



Natural  
Resources  
Institute

## **PROCEEDINGS**

# **Dissemination and Learning Workshop on Self Help Groups in Badakhshan, Afghanistan**

**27<sup>th</sup> November 2006**  
**Ministry of Agriculture and Irrigation**  
**RAMP Building 2nd Floor**



## SUMMARY OF THE SELF-HELP GROUP WORKSHOP

A joint AKF/NRI/RALF<sup>1</sup>/MAI workshop was held in Kabul on 27<sup>th</sup> November 2006 with the following objectives:

- To inform interested parties about the results of the AKF/NRI project “Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy”, the Self-Help Group methodology and its impact in Badakhshan
- To identify the place of the SHG approach among other micro-finance initiatives in the Afghan context (financial, social, developmental contributions)
- To discuss and identify next steps towards the consolidation and expansion of the SHG approach with respect to the specific situation in Afghanistan

The workshop was opened by the First Deputy Minister of Agriculture Engineer Mohammad Sharif, and the Deputy Minister for Counter Narcotics, Dr Hussein. Dr Fazl Fazluddin (head of agricultural extension in MAI), Dr Najib Malik (RALF Programme Manager) and Dr Henri Suter (head of community development for AKF) chaired the different sessions. In addition, senior representatives from different government departments, NGOs involved with self help groups and community development (CARE, CRS, Afghan-Aid, UN Habitat, AKF), ICARDA staff, Micro-finance institutions, Self-Help Group leaders from Jurm and Ishkashim and project members also participated.

The experiences of the AKF/NRI project were presented, including presentations by SHG farmer leaders from Jurm and Ishkashim Districts of Badakhshan. The UN-Habitat experience was also presented, and a detailed and lively discussion ensued on many aspects of the implementation of the SHG approach in Afghanistan.

This was followed by group work to explore the issues around microfinance in Afghanistan, and how these are addressed by SHGs using the following guide questions:

- What are the issues affecting successful implementation of micro-finance in Afghanistan?
- How are these issues addressed by the SHG approach?
- What are the main challenges for SHG initiatives in Afghanistan

### Conclusions from the workshop

- ✚ The SHG approach is being used by a number of different practitioners in Afghanistan (CARE, UN-Habitat, AfghanAid and AKF). Implementation differs in each case.
- ✚ The AKF/NRI SHG research pilot in Badakhshan has been successful in demonstrating the potential for SHGs as a non-threatening mechanism for mobilising local resources, providing **affordable finance to poorer men and women** and providing social benefits (building self-reliance, capacity, social cohesion and empowerment of women).
- ✚ Despite good results, many challenges remain for the SHG movement.
- ✚ The Counter Narcotics Trust Fund welcomes proposals to scale up SHGs nationally
- ✚ There is interest, especially from NGOs, to form a Task Force that will meet and take the SHG movement forward in a coherent way, maintaining good relations with government.

## BACKGROUND TO THE WORKSHOP

The Aga Khan Foundation, jointly with NRI UK, is implementing a research project<sup>2</sup> to determine the viability of Self Help Groups (SHGs) for community savings and credit in

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<sup>1</sup> RALF (Research in Alternative Livelihoods Fund) is a 3-year research programme, funded by DFID-UK, managed by ICARDA and implemented by 25 national and international partners in 17 provinces of Afghanistan. RALF Website: [www.icarda.cgiar.org/RALFweb/RALF.htm](http://www.icarda.cgiar.org/RALFweb/RALF.htm)

Badakshan, N.E. Afghanistan. The project came at a time when humanitarian relief was giving way to longer-term sustainable rural development programmes, and operates in areas affected by poppy cultivation and consumption in the districts of Jurm and Ishkhashim in Badakhshan Province of NE Afghanistan. The project has a strong research mandate and:

- focuses on SHGs as an appropriate way of strengthening community-level institutions, especially for poor men and women
- organizes groups to promote community-based microfinance activities with an emphasis on savings
- arranges credit through linkage loans based on the group performances on savings

The project started by carrying out a socio-economic survey of the area before deciding to use the Self-Help Group approach to micro-finance delivery.

