



## **Guide to SME Finance Sources in Afghanistan**

*Updated April 24, 2007*

This brochure is intended as a working guide for small- and medium-sized enterprises (SMEs) in Afghanistan seeking additional financing for their businesses. The organizations and individuals listed herein provide financing to businesses operating in Afghanistan. To provide updates to this guide, please email: [afghaninfo@ita.doc.gov](mailto:afghaninfo@ita.doc.gov).

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## ***SME Financing***

### **Afghanistan International Bank (AIB)**

*Loan Size:* \$50,000 to \$300,000

*Eligibility:* Borrower should be an Afghan, and should invest and handle the funds in Afghanistan.

*Target Sectors:* Import substitution businesses that can replace lucrative goods currently imported from neighboring countries, and promising Afghan export sectors that can generate foreign currency.

*Supported By:* Asian Development Bank, United States Agency for International Development, and other international shareholders

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*Background:* AIB operates primarily as a commercial bank with its head office in Kabul, established in 2004. AIB operates under a contract with Dutch banking giant ING, and is supported by a \$2.6 million investment by the Asian Development Bank, for a 25% stake. The bank has chosen to target sectors it feels are financially rewarding and need support.

**Afghanistan Renewal Fund (ARF)**

*Loan Size:* \$500,000 to \$5 million (note: ARF only provides risk capital, in the form of debt or equity)

*Eligibility:* Small or medium Afghan enterprises. Must comply with national environmental laws, regulations and standards.

*Target Sectors:* Businesses believed to be poised to capitalize on the growth potential in Afghanistan's post-conflict economy.

*Supported By:* Asian Development Bank, Overseas Private Investment Corporation, and U.S. Agency for International Development.

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*Background:* ARF is designed for investments in SMEs across a range of industries in Afghanistan that are expected to take advantage of the opportunities offered by the post-conflict economy. The Fund will finance SMEs and provide them with business and technical expertise. The fund will have a 7-year term and may be extended for up to three consecutive 1-year periods. The Fund seeks to generate significant returns for investors. In doing so, it expects to contribute to the broader goals of stimulating private sector development, creating sustainable employment in Afghanistan, and assisting in the establishment and growth of legitimate enterprises with high productivity.

**Afghanistan Rural Finance Center (ARFC)**

*Loan Size:* \$20,000 to \$3m

*Eligibility:* Licit businesses that provide increased income and employment in rural areas.

*Target Sectors:* Agribusiness

*Supported By:* ACDI/VOCA

*Contact:*

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*Background:* ARFC is a financial services company registered under the Afghan Investment Support Agency. Its mandate is to provide loans to agricultural and rural enterprises, as well as other SMEs that may provide significant income growth and employment in rural Afghanistan. The average loan size is difficult to estimate at this early juncture, but it is expected to be around \$500,000, with a range of \$20,000 up to \$3 million. While the focus is agribusiness, the program is open to licit businesses that provide increased income and employment in rural areas. Priority areas are the regions that the alternative livelihoods programs focus on, but geographical dispersion of loans is not limited to these areas.

### **International Finance Corporation (IFC)**

*Loan Size:* For new projects, the IFC will finance no more than 25% of the total cost of the project (exceptions will sometimes be made on small projects). For expansion projects, the IFC may provide up to 50% of the total cost, as long as its investments do not exceed 25% of the total capitalization of the project company.

*Eligibility:* To be eligible for IFC funding, the project must:

- Be located in a developing country that is a member of IFC
- Be in the private sector
- Be technically sound
- Have good prospects of being profitable
- Benefit the local economy
- Be environmentally and socially sound, satisfying IFC and host country standards

*Target Sectors:* Financial, infrastructure, and small and medium enterprise sectors.

*Supported By:* World Bank

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[www.ifc.org](http://www.ifc.org)

*Background:* IFC is the private sector arm of the World Bank Group, and in 2006 invested US\$6.7 billion into private sector enterprises in developing countries. They also secured financing for 284 investment projects in 66 different countries. Their expenditures to technical assistance and advisory projects were US\$134 million in 2006. Recent projects in Afghanistan include funding for a commercial bank, and the approval to provide funding to Areeba Afghanistan, a telecommunications firm planning to provide a nationwide cellular network. The IFC also recently provided the Kabul Serena Hotel with a US\$7 million loan intended for renovation and expansion.

