIDA supported AIB in 2012 and 2013 in re-engineering the retail banking branches and developing new products, such as payroll loans. As a result, in 2015 AIB approved 58 loans with a total value of \$150,905. FAIDA also supported AIB in structuring SME banking and developing related products, such as Small and Medium Business Terms Loans, Home Equity and Invoice Discounting. Consequently, during 2015 AIB approved 13 SME loans with a total value of \$2,307.472, and created 46 jobs. During 2015, AIB implemented new products that were designed by FAIDA, including home equity and invoice system.

## **Microfinance Investment Support Facility for Afghanistan (MISFA)**

Established in 2003, MISFA is a unique organization that pools diverse donor funds and converts them into streamlined, flexible support services to MFIs in Afghanistan. It is the only second-tier lender to MFIs in Afghanistan. MISFA's guiding principle is to build the capacity of the Afghan microfinance sector with the goal of increasing financial inclusion. Its services to MFIs are tailored to local priorities and are accompanied by technical assistance and performance monitoring. As of November 2015, the combined portfolio of MISFA's five partner MFIs stood at \$100.1 million in outstanding loans to over 129,171 borrowers, of whom almost 35% were women.

In 2015, USAID/FAIDA continued to coordinate efforts with MISFA to strengthen the microfinance sector in Afghanistan. Supported by the USAID/FAIDA, MISFA's 2013-2015 Strategic Plan was developed around two guiding principles: (i) Leadership and (ii) Financial Inclusion.

With support from FAIDA, MISFA has achieved the following:

- Enhanced the coordination and strengthened the microfinance sector by:
  - Providing role clarity between MISFA and Afghanistan financial sector support organizations such as the AMA and AIBF;
  - Completing the transfer of microfinance sector coordination functions and its regional offices from MISFA to AMA.
- Developed the Strategic Plan for MISFA for 2013-2015.
- Supported AMA's institutional strengthening that allowed the association to take ownership of regional coordination, communication and advocacy roles – roles previously held by MISFA.
- Provided technical support trainings, as well as monitoring and supervision of staff.
- Improved MISFA's partner management information systems and performance monitoring systems.

## **Afghanistan Microfinance Association (AMA)**

Established in 2005, AMA is the national network of development finance institutions (DFIs) in Afghanistan. AMA aims to promote a sustainable development finance sector in Afghanistan. AMA's major activities and achievements in 2015 included:

AMA continued to liaise with relevant government agencies on behalf of its members and the development finance sector. While formally established in 2005, a lack of awareness and connections with government officials, community elders, and the general 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, PRRDs, District Development Assemblies (DDAs), CDCs, law enforcement agencies, and community leaders (Wakil-e-Guzars). While AMA continues its activities in Kabul, Parwan, Balkh, Takhar, Kunduz, Badakshan, Herat, Baghlan, and Nangarhar provinces, during 2015 AMA scaled up its activities in and Jawzjan and Samangan provinces. AMA programs resulted in enhanced awareness and support for development

finance from government officials and community leaders. MISFA also supports AMA in conducting Program and Legal Awareness meetings.

### **Access to Finance Workshop for Agribusinesses with Regional Agriculture Development Program–West**

On September 21, 2015, the Regional Agriculture Development Program–West (RADP-West) organized a workshop on “Access to Credit/Finance for Agribusinesses” in Herat province. Thirty-five participants including Farmers and agribusiness company owners, AMA and its member organizations participated in the workshop. The workshop was to link the AMA member MFIs operating in the province with RADP-West’s beneficiaries for better access to finance. AMA coordinated participation of three of its member MFIs –FMFB Afghanistan, FINCA Afghanistan, and Mutahid Development Finance Institution (DFI) in the workshop. Mr. Mohammad Nader Wahedi, AMA’s West Regional Coordinator participated in the workshop. He introduced AMA and its member organizations operating in the West Region and mentioned that FMFB and FINCA Afghanistan are offering agriculture loan products in Herat province. Subsequently, the representatives of FMFB Afghanistan and FINCA Afghanistan presented their loan products and services in detail.

AMA is a member and a board member of the South Asian Micro-entrepreneurs Network (SAMN). In the last meeting of SAMN’s board of directors, on January 20, 2015, Mr. Najibullah Samim, AMA’s Executive Director, was selected as the Vice Chairman of the SAMN Board of Directors for the next three years. AMA builds bridges between its various partners through a number of forums, including CEOs Coordination Meetings, MFIs Regional Coordination Meetings, and Community Saving Promoting Institutions (CSPI) Forum Meetings in Kabul and 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, MISFA’s and AIBF’s new initiatives and any other matters of importance.

### **Development Finance Sector’s Code of Conduct Finalized**

To finalize the Code of Conduct for the Development Finance Sector in Afghanistan on January 26, 2015, AMA conducted a workshop for its MFIs and CSPIs member organizations’ HR Executives. Mr. Fahim Naimi, AMA’s Research and Communication Manager, reviewed the Code of Conduct and asked the participants if any further changes were needed. The participants shared their opinions on points of concern, and necessary changes were incorporated upon agreement. The code was finalized and shared with all AMA members on January 28, 2015, with implementation to start in 2016.

### **Community Based Saving Promoting Institutions (CSPIs) Meeting**

On August 12, 2015, AMA organized a special meeting for the CSPIs at the AMA’s Head Office in Kabul upon MISFA’s request. Mr. Zack Ratemo, MISFA’s Development Finance Advisor, explained that MISFA is in the process of revising and updating its Strategic Business Plan for the next three years. The process involves extensive consultation with various players and stakeholders to understand their issues, challenges and opportunities. AMA is also proposing to conduct a comprehensive study this year on the “Status of CSPIs in Afghanistan” which will serve as a reference document for MISFA, CSPIs, AMA, donors and other stakeholders. Mr. Ratemo used a brief PowerPoint presentation to provide an overview of MISFA’s current Strategic Business Plan. Each representative also provided information about their organization’s operational model, geographical

coverage, challenges, issues, achievements and successes, and the areas where they required support. CSPI Representatives also thanked MISFA for the opportunity to share their input towards the MISFA Strategic Plan and thanked AMA for organizing the meeting. They applauded AMA's initiative to conduct the study on the CSPIs, which they consider an important step in the long-term development of CSPIs.

### **Knowledge Management and Communications**

In 2015, AMA published five issues of its E-Newsletter, four issues of the MicroView Reports and circulated it to all stakeholders and other networks on a national level. These reports disseminate information about and highlight the performance of the microfinance sector. AMA continues utilize the Microfinance Magazine (Micro Mag) for communicating with various national and international stakeholders. AMA collects MFIs data on a quarterly basis and uploads it to the MIX Market database. AMA conducted a training needs assessment (TNA) for development finance institutions operating in Afghanistan in collaboration with AIBF. AMA completed the initial report in November 2015, and sent it to AIBF for their review and comments.

On November 22, 2015, AMA published the second TNA report of the development finance sector in Afghanistan. The report includes inputs from CEOs, COOs, human resources officers, and training managers from eleven AMA member organizations. AMA shared electronic and hard copy versions of the report with all AMA members, stakeholders, and donors.

### **Client Success Stories' Competition**

The first committee meeting for the Client Success Stories' Competition event was held on May 5, 2015, at AMA's head office. The Committee members included Mr. Najibullah Samim, AMA's Executive Director and Mr. Fahim Naimi, AMA's Research and Communication Manager, Mr. Matin Ezidyar, PIC Manager of MISFA, and Mr. Khalilullah Zafari, FAIDA's Banking Capacity Deputy Team Leader. The nominated success stories and criteria for ranking the stories were reviewed by the Committee. The results of the AMA Client Success Story Competition were announced during AMA's Annual General Assembly meeting on June 4, 2015. The top three clients selected were FINCA Afghanistan, Mutahid DFI, and FMFB. The selected clients were awarded gifts and certificates for their achievement.

### **Institution Building**

Recognizing AMA's increased organizational and technical capacity thanks to FAIDA's technical support, AMA finalized its 5-year Strategic and Sustainability Plan (SSP) for the period of 2015-2020. During January 3<sup>rd</sup> - 12th, 2015, two consultants, Ms. Radhika Agashe and Mr. Narendra Nayak, from ACCESS-ASSIST India, developed AMA's five year Strategic and Sustainability Plan which was submitted for USAID approval on August 19, 2015, after FAIDA's review and subsequent revision and was approved by USAID on September 5, 2015.

AMA's management and regional coordinators finalized the activity plan for the 2016 calendar year, based on AMA's 5 year strategic and sustainability plan, creating during a workshop held on October 26<sup>th</sup> and 27th, 2015, in Kabul. While finalizing the activity plan, the group reviewed its 2015 achievements and raised any concerns, issues or lessons they had learned. AMA's contingency plan during the security crisis in Kunduz was also discussed during the meeting, and decisions were made accordingly. AMA will share its 2016 activity plan and budget with MISFA shortly in order to secure funding for 2016.

As part of its capacity building initiatives, FAIDA supported AMA in organizing *AMA Training for its Women's Program Regional Coordinators (WPRCs)*. On December 13, 2015, AMA began conducting trainings for its Women's Program Regional Coordinators (WPRCs) in AMA's Central Office in Kabul. The training focused on Effective Communication and Report Writing, with the goal of improving WPRC's communication and report writing skills. The training was organized by Advanced Business Consulting (ABC), Afghanistan.

On February 11, 2015, AMA signed a funding agreement with the MISFA for 2015. Through this agreement, MISFA provides funds for all AMA's core activities and operations. During the signing ceremony, Mr. Bahram Barzin, Managing Director praised that AMA had successfully completed the transition of MISFA's responsibilities to AMA, per the MOU signed between AMA and MISFA in December 2013. Mr. Najibullah Samim, AMA's Executive Director, thanked MISFA for its continued support to AMA and their future commitment.

On April 1, 2015 FAIDA and AMA entered into a standard grant agreement to support AMA activities to strengthen AMA's institutional capacity, and develop a presence for AMA in the Afghanistan development sector.

On November 16, 2015 Mr. Najibullah Samim, AMA's Executive Director and FAIDA's Chief of Party, Mr. Joseph Daniel Mooney, signed a new grant agreement. The funds under the grant will allow AMA to implement activities planned under AMA's five year Strategic and Sustainability Plan. Under this agreement, AMA will organize workshops on access to finance for the renewable energy sector, assess the adoption of the Afghanistan's development finances sector's Code of Conduct by two member MFIs, support AIPA in developing a micro-insurance strategy/policy, facilitate youth entrepreneurship, and conduct women's access to business opportunities and Islamic finance workshops in Kabul and regions.



*Grant agreement signed between FAIDA and AMA at FAIDA's office, Kabul, Afghanistan – November 16, 2015*  
*Photo by: Ahmad Walid Salehzada, FAIDA Communications Assistant*

### **AMA-USAID Meeting**

On November 16, 2015, AMA's Executive Director, Mr. Najibullah Samim and AMA's Communication Manager, Mr. Mohammad Fahim Naimi, met with USAID/Development Credit Authority (DCA) Investment Officer, Mr. Pete Gauthier, at USAID's office. The meeting was to discuss AMA and its role in the microfinance sector, challenges faced, and other important issues. Mr. Samim and Mr. Naimi provided information about the sector, the challenges with insecurity and instability in the country and its impact on the financial sector, and they responded to other inquiries raised by Mr. Gauthier.

### **Meeting with United Nations International Labor Organization (UN-ILO) Consultant**

On November 17, 2015, Mr. Basir Jamil, AMA's North Regional Coordinator, and Ms. Frishta Hassany, AMA's North Regional Women Programs Coordinator, met with Mr. Kamua Kabbucho, the Local Economy Development Coordinator and UN-ILO's Consultant for the Road to Jobs Project, in AMA's Regional office in Balkh Province. Mr. Kamua is the microfinance and enterprise development consultant hired by UN-ILO to conduct an assessment of MFIs and CSPIs activities, and is working on enhancing and coordinating the programs among UN-ILO and the DFIs. During the meeting, Mr. Jamil updated Mr. Kamua Kabbucho on the microfinance sector and AMA's activities, and responded to Mr. Kabbucho's questions regarding the microfinance sector.

## **AMA participates in MoWA event**

Based on the invitation from the Ministry of Women Affairs (MoWA) and the JSSP, Mr. Najibullah Samim, AMA's Executive Director, participated in a conference entitled "Evaluation of Social and Economic Rights of Women in Afghanistan Conference" at the Kabul Star Hotel on April 21, 2015. Mr. Samim participated in a panel discussion and gave a presentation on the history, evolution and achievements of microfinance in Afghanistan with particular focus on access to finance for women. Mr. Samim also introduced AMA, its activities and role in microfinance sector. Subsequently, on April 20, 2015, the representatives of JSSP and MoWA, led by Mr. Abdullah Aziz, Project Management Advisor of JSSP met Najibullah Samim, AMA's Research and Communications Manager and AMA's Women Program Coordinator at AMA's office. FAIDA's Gender Specialist was also present in the meeting. The purpose of the meeting was to discuss AMA and the microfinance sector and determine possible linkages between AMA and JSSP-MoWA.

## **AMA meeting with ABA**

Mr. Najibullah Samim, AMA's Executive Director met with Mr. Abdul Majeed Jabarkhail, ABA's Executive Director and Mr. Najibullah Amiri, ABA's Deputy Executive Director, on June 22, 2015 at ABA office. The meeting was to strengthen coordination and synergy among the sectors and provide needed support to each other. Mr. Jabarkhail said that he and his team are inspired by AMA's performance particularly in regards to coordination and publications. He added that ABA is also looking for organizing coordination meetings between its member banks and stakeholders, similar to AMA's CEOs Coordination Meeting as well as publications similar to AMA's MicroView reports.

## **Afghanistan Institute of Banking and Finance (AIBF)**

Formally established in November 2010, the AIBF is working to strengthen the financial sector by providing training and capacity building programs to banks and MFIs.

FAIDA was in communication with World Bank regarding continued support to AIBF. FAIDA met with Mr. Ghafoor Sadat, AIBF's Executive Director on March 25, 2015 and informed him that future FAIDA grant funding would be contingent on the DAB and World Bank assessment, and related recommendations.

On April 28, 2015, FAIDA met with World Bank to discuss the World Bank's plan for future support to AIBF. The World Bank noted that AIBF's Board of Directors had recently accepted the resignation of AIBF's Executive Director. The World Bank suspended all future funding to AIBF, and indicated that future World Bank funding to AIBF will be contingent on the proposed assessment of AIBF. Ms. Katrin Fakiri, former Managing Director of MISFA was the consultant hired by World Bank through DAB who conducted a comprehensive assessment of AIBF, covering operation, technical, management and leadership of AIBF.

Ms. Katrin Fakiri was also in contact with FAIDA to provide necessary coordination and any additional support. FAIDA agreed to provide assistance to the consultant. On June 23, 2015 FAIDA's Chief of Party and FAIDA's Banking Capacity Deputy Team Leader met with, Ms. Katrin Fakiri, the World Bank consultant, to provide information about the AIBF's operations and future support of FAIDA for AIBF. Regarding the funding of AIBF she mentioned that World Bank has extended its funding to AIBF until end of July 2015. At the end of the meeting, Ms. Katrin asked FAIDA to let her know what the very important point is for AIBF from FAIDA's point of view. In response, FAIDA mentioned that sustainability of AIBF is most important, and, FAIDA would like to see AIBF become a sustainable organization by providing quality training as per the need of financial sector. The report was presented to World Bank with the consultant's recommendations.

Mr. Basharmal Pasarlay, General Director, Office of the Financial Sector Strengthening Projects at World Bank was appreciative of the consultant and commended her for completing the assessment in a very professional and excellent manner. Mr. Basharmal also mentioned that the consultant presented the assessment report to the AIBF Board chaired by H.E. Khalilullah Seddiq, DAB Governor and the AIBF Board approved and confirmed all the 73 recommendations and decided to terminate the Institute's Executive Director, Mr. Gafoor Sadat's contract. AIBF has subsequently appointed Mr. Noor Pasarley as AIBF's Executive Director to implement the 73 recommendations and hire and lead the institute to self-sustainability and credibility.

On December 14, 2015, FAIDA met with AIBF's key staff. During the meeting, the group also discussed conducting sustainable trainings on Real Estate Appraisal, Risk Management Methodology and Framework, and Insurance through AIBF. The new CEO, Mr. Paserly, agreed to include these trainings in AIBF's TNA and curriculum, and in the Training Calendar for 2016.

## **Insurance Sector**

### **Afghanistan Insurance Personnel Association (AIPA)**

AIPA was established in 2013, to meet the needs of the growing insurance sector, and to collectively represent the interests of the insurance community. AIPA was formally registered on February 10, 2014. It aims to serve as the voice of the insurance companies and the sector in dialogues and consultations with the Afghanistan Insurance Authority (AIA) - the Insurance Regulator, businesses, individuals, government ministries and other stakeholders – internal and external. AIPA receives support from USAID/FAIDA.

AIPA aims to strengthen the competitiveness of the insurance industry in Afghanistan. All three licensed insurers in Afghanistan are members of the AIPA. AIPA expects that upcoming licensed insurers will also become members of the AIPA.

AIPA also aims to build the capacities of insurance professionals and to generate greater awareness about insurance.

### **With USAID/FAIDA's support AIPA has had the following major achievements:**

- All three functional licensed insurers in Afghanistan are members of the AIPA.
- Opportunities created for sector professionals to network and organized meetings at senior level and with government authorities.
- AIPA participated in the 2<sup>nd</sup> Access to Finance (A2F) Exhibition in October 2013, and delivered presentations to enhance awareness on insurance services
- Coordinated participation of AIPA member insurance companies in ABA's A2F Business to Banks (B2B) Roundtables in Kabul and Nangarhar to promote insurance.
- Coordinated participation of AIPA member insurance companies in the 3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair organized by Herat Chamber of Commerce and Industries (HCCI) with support from Indian Embassy and USAID/FAIDA.
- Developed three year Strategic Plan for AIPA.
- Received a grant from FAIDA in April 2015 to implement the first year activities of its three year Strategic Plan.
- Held seventeen training workshops covering various technical, managerial and legal topics for insurance sector employees during November - December 2013 and August 4<sup>th</sup> - 24<sup>th</sup>, 2015
- A Training of Trainers (TOT) was facilitated for insurance professionals and AIBF trainers in August 2015 to strengthen their knowledge, skills and training capacities for conducting future trainings.

## AIPA's Board of Directors Meetings

During 2015, AIPA held three meetings of its Board of Directors at AIPA office. In these Board meetings, all the three Board members including AIPA chairman and FAIDA officials participated. In these Board meetings, the main discussions were about AIPA's 2015-16 activities plan, AIPA's 2015-16 budget, Insurance Corporation of Afghanistan's (ICA) membership with AIPA, restructuring AIPA's current Board and FAIDA's technical assistance to the Afghanistan Insurance Authority (AIA). The AIPA's Board of Directors unanimously decided the below mention points in these Board meetings.

