Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy

RALF Project 01-08
Joint project between
Natural Resources Institute – University of Greenwich and
Aga Khan Foundation
Presentation Objectives

- Project Progress to date
- Review draft micro-finance products
- Discussion at Stakeholders’ Workshop of 10-11 October 2005
- Action Plan for remainder of project
1. Project progress to date

- Review of experience, Oct 2004
- Training of AKF staff in Badakshan, Dec 2004. Field survey guidelines, Feb 2005
- Survey of 12 villages: Jan-March 2005
- Analysis of field data
- Draft design for 4 micro-finance products
Conclusions of Analysis of Survey of 12 villages in Badakshan

- Variable land and livestock ownership within and between villages
- Variability in opium production/consumption patterns between villages and districts
- Multiple, but precarious, income streams
- Debt very common; worst incidence, levels and conditions among poor
- All villages have shura / CDC
## 2. Suggested Microfinance Products

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Debt Conversion Finance

- Target clients: economically active poor
- Service charge and loan size to be discussed
- Loan duration and repayment schedule
  - Service charge repayment monthly; capital flexible
- Collateral: social
- Delivery:
  - Individual through groups
  - Creditworthiness vouched by CDC and villagers
  - Contract
ALL-PURPOSE SMALL LOANS

- **Aim**: Loans for basic needs, not production (not for opium production or consumption)
- **Target**: economically active poor
- **Terms**:
  - Service charge to be set
  - Loan size: $50 max to start with, rising with good repayment record
  - Loan duration: short
  - Repayment: small, but frequent
  - Collateral: social (CDC or Group members)
  - Penalties for late payment (charge, disqualification)
- **Delivery**:
  - Groups (benefits, risks and safeguards to be assessed)
LAND REDEMPTION FINANCE

- Similar to ARMP scheme, but linked to maintenance and productive use of recovered land
- Service Charge: to be set
- Repayment: monthly
- Collateral: recovered land
- Delivery: Individual; CDC/group approved; contract.
ENTERPRISE FINANCE

- Farm, off-farm and non-farm enterprises
- Beneficiaries: economically active poor
- Service charge: to be set
- Loan size: Suggestion is max. $US250
- Repayment: tailored to enterprise
- Collateral: CDC/group guarantee
- Delivery: Individual; contract
- Links: Enterprise Development/NR
3. Discussion at Stakeholders Workshop

- Microfinance products existing were almost exclusively for the economically active poor
- Need to look at consumptive credit as well
- Explored a Group Model
- Groups of men and women would be facilitated and supported
- Cautious start-up: promotion of programme, group formation, facilitation, skills development
- Groups would begin by internal savings
- Loans would be to groups – the group would then lend to its members for whatever purpose the member of the group required the loan – consumptive or productive
3. Discussion at Stakeholders Workshop

- Mechanisms for assessing the strength and capacities of the groups will be set up.
- Loan amount would be determined by the capacity of the group to absorb and manage the loan.
- Intra-group social collateral would replace physical collateral.
- Pilot programme in 2 districts only.
- Lending mechanisms will be simple both for communities and for the agency.
- CDCs will assist loan officers to identify creditworthy groups.
Organisational structure

ARMP office, Badakshan
2 x Loan officers
Business Development Services, AKF
M&E, AKF

District Ag Ext officer, Jurm
District officer Jurm
VSO

District Ag Ext officer, Ishkashim
District officer Ishkashim
VSO

Pilot Villages in Jurm and Ishkashim Districts
ACTION PLAN

- Refinement of selected financial products, Nov/Dec 2005
- Recruitment of in-country co-ordinator, Dec 05 (done)
- Preparatory work prior to implementation, Jan-Mar 2006
- Implementation of financial products, begins in Mar/Apr 2006
- Participatory monitoring and evaluation
- Peer review workshop, Oct 2006
- On-going dissemination of results
- Final workshop, Dec 2006