### **Overseas Private Investment Corporation (OPIC)**

*Loan Size:* Financing: \$100,000 to \$250 million, depending on the size of the business.

Insurance: OPIC provides political risk insurance to U.S. investors, contractors, exporters, and financial institutions involved in international transactions. OPIC covers against the risk of currency inconvertibility, expropriation, and political violence. OPIC can insure up to \$250 million per project and has no minimum investment size requirements for insurance premiums.

*Eligibility:*

- Borrowers require U.S. Business or U.S. Citizen involvement.
- Projects must meet OPIC standards on environment, labor, developmental benefits, etc.
- Some sector-specific restrictions.

*Target Sectors:* Small- and Medium-Enterprise Direct Financing is available for businesses with annual revenues under \$250 million. Loan Guarantees are available to businesses with annual revenues over \$250 million.

*Supported By:* U.S. Government

*Contact:*

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<http://www.opic.gov/>

*Background:* OPIC helps U.S. companies invest (directly or through joint ventures) into foreign markets, promotes economic development in emerging markets, supports the private sector with risk management associated with foreign direct investment, and promotes U.S. foreign policy. In Afghanistan, OPIC has provided more than \$94 million to fund projects ranging from construction and manufacturing to tourism, transportation and services.

### **Small Enterprise Assistance Funds (SEAF)**

*Loan Size:* US\$1 million to \$2 million (note- SEAF provides investment in the form of debt and equity)

*Eligibility:* Companies that SEAF invests in must pass a business and risk assessment. Companies must have a competitive advantage and potential to grow and succeed. SEAF will not invest in the following:

- Companies in the tobacco industry
- Companies whose products contain more than 15% alcohol content
- Casinos
- Companies where more than 25% of total business comes from military-related activities
- Speculative real estate or commodity investments
- Activities that are immoral, illegal, or harmful to the environment

*Target Sectors:* Locally established enterprises

*Supported By:* Multiple international partners

*Contact:*

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*Background:* SEAF provides growth capital and operational support to locally owned enterprises with high growth potential in emerging markets and countries that have limited access to traditional sources of capital.

### ***Microfinancing***

The Microfinance Investment Support Facility for Afghanistan (MISFA) — the first of its kind in the world — was established with World Bank support, for funneling various donor funds into one coordinated source of assistance. MISFA has made significant progress in helping meet the demand for microfinance services in Afghanistan. By January 2007, MISFA, through its 15 partner microfinance institutions (MFIs) had distributed 594,868 loans. Despite various constraints, MISFA implementing partners have maintained an overall repayment rate of over 99%. MISFA is sponsored by Afghanistan's Ministry of Rural Rehabilitation and Development (MMRD). The facility's various sources of operational support include the World Bank, USAID, and CGAP (the Consultative Group to Assist the Poor — a group of 28 international donors established by the World Bank to increase the quantity and quality of microfinance institutions worldwide). MISFA is pledged to building sustainable microfinance institutions (MFIs) and is committed to supporting MFIs that will be operationally sustainable by their fifth year.

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<http://www.misfa.org.af>

The following organizations operate under the MISFA umbrella in Afghanistan:

#### **Afghanistan Microfinance Initiative (CHF International)**

*Loan Size:* Average loan size per borrower US\$488

*Eligibility:* Low-income individuals, households and business owners in the provinces of Bamiyan and Ghazni seeking funds for income-generating activities.

*Target Sectors:* Clients living below the poverty line.

*Supported By:* MISFA, World Bank

*Contact:*

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<http://www.chfinternational.org/section/afghanistan>

*Background:* Through the Afghanistan Microfinance Initiative, CHF International has distributed loans totalling \$3.8 million to 7360 low-income clients since March of 2004. Since January 2005, 30% of their loans have been to women.

**Afghanistan Rural Microcredit Programme (ARMP)**

*Loan Size:* Average loan size per borrower US\$710

*Eligibility:* Individual and group loans to farmers and traders in rural provinces.

*Target Sectors:* As of December 2005, 34% of the total loans outstanding were for commercial and retail activities, 60% were for agricultural activities, 4% were for manufacturing and 2% were for other activities.

*Supported By:* MISFA, Aga Khan Development Network

*Contact:*

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*Background:* ARMP provides credit services to farmers and traders in 39 districts and 9 provinces. They have provided special credit for over-indebted farmers and financing for crop substitution in poppy growing areas. This has allowed some farmers to repurchase land sold to poppy farmers and replant the fields with wheat and potatoes or acquire livestock. In June 2006, ARMP had over 40,800 clients and loans totaled more than US\$29 million.