- The AIPA's 2015 activity plan and budget were approved by FAIDA.
- Mr. Saeed Ershad Naderi, CEO of ICA, is elected as AIPA's Chairman after Mr. Fahad Daud Momand resignation as Chairman of AIPA. Mr. Naderi authorized Mr. Adrian Henry, ICA's Chief Underwriting Officer as AIPA's working Chairman of AIPA. Mr. Henry will represent Mr. Naderi in AIPA Board meetings and when making decisions. Mr. Henry was initially elected to be AIPA's Chairman, however given that per the Afghanistan Social Organizations Regulation published by the Ministry of Justice (MOJ) Official Gazette in 2013, expatriates are not allowed to hold Chairman Position within Afghan Associations. Hence, a decision was made to make the AIPA Board's Chairmanship a one-year position, after which another representative the AIPA member insurance company will be elected as the new Chairman.
- AIPA completed the Branding Strategy and Marketing Plan template as required by FAIDA and subsequently submitted it to FAIDA's Grants Department for approval.

## FAIDA's Grant to AIPA

AIPA Grant Activity Plan and Budget was revised on March 7, 2015, based on comments from the FAIDA Grant Department. On March 28, 2015, USAID approved AIPA's \$54,441 grant from FAIDA. The objective of the grant is to build the capacity of insurance professionals and to generate greater awareness about the insurance sector in Afghanistan. AIPA aims to strengthen the insurance industry in Afghanistan by enforcing a strict code of conduct and professional practice to its members, supporting training initiatives, marketing, insurance education campaigns and building networks with stakeholders to carry out an advocacy role for the insurance sector. AIPA provides a forum for dialogue and works to coordinate and promote best practices in insurance and greater access to and usage of insurance in order to create a robust domestic insurance sector in Afghanistan. The grant will provide AIPA with USAID's support in implementing the first year of its three year strategic plan.



*AIPA Grant Agreement Signing Ceremony, FAIDA's Office, Kabul  
Leftr to Right: Abdullah Sawiz, USAID's Contracting Officer's  
Representative (COR) for FAIDA, Mr. Fahad Daud Momand,  
Chairman AIPA, Ms. Diana Zaldastanishvili, Finance Director,  
USAID's FAIDA, Mr. Omaid Rahimi, Banking Capacity Deputy Team  
Leader, USAID's FAIDA – March 7, 2015  
Photo by: Mr. Mehdi Khirad, FAIDA Communication Specialist*

The total grant activity budget (FAIDA's grant and AIPA contribution) is \$67,293, while the total value of the grantee contribution to this activity approximately 20% of the total grant activity budget. Mr. Fahad Daud Momand, AIPA's Chairman and Ms. Diana Zaldastanishvili, FAIDA's Finance Director, signed the grant agreement on April 1, 2015.

On September 21, 2015, AIPA submitted a request for modification to the FAIDA grant for a five month, no-cost extension from November 1, 2015 to April 30, 2016, since the current FAIDA-AIPA

Grant Agreement (SIG-15-020-AIPA) was planned to end on October 31, 2015. This grant modification was to enable AIPA to spend the unutilized funds under the grant budget and achieve its deliverables which were not achieved yet due to the delay in the AIPA's Technical Support Officer's (TSO) recruitment and issues related to remittance of AIPA membership fees and opening of bank account.

#### **AIPA Member Insurance Companies participation in Trade Finance Roundtable:**

On March 3, 2015, four representatives from AIPA's two member insurance companies (ICA and ANIC) participated in the Trade Finance Roundtable that was organized jointly by USAID's ATAR and FAIDA projects. The purpose of the roundtable was to promote trade finance in general and export finance in particular which includes the promotion to different financial solutions and discussing the export fund.

#### **Agricultural Credit Technical Working Group (ACTWG) workshop**

On September 17, 2015, AIPA's TSO participated in ACTWG workshop conducted by USAID's Agricultural Credit Enhancement II (ACE II) program and co-chaired by ADF and held in Inter-Continental Hotel, Kabul, Afghanistan. Officials and representatives of from the AMA and ABA and their member institutions attended the workshop. The purpose of the workshop was to enable financial institutions to identify and prioritize the major constraints and opportunities for the expansion in agriculture finance services in Afghanistan. AIPA's TSO actively participated in group activities and presented the discussions of groups of three on Credit Products and Structure, where the TSO introduced the idea of crop insurance.

#### **AIPA Members participation in 3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair**

During March 10<sup>th</sup> and 11<sup>th</sup>, 2015, six representatives from the three AIPA member insurance companies, ICA, ANIC, and AGI participated in the 3<sup>rd</sup> India-Afghanistan Innovation Partnership Fair held, in the Herat Province and showcased their insurance products and services.

#### **Access to Finance (A2F) events**

##### **AIPA participation in Access to Finance (A2F)–Business to Bank (B2B) Roundtable Financing the Enterprises Event**

During December 14<sup>th</sup> and 15<sup>th</sup>, 2015, Mr. Salahudin, AIPA's Technical Support Officer and Mr. Abdul Momin Jabarkhail, the Jalalabad Branch Manager of Afghanistan National Insurance Company (ANIC), participated and delivered presentations in the two-day A2F–B2B Roundtable conducted in Jalalabad province.

##### **Access to Finance: (A2F) Business to Bank Roundtable - Financing the Education Sector – Kabul**

On November 30, 2015, AIPA, ANIC, and, ICA participated in the pre-discussion meeting on A2F B2B Roundtable – Financing the Businesses in Education Sector Event. This B2B roundtable was held by FAIDA and aimed at facilitating financing for the education sector. Participants included 29 representatives from the Afghanistan Private School Union, financial institutions, and mobile network operators (MNOs). The main purpose of this meeting was to discuss facilitating access to finance for the education sector in Afghanistan. Afghanistan Private School Union expressed their interest for a next meeting with ANIC to further discuss the education insurance.

##### **AIPA's participation in Women Access to Finance and Islamic Finance Workshop in Nangarhar province**

During November 10-11, 2015, AIPA participated in a two-day Women's Access to Finance and Islamic Finance Workshop in Jalalabad. AMA organized the workshop with support from FAIDA, and its aim was to strengthen women's financial inclusion in Afghanistan's financial sector. During the

workshop, AIPA delivered a presentation on the state of the insurance sector's development, different insurance products and services, and AIPA's recent activities and progress.

### **Insurance Corporation of Afghanistan (ICA) presentation in Afghan Exporters Access to Trade Finance and Insurance Seminar**

On November 9, 2015, USAID's ATAR project, in collaboration with the FAIDA project, organized a one-day event entitled "Afghan Exporters' Access to Trade Finance and Insurance Seminar" Representatives from four financial institutions and one insurance company presented their export financing products as well as best practices and strategies for exporting to India, Pakistan and United Arab Emirates.

### **Technical Support for Insurance Sector**

#### **Insurance Trainings**

Mr. Ayandev Saha, FAIDA's Insurance Capacity Building Consultant (Insurance Consultant) started his assignment with AIPA on July 1, 2015. He conducted delivered training sessions to insurance professionals and facilitated Training of Trainers (ToT) courses to select staff (trainers) of AIBF and insurance companies. The Insurance Consultant also advised AIPA on its Marketing and Communication Plan for 2015. Conducted trainings on Basics & Fundamentals of Insurance (Principles of Insurance, Insurance Reserves, Governance & Compliance, Insurance Underwriting, Reinsurance, Innovative Products and Microinsurance, Marketing and Communications, Claims Management, Micro insurance,

#### **Micro-Insurance Strategy Plan**

Mr. Ayandev Saha prepared a Strategy Note for Micro-Insurance that sets out the road map and framework for increasing access to insurance for low-income Afghans and presented it to the FAIDA team on August 26, 2015. The strategy provides guidance to micro-insurance providers and distributors via MFIs, NGOs, and MNOs.

#### **Training of Trainers (ToT) for Insurance Professionals and identified AIBF Trainers**

During August 22-24, 2015, Mr. Ayandev Saha, the Insurance Consultant provided ToT to insurance professionals working with the insurance companies and identified AIBF trainers. The aim of the ToT workshop was to strengthen the knowledge, skills, and training capacities of participants on insurance and related topics.

There were six participants from two insurance companies and AIBF. Through the ToT program, Mr. Ayandev Saha ensured that the trainers have adequate subject knowledge to train further. Mr. Ayandev Saha also advised the trainers on soft skills to provide more effective delivery of training sessions on the selected technical topics.

**AIPA's 2015 Marketing and Communications Activities Plan:** Mr. Ayandev Saha, AIPA's Insurance Consultant, reviewed AIPA's 2015 Marketing and Communications Activities Plan and provided content feedback. He also submitted a report to FAIDA on AIPA's marketing activities that included topics such as:

- Addressing a lack of communication by the Insurance industry
- Role of Insurance Association (AIPA) in marketing and communication
- Input on the AIPA's 2015 Marketing and Communications Activities Plan

**AIPA and Afghanistan Insurance Authority (AIA) met with USAID;** On May 6, 2015, AIPA's

board members met with USAID and briefed USAID representatives on the state of the insurance sector in Afghanistan, its challenges and opportunities, and the recent successes. AIPA's Board members in attendance included Mr. Fahad Daud Momand, CEO of the Afghan National Insurance Company (ANIC) and AIPA Chairman; Mr. Adrian Henry; Chief Underwriting Officer of ICA, and AIPA's Vice Chairman; along with AIA officials Mr. Arif Hamid, Insurance Director General of AIA, and Mr. Baryalai Barezai Head of Insurance Supervision Affairs of AIA.

### **AIPA Meeting with AIBF**

On December 20, 2015, Mr. Salahudin Sahil, Technical Support Officer (TSO) of AIPA met Mr. Lutfulhaq Noor Paserly, AIBF's new Executive Director, Mr. Sailab Sahak, AIBF's Marketing/Policy Head and Mr. Mujibullah Maihandost AIBF's National Trainer to discuss about insurance trainings through AIBF. During the meeting, Mr. Paserly mentioned that apart from providing trainings to banking sector, AIBF will offer possible trainings to a larger pool of organizations in Afghanistan's financial sector, including the insurance sector. Also during the meeting, Mr. Paserly mentioned that AIBF can arrange diploma and certificate trainings after AIPA's coordination with its member insurance companies in order to understand the required trainings for insurance sector employees. In addition, AIBF will initiate to register AIPA and its member insurance companies in AIBF's working group. Mr. Paserly appointed Mr. Selab Sahak, AIBF's Marketing/Policy Head as a focal point to AIPA for technical coordination issues.

### **AIPA meeting with Afghan Global Insurance**

On December 29, 2015, AIPA met with Ms. Amil Abidy, Deputy CEO of Afghan Global Insurance (AGI) and Acting Chairman of AIPA, to discuss AIPA's plan to conduct follow-up insurance trainings. The main purpose of the meeting was to introduce one of its staff members who is to conduct Basic Insurance, Marketing and Claim Management training in local languages to the insurance sector employees during February 2016. During the meeting, Ms. Amil agreed to provide one of AGI's staff to conduct the planned trainings, and also suggested that AIPA organize trainings on insurance products using the current AIPA member's resources.

### **AIPA meeting with AGI**

On November 16, 2015, AIPA's Technical Support Officer (TSO) met with Mr. Surendranath Tripathy, CEO of Afghan Global Insurance (AGI) and discussed the following points for the technical proposal of the study tour:

- The insurance market in emerging countries
- The contribution of insurance between economic growth
- Health insurance
- Engineering/property insurance
- Micro insurance
- Insurance risk management

### **Meeting between AIPA and ACCI**

On September 21, 2015, Mr. Salahudin Sahil, AIPA's TSO, met with Haji Khwaja Shah Darwish, Director of Member Relations of the Afghanistan Chamber of Commerce and Industries (ACCI). The purpose of the meeting was to determine the requirements for registering AIPA with ACCI.

On October, 6 2015, AIPA's TSO, Mr. Salahudin Sahil met Mr. Pason Barakzai, Deputy CEO of ANIC. The purpose of this meeting was to update Mr. Barakzai about AIPA's seal, equipment and documents required for opening a new bank account for AIPA. Mr. Barakzai assured Mr. Sahil that he will contact Mr. Omaid Ahadi, former ANIC Chief of Staff to ensure AIPA TSO receives above mentioned assets.

## **Insurance Sector Update Report**

With assistance from FAIDA, AIPA developed a state of the insurance sector reporting template and shared it with the insurance companies, encouraging their assistance in providing sector related data to AIPA via the template. After receiving completed templates from the insurance companies, AIPA will compile and finalize all insurance sector report data to be used as a guideline for the insurance sector on a quarterly basis.

### **AIPA Website hosting and domain registration**

Per AIPA's strategic plan AIPA developed a website to showcase information on the Insurance industry in Afghanistan. FAIDA supported AIPA in development of AIPA's website contents and design, FAIDA also supported AIPA for hosting and domain registration of website which was successfully implemented. The AIPA website is live on a test base for branding approval. AIPA's web address is: [www.aipa.org.af](http://www.aipa.org.af).

### **AIPA Library**

AIPA with support from FAIDA established a small library of books related to insurance, risk, investment, marketing, finance, and auditing, in Afghanistan National Insurance Company (ANIC) office in Kabul. The purpose of the library is to increase the knowledge of insurance experts in Afghanistan. The library is beneficial for the whole sector and specially the AIPA member Insurance companies.

### **AIPA Code of Conduct**

With technical inputs from FAIDA, AIPA has developed its Code of Conduct. The purpose of the Code of Conduct is to promote and set high ethical standards and good business practices in the insurance industry by giving specific guidance on acceptable and unacceptable practices in all the phases and relationships of Afghan Insurance businesses. This voluntary Code of Conduct will be followed by the AIPA members, which will greatly assist in building and maintaining a good image and reputation of the insurance industry in Afghanistan.

### **Glossary of Insurance Terms**

On December 6, 2015, AIPA distributed a Glossary of Insurance Terms to AIPA member insurance companies, Afghanistan Insurance Authority (AIA), and FAIDA. The glossary, compiled by the AIPA, consists of key insurance terms and their meanings in alphabetical order. In the emerging insurance sector of Afghanistan, where most people are not aware of key insurance terms, the glossary is expected to be highly beneficial.

### **Afghanistan Insurance Authority (AIA)**

On February 11, 2015, AIPA board of directors met with AIA's General Director to discuss AIPA's membership requirements, the status of the new draft insurance law, including mandatory insurance lines, and next steps. During the meeting AIPA member's discussed its requirements and mentioned that AIPA, AIA, and the Government of Afghanistan must set out to develop a professional, robust and successful domestic insurance sector and suggested the three key areas for the success of the Insurance Sector in Afghanistan including:

- a) Developing and offering reliable insurance products
- b) Government support for mandatory insurance lines/classes.
- c) Insurance Law that supports development of the insurance sector.

Also during the meeting AIA provided updates on the status of the new draft Insurance Law, which included inputs from insurance companies and observations from other stakeholders and submitted to the Ministry of Justice (MoJ). The new draft insurance law includes six mandatory insurance classes for Aviation Insurance, Employer Insurance, Fire Insurance, Investment Insurance, Motor Insurance, and Third party insurance. AIA also provided updates on Fire Insurance regulation, which was developed recently and submitted to Ministry of Justice (MoJ) for approval but rejected by MoJ because the law does not include current functional Insurance Law. During the meeting, it was agreed that AIPA members will meet to discuss its member requirement in relation to the Mandatory Insurance Lines and get back to AIA with their suggestions and recommendations. FAIDA's Chief of Party and FAIDA Loan Product Specialist also participated in the meeting.

### Capacity Building Support to AIA for On-site Inspections and Off-site Analysis

FAIDA met with the senior management of AIA at the Ministry of Finance on April 26, 2015 to introduce Mr. Stephen Rossiter, Insurance Supervision and Regulatory Expert and FAIDA's Capacity Building Consultant for AIA's on-site inspections, off-site supervision, and examination of insurance operators. During the meeting, AIA and Mr. Rossiter discussed his draft work plan and the priorities for carrying out the work plan.

During the course of his assignment, Mr. Stephen Rossiter spent 31 of his 45 days in country (nearly 70% of his total allocated on-site days) at the AIA offices at the MOF.

### 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	0		11		10		1	
2.2	Number of financial sector employees trained with U.S. government assistance	0	0	20	5	27	4	25	5
		0		25		31		30	
2.3	Number of financial sector professionals/supervisors trained with U.S. government assistance	0	0	17	5	11	3	11	1
		0		22		14		12	
2.4	Number of financial institutions with enhanced capacity as a result of U.S. government assistance	0		0		0		0	

## Regulatory Component

### Appraisal Intervention

In the summer and early autumn, Phil Smith, FAIDA's appraisal expert, began and completed a very productive STTA mission wherein he laid the foundations for the establishment of a uniform system of teaching, testing, certifying, and overseeing the appraisal profession in Afghanistan. Presently, despite numerous provisions of Afghani law that require independent appraisals of property (including the mortgage law), no such system exists, and property appraisers are rare in Afghanistan. Private commercial banks requested this intervention.

A summary of Mr. Smith's mission follows:

#### *Purpose and Objectives*

Banks have, throughout the period of FAIDA's work in Afghanistan, made clear that the extension of credit (and, hence, the ready availability of finance to the commercial public) is impeded by the lack of a formalized, uniform system of asset appraisal and valuation. Da Afghanistan Bank (DAB), for its part, as well as the Law on Mortgage of Immovable Property in Banking Transactions, both recognize the importance of an appraisal and valuation system to the operation of Afghanistan's banking sector. Despite the desires of both the banks and their regulator, and despite the legal requirement that banks engage appraisal professionals, there do not exist in Afghanistan (i.) professionals who are trained in the subject of property valuation; (ii.) any form of certification, recognition, or licensure regarding persons who hold themselves out as appraisal professionals; or (iii.) any appraisal standards to which lenders, borrowers, sellers, buyer, or the judiciary may turn for valuation information.

The objectives of Smith's assignment were as follows:

- The adoption of (or the commitment to adopt) appraisal standards by the Mortgage Directorate of the DAB and/or by the to-be-formed Afghanistan Appraisers' Association (the "SRA");
- The adoption of (or the commitment to adopt) a nation-wide "appraisal manual;"
- Consensus regarding the provision of basic and intermediate training, including associated fees, as well as the exact nature of related "certification;"
- The adoption of (and the commitment to use) the training materials authored by Smith via the Afghanistan Institute of Banking and Finance (AIBF) or another institution acceptable to the SRA;
- Consensus regarding the formation and operation of the SRA (whether via the Central Bank, the Afghanistan Bankers Association (ABA), AIBF<sup>2</sup>, or as a new, stand-alone organization);
- The initiation of the Seed Courses;

#### *Accomplishments*

The deliverables of this assignment are listed below in *italics*. After each italicized deliverable the accomplishment related to such deliverable is set forth.

- (i.) *Production of the appraisal manual (known in many countries as "appraisal guidelines") within two weeks of the Specialist's arrival in Kabul.*

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<sup>2</sup> Afghanistan Institute of Banking and Finance, an organization supported by FAIDA, the World Bank, ABA, and the Central Bank

The appraisal manual has been completed. The details of the manual are several hundred pages and are not included in this report.

The Appraisal Manual will be the guideline for appraisal practice in the country and will be adopted by the SRA.

- (ii.) *The “Afghanization” of the International Valuation Standards within 30 days of the Specialist’s deployment.*<sup>3</sup>

International Financial Reporting Standards (IFRS) are a requirement of each of the licensed banks in the country. The IFRS refer to valuation in accordance with International Valuation Standards (IVS). The IVS have been selected for adoption as the standards which will be followed in Afghanistan. The IVS have been “Afghanized” to reflect the laws and regulations concerning evaluation in Afghanistan. The IVS will be adopted as they exist today and as they are changed in the future.