SHGs are groups of self-selected men or women of similar economic backgrounds living in the same village. The groups' main function is to save on a regular basis, and use the savings capital for loans to members of the group. However, these can also lead to other social and development benefits. The SHG model has been accepted, even by communities with a strong religious influence, despite its credit related activity.

A small, local, AKF-managed team has formed around 94 self-help groups with a membership of around 1600 families, and mobilized around Af 1.80 Million in 6-months. Monitors from the Ministry of Agriculture, ICARDA and NRI who recently visited the area appreciated the enthusiasm generated by the project, the progress made and the opportunity it offers for development.

## **WORKSHOP OBJECTIVES**

The objectives for this first workshop on Self-Help Groups were:

- To inform interested parties about the results of the AKF/NRI project “Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy”, the Self-Help Group methodology and its impact in Badakhshan
- To identify the place (now and in the next 5 years) of the SHG approach among other micro-finance initiatives in the Afghan context (financial, social, developmental contributions)
- To discuss and identify next steps towards the consolidation and expansion of the SHG approach with respect to the specific situation in Afghanistan

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<sup>2</sup> **“Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy (RALF 01-08)”**. Jointly implemented by the Natural Resources Institute, UK and the Aga Khan Foundation in Afghanistan. Funded by DFID under the Research into Alternative Livelihoods Fund managed by ICARDA.

## WORKSHOP PROCESS

The one-day workshop was opened by the Deputy Minister of Agriculture Engineer Mohammad Sharif, and Director of ALP and Poppy Elimination Programme at Ministry of Counter Narcotics, Dr Hussein. Dr Fazl Fazluddin (head of agricultural extension in MAI), Dr Najib Malik (RALF Programme Manager) and Dr Henri Suter (head of community development for AKF) chaired the different sessions. In addition senior representatives from different government departments, NGOs involved with self help groups and community development (CARE, CRS, Afghan-Aid, UN Habitat, AKF), ICARDA staff, Micro-finance institutions, Self-Help Group leaders from Jurm and Ishkashim and project members participated.

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This was followed by group work to explore the issues around microfinance in Afghanistan, and how these are addressed by SHGs using the following guide questions:

- ✚ What are the main issues affecting the successful implementation of micro-finance in Afghanistan?
- ✚ How are these issues addressed by the SHG approach?
- ✚ What are the main challenges for SHG initiatives in Afghanistan

Finally NGOs, MFIs, government and SHG leaders were asked to identify next steps towards a common framework for SHG activities in Afghanistan.

## WORKSHOP OUTCOMES

### a) Presentations

- The field coordinator, Mr Seenivasan R, of the AKF/NRI project “Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy (RALF 01-08)” presented an introduction to Self-Help Groups and to the activities of the project (see pdf file).
- The two SHG leaders from Ishkashim and Jurm Districts of Badakhshan Province described their experience to date with SHGs in their villages.

The leader from Ishkashim described how the village became aware of the potential benefits of regular savings under the SHG approach and how they formed both men’s and women’s groups. The main attraction was to get affordable credit in place of the abusive informal credit available (50% interest and severe penalties for defaulting, such as taking children or land). In answers to questions he said that:

- They were not dependent on linkage loans now that they had their savings capital
- The interest rate (2%) on internal loans to members was decided by the group, and was acceptable to all
- Records are kept by the group: pass books are held by all and kept up to date, and ledgers record the transactions and decisions of each meeting
- The secretary of the Group keeps the records on a voluntary basis. There is no need at this time for payment.
- 7 out of 15 members have received loans. The group decides on who will receive, and on the repayment schedule
- There is a grace period for longer-term ventures such as livestock, but not for trading loans

The SHG leader from Jurm stated that there are 46 SHGs in Jurm District, of which 22 are women's groups. People (including women) are very interested to form more groups, based on the success of the present groups. The groups are one way in which people can solve their own problems and contribute to the economy of the country.