### **Ariana Financial Services Group**

*Loan Size:* US\$50 to \$1500 for group and individual lending. Individuals completing the fourth loan cycle may have loans up to \$3000.

*Eligibility:* Before being qualified to take out an individual loan, applicants must take out a group loan (generally 4 to 8 people), where all members are accountable should one member default. A group must have successfully repaid their loan in order to qualify for more credit, which can be no more than 40% higher than the previous loan. Once a client has successfully participated in four group loans, he or she may apply for an individual loan. Individual clients must have a reliable person from the government as a guarantor.

*Target Sector:* People running micro-enterprises such as weaving, carpentry, tailoring, hairdressing, food processing, florists, kite production, knitting, leather working or animal husbandry. There is an emphasis on women.

*Supported By:* Mercy Corps, MISFA, Bill and Melinda Gates Foundation

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<http://www.mercy Corps.org/topics/economicdevelopment/1480>

*Background:* Ariana provides fair-priced loans to low-income clients. Since its launch in Kabul in 2003, Ariana has supported more than 16,900 clients with loans totaling US\$3,200,000. More than 82% of Ariana's clients are women. There are currently 1443 active groups with a loan, and 194 active individuals with a loan.

### **Bangladesh Rural Advancement Committee (BRAC)- Afghanistan**

*Loan Size:* US\$160 to \$600

*Eligibility:* Maximum acceptable annual income to qualify as a client is US\$480.

*Target Sectors:* Women (aged 18 to 60 years) starting business out of their homes.

*Supported By:* MISFA and BRAC

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<http://www.bracafg.org/>

*Background:* The BRAC-Afghanistan microfinance program aims to create a self-sustaining and reliable financial service program for the poor, especially women. BRAC extends credit programs to the poor for income generation activities such as: cloth stitching, fruits and vegetable vending, carpet weaving, agriculture, small grocery and enterprise, and livestock. BRAC was the largest microfinance institution operating in Afghanistan in August 2005, with over 96,000 clients and over 76,000 borrowers.

**Child Fund Afghanistan (CFA)**

*Loan Size:* US\$195 to \$615

*Eligibility:* The majority of loans are given to groups of five to ten people from a similar background or location, in the Taloqan, Kunduz and Badakshan provinces. CFA also concentrates much of its resources to helping families.

*Target Sectors:* Poor, vulnerable families in Northern Afghanistan, and particularly women.

*Supported By:* MISFA, Christian Children's Fund

*Contact:*

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<http://www.christianchildrensfund.org/content.aspx?id=187>

*Background:* CFA was started by the international NGO, Christian Children's Fund (CCF). CFA started a microfinance program with 3 women's NGOs in Taloqan, Kunduz and Badakshan in December 2001. At present, the MFI operates in 10 districts across these 3 provinces in northern Afghanistan. As of to date CFA Microfinance provides credit to over 10,000 clients with outstanding loan portfolio of over 1.8 million US dollars. Cumulatively CFA MF has provided 22,500 loans to the value of over US\$4.5 Million.

**FINCA Afghanistan**

*Loan Size:* US\$100 to \$2000

*Eligibility:* Must have a small business.

*Target Sector:* FINCA aims to reach disadvantaged entrepreneurs in the city and surrounding areas of Kabul, Charakar, Jalalabad, Kunar, Laghman, Herat, Kunduz and Mazar-e-Sharif.

*Supported By:* MISFA, FINCA International

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*Background:* FINCA Afghanistan was set up in 2004 by the International NGO, FINCA International. In 2005, FINCA had 7716 active borrowers, 73% of whom had loans sized less than US\$300. As of the end of February 2007, FINCA had over 35,000 clients throughout Afghanistan. FINCA Afghanistan also is also the only 100% Shar'ia compliant microfinance organization in the world. FINCA is the pioneer of the village banking method of microcredit, which gives the decision-making power of who may borrow, how much, and for what purpose to the 10-50 neighbors who come together to form the village banking group.

**First Microfinance Bank- Afghanistan (FMFB- A)**

*Loan Size:* US\$500 to \$5000; maximum size in locations outside of Kabul is \$4000.