- (iii.) *A “road map” for the formation and operation of the SRA, acquiesced by the Central Bank, the ABA, and AIBF, within 6 weeks of the Specialist’s deployment.*

Smith produced a graphic depicting the relationship of AIBF, ABA, and the SRA. A tentative consensus was established with AIBF and ABA regarding the contents of this graphic.

- (iv.) *SRA by-laws, rules, and guidelines for the control of relevant examinations, as well as the control of the certification process.*

The by-laws and statutes have been prepared for the formation of the SRA with a proposed name of Afghanistan Appraisers Association (“AAA”).

Uniform Standards of Professional Appraisal Practice have been prepared and will be officially adopted upon successful formation of the AAA. The Standards include sections on Ethics, Appraisal, Review and Consulting of certified individuals. The Guidelines for minimum and continuing education requirements are included within the Appraisal Manual. The details for the process of training, examination, certification, designations, and term of certification and associated fees of appraisers are included in the Appraisal Manual.

All training materials and examinations will be approved by AAA and will be presented or administered by AAA selected entities.

- (v.) *Authorship of training materials for both the basic and intermediate courses referenced under “Objectives,” supra.*

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<sup>3</sup> Experience in similarly situated markets/jurisdictions reveals that it is unnecessary to custom-draft new valuation standards for Afghanistan. The International Valuation Standards, created and maintained by the International Valuation Standards Council of London, are already in use in the vast majority of markets relevant to Afghanistan.

The training materials for a basic and intermediate class were completed, including changes for Afghanization. These materials are in English. The translation of these materials has begun, but remained incomplete at press time.

The “Real Estate Appraisal – Basic” course was the basis for the Training of Trainers which was begun on August 29, and continued until September 10. Four trainers are took the course; three passed the examination, and are, at press time, arranging with AIBF to offer the course in January.

(vi.) *Assurance, to USAID’s satisfaction, that the delivery of ongoing training for aspiring appraisers has been made sustainable. The deliverable will be deemed to have been achieved if FAIDA has organized ongoing classes, or if the relevant counterpart(s) (e.g. DAB, ABA, or AIBF) has/have committed to provide said classes.*

The first training has been completed. Three trainers are prepared to offer the Basic course for AIBF. AIBF has agreed to continue the training in Kabul. The Afghanistan Microfinance Association (“AMA”) has agreed with AIBF to provide training at the AMA offices in the various regions throughout the country.

The AIBF could become sustainable within two or three calendar quarters after the beginning of the training for appraisers. See the constraints section, *infra*, for issues concerning AIBF.

In addition to the above specific deliverables, meetings and discussions were held with a cross-section of banks and other members of the financial sector. The other members included the AMA, the insurance association, and non-bank financial institutions. Updates on the status of the project were also provided to World Bank and International Finance Corporation.

Coordination with other USAID projects was completed with the Women in Government program for inclusion of women in the appraisal profession and with the Public Financial Management project to include potential training for government employees to understand the real estate appraisal process for assessment of real estate taxes.

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#### *Findings and Recommendations*

1. The AAA can be established by utilizing a local law firm to complete the registration of the AAA as a not-for-profit organization under the Association Law of Afghanistan. FAIDA can coordinate the formation through its operations. Operating budgets with projected income and operating expenses have been prepared. A grant concept paper has been submitted to FAIDA to cover the cost of operations until the AAA can reach sustainability, which is projected within nine months of formation.
2. Training of individuals by AIBF should continue as soon as possible. The Financial Supervision Department (FSD) of DAB should have the FSD personnel participate in the training. The DAB MD group and the DAB Risk Management personnel should also attend. There would be no fee for these personnel. Banks should have their mortgage loan underwriters; risk managers, mortgage loan officers, and internal control/audit take the courses. The banks would pay a standard fee for the training. Marketing by AIBF will be needed to attract individuals who wish to become certified.

3. The AIBF leadership has resigned. The AIBF board of directors will need to appoint new staff to continue the regular operations of the AIBF. Once the staff is in place and training of real estate appraisers can begin, the AIBF could become sustainable.

In the event AIBF is not able to continue the training, there are acceptable alternatives, such as the Afghanistan Vocational and Technical Institute, which could present the training. However, as at 31 December 2016, AIBF is actively working to organize and deliver the course in January 2016.

4. On 31 August 2015, USAID instructed FAIDA to desist from providing support to ABA. Nonetheless, ABA could potentially continue to participate in the process of examinations for appraiser certification because the individuals taking the examination pay a fee directly to ABA to be allowed to sit for the examination. If this is acceptable to USAID, the ABA could become sustainable because of the income stream that would be available from the examinations.
5. The Mortgage Directorate (“MD”) of DAB wishes to participate in the appraisal profession. In the event the AAA is not allowed to have ABA participate in the examination process, the MD could be a logical replacement of ABA.
6. The DAB Governor has suggested the DAB should not be involved in the training of appraisers or the operations of the AAA. The advantage for the AAA is the ability to complete the formation and operate independently without governmental restrictions or interference.

### *Constraints*

AIBF: The leadership resigned and the Board of Directors (The Chairman of the ABA, The Governor of DAB, and the head of MISFA) will need to appoint a new General Director. The General Director will need to hire other new personnel; financial officer, marketing manager, and more trainers.

If the Board does not take the action immediately, AIBF will not be able to market the training courses to the banks or the individuals who wish to become certified. As of 31 December, AIBF has reported that it is willing and able to host the training course of FAIDA provides the trainer. FAIDA will do so.

### “Debtor-Creditor” Assessment

In the spring and summer, the “Debtor-Creditor” Law STTA delivered to FAIDA the first draft of his assessment of the debtor-creditor law regime in Afghanistan (the “Assessment”). Thereafter, FAIDA edited it, and communicated with the STTA consultant regarding questions and clarifications. FAIDA and the ABA planned, in September, to formally present the Assessment to the ABA, and to develop with the ABA a legislative advocacy plan regarding the recommendations contained in the Assessment. At press-time, FAIDA is exploring alternatives with individual banks, with ministries, and, possibly, with DAB.

The Assessment provides, by way of overview:

#### **I. BACKGROUND AND INTRODUCTION**

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- A. Resolving Commercial Disputes and Contract Enforcements**
  - B. Informal Credit Institutions (Hawala Banking)**
  - C. Importance of Legal Regulatory Framework in Afghanistan**

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## II. COMMERCIAL DISPUTES AND CONTRACT ENFORCEMENT MECHANISMS

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- A. Informal Justice System and Huquuq**
  - i.** Understanding the Informal Justice System’s Jurisdiction
  - ii.** The Role of General Directorate of Huquuq
  - iii.** Terms of Reference of the General Department of Huquuq
  - iv.** Different Legal Foundations in Afghanistan
  - v.** Financial Disputes Resolution Commission
- B. Alternative Dispute Resolution**
  - i.** Legal Framework for Alternative Dispute Resolution
  - ii.** Conciliation and Mediation Procedures (Civil and Commercial Codes)
  - iii.** Afghanistan Commercial Dispute Resolution Center
  - iv.** Inaugural Ceremony of ACDR
- C. Resolving Commercial Disputes and Contract Enforcements Issues**
  - i.** Structure of the Court System
  - ii.** Primary Courts
  - iii.** Commercial Courts
  - iv.** History of Out-of-Court Jurisdiction in Afghanistan
  - v.** Strengthening Commercial Court
  - vi.** Judicial Reform
- D. ABA Capacity Building**

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## III. MORTGAGE FINANCE, SECURED TRANSACTIONS, BANKRUPTCY AND OTHER AREAS

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- A. Mortgage Finance**
  - i.** Home Mortgage Finance Issues
  - ii.** Mortgage Law and Regulations
  - iii.** Article 29 of the Mortgage Law
  - iv.** Mortgage of the Unfinished Constructions
  - v.** Islamic Mortgage Products and Religious Concerns about Mortgages
- B. Secured Transactions**
  - i.** Secured Transactions Law
  - ii.** Legal Issues and Recommendations
- C. Bankruptcy**
  - i.** The Banking Law Special Bankruptcy Provisions
  - ii.** Other Laws Dealing with Bankruptcy Provisions
  - iii.** The Importance of a Bankruptcy Law in Afghanistan
- D. Credit Information Regime in Afghanistan**
- E. Data Protection Legislation**

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## IV. CENTRAL BANKING RELATED ISSUES

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- A. Importance of Loan Classification and Provisioning**
- B. Comparative Study of Practices of Peer Countries**
- C. Mandatory Clean up - Overdraft Clean up Period**
- D. 90 Day Rule**
- E. Capital Conversion Issues**
- F. Loss Category Charge of/Write off Norms**

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## V. SUMMARY OF RECOMMENDATIONS

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## Support to ABA Regarding Correspondent Banking

From August 4-8, ABA personnel travelled to Delhi, India to make presentations at the renewable energy financing opportunities event organized by FAIDA. ABA and its member banks viewed this event as an opportunity to showcase Afghanistan's banking sector to a group of potential borrowers and other clients who are keen to be commercially present here.

Also, in the course of the India trip, ABA's Chief of Research, with the assistance of FAIDA, arranged visits to the India Banks Association, as well as to several Indian banks. The purpose of those visits was to generate interest among the Indian banking sector in establishing or re-establishing correspondent banking relationships between Indian banks and Afghani banks.

In response to the foregoing, prior to the Chief's departure for India, the Regulatory Component prepared the substance of ABA's presentation for the renewable energy event (via PowerPoint), and it prepared "talking points" for ABA's "correspondent banking" mission. The correspondent banking talking points provide:

### **The Benefits of Correspondent Relationships with Afghan Banks**

- Afghanistan's Central Bank rigorously oversees the banking sector, and Central Bank personnel are trained in Basel I, II, and III, as well as in CAMELS. This training is continually updated.
- Afghanistan's Law on Banking and its Regulation on Bank Corporate Governance are the products of Afghanistan's compliance with Financial Action Task Force (FATF) mandates. FATF mandates are, in turn, the product of the world's major banking jurisdictions. A country's compliance therewith virtually assures compliance with the oversight and supervision standards of those jurisdictions.
- Several Indian banks already enjoy correspondent relationships with Afghani banks. To date, none of these Indian banks have experienced enhanced regulatory oversight, much less actual investigative activity, as a result thereof. In other words, Indian banks can expect no additional regulatory burden as a result of their engaging correspondent relationships with Afghani banks.
- Afghanistan's AML and CFT laws, enacted in 2014, are also the product of FATF intervention. All Afghani banks' KYC practices are consistent with FATF mandates. Banks regularly are trained in KYC practices.
- To date, no fee disputes have occurred between Indian and Afghani banks regarding correspondent relationships.
- The Afghanistan Banks Association has developed a cooperative relationship with the Central Bank such that regulatory and bank corporate governance matters are addressed before they become problematic.

Afghanistan is a landlocked country that is heavily economically dependent upon trade. Because of this reliance, there is the potential to generate significant gains from trade-related fees. Upon his return to Kabul, the Chief of Research reported that at least three Indian banks had planned follow-up discussions about cooperating with Afghani banks. As of 31 December, those correspondent relationships remain intact.

## Electronic Money Summit

Throughout September and October, the component was required to produce several deliverables associated with the “Electronic Money Summit,” which took place at the USAID premises on 26 October 2015, and which was occasioned by the visit to Kabul of Mr. Jason Foley, USAID’s Deputy Administrator for Afghanistan and Pakistan Affairs.<sup>4</sup> These deliverables included:

- Proposed Agenda

FAIDA was required to draft a proposed agenda. The Regulatory Component spearheaded this and produced the draft agenda that ultimately formed the basis of the agenda upon which relevant parties agreed. This effort involved, as such collaborative efforts often do, much editing, redrafting, and conferencing, both in-person and via telephone.

- Speech for Central Bank

In the course of meetings with USAID personnel and the drafting of the summit agenda, it became apparent that the smooth functioning of the event would be enhanced by FAIDA’s drafting remarks for GoIRA officials. FAIDA suggested that the First Deputy Governor of the Central Bank serve as the primary speaker from the Government, as he is directly charged with oversight of the department within the Central Bank that statutorily and regulatorily empowered to provide superintendence over money service providers (which includes Electronic Money Institutions). USAID agreed, and the Regulatory Component drafted the following speech:

### ***Brief Overview of the History and Future of Electronic Money in Afghanistan***

#### *I. Central Bank’s Initiative*

*In 2011, the benefits of so-called “mobile money” became apparent to the Central Bank: Other countries in the region were realizing increased efficiency and decreased corruption via payment devices that minimized the physical transportation and handling of cash.*

*The Central Bank, working with USAID’s FAIDA project, decided to create a legal framework that would encourage the public’s use of electronic money by engendering public confidence in the system. Thus, the Central Bank’s Financial Supervision Department, along with its Office of Legal Counsel, drafted amendments to the Money Service Provider Regulation known as the “Electronic Money Institution” amendments. In August of 2011, the Central Bank’s Supreme Council approved the EMI amendments.*

*The EMI amendments are primarily a consumer protection device. They achieve the goal of consumer protection through licensure. In other words, the EMI amendments ensure that only companies and people who pass the EMI amendments’ rigorous “fitness and propriety” test may receive an EMI license. The amendments ensure that only companies that maintain certain minimum capital reserves and maintain certain connectivity platforms may maintain a license. They ensure that security and anti-money laundering concerns are met by imposing transaction value caps and reporting requirements on licensees. The mobile network operators have obtained EMI licenses. In the four years since the enactment of the EMI amendments, no customer has lost any money, and no security breach has been occasioned by the use of mobile money.*

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<sup>4</sup> The Governor of the Central Bank, the First Deputy Governor of the Central Bank, and Mr. Mohammad Quayumi, Advisor to the President, were seated on the dais, along with Mr. Foley and FAIDA’s Regulatory Component Team Leader.

## *II. Experimental and Pilot Usage*

*The Ministry of Finance was instrumental in first putting mobile money to use. It coordinated with the Ministry of Interior, in 2012, a pilot project by which policemen in certain regions were paid their salaries via mobile money. This pilot, which has been expanded to twelve regions, has resulted in policemen timely receiving their salaries (which was not always the case when they were paid via transported cash), the near elimination of “ghost” employees, and greater efficiency, as the policemen need not dedicate an entire day to travelling to a bank and standing in a queue.*

*The Ministry of Education soon followed with a pilot program through which public school teachers in certain regions are paid their salaries through mobile money. Similar results regarding efficiency, employee satisfaction, and reduction of corruption have been obtained.*

*The Ministry of Labor has already reached an advanced stage of preparation regarding the payment of pensions via mobile money. This initiative will expose a large portion of Afghanistan’s population to the benefits of this safe, efficient technology.*

*While the government of Afghanistan is already realizing the benefits of its making outbound payments via mobile money, electronic money presents even more exciting possibilities regarding the government’s receipt of inbound payments to it.*

*Indeed, since 2012, Da Afghanistan Breshna Sherkat has been receiving electricity payments in Kabul via money. DABS reports that, in those places where mobile money payments are an option for electricity customers, collection rates are well improved. DABS intends to make mobile money payment options available to all of its customers soon.*

## *III. Public “Buy-In”*

*Although the government has been quick to understand and capitalize upon the benefits of mobile money, the general public in Afghanistan has been less so. In response to this, USAID’s FAIDA project has commissioned a public awareness undertaking.*

## *IV. Remaining Challenges*

*In addition to the challenges that will be addressed via the public awareness campaign, there remain several practical and legal issues that challenge the growth of mobile money in Afghanistan. However, none of these are insurmountable, and all of them have been addressed-and overcome-by other countries. Perhaps more importantly, you should know that efforts are underway to remove these challenges.*

- Press Release

USAID then asked FAIDA, via the Regulatory Component, to draft a press release relating to the summit. FAIDA did so:

### **PRESS RELEASE**

#### **AFGHANISTAN’S GOVERNMENT COMMITS TO RE-INVIGORATE ELECTRONIC PAYMENT INITIATIVE**

**Kabul, Afghanistan-26 October 2016:** Following a directive from President Gani, Ministers of Labor, Communication, Finance, and the Governor of the Central Bank today conducted an “Electronic Money Summit” at the offices of USAID at the US embassy in Kabul. The Summit followed an

instruction by the Presidential Administration that directs relevant ministries and agencies of the government to employ non-cash payment methods where practical.

Throughout the world, non-cash (or, “better than cash”) payment methods, such as those that employ mobile telecommunications technology, have been demonstrated to reduce many of the risks associated with the physical transportation, delivery, and carriage of cash. So-called “better than cash” payment methods have, for example, been shown to dramatically accelerate employees’ receipt of their salary payments, to reduce the amount of time people spend on the payment of utility bills, and, perhaps most significantly, to nearly eliminate a form of fraud commonly known as “ghost” or “no-show” employees. In Afghanistan, some teachers, policemen, and soldiers have already been receiving their salaries via mobile technology for nearly three years by way of experimental salary payment projects. These have proven to be safe, transparent, and convenient. As such, the ministries and agencies present at today’s summit committed to make expenditures and to receive income by way of electronic money wherever possible.

This commitment is consistent with the Government of Afghanistan’s membership in USAID’s “Better than Cash” alliance, of which it has been a member for several years. *“Efficiency, transparency, and security are the hallmarks of this technology. That is why we embrace it.”*-said Da Afghanistan Bank Governor, Khalil Siddiq.

The value of this technology inures not only to employees, who receive their salaries more readily, but also to the Afghan state, as the technology makes it easier for people to pay-and for the state to receive-taxes and fees. *“The elimination of middle-men, and the round-the-clock availability of electronic payment systems will surely have a revenue-positive effect on the state’s coffers. This can only benefit the average Afghani citizen.”*-said H.E. Akhil Ahmad Hakimi, Minister of Finance.

USAID, for its part, reiterated its longstanding pledge to the Government of Afghanistan regarding the transformation to electronic payment and receipt systems. *“USAID lauds the Government of Afghanistan’s commitment to this important quality-of-life and money saving initiative. USAID stands ready to assist the Government as it modernizes and streamlines its receipts and disbursements.”*-said Jason Foley, USAID’s Deputy Assistant Administrator, who is visiting Afghanistan from Washington, DC. *“Indeed, the near-ubiquity of mobile phone coverage here offers an excellent opportunity to connect millions of Afghans to the formal economy, and to move both public and private sector payments into efficient, transparent “better than cash” channels,”* Foley continued.

- Talking Points for Deputy Assistant Administrator

Following that, FAIDA was tasked, again via its Regulatory Component, with drafting talking points for Jason Foley, Deputy Assistant to the Administrator for Afghanistan and Pakistan Affairs (it was Mr. Foley’s visit to Kabul that occasioned the holding of the summit). The following, drafted by FAIDA and delivered on 23 October, formed the basis of Mr. Foley’s remarks:

**AFGHANISTAN ELECTRONIC MONEY SUMMIT  
MONDAY, 26 OCTOBER 2015  
KABUL**

***Welcoming Remarks by USAID Representative***

- The Government of Afghanistan and USAID, along with its implementing projects, have worked, over the course of five years, to lay the foundations necessary to accommodate

expedited government receipts of taxes and fees, on the one hand, and transparent payment of salaries and other government obligations, on the other hand.