In answer to questions, he said that:

- There is no dividend (bonus) on savings. The main purpose of the interest on loans was to help the capital grow quickly so that larger loans can be taken out.
  - Farmers are fed up with opium. They are trying to find ways to reduce their dependency on this crop.
- Dr Ismail Rahimi from the Literacy and Community Empowerment Programme of UN-Habitat (funded by USAID) made a presentation of the SHG aspects of that programme under which 901 SHGs have been established (11,223 members with 3.8million Afs savings) and linked to CDCs (see pdf file).

## b) Discussion

A number of important points were made during the discussions:

- Dr Fazl mentioned that both men and women in SHGs met during the recent monitoring mission to Badakhshan were very interested in functional literacy training
- Javed Iqbal suggested that many of the issues around SHGs will only become clear after a full round of internal and linkage lending (say by July/August of 2007)
- Henri Suter explained that SHGs themselves made the key decisions about interest rates, what type of loans to accept etc. It is the function of the supporting NGO to provide the SHG members with examples of good practice from which they can make informed decisions for their circumstances
- Dr Najib Malik informed us of another SHG initiative, from *Hand in Hand*<sup>3</sup>, which is planning a national income-generation programme based on Self-Help Groups
- Dr Fazl emphasised the social benefits he observed, including social cohesion, self-reliance, empowerment and capacity development
- In response to a question about the need to register SHGs as legal entities, Dr Fazl informed us that he is leading a team to develop a rural agricultural finance institution for rural areas (a Credit Union). The SHGs would become members of the Union, which would be supported by:
  - Groups/Associations
  - Government
  - Private Banks and donors
- Dr Hussein, in answer to a question to him about his opinion of the potential to scale up the SHG approach, said that Alternative Livelihoods is one of the 8 Pillars under the Counter Narcotics Strategy. To achieve this requires access to credit. He appreciates what the project has done and **encourages the submission of proposals for up-scaling SHGs to the Counter-Narcotics Trust Fund**. He specifically mentioned the need to scale up in the Western provinces.

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**c) Group work outcomes (3 mixed groups; outcomes synthesised into one diagram)**

**A. What are the issues affecting the success of Micro-finance in Afghanistan?**

**a) Risks:**

- Security
- Power relations in communities (inhibits access to services, esp. for the poor)
- Islamic banking principles
- Access to services for women

**b) National coverage**

- Very few MFIs
- Inconsistent and limited coverage
- Lack of rural banks
- Few development partners

**c) Linkages**

- Access to communities
- Integration with development programmes
- Linking to income generating activities (including SHGs)
- Successful communication of MFI models
- Lack of BDS providers
- Access to markets (e.g. livestock)

**d) Knowledge and experience**

- Lack of experience, qualifications and expertise in MF
- Need for capacity building

**e) Community weaknesses**

- Illiteracy of community members
- Inexperience with cash management and business
- Need for literacy/numeracy and business development capacity building, especially for women
- Lack of local ownership (most MF initiatives are top-down)

**f) Lack of MF products and poor flexibility**

- Lack of appropriate products
- Lack of standardised methods for MF implementation
- Rigid application of MF
- Incomplete financial services on offer
- Repayment problems due to seasonal migration, low income in winter etc.
- Lack of an exit strategy

**g) Policy-related issues**

- Need for supportive government policies and attitudes
- Lack of a legal framework (e.g. for community finance groups)

## **B. How are the issues addressed by Self-Help Groups?**

### **a) Characteristics of SHGs that make them appropriate for community development**

- Primary tool for accessing micro-finance for the poor
- Greta tool (and accepted by elders/religious leaders) for accessing women and involving them in income-generating activities
- Focus on poorer groups
- Mobilise community-driven savings and credit
- Social empowerment and capacity development of communities (inc. women)
- Capacity building on cash management and savings (esp. women)
- Group formation
- Flexibility on interest rates, savings rates, repayment schedules etc
- Non-threatening to loanees or to community power holders

### **b) Challenges for government**

- Need for legal status for SHGs and financial framework

### **c) Challenges for groups**

- Re-financing mechanisms
- Cost of support
- Risk of losing loan capital (no insurance for individuals or the group)