*Eligibility:* Business must employ less than ten people, have a monthly turnover rate between US\$1000 and \$10,000, have limited bookkeeping skills, have fixed business premises, and must be successful in the loan appraisal, having repayment, key ratio and collateral requirements.

*Target Sectors:* Afghan small, urban businessmen and businesswomen.

*Supported By:* MISFA

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*Background:* As of January 2007, the First Microfinance Bank--Afghanistan had 17,297 active borrowers. Since their establishment in 2003, FMFB-A has dispersed loans totaling US\$46,764,784.

**Hope for Life**

*Loan Size:* Unknown

*Eligibility:* Unknown

*Target Sectors:* Unknown

*Supported By:* MISFA

*Contact:*

[http://www.misfa.org.af/index.php?page\\_id=21](http://www.misfa.org.af/index.php?page_id=21)

*Background:* Unknown

**Microfinance Agency for Development (MoFAD)**

*Loan Size:* Average loan size per borrower US\$169

*Eligibility:* Groups of women living in Kabul or surrounding areas.

*Target Sectors:* Enterprising vulnerable women and widows living in or near Kabul.

*Supported By:* MISFA, MMRD, World Bank, CARE

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*Background:* The Micro-finance Agency for Development (MoFAD) is a savings-based micro finance program established by CARE Afghanistan in August 2004. As of December 2006, MoFAD has organized 463 savings and credit groups (SCGs) comprising of 9,808 women in 16 districts in Kabul. It has disbursed 9,683 loans amounting to \$1,922,988 to 4,866 women-members with 99% repayment rate.

**Microfinance Agency for the Development and Rehabilitation of Afghan Communities (MADRAC)**

*Loan Size:* Average Loan size is US\$150

*Eligibility:* MADRAC provides loans to groups (10 to 20 people) in Herat (Guzara, Injil, Pashtoon Zarghoon and Obe districts), Ghazni (City and Khwaja Omari districts), Laghman (Mehterlam and Alishing districts), Logar (city) and Kapisa (Hisa Awal district) provinces.

*Target Sectors:* Women, landless laborers, migrant laborers, craftsmen and shopkeepers.

*Supported By:* MISFA

*Contacts:*

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[http://www.misfa.org.af/index.php?page\\_id=23](http://www.misfa.org.af/index.php?page_id=23)

*Background:* MADRAC is the Danish NGO DACAAR's microfinance program, financially supported by MISFA. Its goal is to uplift the livelihood of those living below the poverty line. It is relatively new (established in June 2005), and as of January 2007, it had a total of 7,600 clients (48% women), and had issued more than US\$1,700,000 in loans. MADRAC has also started Islamic Banking and has launched Murabaha as one of the Islamic Banking loan product. MADRAC also plans to start Micro Enterprise Loans to address the needs of the entrepreneurs in MADRAC working areas.

**OXUS Afghanistan**

*Loan Size:* US\$600 to \$3000 at group level; individual loans start at US\$100.

*Eligibility:* Organization provides loans to solidarity groups of women and men for income-generating activities in Kabul, Parwan, Balkh, Takhar and Faryab provinces. Individual loans will be launched in coming months.

*Target Sectors:* Small shops have made up a significant percentage of the organization's investments.

*Supported By:* MISFA

*Contacts:*

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[http://www.oxusnetwork.org/ENG/who\\_background.html](http://www.oxusnetwork.org/ENG/who_background.html)

*Background:* OXUS Afghanistan is part of the OXUS Development Network (ODN), a global network of MFIs affiliated to ACTED. By June 2007, OXUS Micro Lending Institution is expected to achieve a total active portfolio of over US\$1.7 million with 10,700 clients.

**PARWAZ**

*Loan Size:* US\$100 to \$1000

*Eligibility:* Borrowers must be poor and female. Widows are given primary consideration. Borrowers must also possess a demonstrable skill and/or verbally provide a viable plan for their businesses and must not already have regular or permanent income.

*Target Sectors:* Women living in poverty in Kabul, Jalalabad and Ghazni city and surrounding areas.

*Supported By:* MISFA

*Contacts:*

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E-mail: [info@parwaz.org](mailto:info@parwaz.org)

<http://www.parwaz.org/home.html>

*Background:* PARWAZ was established in 2002 with the mission to provide means for Afghan women to increase income and reduce vulnerability. As of 2005, PARWAZ had a 99% repayment rate, 6,677 credit and savings clients, had an outstanding loan portfolio at over US\$600,000 and had issued 15,000+ loans.