- The Government of Afghanistan and USAID did this because the Government recognized that immense inefficiencies attend the preference of the Afghan public to physically store cash in their homes in order to accumulate, or save, wealth, and to carry cash in order to conduct transactions. The Government also noted the inefficiencies created by the ministries' and state agencies' tendency to transact in cash.
- What are these inefficiencies, and why does the government desire to eliminate them? An example of one such inefficiency will answer those questions: In Afghanistan, as in most of the world's nations, importers are bound to pay customs duties. To do so in most of Afghanistan, importers must physically bring cash to the relevant branch of Da Afghanistan Bank during conventional business hours. If shipments of goods arrive at border crossings outside of conventional business hours, the importer must pay people to guard the shipment until the bank opens. This increases importers' costs, and, therefore, the price of the goods to the Afghani people. The Government, consonant with its constitutional obligations, wants to eliminate this unnecessary imposition of costs.
- In response to this, USAID, the Central Bank, and relevant agencies of the Government have crafted a solution using electronic money. In short, it will allow the importer to pay the customs duty at any time, from any place, and for his shipment to gain unfettered access to Afghanistan.
- Numerous other examples of efficiency enhancement through the use of electronic money exist here in Afghanistan. These include such diverse applications as salary payments to policemen, teachers, and soldiers, as well as payment of electricity bills via mobile money. But, whatever the application, the varied uses of electronic money all bear the same hallmark: They eliminate the inefficiencies-and the opportunities for corruption-that the physical carriage of cash portends.
- Today, as Afghanistan's National Unity Government seeks to accelerate the rate at which its agencies of administration embrace electronic money-and the benefits that come with it-you should know that USAID and its implementing projects represented here stand ready to assist the Government as it seeks to amplify the successes it has already achieved.
- Substantive Presentation at the Summit

FAIDA's substantive presentation, written and delivered by the Regulatory Component, was presented via PowerPoint. In the presentation, FAIDA attempted to match "challenges and fears" with regulatory responses and examples from Afghanistan's experience since July 2011, when the Electronic Money Institution amendments to the Money Service Provider Regulation. FAIDA presented to USAID, at the USAID mission office, the presentation on Saturday, 24 October. USAID personnel made several suggestions, which FAIDA incorporated.

In the days following the summit, USAID requested that FAIDA prepare a memorandum that would set forth concrete steps that GoIRA and USAID should take in light of the findings and conclusions of the summit. FAIDA, through the Regulatory Component, drafted and delivered the following:

#### **MEMORANDUM**

**To:** Sawiz X. Abdullah, USAID/Afghanistan

**From:** FAIDA Project

**Date:** 29 October 2015

**Re:** Electronic Money Summit-Possible Implementation Activities

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In his closing remarks, Deputy Assistant Administrator Jason Foley noted that “buy-in” and confidence building are the keys to achieving widespread use of electronic money<sup>5</sup> in Afghanistan. Since 2011, the confidence building devices that the Central Bank has employed are the Money Service Provider (“MSP”) Regulation and the Electronic Money Institution (“EMI”) amendments thereto, which are promulgated pursuant to Articles 92-93 of the Law on Da Afghanistan Bank. The MSP Regulation and the EMI amendments set forth licensure, oversight, and inspection powers of the Central Bank that, at least heretofore, have produced an electronic money ecosystem that has never lost or misdirected a payment or storage directive, has never permitted an institution’s creditors to interfere with the flow of electronic money, and has passed AML/CFT<sup>6</sup> muster.

To achieve the foregoing, the Central Bank’s Financial Services Department has established a separate section (the “Electronic Money Institutions Section”) for the licensure and oversight of EMIs. Despite its successes, the Electronic Money Institutions Section requires much capacity strengthening. This requirement is all the more acute when considered in light of the Ministry of Labor’s recent decision to make payments to pensioners via mobile money, and the President’s September 2015 instruction that instrumentalities of the government employ electronic money whenever and wherever possible.

To ensure further effective supervision of EMIs, the following would, ideally, be undertaken by the donor community, in concert with officials at the Financial Services Department:

1. Database Development

The Financial Services Department, pursuant to the MSP Regulation and the EMI amendments, regularly receives financial and non-financial data from EMIs. This information is recorded and kept in a simple hand-written, paper file database or in Excel spread sheets. Maintaining and updating these “databases” is time consuming, inefficient, and, in an e-money ecosystem that is about to undergo large volume increases, dangerous. Moreover, these “databases” make offsite analysis and inspections very difficult.

Database systems that have been custom made to fit central bank oversight of electronic money institutions exist in the world. Indeed, Financial Services Department officials were made familiar with the operation of such a database during a FAIDA-organized site visit to the Philippines Central Bank in summer 2013. Thus, this intervention could involve the designing and implementation of such a database for Afghanistan.

2. Developing Manuals and Policies

Licensees and Central Bank officials would benefit, and the goal of consumer acceptance of electronic money would be enhanced, were there to be written and promulgated specific policies regarding offsite and onsite supervision, as well as a procedure manual for offsite and onsite supervision. These would, ideally, achieve the status of “circulars” pursuant to the Law on DAB. An

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<sup>5</sup> “Electronic money” is “monetary value that is stored on an electronic device or server, accepted in exchange for undertakings, and generally intended to make payments or transfer money for another purpose, of a limited amount.” Money Service Provider Regulation, Part A, Section 2.1.3 (I).

<sup>6</sup> Anti-Money Laundering/Counter-Financing of Terrorism.

intervention in this regard would produce manuals and policies that are crafted with a view toward the MSP and EMI.

### 3. Capacity Building

This is an ongoing need in all areas of financial services oversight, but it is particularly acute in the context of the Central Bank's Financial Services Department. The Financial Services Department has recently recruited EMI Section examiners. While they have participated in several training programs, it is abundantly evident that they require capacity enhancement in such areas as information technology, internal controls, AML/CFT, compliance, risk management, and the legal relationship between regulators and licensees.

### 4. Revising the Current MSP Regulation

In all societies, the real-world application of laws and regulations to particular sets of facts reveals shortcomings in those laws and regulations. Usually, these shortcomings are the product of the give-and-take of the legislative or regulatory approval process, language translation, or unforeseen circumstances. This is true of the MSP Regulation and the EMI amendments, and an intervention that would provide both technical corrections and substantive improvements would well-serve the goal of confidence building, *supra*.

### 5. Resident Advisor

The Financial Services Department has stated to FAIDA that the foregoing interventions would gain much traction if follow-up and actual implementation were to be the auspice of a resident advisor.

### 6. Awareness Campaign

FAIDA will soon start its "Mobile Money Awareness Campaign." This will be implemented by Kosha Media, LLC, a Kabul-based media consultancy. FAIDA will keep USAID apprised of its progress.

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### Public-Private Partnerships Workshop for Ministry of Agriculture ("MAIL")

In the late autumn, USAID's RADP-S project sought assistance from FAIDA regarding MAIL's desire to establish a "Public-Private Partnership ("PPP") Unit." Given that PPP is merely a device for raising capital, it is at its essence "access-to-finance." Thus, FAIDA was pleased to assist.

FAIDA performed requisite research, it drafted the presentation materials, and it presented the workshop at MAIL's "Rose Building." Approximately 35 MAIL officials attended, as well as several representatives of companies that have previously expressed an interest in either (i.) acquiring state-owned assets; (ii.) obtaining concession rights from GoIRA; or (iii.) engaging a joint venture with GoIRA.

FAIDA began the presentation by explaining that PPP is merely one of three general forms of privatization, and that some state enterprises or activities are amenable to PPP, while some are more amenable to one of the other two types of privatization. Still others, FAIDA explained, are not amenable to privatization at all. Several MAIL officials were uncomfortable with the word "privatization," but most workshop participants, when questioned, stated that they understood that, at its core, PPP meant some level of disposition of state assets.

FAIDA then explained the three types of disposition of state assets: divestiture, concessions, and project finance (or, “true PPP”). After a short exercise regarding what MAIL assets might be amenable to which types of privatization, the workshop proceeded thus:

### **PPP Overview**

- What are PPPs?
- Benefits and Risks of PPPs.
- Identifying and selecting projects that are suitable for PPPs in Afghanistan.
- PPP procurement and bidding.

### **Necessary Laws and Regulations**

- PPP laws/concessions laws
- Privatization laws
- Legal framework for project companies
- Insolvency laws
- Procurement laws
- Anticorruption laws
- Theft and non-technical losses (investor protection in Afghanistan).

### **Main Financing Mechanisms (1)**

- Government Funding
  - Government funds all or some of capital investment in a project, but...
  - ...It looks to the private sector for expertise and efficiency.
  - Most common example is “design-build-operate.”
  - Other common example: “concession operator.”

### **Main Financing Mechanisms (2)**

- Corporate or “off balance sheet” financing
  - Private operator agrees to finance some or all of the capital investment for a project.
  - Private operator simply borrows money from a bank or capital markets.
  - Financiers look not to Afghanistan or to the Project Company, but to the private operator’s creditworthiness.
  - Suitable for small-scale projects.

### **Main Financing Mechanisms (3)**

- Project Finance
  - “Limited recourse” or “non-recourse.”
  - Lending to a “project company” or “SPV”
  - SPV has the right to carry out the project.
  - SPV has the right to all the revenue created by the project for a defined period.
  - The SPV’s lenders’ sole source of recourse is the SPV and the revenue created by the project.
  - Revenue will begin only after construction is completed-therefore, it is risky.
  - Lenders will only provide financing when they are satisfied, re: commercial viability, risk allocation.

The SPV’s sole source of income is the end-users’ payments of fees and tariffs.

### **Sources of Financing**

- Equity contributions/debt contributions
- Bank guaranties/Stand-by Letters of Credit/performance guaranties
- Bonds and capital markets
- Mezzanine and subordinated financing
- Inter-creditor arrangements.

### **Key Concepts of Project Finance**

- Typical project finance structure
- Off-balance sheet
- Non-recourse financing
- Project completion date.

### **Key Issues in Project Finance**

- Continuity of revenue stream
- Financial ratios and covenants
- Lender protection/step-in rights (direct arrangements and taking security)
- Termination compensation
- Risk allocation
- Bankability
- Mitigation.

### **Necessary Contracts/Agreements**

- Utility restructuring, corporatization, and decentralization agreements
- Civil works and service contracts
- Management and operating agreements
- Leases
- Concessions, Build-Operate-Transfer, and Design-Build-Operate agreements
- Joint venture agreements, and divestiture of public assets agreements

### **Discussion Session**

- PPPs extensively discussed *in camera*. What results?
- Can you name two key laws that Afghanistan lacks, re: Project Finance?
- Can we identify which financing mechanisms most closely suit each of MAIL's proposed projects?
- The way forward.

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### Exporters'/Importers' Workshop Presentation

Throughout the summer and autumn, ATAR (the Afghanistan Trade and Revenue project, which is financed by USAID and implemented by Chemonics) and FAIDA had been planning to hold a workshop for exporters and importers. FAIDA's Regulatory Component was asked to make a presentation to attendees regarding "contracts for international sales of goods" and related financing mechanisms. On 9-10 November, FAIDA and ATAR provided this workshop in an effort to furnish participants an overview of the world's system of financing sales of goods, and the relevance thereof to SMEs in Afghanistan.

FAIDA began its presentation by explaining that a contract for international sale of goods transaction

is comprised of four mutually dependent components: (i.) the sale of goods contract; (ii.) the contract of carriage (including the “bill of lading”); (iii.) a cargo insurance policy; and (iv.) a financing mechanism, usually a letter of credit. FAIDA stressed that the Afghan exporters’ and importers’ counterparties in Pakistan, the UAE, and India understand the underpinnings of the foregoing, and that it is important that Afghani exporters and importers understand them, as well, because such understanding can lead to bargaining power. Because such bargaining power can precipitate payment terms that liberate an exporter’s or importer’s use of the purchase money, such bargaining power is tantamount to access to finance. In other words, the Afghani importers’ knowledge of these concepts can produce results by which Afghani importers will not have to pre-pay for goods, as is typically the case in sale-of-goods transactions involving an Afghani importer. Also, the Afghani exporters’ knowledge of these concepts can produce results by which Afghani exporters will not have to wait for their receipt of purchase money until the Indian, Pakistani, or Emirati importer actually receives the subject goods, inspects them, and dispatches the purchase funds.

Given that the workshop was scheduled for only one-half day, and further given that banks and insurers were present (to explain letters of credit and cargo insurance, respectively), FAIDA elected to concentrate its presentation on a crucial part of the sale of goods contract: The delivery terms. Delivery terms are vital because they define the point at which risk of loss passes from the buyer to the seller, and, usually, the point at which the issuing bank (i.e. the bank that issues a letter of credit in favor of the seller) will be bound to release to the seller (or, more commonly, the seller’s bank or the confirming bank) the purchase money. Delivery terms are also, in FAIDA’s experience, the component of the sale of goods contract that is least understood by Afghani exporters and importers.

FAIDA continued by summarizing a hypothetical transaction in which a Kabul distributor of petrol wanted to buy 10,000 tons of A-76 from a seller in Dubai. The Kabul buyer and the Dubai seller agreed upon material terms of price, quality, and quantity, but they could not agree upon delivery terms, or upon mechanics of payment. The Kabul buyer wanted the price to include transportation to and offloading in Kabul, and he did not want to release the purchase money until he was satisfied with the quality of the petrol. The Dubai seller was of a different mindset. FAIDA described that the dilemma (i.e. the buyer’s fear that the seller will not ship the goods, and the seller’s fear that the buyer will not pay) is common throughout the world, and has been so for centuries.

FAIDA then explained that, over the centuries, commercial law and practice have developed the aforesaid 4-pronged system that allays the fears of both buyers and sellers. It includes (i.) Contracts for International Sales of Goods (including, most significantly, Incoterms); (ii.) Contracts for Carriage (including, most significantly, Bills of Lading); (iii.) Cargo Insurance; and (iv.) letters of credit. FAIDA demonstrated how the aforesaid four components are inter-dependent, and how the transaction culminates in the buyer’s financial intermediary’s (usually a bank) releasing the purchase money to the seller upon the carrier’s presentation of the Bill of Lading at the named place of delivery.

FAIDA further explained how, over the course of many years, delivery terms have been simplified by the development of Incoterms. The Incoterms, or “International Commercial Terms” are a series of pre-defined commercial terms published by the International Chamber of Commerce in Paris. FAIDA assured Afghani importers and exporters that Incoterms are widely used in international sale of goods transactions. A series of three-letter trade terms related to common contractual sales practices, the Incoterms are intended primarily to clearly communicate the tasks, costs, and risks associated with the transportation and delivery of goods. They are intended to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries. As such, FAIDA stressed, they are regularly incorporated into sales contracts worldwide.

Thereafter, FAIDA provided, in overview fashion, a description of each of the Incoterms, and in so doing FAIDA stressed that, in accordance with Incoterms, “delivery” can occur at a variety of places, including the seller’s factory/warehouse.

The question-and-answer session that concluded the workshop produced inquiries and requests as follows:

- (i.) Can FAIDA present this material in a full-seminar format, as opposed to a mere overview?  
(FAIDA and ATAR have agreed to do so.)
- (ii.) Who in Kabul sells policies of cargo insurance?
- (iii.) What is the difference between Incoterms and domestic law?
- (iv.) Do Farm Service Centers/Extension Services understand “Trade Finance?”
- (v.) Which Afghani banks offer letter-of-credit financing?

### 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.	0	1	2	1
3.2	Number of working groups established to address financial sector development issues as a result of U.S. Government assistance	0	1	1	1
3.3	Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance	0	3	2	0

## Better Than Cash Component

FAIDA's Better Than Cash Component provides technical assistance to Afghanistan's mobile network operators and services providers and introduces them to innovative new products and services. In addition to the many grants activities that took place, FAIDA's Better than Cash Component accomplished the following during the year 2015:

### Afghan Wireless Communication Company (AWCC)

#### Government Employees' Monthly Salary Payments through Mobile Money

With the technical assistance of FAIDA, Afghan Wireless Communication Company (AWCC) completed core system integration and signed a Memorandum of Understanding (MOU) with New Kabul Bank (NKB) on February 24, 2015. Under this MOU, AWCC completed biometric and mobile money registration for fifty Ministry of Finance employees, and linked their NKB bank accounts to AWCC's My Money service. During this pilot phase, these fifty employees received their salaries via My Money for three months and withdrew their salaries from AWCC authorized agents. This allowed the MoF to pay the salaries of its employees electronically in remote areas where banks do not have branches.



*Mr. Shafiqullah Qarizada, the Deputy Minister for Policy of MoF, Mr. Mohammad Aqa Kohistani, the General Director of Treasury Department of MoF speak at a Press Conference on the launch of Salary Payment through Mobile Phone Ministry of Finance – February 25, 2015*

On February 25, 2015, the MoF held a press conference to announce the pilot project. Representatives from the Ministry of Interior (MoI) and the Ministry of Education (MoE); Directors and General Directors from the MoF; representatives from Maiwand Bank and NKB; and twelve different media representatives attended the conference.

During his speech Mr. Shafiqullah Qarizada, the Deputy Minister for Policy at the MoF, discussed the ongoing needs of the mobile money payment program. He declared that in order to increase access to this efficient, transparent and low-cost cash alternative, AWCC, with the support from USAID, developed a mobile money platform integrated with NKB and Maiwand Bank.

The mobile money project also seeks to ensure transparency, improve governance and undercut financial threats to security. Mr. Qarizada stated, "This is an important initiative that seeks to create a modern and efficient digital payment network that uses an identification system to facilitate transactions and will ultimately promote broad based economic growth. USAID/FAIDA is working closely with MoF and private partners to help educate consumers and to explore ways to scale up this promising technology." He thanked the USAID, AWCC, and the banks for helping the banking sector integrate their systems.

Mr. Mohammad Aqa Kohistani, the General Director of Treasury Department at the MoF, explained how the mobile money system has improved payroll distribution. He also explained that the mobile money system is the Treasury Department's pilot project, and that the department plans on

expanding the project to encompass all governmental departments throughout the country in order to reach a sustainable scale.

### Completion of Mobile Money Pilot Project of Ministry of Finance (MoF)

The MoF successfully transferred salaries to all fifty employees who participated in the pilot program. The Treasury Department closely monitored AWCC’s My Money service and NKB’s transactions in order to ensure transparency in reporting during the pilot project. After successfully completing this pilot project, MoF expanded with NKB and AWCC into the provinces. The MoF advised NKB and AWCC on August 13, 2015 to register 600 Afghan Local Police (ALP) in Kapisa, 500 Afghan police in Kandahar, and 900 Afghan police in Parwan provinces.

NKB and AWCC opened bank accounts and mobile money (M-wallet) accounts for the 600 policemen, who were then able to receive their salaries and to transfer this money to their M-wallet accounts to withdraw it from authorized AWCC agents in their remote areas. Paying government salaries in remote areas through electronic payments is a huge step forward for the MoF.



*Registration of 600 employees of MoF to the My Money service in Kapisa Province – August 13, 2015*  
*Photo by: AWCC Representative*

*Registration of 50 MoF employees to the My Money service in Kabul– February 2015*  
*Photo by: Mr. Masehullah, FAIDA’s Better Than Cash Team Leader*

### AWCC’s Employees Registration and Beneficiaries to My Money

In addition to the MoF employees, AWCC was able to register United Nations International Children's Emergency Fund (UNICEF), Aryana Television Network (ATN), World Food Programm (WFP) and its own employees for the Mobile Money Service.

