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

Purpose:
Identify, assess and disseminate financial mechanisms that enable rural households economically dependent on opium poppy to adopt alternative natural resource options.
The project addresses

- The rapid expansion of poppy cultivation
- Negative effects on rural livelihoods through drought and political instability
- Indebtedness and asset depletion
- Lack of access to affordable credit
- Exploiting informal credit systems
- Accessibility to economically viable natural resource alternatives
Outputs:

- To determine the present formal and informal financial services situation, the incidence and importance of indebtedness, and its influence on the decision to be involved in poppy production.
- To identify a range of potential financial mechanisms for the provision of micro-finance, credit and savings, appropriate to rural Afghans, using experiences from Afghanistan, and elsewhere.
- To use participatory methods, involving communities, NGOs and government staff to rigorously monitor, evaluate and document the process and impact of implementation of chosen financial mechanisms.
- To disseminate experiences as they emerge, using user-friendly formats and media, so that the lessons from successes and failures can be rapidly incorporated into government and NGO policies and programmes.
The Project Partners

- **NRI**, Natural Resources Institute, Chatham, Kent, UK
- **AKF**, Aga Khan Foundation - Afghanistan
Geographical Area of Concentration

- Province of Badakhshan

<table>
<thead>
<tr>
<th>Area Development Programme</th>
<th>Total Population By Regional Office</th>
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<tbody>
<tr>
<td>Badakhshan</td>
<td>280,000</td>
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<tr>
<td>Bamyan</td>
<td>300,000</td>
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<tr>
<td>Kapisa</td>
<td>790,000</td>
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Note: On-off separate projects might be undertaken in non-shadowed districts in target provinces.
**Target Group & Stakeholders**

- Rural Afghans affected by, involved in or potentially involved in the opium poppy economy.
- Government departments involved in natural resource management, economic development and social welfare at the policy and implementation levels.
- International and local NGOs involved in NRM, and economic and social development, including those specialising in Women’s Affairs.
- UN agencies, including FAO (Projects such as the FAO “Eastern Hazarajat Livelihoods Project”).
- Those involved in the provision of financial services – local and external. Some of these, such as opium traders, shop-keepers, etc. may be negatively affected by project activities.
Financial Product Ideas

Household debt restructuring models using p.ex.

- Reconversion loans
- Combined reconversion loans
- Microleasing
- Loans for trade

Access of clients to S&C / Village banking/Insurance schemes...

Access of clients to BDS, VT (supported seasonal migration)
Where we are....

Y1 Investigation → Y2 Piloting → Y3 Dissemination

Done by February 2005:

- Baseline study
- Start-up problems resolved
- Livelihood baseline
- Finance capital, financial mechanisms and economic vulnerability study
- Data analysis ongoing
Next steps

- Identification of innovative financial mechanisms
  → Final product descriptions/op. manuals by May
- Piloting of products & participatory monitoring
  → Household budget rehabilitation is conceptualised
  → Microleasing/loans for trade/reconversion loans, staff coaching and piloting ongoing
- Stakeholder meetings/exchange of experience
- Mid term evaluation
- Innovative finance product design for dissemination
Outlook

• Financial mechanisms/product verification (in & ex situ)
• Stakeholder meetings/exchange of experience
• Dissemination
Thank you for your attention!

For linking up, address to:

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