**SUNDUQ**

*Loan Size:* Unknown

*Eligibility:* Unknown

*Target Sector:* Unknown

*Supported By:* MISFA

*Contact:*

Jamshed Sultani,  
Address: House No. 113, Street 7, Qala e Fatullah  
Kabul, Afghanistan  
Tel: +03 (0) 70 205980  
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[http://www.misfa.org.af/index.php?page\\_id=26](http://www.misfa.org.af/index.php?page_id=26)

*Background:* SUNDUQ was setup by MADERA, a French NGO, in 2005. The organization uses the village banking methodology to provide credit to rural households. MFI operations are spread across the Eastern part of the country (Nangarhar, Laghman and Kunar), with headquarters in Jalalabad city.

**Women for Women MFI**

*Loan Size:* Average loan size per borrower US\$361

*Eligibility:* Impoverished women living in provinces of Parwan or Kabul.

*Target Sector:* In 2005, 85.1% of women entering into these programs had no formal education, and 87.5% had never participated in economic activities before.

*Supported By:* MISFA, Women for Women International

*Contacts:*

Amanullah, Programme Manager  
Women for Women MFI  
Main Street, House 328, across from Karte Char  
Kabul 3<sup>rd</sup> police station, Afghanistan  
Tel: +93 (0) 70-206 804  
E-mail: [aman\\_af2000@yahoo.com](mailto:aman_af2000@yahoo.com)

Women for Women International  
4455 Connecticut Avenue  
Suite 200  
Washington, DC 20008  
Tel: 202-737-7705  
E-mail: [general@womenforwomen.org](mailto:general@womenforwomen.org)  
E-mail: [Afghanistan@womenforwomen.org](mailto:Afghanistan@womenforwomen.org)

<http://www.womenforwomen.org/afghanistan.htm>

*Background:* Women for Women MFI is affiliated with the NGO Women for Women International. They provide income-generation support to women through access to loans. Since its launch in 2004, the microcredit lending program has loaned a total of \$2,727,000 to 7,555 women.

**World Council of Credit Unions, Inc. (WOCCU)**

*Loan Size:* Average US\$419

*Eligibility:* WOCCU assists with the setup of credit unions in the Balkh and Jowzjan provinces of Afghanistan, and as of 2007, Nangahar, Baghlan, and Sar E Pol. Only owner-members have access to savings and loan services provided by each credit union.

*Target Sectors:* As of 2006, 40.8% of WOCCU funds in Afghanistan went to the agricultural sector, 35.3% went to the commercial/ retail sector, and 21.6% went to the services sector.

*Supported By:* MISFA, and a sub-award from AED under the Aries Project

*Contacts:*

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<http://www.woccu.org/>

*Background:* Since 2004, WOCCU has established two Investment Finance Centers in northern Afghanistan: Balkh IFC in Mazar e Sharif and Jowzan IFC in Shebergan. At the end of 2006, WOCCU had 2113 loans outstanding in Afghanistan, totaling \$809,446. In February and March of 2007, WOCCU, along with USAID, opened up three new investment and finance cooperatives in Aybak, Puli-Khumri and Jalalabad, Afghanistan.

**Forthcoming in 2007:**

Through the Accelerating Sustainable Agriculture Program (ASAP) in Afghanistan, the U.S. Agency for International Development (USAID) aims to increase competitiveness of Afghan agriculture products in domestic and export markets for high-value commodities, and to improve the public policies and institutions in support of more competitive agriculture and agribusiness. For more information on this program coming soon, contact:

*Christopher Broughton*  
*Afghanistan Desk*  
*US Agency for International Development*  
*Tel: 202-712-1271*  
*E-mail: [cbroughton@usaid.gov](mailto:cbroughton@usaid.gov)*

According to an October 9, 2006 press release of the US Embassy in Kabul, **USAID** recently awarded the Agriculture Rural Investment and Enterprise Strengthening (**ARIES**) project for Afghanistan. ARIES will provide access to financial services, and the goal at the end of a three-year period is to have delivered financing to 60,000 new microfinance clients, establish a minimum of 50 new rural credit unions and farmer cooperatives, and create a financing window for small- and medium-scale enterprises in rural communities around the country. An estimated investment of \$80 million will be distributed over the three-year period.