- **United Nations International Children's Emergency Fund (UNICEF) Project:** In June of 2014, FAIDA’s Better than Cash team met with senior representatives of the UNICEF in their main Office in Kabul City. During the meeting, FAIDA presented an overview of the different mobile money projects being implemented by the MNOs in Afghanistan, and spoke to UNICEF about using the mobile money service instead of cash to distribute salaries to vaccinators in order to increase accountability, transparency, and time management. USAID/FAIDA mentioned that they had provided support to three MNOs; Roshan, Etisalat, and AWCC; who now have functioning mobile money platforms in place UNICEF asked FAIDA to facilitate a meeting between UNICEF and the MNOs to discuss their mobile money platforms.

During the meeting, UNICEF spoke with the MNOs and asked each of them to submit their proposals. AWCC was ultimately selected to implement this project because they are a, “wide agent across Afghanistan, [with] advanced and user-friendly technology.” AWCC and UNICEF

signed an agreement to a pilot project on February 3, 2015. Under this pilot project, AWCC registered seventy-two UNICEF employees for My Money service in six provinces; Ghor, Badghis, Herat, Mazar, Kandahar, and Nangarhar.

15,000 permanent and temporary employees of UNICEF who registered for My Money services through AWCC received their monthly salaries through their cell phones, and withdrew their money from AWCC authorized merchants and agents in the field. In total, around \$61,328.19 (AFN 3.5 million) was disbursed through the service.

- **AWCC Employees Salary Payment through Mobile Money:** From January through March of 2015, AWCC registered 710 of its employees for the My Money service in Farah, Kabul, Khost and Nemroz provinces. These 710 employees also received a briefing and training on how to use the services.

With the help of the biometric technology of Point of Sale (POS) machines, a total of 3,800 AWCC employees were able to register for the My Money service. These employees received their salaries via their mobile phones monthly, and have the flexibility of withdrawing funds from any AWCC My Money authorized agent. Employees have transferred a total of \$70,089.36 via mobile phone through the My Money service.

- **AWCC World Food Programme Project:** After the successful completion of the 2014 project, during which AWCC registered 8,818 World Food Programme (WFP) beneficiaries for Mobile Money in four provinces (Kabul, Bamyan, Badghis, and Ghor, the WFP awarded three contracts to AWCC. The WFP awarded the first on April 17, 2015. This contract enabled AWCC to register 1,738 more WFP beneficiaries between May 2 and May 7, 2015. The WFP awarded the second contract in August, 2015. AWCC registered 3,000 WFP beneficiaries under this contract. The third contract will enable AWCC to register around 62,000 WFP beneficiaries.

4,738 of these WFP beneficiaries are women, all of whom are trainees of one of WFP's implementing partners, Afghanistan Blind Management (ABM), which is a women's vocational traineeship in districts 12, 13 and 16 of Kabul province. The WFP supports ABM's women vocational skills training and literacy classes by providing a monthly stipend of \$35 (AFN 2,000) to each person.

Through AWCC, the WFP transferred the first three monthly stipends to all 1,738 beneficiaries through My Money. The total amount transferred to date via mobile payments is \$172,062.

#### **AWCC Expand My Money Branches in Kabul:**

- In 2015, AWCC opened six new My Money offices in different five provinces. These offices are responsible for hiring agents and merchants who will register customers for My Money.
- In 2015, AWCC also opened a My Money branch in Gulbahar City Center, located in center of Kabul. This branch is conveniently located for MoF employees.

#### **FAIDA's Meeting with the Ministry of Labor, Social Affairs Martyrs & Disabled (MoLSAMD) Regarding Pensions and Salary Payments through Mobile Money**

On September 22, 2015, Mr. Tariq Waizi, USAID's Afghanistan representative; Mr. Dan Mooney, the Chief of Party for FAIDA; Mr. John Corrigan, FAIDA's Regulatory Component Team Leader; Mr. Maseehullah Qadeer, FAIDA's Better than Cash Component Team Leader; and Mr. Ahmad Shah Salehi, the Deputy Minister of Labor for the MoLSAMD met at the Ministry of Labor. The USAID/FAIDA team summarized the Mobile Money initiatives and projects currently being implemented by the MNOs. Mr. Maseeh briefed the group on the benefits of using mobile money

technology for a pension disbursement program, and Mr. Salehi gave a more detailed presentation on the Ministry's pensioner program. He also described a digital pensioner system that the World Bank has provided technical support for. This digitized system manages pensioner data and facilitates payments through banks for beneficiaries with bank accounts. Following this meeting, Mr. Salehi assigned the Director of Finance to head the effort to collect bank account information for salary disbursement through the Mobile Money system. The Director of Finance mentioned that while a majority of ministry employees, totaling about 4,319 individuals, in Kabul have bank accounts with New Kabul Bank, only a handful of the about 3,026 employees in the provinces have bank accounts.

### **Independent Directorate of Local Governance (IDLG) Salary payment Project**

Mr. Maseeullah Qadeer, FAIDA's Better than Cash Team Leader and Mr. Muhebullah, ICT Director at the Independent Directorate of Local Governance (IDLG), met with the United Nations Development Program/Afghanistan Subnational Governance Program (UNDP/ASGP) project representatives, the Deputy of Mayor of Mazar-e-Sharif, and the Deputy Governor of Balkh province to discuss IDLG employee registration for Mobile Money services in Balk province. During these meetings, FAIDA and IDLG representatives discussed the first phase of the mobile salary payment roll-out, during which approximately 130 IDLG employees in Kabul successfully registered for the Mobile Money service. At the end of the meeting concluded with FAIDA presenting on the digitalization of salary payments



From Left: Mr. Maseeullah Qadeer, FAIDA's Better than Cash Team Leader; Mr. Mir Wali Shah, the Governor of the Balkh District; Mr. Asef Jahish, Finance Director; and Mr. Mohammad Zaher Wahdat, Deputy Governor.

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

### **Afghanistan Payments System (APS)**

APS and its technical team, Banking Production Center (BPC), had a productive year in 2015 and made significant progress in installing the National Switch. The National Switch enables banks to perform transactions with one another efficiently, and enables customers to use ATM's at other banks as well. The following activities describe APS's progress during the year.

#### **APS Shareholders Meetings**

The three shareholders of Afghanistan Payments System (APS): Bank-e Milli Afghan (BMA), Ghazanfar Bank, and Pashtany Bank; each scheduled a midterm meeting in BMA's Head Office on January 12, 2015. Mr. Ziauddin Zia, APS's head of Technologies and IT Operations; Mr. Ismail Khan, APS's head of Administration and Finance; Mr. Siar Khoraiishi, the CEO of Ghazanfar Bank; Mr. Ahmad Khesraw Zia, the Acting CEO of BMA; and Mr. Shamal, the COO of Pashtany Bank, participated in the meeting. The main objectives of the meeting were for APS to provide project updates to its shareholders, to review APS's 2015 budget, and to discuss APS's corporate governance structure. APS conduct its shareholder meetings on January 29 and 31st, 2015.

Mr. Zaheer Bawar, APS's Managing Director; Mr. Ziauddin Zia, APS's head of Technologies and IT Operations; and Mr. Ismail Khan, APS's head of Administration and Finance, met with the CEO of BMA, Mr. Ahmad Khesraw Zia. During the meeting, the group discussed APS's progress and budget, and briefed Mr. Khesraw on APS's latest achievements. At the end of the meeting the following points were discussed and agreed upon:

- **APS 2015 Budget Approval:** The World Bank awarded \$5.5 million to APS for hardware and software for the National Switch, however, the funds do not cover operational expenses.
- **Approval for the Purchase of Electrical Equipment:** The Financial Sector Rapid Response Project (FSRRP) was expected to fund the purchase of electrical equipment including a Universal Power System (UPS), a stabilizer, and a generator. Unfortunately, FSRRP was not able to provide the funding and APS made the decision to purchase this equipment using its own funds. Shareholders gave their approval during the meeting, and insisted that APS advertise the specifications as soon as possible.

### **Progress Development Presentation to Financial Sector Stakeholders**

APS held a meeting on April 27, 2015, at DAB's Governor Conference hall. Representatives from DAB, ABA, Mobile Network Operators (MNOs), private banks, and the World Bank; as well as Mr. Ajmal Ahmady, the Advisor to H.E President Ashraf Ghani; and FAIDA representatives attended the meeting. The meeting was led by H.E Khan Afzal Hadawal's First Deputy and Acting Governor of DAB.



Participants discussed the importance of APS, steps to be taken for making APS live, and the Mobile Payment Switch, among other things. H.E Khan Afzal Hadawal emphasized the crucial role that APS plays within the banking sector, and explained how mobile transactions could drastically cut down on transaction processing time. Mr. Hadawal said that DAB has already completed two important successful projects: the movable collateral registry and the public credit registry for the banking industry. Mr. Hadawal also focused on APS's membership and highlighted both the voluntary nature of membership as well as the benefits that member businesses experience.

### **APS Board Meeting**

APS held its board meeting on August 17, 2015 at their office. Mr. Inayatullah Fazli, the Chief Executive Officer (CEO) of Azizi Bank; Mr. Samit Bhatnagar, Azizi Bank's Head of Delivery Channels; Mr. Abdul Wahab Taib, Chief Financial Officer (CFO) of Pashtany Bank; the Chief Operations Officer (COO) of Ghazanfar Bank; APS's Managing Director, Mr. Zaheer Bawar; Mr. Ismail Khan, APS's Head of Administration and Finance; and Mr. Ziauddin Zia, APS's Head of IT operations, participated in the meeting. During the meeting, APS representatives gave an overview of the progress and challenges of national switch implementation and updated the board members on any upcoming activities.

The Board also discussed APS's services fee charges (transaction and top-up fees). APS was asked to share the service fee list to the board for review.

The board also discussed the following:

- Member banks' readiness for System Integration Testing/User Acceptance Test (SIT/UAT)
- APS's service tariff and limits that are required for switch parameterization
- APS's contract with EMP (the third party processor) that provides them with an International Payment Gateway

The APS Board of Directors' meeting took place on October 27, 2015. The main purpose of the meeting was to discuss and approve APS's service tariff and the limits, which have been approved and finalized by the participants. As the former APS chairperson and current CEO of Pashtany Bank, Dr. Zamanzai, advised, APS's Board of Directors selected Mr. Enayat Fazli, the CEO of Azizi Bank, as the new Board Chairperson. At the end of the meeting the group reviewed APS's 2016 budget and shared the budget details with the board.

## **APS Membership**

**APS Meeting with Da Afghanistan Bank (DAB), MNOs and Banks:** On February 9, 2015, the Central Bank met with national and international financial institutions. MNOs and Afghanistan Bank Association (ABA) members also attended the meeting. During the meeting APS briefed attendees on their role in the financial sector and in growing the national economy on a broader scale.

During the meeting, Mr. Khan Afzal Hadawal, the Acting Governor of DAB, discussed the role of DAB and the contributions of the World Bank and FAIDA in detail. Mr. Zaheer Bawar, APS's Managing Director, briefed participants about APS's progress throughout the years 2013 and 2014. Participants from various banks and MNOs showed great interest in APS, and all requested follow up meetings to discuss APS membership in more detail. DAB sent an official letter to the commercial banks and MNOs who expressed interest in membership, and received letters of interest from Azizi Bank, First Microfinance bank, AWCC, New Kabul Bank and BMA.

**APS Membership Status:** APS membership during 2015 increased from three to four banks. Over the past year, APS has done the following activities in order to increase its membership:

On March 29, 2015, Mr. Inayatullah Fazli, the CEO of Azizi Bank; Mr. Samit Bhatnagar, the head of the Alternate Delivery Channel Head and CTO, visited APS's office and discussed the APS membership criteria and the process of connecting with TPPs. Azizi Bank Management showed interest in APS membership and applied. On April 30, 2015, APS officially introduced Azizi Bank as a new member and shareholder. APS stated that, "[Azizi Bank] assures that [they] will provide outstanding professional service." APS's Management Board thanked all members and said that they are looking forward to achieving their goals.

**APS Board Passed a Resolution for its Membership:** In order to speed up the APS membership process for Banks and MNOs, APS board members passed a resolution in May, 2015 stating, "As per the article of Association of APS, each Financial Institution (FI) is entitled to one share. Any FI who wishes to acquire a share in APS is subjected to the following:

1. The share value until June 30, 2015 was \$250,000
2. The share value from July 1, 2015 to September 30, 2015 will be \$ 300,000
3. The share value from October 1, 2015 to December 31, 2015 will be \$400,000.

As a result of the resolution, FMFB, AWCC, NKB, Maiwand Bank, Afghan Unite Bank, Afghanistan Holding Group and Rifa Technology signed a Non-Disclosure Agreement (NDA) in order to become APS members.

## **APS's Network Connectivity Integration Testing with Member Institutions:**

**Establishing Connectivity between APS and Member Institutions:** APS, with the support of the Banking Production Center (BPC) team, is in the process of installing and customizing the National Switch according to banks' and MNO's connectivity requirements. APS shared a detailed questionnaire with its members, and all other banks and MNOs will receive feedback and

suggestions from APS. APS will share feedback from Azizi Bank, Bank-e-Milli, and Ghazanfer Bank with BPC's technical team in order to customize system connectivity.

APS installed the connectivity tower at their primary site in order to facilitate a connection between APS and its member banks. Bank Millie Afghan (BMA) installed their network device and point in order to facilitate connection between APS and BMA on July 29, 2015. On August 5, 2015, BMA's technical team visited APS's site in order to connect the network to APS. After APS successfully reconfigured and reinstalled the network device and point, they ran a successful test. Azizi Bank Network's Technical Team also visited APS in order to establish their network and point to point connectivity on August 11 and 12, 2015.

On October 12, 2015, Mr. Andrey Koly Khalov, the BPC's Technical Expert; and Mr. Stanislav Kachurovsky, BPC's Project Manager, arrived in Kabul. After their arrival, the BPC team conducted a wrap-up meeting with APS to discuss project milestones and challenges. Mr. Andrey Kolykhalov and Mr. Stanislav Kachurovsky started the network integration test for APS member banks as follows.

**Network Connectivity with Azizi Bank:** During the reporting period Mr. Andrey Kolykhalov, BPC's Technical Expert; and Mr. Stanislav Kachurovsky, BPC's Project Manager, completed the Smart Vista (SV) network linkage and integration test with the core banking system of Azizi Bank. BPC successfully configured the Secure Virtual Private Networks (VPN) tunnel connecting APS and Azizi Bank. In addition, the team successfully completed an Automatic Teller Machine (ATM) transaction test between APS and Azizi Bank. On December 6, 2015, APS's technical vender completed the testing scenarios for Azizi Bank's core banking system. During the reporting period, Mr. Andrey Kolykhalov also worked with Azizi Bank to ensure that it is possible to compete ATM transactions using Bank-e-Millie Afghan cards. The tests for cash withdrawal in both US dollars and AFN were successful.

**Network Connectivity with Bank-e-Milli Afghan:** The BPC team also began APS network connectivity with Bank-e-Milli Afghan. On October 26, 2015, APS Management met with BPC Management to discuss the processes and procedures of the project. Testing began In December, when APS's network section team worked to establish the VPN.

**Network Connectivity with Pashtani Bank:** On December 27, 2015 the APS technical team and Pashtany bank successfully established P2P connectivity.

**Network Connectivity with Ghazanfar Bank:** From December 16-31, 2015, APS's Network Section Team established the initial VPN configuration with Ghazanfar Bank. APS also completed smart vista connectivity with the Core Banking Solution (CBS) of Ghazanfar Bank. APS's technical team is also working with Ghazanfar Bank to establish E1 peer to peer connectivity.

**APS Network Connectivity Integration Testing with Member Institutions:** On November 14, 2015, Mr. Ziauddin Zia, APS's Head of Technology, met with Faisal Meeran, BPC's Network Administrator; Mr. Andrey Kolykhalov; and a BPC Technical Expert at APS's office. The main purpose of this meeting was to discuss APS's network infrastructure, member connectivity and automatic switching between APS's primary site and disaster recovery sites (including members' traffic).



*APS National Switch Installation, in Kabul – January 12, 2015*

*Photo by: Mr. Saifullah, APS's Information Technology Officer*

Mr. Andrey Kolykhalov, BPC's technical expert, and APS's technical team, continued testing with Europay, MasterCard and Visa.

### **APS Disaster Recovery (DR) Site Configuration in Dubai**

On January 12, 2015, APS received the first shipment of hardware in Kabul that had been moved to a secure location. On February 8, 2015, APS unpacked the equipment and moved it to the data center in Dubai in order to begin application customization before the production site is ready. They began installation on February 25, 2015 at the DR site in Dubai.

During the second week of March, 2015, APS's management and technical teams visited the DR site in Dubai with Mr. Zaheer Bawar, APS's Managing Director; Mr. Ziauddin Zia, APS's head of IT; Mr. Faisal Meeran, APS's Network Administrator; Mr. Fahim Anwary, APS's System Administrator; and Mr. Wahidullah Quraishi, APS's Database Assistant. The team verified the hardware acceptance process as well as the DR site installation and implementation plans.

On March 26, 2015, APS's Technical Team was able to test the logical infrastructure.

**APS Starts Connectivity of DR S with its Primary Site in Kabul:** On November 16 2015, Mr. Zaheer Bawar, APS's Managing Director; Mr. Ziauddin Zia, APS's Chief Technical Officer; Faisal Meeran, APS's Network Administrator; Fahim Anwary, APS's System Administrator; and Mr. Andrey Kolykhalov and Stanislav Kachurovsky, from BPC, attended a meeting to discuss APS's network infrastructure, auto-switching, and VPN connectivity to the DR Site.

Per management's request to establish connectivity and testing between APS's primary site and the DR site in Dubai, Sun Technology installed a 4MB Internet link on November 17, 2015. This link is dedicated to the DR site only.

On November 23, 2015, Mr. Zaheer Bawar, APS's Managing Director, visited APS's DR site in Dubai to meet with the BPC team and start connecting the DR site with the primary site in Kabul. After several tests, the sites were successfully connected.

### **Progress of APS Data Center (National Switch)**

The APS Data Center development work is complete and the data center is ready for implementation.

*The National Switch is a unified platform which will enable any Afghan user to transfer and receive money from any ATM, POS and terminal or cell phone. Deployment, provision of technical support and distribution of POS devices, Acquiring of foreign cards transactions on both POS and ATMs, provision of card payment clearing and settlement services on behalf of its members and clients, monitor ATMs on behalf of its member institutions, Issuance and management of domestic-branded proprietary payment cards, switching of card-based transactions including access to International networks such as Visa, MasterCard, American Express, etc. through APS' partners, establishing a Mobile Financial Services and payments infrastructure with Afghanistan GSM Mobile Network Operators, establishing infrastructure for the provision of new and innovative payment solutions utilizing emerging payment technologies, ensuring alignment with Da Afghanistan Bank (DAB) payment regulations, supporting the establishment of non-bank outlets to facilitate financial transactions (for example mobile telecom agent networks).*

**APS Smart Vista and Emerging Market Payment (EMP) Integration:** On April 20, 2015, APS, Banking Production Center (BPC), and Emerging Markets Payments (EMP) held a conference call to discuss Smart Vista (SV) and EMP integration. BPC agreed to develop the interface between EMP and SV,

which is the application of APS. EMP will act as a Third Party Processor (TPP) and will be connect APS with International Payments Schemes. On the same day, APS and BPC conducted their bi-weekly technical conference call. During this call APS's management requested that BPC provide them with a Complete Deployment Plan for Production site, and BPC agreed to share information about their allocated Human Resources with APS.