### **d) Challenges for promoters**

- Need for capacity building of staff
- Group promotion is time consuming
- Need development partners and linkages to income-generating options
- Need sustainable support mechanisms

### **e) Support needs for SHGs**

- Recording, documentation and dissemination
- Support to office bearers within groups
- Standardisation of methods (is this necessarily a good thing?)
- Linkage between SHGs/clusters/associations

### C. Suggested SHG follow-on activities: NGO/MFI, government and SHG leaders

#### a) Suggestions from NGOs and MFIs

- **Organise a meeting of community development organisations (NGOs, UN and others) to further explore a joint approach to SHGs in Afghanistan**
- Identify, and adopt, the best strategies/practices for implementing SHGs
- Continue to research the SHG approach and to document and share outcomes
- Further scale-up the SHG approach into new areas and new groups
- Develop proposals for funding of SHG initiatives<sup>4</sup>
- Involve government (influence/observe relevant policies, and retain the support of relevant ministries)

#### b) Suggestions from government

- More support (funding) for SHG activities
- Putting guarantee behind SHGs
- Creation of more confidence and mutual trust
- Finding new ways of utilising the finance (options for use of SHG credit)

#### c) Suggestions from SHG leaders

- Flexibility in repayments (in recognition of the far distance of most loanees)
- On-time linkages to banks/other finance institutions
- Qualified and experienced staff
- 6-months grace period for Linking loans
- Training for the members of SHGs
- Continuing support to SHGs

#### d) Conclusions from the workshop

- ✚ The Self-Help Group approach is being used by a small number of different practitioners in Afghanistan (including CARE, UN-Habitat, AfghanAid and AKF). Implementation is different in each case.
- ✚ The AKF/NRI SHG research pilot in Badakhshan has been successful in demonstrating the potential for SHGs as a non-threatening mechanism for mobilising local resources, providing **affordable finance to poorer men and women** and providing social benefits (such as self-reliance, capacity development, social cohesion and the empowerment of women).
- ✚ Despite good results, many challenges remain for the SHG movement.
- ✚ There is potential to scale up SHGs nationally. The Counter Narcotics Trust Fund welcomes proposals.
- ✚ There is interest, especially on the part of NGOs, to form a Task Force that will meet and take the SHG movement forward in a coherent way, maintaining good relations with government.

#### Action Points:

- 1. Distribution of this Proceedings to all who were present at the workshop, and to other key stakeholders**
- 2. Formation of Task Force and convening its inaugural meeting**

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<sup>4</sup> Note that during the meeting, the Deputy Minister for Counter Narcotics (Dr Hussein) said that he would encourage submission of proposals for SHG activities to the Counter-Narcotics Trust Fund



## Annex One

### Workshop Agenda: 27<sup>th</sup> November 2006

- 1. Opening Remarks: First Deputy Minister of Agriculture, Engineer Mohammad Sharif and Najib Malik, RALF Programme Manager**
- 2. Introduction to the workshop; Background and Objectives: Dr Suter**
- 3. Introduction of participants**
- 4. The SHG Approach: Seenivasan R (AKF)**
- 5. Review of project activities by AKF District Officers and leaders of SHGs in Jurm and Ishkashim**
- 6. Remarks on the MAI/NRI/ICARDA Monitoring Mission (August/September 2006): Barry Pound, NRI and Dr Fazl Fazluddin, MAI**
- 7. Discussion and presentation of experiences of SHGs from other practitioners in Afghanistan**
- 9. Group work to explore the issues around microfinance in Afghanistan, and how these are addressed by SHGs using the following guide questions:**
  - ✚ What are the main issues affecting the successful implementation of micro-finance in Afghanistan?**
  - ✚ How are these issues addressed by the SHG approach?**
  - ✚ What are the main challenges for SHG initiatives in Afghanistan**
- 10. Synthesis of group discussions**
- 11. Development the elements of a forward action plan for the SHG movement in Afghanistan based on collaboration between interested partners, MFIs and Govt. representatives: Moderated by Dr Henri Suter, AKF**
- 12. Closure at 4 p.m.**