**APS National Switch Installation:** On June 20, 2015 BPC completed developing APS's installation plan and architecture design. APS's Technical Team reviewed the installation plan and sent it back to BPC. In response, BPC team sent three of their local partners' technicians to conduct the installation.

**APS Technical Conference Call with Emerging Markets Payments:** APS conducted a bi-weekly technical conference call with BPC and EMP on June 30, 2015 during which they discussed APS's step-by-step installation plan, infrastructure design, and deployment plan.

During this conference call the following specific points were discussed and agreed upon:

**Installation Plan and APS Architecture Design:** Mr. Zaheer Bawar, the Managing Director of APS, discussed APS's installation plan and architectural design. Mr. Bawar said that some of the major activities were not incorporated into the design and installation plan, and the BPC agreed to make these changes over the next two days.

**Installation of the APS National Payment Switch:** BPC visited the APS office several times in order to install the national switch and conduct technical trainings for APS's local staff.

BPC's team conducted the following installations and trainings in 2015:

BPC, along with several of its local partner PL team members including Mr. Sajid Ahmad, Project Manager; Mr. Zeeshan, Network Specialist; and Mr. Irshad, an International Business Machinery (IBM) specialist, arrived in Kabul on July 22, 2015.

The BPC team Project Manager, Mr. Kamal Quanzou, arrived in Kabul on July 24, 2015 and began installing the National Switch with PL and IBM.

The following activities were completed during the BPC team's visit to APS:

- The team unpacked and assembled Host Security Module (HSM) VeriFone devices and connected cables of data and fiber optics as well as the power. They connected all Hardware Power Distribution Units (PDUs) to APS's power system, turned the system on, and configured Virtual Local Area Network (VLANs) and Stacks Switches.
- They tested the VLAN configuration, and completed the Ether channel between Cisco Firewall and Stack Switches. They also tested the management VLAN.
- They assigned the system's IBM Flex System Management Internet Protocol (IP), and configured the IBM SAN Switches.
- They connected the VPN in Firewall, configured RAIDs in IBM Storwize system, began configuration of the Logical Unite Network (LUN) and LUN MAP on IBM Storwize system, and began ether channel cabling between the IBM Flex System and the Cisco Stack.
- They created hosts in the IBM Storwize system, Fiber Channels, and Zoning, and completed cabling validation.

**Host Security Module (HSM) Installation:** Mr. Said Adnan Ali, the Assistant Manager of the Technical Support Services of Info Tel-Pakistan and Host Security Module (HSM) Engineer, arrived in Kabul on August 16, 2015. During the reporting period, Mr. Adnan configured a HSM and tested the Local Master Key (LMK) loaded in the HSM. He powered-on the HSM Device and connected the required cables.

**DAB Visits the First Completion Process Hardware Installation:** The National Switch's initial hardware installation was completed during the reporting period. Mr. Moses Jenkins, DAB's Procurement Specialist, visited APS to check the device installation site. The APS management team also visited the site and checked the installation process with a DAB representative.

**Establishment of APS Network Infrastructure and Communications System:** APS is currently working to activate the national switch as outlined in the BPC project plan. The following activities were carried out during the reporting period:

- APS signed a contract with SUN Technology for the provision of Internet services. SUN Technology is an Internet service provider throughout the country. SUN Technology installed a demo Internet link of 4 Mbps on August 18, 2015 at APS's office. The link was checked by the APS technical team and was deemed acceptable according to APS requirements.
- APS received the server racks on August 26, 2015 that they requested through the World Bank in July, 2015. One of the racks was installed in the data center, and one was installed in the switch room in order to strengthen APS's internal network.
- The I-Netlinks Company team installed and conducted configuration and testing on the individual access control devices. After the installation, the company's technical team adjusted the door locks and access control devices so that they were ready for connection with the server. During the reporting period, the team began the installation of the deadlock zone door, and provided a basic explanation of the access control devices to APS's technical team.

**Bank Identification Number (BIN) Mailer and Card Personalization:** As the World Bank recommended, APS allocated a room in the control room for the BIN Mailer and card personalization equipment. The World Bank recommended that the PIN Mailer and card personalization equipment remain separated from one other, so the team portioned the room and plans on installing biometrics for each door by the end of September, 2015.

APS's management team had a meeting with DAB on July 29, 2015 at DAB. The aim of the meeting was to finalize the Bank Identification Number (BIN) for card personalization purposes. DAB will assign the BINs for each bank and APS will personalize each bank card according to the related BIN number.

On September 12, 2015, Mr. Mir Aziz Baraki, DAB's Head of Operations, met with Mr. Zaheer Bawar, the Managing Director of APS. During the meeting, Mr. Baraki decided to transfer all of the commercial activities currently being implemented by DAB to APS.

#### **APS Meetings and Conferences:**

**APS's Participation in the E-Payment Meeting:** APS's Managing Director, Mr. Zaheer Bawar, participated in the E-payment meeting held in the presidential palace on September 12, 2015. Eight representatives including Mr. Emal Marjan, the Deputy Minister of the Ministry of Communications and Information Technology (MCIT); Mr. Zmaryalai Wafa, the Advisor of MCIT; Mr. Zazai, the Advisor of MoF; Mr. Naim Saadat, also from MoF; Mr. Baraki from DAB; Dr. Kader Wadan, the advisor to H.E. the President and focal point for the E-Payment System; Dr. A. Sami Wardak; and Mr.

Assadullah Salarzai participated in the meeting. During the meeting, the head of the E-payment system broke participants into three groups to conduct the following activities:

- The first group collected data related to E-payments;
- The second group worked on APS, baseline data, legal status authorities, organizational arrangements and technical infrastructure; and
- The third group gathered information about existing technical platforms and will draft future technical platforms, technical standards, security encryption and integration with Electronic Tazkira.

**APS Product Showcase at the Afghanistan Social Media Summit (ASMS) 2015:** From October 18-20, 2015, APS participated in the ASMS 2015 in Kabul. The summit consists of tech demos, exhibitions, panel discussions and interactive workshops offered by some of the leading experts in Afghanistan and abroad. Mr. Zaheer Bawar, the Managing Director of APS, participated on a panel during the summit where he presented on the benefits and services that APS provides as well as the role that APS will play in shaping the future of e-commerce in the country.

APS also showcased its products and services during the event. The APS team distributed brochures for public awareness and briefed visitors about APS services. The ASMS is Afghanistan's premiere event, and focuses on technology, innovation, and social media.

**APS Participates in the BPC Smart Continent Client Conference 2015:** From October 20-23, 2015, APS's Managing Director, Mr. Zaheer Bawar, participated in the BPC Smart Continent Client Conference in Cape Town, South Africa. The main focus of BPC Smart Continent Conference was to discuss the latest developments and to project the future of payment systems across the globe.

**Trainings:** To build staff capacity APS conducted several trainings, details of which are given below.

**Ministry of Communication and Information Technology (IT) Training:** Three staff members and two interns from APS's IT team participated in an e-Government training provided by the Ministry of Communication and Information Technology to learn about e-Governance applications. The training began on November 21, 2015 and will last for two months.

**Afghanistan Payment System (APS) Smart Vista Training:** APS's team, with the technical support of the BPC team, organized a Smart Vista training for Commercial Banks and MNOs from September 17-22, 2015. 13 representatives from six banks; Ghazanfar Bank, Azizi Bank, Afghan United Bank, Bank-e-Milli Afghan, Pashtany Bank and New Kabul Bank; and one representative from AWCC, participated in the training.

**APS Financial Statements External Audit:** Grant Thornton (GT) Audit Firm completed the APS Annual External Audit for Financial statements for the year 2014. The audit team submitted their first draft report to APS management for their review and comments, and will submit the final report around the time of this report's submission.

In 2015 FAIDA announced an Annual Program Statement (APS) No. 4, "Innovations and Better than Cash Initiatives Grant Fund." As a result, Top Vision and Boloro received the following grants.

**Top Vision 200 White-Label Agents' Project:**

**FAIDA Awarded a Grant to Top Vision Group:** On June 3, 2015, FAIDA awarded a grant to Top Vision Group at a final grant signing ceremony.

FAIDA received Top Vision’s application in response to Annual Program Statement (APS) No. 4, “Innovations and Better than Cash Initiatives Grant Fund.” Established in 2009, Top Vision has six years of experience supporting mobile money initiatives in Afghanistan through various marketing activities and through customer and agent recruitment.

The objective of this grant is to establish 200 white-label agents across Kabul Province in order to establish an agent network that will provide Afghan citizens with better access to mobile money services, thereby encouraging more MNO and DABS customers to utilize these services.

*The National Switch is a unified platform which will enable any Afghan user to*

*transfer and receive money from any ATM, POS and terminal or cell phone. Deployment, provision of technical support and distribution of POS devices, Acquiring of foreign cards transactions on both POS and ATMs, provision of card payment clearing and settlement services on behalf of its members and clients, monitor ATMs on behalf of its member institutions, Issuance and management of domestic-branded proprietary payment cards, switching of card-based transactions including access to International networks such as Visa, MasterCard, American Express, etc. through APS’ partners, establishing a Mobile Financial Services and payments infrastructure with Afghanistan GSM Mobile Network Operators, establishing infrastructure for the provision of new and innovative payment solutions utilizing emerging payment technologies, ensuring alignment with Da Afghanistan Bank (DAB) payment regulations, supporting the establishment of non-bank outlets to facilitate financial transactions (for example mobile telecom agent networks).*

Currently, each MNO has its own exclusive agent network, and is therefore unable to accept transactions from other MNOs. The white-label agents will provide a platform to support transactions across participating MNOs, and will have the capacity to provide other mobile money services. The white-label agent network ultimately seeks to bring greater efficiency and effectiveness to its users and to increase the number of Afghans using the service.

Top Vision also trains agents on processes for registering customers to pay their electricity bills, to conduct cash in and cash out transactions, to bill and make payments, and to manage e-money liquidity to avoid gaps in agent services. Top Vision is working towards creating a white-label agent logo and slogan.

Specific objectives of the grant include:

1. Develop and promote a white-label agent network across Kabul
2. Increase the number of mobile money users and promote awareness of mobile money services and benefits
3. Improve mobile money services by using the following approaches:
  - Primary approach (Utility and electricity bill payment)
  - Secondary approach (other Mobile Money services)

**Top Vision Grant Implementation Process:** The following activities were successfully implemented during the reporting period:



**Top Vision Meetings with MNOs:** To ensure the sustainability of the white-label agent network after the grant ended, FAIDA worked with Top Vision, Etisalat, and Roshan to develop a commission and transaction fee structure.

Top Vision Management met with MNOs to request that they send SMS broadcasts to all registered customers to inform them that there is no tax deduction when they pay their electricity bills through their mobile devices. Top Vision also met with MNOs to discuss the following topics:

- Activation of new SIM cards for distribution to customers
- Pre-activated ROSHAN SIM cards for distribution in Kabul

**Staff Recruitment:** In accordance with the first milestone of the grant agreement, Top Vision hired ninety-two new staff, nineteen of whom are female, to implement the project.

**Training for Hired Staff:** Top Vision conducted several trainings for hired staff and held orientation sessions with each staff member to review the scope of the project and to clarify their duties and responsibilities according to their job description. In addition, Top Vision conducted the following trainings for new staff:

- MNO Products (Mobile Money, E-Banking)
- Benefits of Mobile Money
- Customer Registration
- Know Your Customer
- DABS Customer registration, Bill Payments, and the Electricity Bill Association to Mobile Money.

**Top Vision awareness campaign:** Top Vision Group launched a Public Awareness Campaign with the support of MNOs Roshan and Etisalat. The campaign promotes the use of Mobile Money to pay electricity bills. The campaign takes place in mosques and uses publicity materials and SMS broadcasting through MNOs to raise awareness.

### **Achievements and Transactions**

**Agent Recruitment:** Top Vision identified and agreed on terms with 169 new Mobile Money agents in thirteen districts of Kabul. They collected all of the required documentation from the agents and submitted it to MNOs in order to activate the agents in the mHawala and M-Paisa services. The agents were identified in locations where there are currently no bank branches, and where DABS bills are currently delivered to mosques for people to come and physically collect them. The agents are located near mosques so that people can pay their bills immediately after collecting them.

To date, Top Vision has hired 169 Mobile Money white label agents who provide mobile money services and bill payment to Roshan and Etisalat customers in Kabul City. Top Vision trained the agents on processes for customer electricity bill payment registration, cash in and cash out transactions, billing and payment, and managing e-money liquidity to avoid gaps in agent services.

**Customer Registration:** Top Vision met with representatives in Kabul's districts and police stations to discuss door-to-door customer registration. Top Vision's active agents and field registration teams are enrolling new DABS customers for mobile money, and have registered 46,804 new DABS customers for Mobile Money service in thirteen districts of Kabul.



*Top Vision's Door to Door Registration of DAB costumers in District 11, Kabul, Afghanistan*

*Photo Taken by Ghulam Hazrat (TopVision)*

### **Boloro Afghanistan:**

On July 22, 2015, FAIDA awarded the following two grants to Boloro Afghanistan:

1. Facilitating Mobile Money Bill Payments through Electronic Kiosks
2. Municipality Taxes Payments through Mobile Money

After the grant agreements were signed, Boloro Afghanistan started the implementation process, described below.

**RFQs Announcements for POS and E-Kiosks Quotations:** Boloro Afghanistan (BA), with the assistance of FAIDA's Technical Team, developed a RFQ for POS and E-Kiosks and announced it on ACBAR's website on July 25, 2015. The closing date to receive candidate applications and quotations was August 2, 2015.

**Evaluation Committee of POS and E-Kiosks Quotations:** FAIDA announced the RFQ on August 15, 2015 on ACBAR's website. FAIDA received quotations in response to its request for the cost of 63 E-Kiosks and 35 POS terminals, and an evaluation committee comprised of representatives from FAIDA's Better than Cash team, Subcontract team, and Boloro's CEO Mr. Ferozuddin Amiri evaluated the quotations on August 29, 2015. The evaluation committee selected Easy Pay (EP) as the vendor to submit E-Kiosk samples to Boloro for test purposes. FAIDA then met with Easy Pay to negotiate costs.

**Boloro Request for No-Cost Extension:** Due to shipment delays, Boloro requested a no-cost extension for three months until February 2016.

**Electronic Kiosks Grant:** The Purpose of this grant is to help Boloro Afghanistan further develop its mobile money payment acceptance platform and to integrate it with Afghan mobile money operators. Under this grant Boloro Afghanistan will grow its merchant network by installing 100 electronic Kiosks at various locations throughout Kabul City. Through electronics Kiosks the MFIs and

DABS customers and clients will be able to pay their electricity bills and loans without standing in line at MFIs and bank branches.

On September 15, prior to Boloro signing a contract with Easy Pay, Easy Pay delivered a sample Kiosk to Boloro. Boloro tested the Kiosk sample and shared the Application Program Interface (API) of the sample Kiosk with their Global Technical Team. The technical team verified and confirmed that the sample Kiosk API is compatible with their system's application and interface. After testing, Boloro Afghanistan asked FAIDA to order 99 Kiosks from Easy Pay for installation and signed the contract with Easy Pay.

### **Implementation Process of Kiosks Grant:**

- **Kabul Municipality office issued Approval Letter for Boloro:** On November 10, 2015, Boloro's Public Relations Officer met with Kabul Municipality's Cultural Director. The purpose of the meeting was to obtain Kabul Municipality approval for installation of E-Kiosks in pre-identified locations across Kabul. During the meeting Boloro requested approval from the Municipality Directorate.
- **Boloro Afghanistan Requests Four-Digits Short Code:** Boloro Afghanistan applied for a 4 digit short code at Afghanistan Telecom/Telecommunications Regulatory Authority (ATRA), MCIT . These codes will enable customers to reach out if they face any difficulties when using the Kiosks or have any other queries to get on the spot response from Boloro's customer care services. Boloro submitted the business plan and the application is under consideration.
- **Boloro Afghanistan's Request for Power Supplies Installation in E-Kiosks:** On November 7, 2015, Boloro received approval from DABS for installing power supplies and electricity meters for each kiosk.
- **E- Kiosks configuration:** On Dec 12, 2015, Mr. Zekria Ahmadi, Boloro's Vice President; Mr. Fardin Tabish, Boloro's IT officer; and FAIDA representatives met with Easy Pay management to discuss the supply of the E-Kiosk machines to Afghanistan. On December 14, 2015, Easy Pay delivered 63 kiosks to Boloro's office.
- Boloro Afghanistan received 49 additional outdoor and 14 Indoor E-Kiosks, from Easy Pay on December 14, 2015. Boloro will install these E-Kiosks throughout Kabul. Boloro Afghanistan received installation approval from the Kabul Municipality and from DABS. Boloro's IT Officer and Field Technician have tested, verified and configured the E-Kiosks.

**Boloro Afghanistan's Meeting with MNOs:** Boloro's technical team is working closely with the Etisalat and Roshan Mobile Money Service Departments to accelerate the integration of Boloro's system with MNOs. This will enable Boloro to accept bill payments, MFIs loan repayments, E-Top-Up services and other money services through E-Kiosks.

Boloro Afghanistan's CEO, Mr. Ferozudin Amiri, had a meeting with Mr. Hayatullah Salarzai mHawala and Mr. Tariq Hamidi mHawala, the Senior Specialist and Team leader at Etisalat's main office, on September 29, 2015. Participants discussed how to integrate mHawala's and Boloro's platforms, and agreed to arrange a meeting between the mHawala and Boloro technical teams based in Karachi.

**Boloro Afghanistan Meets with Financial Institutions:** Before signing the grant agreement, FAIDA and Boloro met with financial institutions, IDLG, and the Islamic Investment and Finance

Cooperatives-Group (IIFC-Group). FAIDA's Better than Cash team also met with the IIFC-Group, Afghanistan's second largest microfinance operator.

FAIDA conducted several meetings with IIFC-Group's CEO, Mr. Bashir Khan, and convinced the group to convert their cash-based repayment system to an electronic payment platform. FAIDA also organized a meeting with IIFC-group and Boloro, and the parties agreed that based upon the success of the pilot phase, the program might be able to gradually expand to other provinces.

- Following the initial meeting, Boloro conducted meetings with the IIFC Group's technical team to discuss technical information about Boloro Afghanistan and IIFC-Group's core systems. Both teams are designing ways for Boloro to accept payments from IIFC-Group borrowers. The groups exchanged key technical information about their core systems. Both groups are working on designing technical solutions for Boloro so that Boloro can accept payments from IIFC borrowers. Once the design is finalized, Boloro will begin developing an Application Program Interface (API) with IIFC. As of December 2015, 80% of the platform was configured.



*Electronic Kiosks Configuration - 2015*

*Photo Taken by Ghulam Hazrat (Boloro Afghanistan)*

### **Municipality Taxes Payments through Mobile Money Grant**

The purpose of this grant is to develop and implement a platform which will enable the Independent Directorate of Local Government (IDLG) to accept electronic payments of municipality taxes via Mobile Money. This platform will help twenty-two municipality offices in Balkh and Herat Provinces expand their capacities. The customers in the abovementioned provinces will be able to pay their municipality taxes in remote areas through mobile money services of registered Boloro agents.

#### **Implementation Process:**

After signing the second grant, Boloro Afghanistan organized the following technical meetings with FAIDA and IDLG:

- **Boloro's Meeting with IDLG:** On July 28, 2015, Mr. Feruzoddin Amiri, the CEO/President of Boloro Afghanistan, held a meeting with Mr. Mohibullah, IDLG's Head of the Information Technology and Revenue. The purpose of this meeting was to understand the work flow of the municipality tax payment collection process. Mr. Amiri also met with Mr. Mohibullah on August 9, 2015 at the IDLG office to learn about the types of Municipality Revenue Receipt forms that IDLG uses for tax collection.
- **Application Design for Tax Collection:** The Blue Ray Technology Company, a technical vender of Boloro, completed almost 80 percent of the core system installation for its grants kiosks platform and its IDLG tax collection platform. On October 6, 2015, Mr. Ferozuddin Amiri,

Boloro's Chief Executive Officer (CEO), and Mr. Zekria Ahamadi, Boloro's Vice President, met with Mr. Muhebullah Sayeed, the Head of IT at IDLG, and Mr. Maseeullah Queer, FAIDA's Better than Cash Team Leader. The purpose of this meeting was to discuss the IDLG POS terminals and to update and finalize the draft use case application. In order to keep the project in progress, Boloro Afghanistan's technical team started working on developing the POS application. Similarly, On November 3, 2015, Boloro and Blue Ray released their newly developed tax collection application for POS terminals and shared it with IDLG's tax collection department.

- **Boloro Afghanistan and IDLG meeting with Deputy Governor of Herat:** The Independent Directorate of Local Governance sent a letter to Herat's Governor and Herat's Municipality Director urging their support for municipality tax collection through point of sale machines.

On November 19, 2015, Boloro Afghanistan's Vice President, along with IDLG's Telecom Planning and Designing Specialist, met with Herat's Deputy Governor and Municipality Director. During the meeting, Boloro briefed the Deputy Governor and the Municipality Director about the project's goals.

### **FAIDA's Mobile Money Awareness Campaign**

In December 2015, FAIDA and Kosha Media signed a subcontract to launch a public awareness campaign that aims to increase the use of non-cash payment devices in the country. The Government of the Islamic Republic of Afghanistan, mobile network operators, financial institutions, and mobile money service providers plan on launching the campaign with the support of USAID.

The main objective of this campaign is to generate awareness of the benefits of using mobile money and to increase public usage of mobile money. The campaign seeks to increase the rate with which mobile money is used by individuals, businesses, and the public sector; to drive mobile network operators to improve and expand upon their current mobile money products, services, and agent networks, enabling them to reach more Afghans; and to help reduce corruption. The nationwide campaign will be presented through a variety of media outlets including television, radio, social media, cinema and print.

### **Mobile Money Awareness Campaign Pre-Bidding Meeting**

The Better than Cash component conducted the Mobile Money Awareness Campaign pre-bidding meeting on May 9, 2015. Twelve representatives from eight production companies participated in the meeting, including Impassion Media, Sayara Strategies, Shayan Media Services, Lapis, Aina Media, Cetina, Srategic Social, and Focus Group. FAIDA's Better than Cash team gave a detailed presentation on the purpose of the campaign in Kabul and the provinces. FAIDA received ten proposals, and the selection committee selected the three best companies (Lapis, Sayara and Khosha Media) to present their proposals to the selection committee members on June 25, 2015. FAIDA and USAID ultimately selected Kosha Media to implement the Campaign.

**Mobile Money Awareness Campaign:** On November 22, 2015, FAIDA organized a meeting with MNOs, banks, and Kosha Media to discuss the Mobile Money Awareness Campaign and to obtain the support and inputs of these organizations in order to ensure a successful implementation.

Mr. Ahmad Rafat, Kosha Media's President, also delivered a presentation on the methodologies for the awareness campaign.

The MNOs made the following suggestions:

- Although customers have some knowledge about mobile money products, they do not trust the products to work. The MNOs should use the campaign as an opportunity to change prevailing perceptions about mobile money products.
- Generally, people in Afghanistan do not know how electronic money works. It is in the MNOs' best interest to educate the public on this.
- In Afghanistan, people trust a process or a product more if it is supported by a higher authority. Therefore, it is important that the Central Bank supports the mobile money awareness campaign, and that USAID fund it.
- There should be a steering committee comprised of MNOs, banks, and FAIDA to could lead and approve each element of the campaign.



*Kosha Media presents the logo and concept notes for the Mobile Money Awareness Campaign – January 7, 2015*

*Photo by: Mr. Ahmad Walid SalehZada, FAIDA Communications Assistant*

**Mobile Money Awareness Campaign:** During last quarter of 2015, FAIDA representatives met with Mr. Ahmad Rafaat, Kosha Media's Project Manager; Mr. Paiman Mateen, Kosha Media's Chief Executive Officer (CEO); Marketing Managers and CEOs of Mobile Network Operators (MNOs); Mobile Network Services Providers; and financial institutions to get their input and suggestions on how to successfully implement the Mobile Money Awareness Campaign.

The table below shows the different meetings that were held:

Organization Name	Date	Time	Person visiting	Designation	From FAIDA	From Kosha Media
<b>Banks</b>						
Azizi Bank	8-Dec-15	9:00 AM	Samrat Dutta	Chief Credit Officer	Saleem Tahiri	Paiman Mateen
New Kabul Bank	8-Dec-15	2:00 PM	Waheedullah wardag	Chief Marketing Officer	Saleem Tahiri	Paiman Mateen
Maiwand Bank	8-Dec-15	11:00 AM	Asadullah Helawar	Marketing Manager	Saleem Tahiri	Paiman Mateen
Afghan United Bank	8-Dec-15	10:00 AM	Samiullah Shaman	Marketing Manarer	Saleem Tahiri	Paiman Mateen
<b>Government Offices</b>						
DAB	13-Dec-15	9:30 AM	Obaidullah Abidy	ICT head	Saleem Tahiri	Ahmad Rafaat, Paiman
Ministry of Finance	13-Dec-15	10:30 AM	Naim Sadat	Treasury Program coordinator	Saleem Tahiri	Paiman Mateen
MCIT	13-Dec-15	11:00 AM	Wais Payab	Director Technology and Innovation	Saleem Tahiri	Paiman Mateen
DABS	13-Dec-15	2:00 PM	Mirwais Attaie	Head of Billing and Collection	Saleem Tahiri	Ahmad Rafaat, Paiman
DAB	14-Dec-15	3:00 PM	Khan Afzal	1st Governor	Saleem Tahiri	Ahmad Rafaat, Paiman
MOLSAMD	14-Dec-15	10:00 AM	Ahmad Shah Salehi	D.M		Ahmad Rafaat, Paiman
<b>MFIs</b>						
Mutahid DFI	14-Dec-15	11:00 AM	Mr. Madhavan Ati	CEO	Saleem Tahiri	Ahmad Rafaat
FMFB	14-Dec-15	1:30 PM	Mr. Ashraf Chaudhry	Marketing Head	Saleem Tahiri	Ahmad Rafaat
<b>MNOs Service Provider</b>						
Top Vision	7-Dec-15	9:00 AM	Abdul Khaliq Rahmany	Project Manager	Saleem Tahiri	Paiman
Boloro	7-Dec-15	10:00 AM	Ahmad Zekria	Deputy Manager	Saleem Tahiri	Paiman
APS	7-Dec-15	11:00 AM	Zaheer Bawar	Project Manager	Saleem Tahiri	Paiman
Rana Technologies	6-Dec-15	11:00 AM	Sheena Joseph, Bikram	RVTC Program Manager	Saleem Tahiri	Paiman
<b>MNOs</b>						
Roshan	1-Dec-15	9:00 AM	Liquat Ali Shad	Manager Strategic Projects and Business Development, M-Paisa		Amad Rafaat
Etisalat	25-Nov-15 (To con	10:00 AM	Balaji Sing and Nabi Khail	Mobile Money representatives		Ahmad Rafaat
AWCC	3-Dec-15	3:00 PM	Sayed Haris Hashimi	Mobile Money Director		Ahmad Rafaat

Some of the findings include the following:

#### **Banks**

- Azizi bank has online integration with AWCC.
- Azizi Bank is launching mobile banking in three months.
- Afghan United Bank suggested implementing mobile money awareness campaigns to compliment the bank's activities.
- Afghan United Bank has integrated M-PAISA and M-Hawala across their branches.
- Maiwand Bank integrated with AWCC, and plans on integrating with Roshan.

#### **MNOs**

- Roshan offered to support the mobile money campaign by providing access to their agents and necessary content.
- AWCC shared its existing structure, distribution mechanisms and the technology that they use when administering mobile money services.
- AWCC voiced their concern that by associating their brand with other, less successful products and services in Afghanistan, the value of their brand and their reputation may suffer.
- Kosha and AWCC agreed to share campaign concepts and strategies with MNOs in order to ensure that each of their messages align.

#### **MNOs Service Provider**

- Top Vision: NGOs including Norwegian Committee (NRC), Child Fund, WHO, UNICEF, AKES, MOVE, HIH, and AIBA are paying staff salaries through mobile money in remote areas of Afghanistan.

- Top Vision: A good example of a region that uses mobile money for paying electricity bills is District 13 of Kabul (Dashti Barchi).
- Top Vision: A restaurant in Charahi Taimani (Zaman Hotel) is a mobile money merchant. Staff pay for their food via mobile money instead of cash at this restaurant.
- Boloro: MNOs are calculating the number of customers that they have in unsafe areas in order to determine whether or not it would be worthwhile to hire local agents in these areas.
- APS: White Label Agents are welcome to join APS. APS will charge customers 30 AFA for each transaction.
- Rana Technologies: Rana Technologies implemented a helpline for the public to call in order to get information about agents in different locations including in hotels and universities. The 411 helpline number is in three languages: Dari, Pashto and English. Rana technology wants to sign an MOU with FAIDA for using 411.

## **MFIs**

- Mutahid DFI receives remittances digitally through Express Pay and M-Paisa. Their transaction software is integrated with M-Paisa and Express Pay kiosks.
- Mutahid DFI: The Mobile Money Agent management lacks liquidity or is not available.
- FMFB has a partnership with Roshan (M-Paisa), and the pilot project is in progress in Kabul.
- FMFB seeks to distribute Mobile Money awareness leaflets throughout their branches.

## **Government Offices:**

- DAB supports the Mobile Money initiative, and is willing to contribute to the development of video messages and leaflets to spread awareness.
- Ministry of Finance: Through a questionnaire, we are now able to ask soldiers how satisfied they are with the salary they received through Mobile Money.
- Ministry of Finance: The cost of mobile money services is high, and we should target NGOs, INGOs, and UN offices first.
- Ministry of Finance: Kosha Media began targeting the shops and bakeries that send someone to purchase 100,000 bags of flour each day. Transactions between employees and dealers would be greatly facilitated, and businesses could expand at a faster rate if they use mobile money payments.
- Ministry of Finance: Kapisa has already begun paying salaries through mobile money, and Parwan and Kandahar will start soon.
- Ministry of Finance: Mobile money payments could also benefit small businesses that send businessmen to Kabul weekend to purchase goods. Mobile money payments would cut down on transportation costs, meals during travel, and time for these businesses.

**Etisalat/Da Afghanistan Breshna Sherkat (DABS) Project:** Etisalat registered 165% more new DABS customers for their mHawala service in 2015 than they did in 2014. The total number of registered customers in 2015 was 34,184. As of December 2015, over 3,912 DABS customers were registered for the Etisalat's mHawala service.

The registered DABS customers in Kabul are now able to pay their electricity bills via their mobile phones through mHawala agents across Kabul. Over 2,545 bills were paid through mHawala service, with total amount of \$1,143,812, in the year 2015. In total, 3,912 customers paid their electricity bills through Etisalat's mHawala service, totalling \$1,428,907.

## Other:

**Money & Digital Payments Global Conference in Istanbul, Turkey:** From December 1-3, 2015, FAIDA and Mr. Mohibullah, the ICT Director of IDLG, attended the Mobile Money & Digital Payments Global Conference in Istanbul, Turkey. The objective of the conference was to share the global practices related to mobile payments, and to learn how these practices and trends can help increase financial inclusion. Findings and recommendations from the conference include the following:

1. The payment market needs to be innovative, to know about their customers and to tailor their products according to customer needs. Customers are becoming less concerned about the ease of payments and more interested in the other value added services that the company is able to provide.
2. Mutual Benefit Alliances are being formed to conform to customers' desires. The Telcos, for example, are aligning with the banks. There is still a need for these industries to diversify and to form alliances with other industries such as retail businesses. These types of alliances will also help with reducing tariffs.
3. Domestic and International interoperability is key to the success of mobile money. At the domestic level, there should be interoperability between telecom companies and different payment stakeholders. Unless this kind of interoperability is achieved, permeating the market will be very difficult.
4. Mobile applications should be tailored for illiterate customers in order to maximize financial inclusion.
5. Ideas that succeed in one geographical area might not be as effective in another market, therefore, each idea or innovation needs to be tailored to the demographics in each region.
6. Standard biometric verification is an effective to identify customers and to deter identity theft. Card-based solutions are also less prone to frauds than non-card based solutions.
7. With the new developments, the importance of securing customers' databases has increased significantly and is key in maintaining the trust of the customer.

## 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	Users of electronic payments	0	0	0	0	8,377	384	30,796	843
		<b>0</b>		<b>0</b>		<b>8,761</b>		<b>31,639</b>	
		9	1	3	0	79	0	11	0
4.3	Number of participating merchants	<b>10</b>		<b>3</b>		<b>79</b>		<b>11</b>	

## Gender Mainstreaming Unit

Gender mainstreaming is a cross-cutting effort that involves all of the technical components of FAIDA. By integrating gender in all its components, FAIDA ensures that women benefit from equal opportunities, especially with regards to access to finance. The section below includes key gender initiatives and results accomplished by FAIDA in the year 2015.

In 2015, FAIDA increased women's access to finance and furthered their economic and social empowerment through a variety of methods. FAIDA provided technical support for the smooth transition of responsibilities from Women's Access to Finance and Islamic Finance Workshops to Afghanistan Microfinance Association (AMA) by taking on a greater leadership role, and directly implementing the ongoing women's outreach workshops. To date, AMA has hosted seventeen Women's Access to Finance and Islamic Finance workshops in the provinces. The workshops highlighted a range of support services and credit opportunities for business expansion, and provided a platform for exchanging ideas between banks and businesswomen. As a result of the roundtable discussions, 355 concept notes were developed, with a total potential value of \$417,938 in loans. To date, a total of 128 loans have been approved with the total potential value of \$109,216.

FAIDA continues to support a financial sector internship program in order to provide greater employment opportunities for women in finance. To date, 400 women have completed the internship program through the Afghanistan Institute of Banking and Finance (AIBF) in Kabul. FAIDA also signed an agreement with the Ministries of Economy, Commerce and Industry, Finance, and Women's Affairs to conduct a FAIDA Women in Government Internship Program in Kabul. As a result of the agreement, 60 recent graduates of Kabul University have completed six-month long internships through the program.

FAIDA also signed an agreement with the Departments of Information & Culture, Economy, Communication and Information Technology, Women's Affairs, Finance, Public Works, and Governor Houses to conduct a Women in Government Internship Program in Balkh, Herat, Nangarhar and Kandahar provinces. A total of ninety-two university graduates are enrolled in this internship program.

Finally, FAIDA signed an agreement with the American University of Afghanistan (AUAF) and the International Center for Afghan Women's Economic Development (ICAWED) to conduct the Women in Business Management Internship program. The primary objective of this program is to provide opportunities to sixty recent female graduates to develop essential skills, experience, and working relationships, and to increase their work opportunities and enable them to succeed in the private sector in Afghanistan.

### **FAIDA Women in Government Internship Program**

FAIDA signed MOUs with the Ministries of Economy, Commerce and Industry, Finance, and Women's Affairs to provide support to the ongoing FAIDA Women in Government Internship Program. Sixty recent graduates from Kabul University's faculties of Law, Economy, Journalism, Psychology, and Computer Science expressed interest in the program and were selected to begin six month internships with the various ministries. Interns were assigned to each participating ministry based on their field of qualification. The objective of the program is to provide recent female university graduates an opportunity to explore public sector careers. The internship also aims to build women's

capacity to participate fully in Afghan society by building their confidence, developing leadership skills, and providing them with professional opportunities.

FAIDA, in collaboration with Chemonics' Country Operation Optimization Program (CO-OP), organized weekly skills-building workshops for the internship program. These workshops included topics such as management and leadership skills, computer basics, English writing and speaking, and interviewing. Additional workshops included How Chemonics does New Business, Administrative Skills, Human Resource Management System, and Communication Skills. Women also participated in a training on Mobile Money and in roundtable discussions on innovative practices in development. The program also included a weekly forum for interns to share their experiences within the various ministries. The internship program emphasized on-the-job training and assigned mentors to each intern within their respective ministry assignments to serve as resources. Interns accomplished the following during their internship programs:

- Delivered presentations on installing new software to record and track Parliamentary petitions and cases;
  - Gained skills in utilizing management control system, filling, accounting, budgeting and financial forms, loan applications, and repaying debts in Afghanistan;
  - Supported the Technical Team with reviewing and checking financial reports including general ledger, budget performance and monitoring, payroll, inventory, and fixed asset registration;
  - Provided administrative and other support in HR, procurement, and office administration;
  - Developed and maintained databases, filing systems, reports, assessments and other documents from the Districts, Provinces and other Ministries, agencies, and donors;
  - Collected and recorded attendance and entered information into database for various services and events;
  - Checked and controlled bills related to the management of government employees, particularly bills related to staffing, salaries, benefits, and pensions;
  - Oversaw and published articles carried out by the Public Relations Department to Ministry of Women Affairs' (MoWA) magazines;
  - Organized regular visits to the shelter and provided feedback to supervisors;
  - Updated and maintained records on women's shelters and reported to assigned mentors;
  - Maintained the women's shelter registration book by updating client information; and
  - Met with counseling supervisors on a daily basis to review work of from the previous day, highlight problem areas, and confirm plans for each case.
- On June 15, 2015, FAIDA hosted the graduation ceremony for the internship program in Kabul. The ceremony included speeches from H.E. Professor Sayeda Mozghan Mostafavi, the Technical and Policy Deputy Minister of Women's Affairs; Ms. Malali Isahqzai, the Parliamentary Representative of Kandahar Province; Ms. Faiqa Jaweed Kandahari, the Gender Team Leader at the Ministry of Commerce and Industries; and Mr. Zabiullah Barezai, the Information and Communications Technologies (ICT) Director at the Ministry of Finance. Four interns also shared their experiences with the program and its impact on their career path. FAIDA is currently



working with the Government of Afghanistan to find jobs for the sixty interns who successfully completed the program,.

### **FAIDA Women in Government Internship Program**

In July, August, and September 2015, FAIDA conducted a series of meetings with government officials to update them on FAIDA's Women in Government Internship Program. Government officials highlighted the important role that women play in the government, and expressed their heartfelt appreciation to USAID/FAIDA for carrying out the Internship Program. They expressed their feeling that this Internship Program is a promising step forward in developing women's skills and capacities in the provinces, and expressed their interest in sponsoring new intern positions. FAIDA signed a MOU with the Governors of Nangarhar and Kandahar, as well as with the Deputy Governor of Herat. As a result, ninety-two newly graduated students from the faculties of Law, Economy, Journalism, Education, and Computer Science at Kabul University who are interested in the FAIDA's Women in Government Internship Program will begin participating.



**FAIDA Women In Government Internship Program in Balkh:** FAIDA's Women In Government Internship Program was officially launched on July 23, 2015, in Balkh province through the Department of information and Culture (DoIC), the Department of Economy (DoE), the Department of Information Communication and Technology (DoICT), and the Department of Women's Affairs (DoWA). During the reporting period, interns, with the support of the DoWA, participated in a workshop entitled "Violence Against Women." During the reporting period, interns also participated in a Training of Trainer (ToT) workshop held in DoWA and then assigned to conduct similar workshops in order to raise awareness among police and the community about laws that protect women's rights at the district level. Twenty-five interns participating in the program carried out the following activities during the reporting period:

- Worked on invoices, reports, letters, financial statements and other documents using Microsoft Word and Excel;
- Provided support to the Help Desk Services;
- Coordinated meetings, appointments and travel arrangements for senior management;
- Prepared responses to correspondence on routine inquiries;
- Updated evaluation forms for employees;
- Collected and recorded attendance and entered information into the database for various services and events;
- Prepared data entry instructions and system documentation;
- Assisted the Directorate's staff with preparing Word, Excel and PowerPoint documents;
- Resolved administrative problems and inquiries;
- Worked on the Unit Budget Allocation Distribution Table for 2015;
- Scheduled and coordinated meetings and appointments for the executives;
- Maintained electronic and hard copies for the filing system;

- Updated and maintained internal staff contact lists;
- Prepared responses to correspondence on routine inquiries;
- Maintained office supply inventories;
- Updated database of new organizations and NGOs;
- Prepared monthly reports for local and non-governmental organizations;
- Worked on procurement quotations and purchase orders for office equipment;
- Provided payroll information by collecting time and attendance records;
- Maintained and updated professional library newspapers;
- Assisted the finance departments in preparing various financial reports; and
- Met on a daily basis with counseling supervisors to review work of prior day, highlight problem areas and confirm plans.



*FAIDA Women in Government Interns in Dehdadi district of Balkh province listening to information on Violence Against Women Awareness – September 3, 2015*

*Photo by: Balkh Department of Women Affairs*

- **FAIDA's Women in Government Internship Program in Herat Province:** FAIDA's Women in Government Internship Program in Herat province, was launched on August 3, 2015 at the Departments of Information & Culture, Economy, Communication and Information Technology, Women's Affairs and the Herat Governor House. Interns completed the following activities during the reporting period:
  - Introductory sessions on each section of the Economy Departments' Policies and their responsibilities;
  - Supported finance departments with arranging and preparing financial summary reports from previous years;
  - Acquired skills on the technical activities including scanning, printing, copying, typing and registering the indicator book;
  - Participated in the conferences and workshops arranged by the departments;
  - Conducted monitory visits with their supervisors;
  - Supported the Technical Team with reporting on the activities;
  - Maintained office supply inventories;
  - Attended regular weekly meetings and took meeting minutes;
  - Carried out administrative support tasks such a filing documents and registering incoming and out-going activities for the multiple supervisors;
  - Updated databases on a daily basis;
  - Summarized letters and recorded them in the database;

- Wrote advocacy letters for women clients after interviewing them, submitted these letters to legal departments and other implementing partners, and conducted follow-up;
  - Prepared purchase request forms for the Procurement Department;
  - Prepared advertising revenue reports for submission to the Director of Information and Culture;
  - Prepared a report for Bakhtar News Agency and assisted the newspaper staff with designing and editing articles;
  - Provided Help Desk services such as installing and configuring of computer systems;
  - Interviewed Women’s Affairs Department clients and provided them with legal advice;
  - Assisted the Monitoring Department with preparing the monitoring report;
  - Prepared the annual revenue and expense report for the Governor’s office; and
  - Supported the Herat Governor house in conducting a “Duties of Municipalities” workshop for Herat district Mayors.
- **FAIDA’s Women in Government Internship Program in Nangarhar Province:** FAIDA’s Women in Government Internship program in Nangarhar province was launched on August 25, 2015, and includes thirty women interns at the Departments of Information & Culture, Economy, Communication and Information Technology, Women’s Affairs, Finance, Public Works and Nangarhar Provincial National Radio and Television. During the program, interns completed the following activities:
    - Prepared a financial report on the public works department;
    - Attended meetings and took meeting minutes;
    - Registered, followed-up on and record cases of violated women;
    - Participated in weekly Provincial Coordination Meetings at the Governor’s house;
    - Participated in video camera operation trainings;
    - Prepared the Finance Department’s monthly report;
    - Participated in capacity building workshops conducted by the Department of Public Works;
    - Assisted the Nangarhar National TV on organizing meetings and interviews;
    - Carried out administrative support tasks such as filing documents;
    - Coordinated with Nangarhar National TV in report writing and news making;
    - Participated in weekly provincial coordinating meetings at the Governor House;
    - Provided Help Desk services to staff and prepared the quarterly report; and
    - Participated in the Women’s Obstacles in the Work Environment workshop.
- **FAIDA’s Women in Government Internship Program in Kandahar Province:** FAIDA’s Women in Government Internship program, launched on September 13, 2015 in Kandahar province, includes fifteen interns at the Departments of Education, Economy, Women’s Affairs, and in the Kandahar Governor House. During the program, interns completed the following activities:
    - Supported the Human Resources (HR) Department in updating its filing system;
    - Attended meetings and took meeting minutes;
    - Met with women and discussed their experiences in women’s shelters;
    - Assisted the training team with preparing training materials at the Department of Education;
    - Updated the Economy Department’s database;
    - Performed other activities as assigned by supervisors;

- Registered official letters in the registration book;
- Periodically visited Women’s Organizations in Kandahar City;
- Assisted the Administrative Department with preparing supporting documents for purchasing items;
- Participated in meetings, workshops and ceremonies organized by partner organizations, and prepared reports on these events;
- Attended regular meetings and discussions about their activities and achievements with their assigned supervisors;
- Updated the database at the Department of Education;
- Worked with the HR Department on administrative tasks; and
- Visited Women’ Shelters and review legal cases and provide advise.

### **Comments from Government Officials on the Women In Government Internship Program:**

M. Ismail Rahimi, the Director General of Policy and Result Based Monitoring at the Ministry of Economy, acknowledged that the FAIDA’S women internship program is a good example of a program that promotes women’s empowerment and involvement in the development of Afghanistan. Mr. Zabiullah Barakzai, the International Communication and Technology Director at the Ministry of Finance (MOF) writes that, “Today we are eyewitness to the installation of a database for recording Parliamentary Members’ cases and petitions at the Ministry of Finance. This software was developed by one of FAIDA’s talented interns working in the ICT Department of MOF. I appreciate USAID/FAIDA’s work to increase the presence of women in Government Ministries through the Women In Government Internship program. Following their completion of the internship program, the ICT Department plans on hiring two interns.”

### **Women In Financial Sector Internship Program:**

FAIDA, through Afghanistan Institute of Banking and Finance (AIBF), initiated the Afghan Women’s Internship Program, which aims to shrink the gender gap in the financial sector of Afghanistan and provide opportunities for Afghan women to gain valuable work experience, expand their networks, gain confidence, and obtain full-time jobs in the financial sector. The six-month program aims to produce a group of well-trained and certified young professionals who are ready to start work in the financial sector. The first, second and third cycles of the Women in Financial Sector Internship program started in September, 2012 and ended in May, 2014. Of the 300 interns in those three cycles, a total of 296 women graduated from the program. FAIDA and AIBF have begun contacting a number of financial institutions in order to place these interns in permanent positions. To date, fifty-four Afghan women have been placed in full time positions with financial institutions and other entities in the country as a result of the internship program. Prior to beginning of the forth cycle of the Women In Financial Sector Internship Program with AIBF, FAIDA and AIBF worked to preemptively arrange positions for the interns in the financial sector. Thus far, AIBF has placed 100 of these interns in positions with banks and MFIs.



*AIBF Interns participating in the Marketing Session - October, 2015*

*Photo: AIBF*

*“Working with the FAIDA Gender Team has helped to me pursue many of career options. There is no classroom substitute for working a ‘real life’ job alongside experts in the field and witnessing how the FAIDA Gender Team helps women in very real ways.” - Zuhail Oriakhel, AIBF Intern*

*“The Women in Financial Sector Internship program has provided me with an opportunity to build my professional skills and to learn important professional skills that are not taught in Universities. This six-month internship program has provided me with professional experience that has made finding a job much easier.” - Samira, AIBF Intern*

## **Women in Business Management Internship Program**

FAIDA signed an agreement with the American University of Afghanistan (AUAF) and the International Center for Afghan Women’s Economic Development (ICAWED) to implement the Women in Business Management Internship program. The primary objective of this program is to provide an opportunity to sixty recent female graduates to take part in the Business Management Internship program for five months.

FAIDA worked with AUAF/ICAWED to create the program’s implementation plan and to select interns. The internship program launched on August 9th, 2015, and sixty interns attended classes on Human Resource Management, Marketing, Business Operation, Communication Skills, IT, and Microfinance Management and Project Management. In addition, interns also participate in computer training on Microsoft Word, Excel and PowerPoint.



*Business Management Interns during a Practical Computer Skills class – August 9, 2015*

*Photo by: ICAWED Communication Unit*

During the internship program, ICAWED established a computer lab with sixty laptops in order to provide a space that allowed interns to practice their computer skills. FAIDA and ICAWED are in the process of exploring job placement opportunities for the interns.

At the end of the internship program, interns participated in a mentorship program in order to promote gender diversity among Afghanistan’s future managers and decision makers. The one month mentorship program provided interns with the following experiential elements:

- **Hands-on learning** in classrooms and computer labs using the “Flipped Classroom” model, during which classroom exercises and work is completed in the computer lab outside of classroom time. Interns are provided with course materials 24 to 48 hours before the class session starts to review before class begins.
- **On-line learning** (Edmodo.com) provides a virtual classroom space for timely feedback, notices and announcements, the ability to post comments to the group wall (similar to Facebook), group interactions on discussions, quizzes and submitting homework projects.

## **Women’s Dormitory Groundbreaking Ceremony at the American University of Afghanistan**

On October 28, 2015, the National Unity Government’s Chief Executive Officer (CEO), Dr. Abdullah Abdullah; the Acting Deputy Chief of Mission at the U.S Embassy in Kabul, Ambassador Michael Raynor; USAID’s Assistant to the Administrator, Larry Sampler; USAID’s Mission Director, Herbie Smith, and AUAF’s President, Mark English, participated in a groundbreaking ceremony for a new

women's dormitory at the AUAF. The high ranking officials also visited the Women in Business Management Internship Program classes supported by USAID/FAIDA. During the visit, Ambassador Raynor mentioned that the United States Government is committed to continuing its efforts to empower Afghan women through skills development programs and opportunities. "Today we are breaking ground not just for a new building, but for hope and opportunity, for adventure and personal enrichment, and for the advancement of Afghan women," said Ambassador Raynor.



*AUAF Women in Business Management Internship Program, October 28, 2015*

*Photo by: ICAWED*

### **Transition of Women's Access to Finance and Finance Workshops to Afghanistan Microfinance Association (AMA)**

To ensure a smooth transition of the Women's Access to Finance and Islamic Finance Workshops, AMA organized a two-day ToT workshop on April 11 and 12, 2015 for AMA's Gender and Regional Coordinators. The main objective of the training was to build the capacity and provide technical assistance to AMA as they took on a greater leadership role.

With support from FAIDA, AMA hosted seventeen Women Access to Finance and Islamic Finance workshops in Kabul, Balkh, Jawzjan, Baghlan, Takhar, Badakhshan, Bamyán, Parwan, Samangan and Herat provinces. The goal of the workshops was to increase awareness among women about lending and credit processing, usage of micro finance products, and bank requirements for women to access financing. A total of 818 women entrepreneurs were trained on developing concept notes, the basics of business planning, Islamic financing of projects, and marketing.

Roundtable sessions were held on the second day of the workshops where representatives from FINCA, MUTAHID, FMFB, Afghan Rural Finance Company (ARFC), OXUS, and the IIFC Group had the opportunity to provide participants with additional information about their financial products and services.

The workshops highlighted a range of support services and credit offering opportunities for business expansion. Following the roundtable discussion, 355 concept notes were developed with a total potential value of \$417,938 in loans. To date, 128 loans have been approved with the potential value of \$109,216. Various media outlets covered the workshops, including Milli RTV, Nega RTV, Khurshed RTV, Tolo TV and Ariana TV.



*Women's Access to Finance and Islamic Finance Workshop in Balkh and Jawzjan provinces – October, 18-22, 2015*

*Photo by: AMA*

### **Etisalat Business Development (BDT) and mHawala Practical Trainings**

FAIDA, in coordination with Etisalat mHawala, has conducted regular trainings on mHawala services for over 1,500 women who completed the Business Development Trainings (BDT). The training program focuses on building the capacity of women who are willing to become mHawala agents and increasing employment opportunities for women. The mHawala women agents will have the opportunity to join mobile companies and will receive valuable access to loans from MFIs to grow and expand their businesses. FAIDA will work with Etisalat and other Mobile Networks (MNOs) and Financial Institutions to place women who complete the BDT program in jobs. FAIDA will also continue to work with Rana Technologies and other Mobile Money Service providers, such as Top vision and Boloro Afghanistan, to place women at their call centers or as agents providing support to the mobile money awareness campaign.

### **FAIDA's Collaboration with other USAID Projects**

#### **U.S. Department of Commerce's Commercial Law Development Program: Afghanistan-Pakistan Businesswomen Conference**

FAIDA attended the Afghanistan-Pakistan Businesswomen Conference organized by the U.S. Department of Commerce's Commercial Law Development Program (CLDP) in partnership with USAID, the U.S.-Pakistan Women's Council, and the governments of Afghanistan and Pakistan.

The four-day conference took place at the Marriott Hotel in Islamabad from April 20-23, 2015. A total of fifty-five Small & Medium Enterprises (SME) businesswomen, members of the Chamber of Commerce, and associations from both countries participated. During the conference, FAIDA presented its accomplishments and knowledge about business financing opportunities for Afghan women.



*FAIDA's Gender Manager presented on Business Financing Opportunities for Women in Afghanistan at the Afghanistan-Pakistan Businesswomen Conference on April 22, 2015*

*Photo by: CLDP*

Some of the beneficiaries of FAIDA’s work spoke about how the project has supported them and shared lessons learned and best practices with the audience. FAIDA’s Gender Manager also participated in a panel discussion and answered questions raised by the participants.

### **International Women’s Day 2015 with the Theme “Empowering Women - Empowering Humanity”**

On March 5, 2015, FAIDA’s Gender Team and 25 FAIDA interns at MoWA were invited to participate in the International Women’s Day event that was organized by MoWA in cooperation with UN agencies and the Turkish Embassy in Kabul. Participants included H.E. Mohammad Ashraf Ghani, the President of Islamic Republic of Afghanistan; the Acting Minister of MoWA, Professor Mojgan Mostafavi; and the First Lady of (GIROA), Ms. Bibigul, who spoke about Afghan women’s achievements and challenges over the past thirteen years and the importance of ensuring women’s participation in the social, economic, and political development of Afghanistan.

### **FAIDA’s Collaboration with Government of the Islamic Republic of Afghanistan**

FAIDA is in coordination with the Ministry of Women’s Affairs; the Ministry of Finance (MOF); the Ministry of Commerce and Industries (MoCI); the Ministry of Economy (MOE); the Ministry of Information and Culture (MoIC); the Ministry of Information Communication and Technology (MoICT); the Department of Finance; the DoWA; the DoE; the DoICT; the DoIC; the Governor Houses of Heart, Kandahar and Nangarhar; and provincial national radio and television stations in four different provinces.

### **FAIDA’s Coordination with other USAID projects:**

FAIDA has worked closely with the following USAID projects to further opportunities for women in Afghanistan’s finance and governance sectors:

- PROMOTE Afghanistan’s Women’s Leadership Development (WLD)
- Chemonics/PROMOTE Afghanistan’s Women’s In Government Internship program (WIG)
- PROMOTE Afghanistan Women’s Economy Program
- U.S. Department of Commerce’s Commercial Law Development Program (CLDP)

### **Gender Component's Indicators**

Code	Indicator	Total Achieved During Period							
		Q1		Q2		Q3		Q4	
		M	F	M	F	M	F	M	F
Cross Cutting	GNDR-2 Proportion of female participants in USAID-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)	0	0	0	186	0	809		1,037
		0		186		809		1,037	

## FAIDA Year Five Results by Indicator

Indicator Name and Number (and disaggregation by gender)	TOTAL Cumulative through December 31, 2015	TOTAL Cumulative through December 31, 2015
	<i>Target</i>	<i>Actual</i>
<b>Number of Full-Time Equivalent (FTE) Jobs Created</b>	<b>5,475</b>	<b>5,983</b>
Male		4,119
Female		1,864
<b>Number of families benefitted</b>	<b>20,556</b>	<b>75,938</b>
Male		62,437
Female		13,501
<b>Amount of private financing mobilized</b>	<b>\$37,550,000</b>	<b>\$52,260,775</b>
Male		\$49,026,984
Female		\$3,233,790
<b>Number Businesses supported with U.S. government assistance</b>	<b>11,071</b>	<b>14,729</b>
Male		10,288
Female		4,441
<b>Number of new financial products developed by U.S. government-assisted financial institutions</b>	<b>29</b>	<b>33</b>
<b>Number of SMEs that have received loans from financial institutions</b>	<b>93</b>	<b>676</b>
Male		329
Female		347
<b>Total number of clients (households and/or microenterprises) benefiting from financial services provided through USG – assisted financial intermediaries, including non-financial institutions or actors.</b>	<b>8,200</b>	<b>41,022</b>
Male		38,990
Female		2,032
<b>Number of persons receiving new employment or better employment (including better self-employment) as a result of participation in USG-funded workforce development programs.</b>	<b>650</b>	<b>41,703</b>
Male		39,322
Female		2,381
<b>Number of financial sector training and/or certification programs established or supported that meet international standards</b>	<b>217</b>	<b>280</b>
<b>Number of financial sector employees trained with U.S. government assistance</b>	<b>2,880</b>	<b>2,496</b>
Male		1,950
Female		546
<b>Number of financial sector professionals/supervisors trained with U.S. government assistance</b>	<b>894</b>	<b>1,190</b>
Male		1,021
Female		169
<b>Number of financial institutions with enhanced capacity as result of U.S. government assistance</b>	<b>43</b>	<b>31</b>
<b>Number of public-private dialogue mechanisms utilized as a result of USG assistance</b>	<b>36</b>	<b>42</b>
<b>Number of working groups established to address financial sector development issues as a result of USG assistance</b>	<b>24</b>	<b>20</b>
<b>Number of comments provided on financial sector related laws and regulations as a result of U.S. government assistance</b>	<b>60</b>	<b>39</b>
<b>Users of electronic payments</b>	<b>5,000</b>	<b>40,400</b>
Male		39,173
Female		1,227
<b>Number of participating merchants</b>	<b>750</b>	<b>1,092</b>
Male		1,091
Female		1
<b>GNDR-2 Proportion of female participants in USAID-assisted programs designed to increase access to productive economic resources (assets, credit, income or employment)</b>	<b>1,000</b>	<b>2,032</b>
<b>EG -1 -Number of microfinance institutions supported by USG financial or technical assistance</b>	<b>39</b>	<b>21</b>