



The First MicroFinanceBank
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UNHCR with First MicroFinanceBank-Afghanistan launch microfinance scheme

UNHCR, the UN Refugee Agency, with the Aga Khan Agency for Habitat and The First MicroFinanceBank-Afghanistan (FMFB-A), have launched a new microfinancing scheme to assist internally displaced people, returnees, and residents of host communities engaged in small business activities.

The Grants and Microfinance (GRAM), which is Islamic and Sharia financing compliant, is a UNHCR-FMFB-A joint initiative around the *Awdat Murabaha* model to support financial inclusion, focusing on women entrepreneurs. The scheme aims to support income generation and economic activity to help wean returnees off humanitarian assistance and into productive economic activities.

This is UNHCR's first microfinance initiative in Afghanistan aiming to benefit the most vulnerable people as they aim to become more established as operators of small enterprises. Extreme hardship faced by many people in Afghanistan raises widespread protection concerns arising from the adoption of harmful coping mechanisms like school drop-out, child labor, and early marriage.

The pilot scheme is initially being implemented by First MicroFinanceBank in five provinces, Balkh, Bamyan, Herat, Kabul, and Nangarhar and will be scaled-up to other locations where FMFB-A maintains branches.

The first beneficiaries of the new GRAM programme, which includes three women and two men, received loans on 15th November ranging from AFN 70,000 (\$785) to AFN 110,000 (\$1,234) provided under Islamic banking financing rules and procedures. Clients were financed to purchase commodities using *Awdat Murabaha* financing product aimed to expand businesses.

Through the end of 2022 the new scheme aims to provide some AFN 34 million (US \$386,891) to 500 beneficiaries. The initial recipients are engaged in projects such as operating a small shop or running a tailoring workshop and need funds to expand activities, income which will help support more than 3,500 immediate family members.

The initiative is part of UNHCR Afghanistan's area-based programme in 80 Priority Areas of Return and Reintegration (PARRs) to enhance access to essential services and enhance self-reliance to mitigate further displacement and build community resilience.

"Afghans, particularly women, are striving to support their households and they have marketable skills and abilities," declared UNHCR Representative Leonard Zulu. "This initiative will help individuals get a foothold on the business ladder and establish themselves, while delivering more economic vitality to their communities."

Recent assessments in many of UNHCR's 80 prioritized areas, which included Kabul, Herat, Jalalabad, Kandahar and Mazar-i-Sharif and 75 districts located throughout Afghanistan, indicate that a lack of

access to viable economic opportunities and formal financial services is a key obstacle to self-reliance for returning IDPs and former refugees, as well as host community residents.

“Financial exclusion in Afghanistan is amongst the highest in the world,” said Ziauddin Haidari, FMFB-A Chief Executive Officer. “As part of our business mandate, we believe that financing small entrepreneurs improves access to finance and financial inclusion and will help project beneficiaries to become financially sustainable.”

Funds disbursed under the UNHCR loan scheme will focus on the needs of vulnerable groups in Afghanistan, like women, to support income generation and access to financial markets – bridging the humanitarian assistance to sustainable business development. The initiative is in line with the Islamic and Sharia financing.

Financial exclusion rates in Afghanistan are amongst the highest worldwide, with only 15 per cent of the population holding bank accounts, with women particularly affected.

Under UNHCR’s GRAM scheme, Afghan returnees and IDPs aged from 18 to 60 who hold a valid identity card and who plan to use the *Awdat Murabaha* financing based on a rational business plan can apply. The financing amount will range from AFN 25,000 (US \$280) to a maximum of AFN300,00 (US \$3,370), with repayments set to equal monthly installments. Applicants are not required to provide collateral for a /financing amount of less than AFN 100,000 (US \$1,126) while two financial guarantors will be required. For /financing of more than AFN 100,000 or amount equivalent to USD clients will require to provide collateral plus one financial guarantor.

Starting next year, the United Nations Development Programme will contribute an additional US \$5 million to the initiative. GRAM complements UNDP’s Area-Based Approach to Development Emergency Initiative (ABADEI) programme, FAO’s community resilience scheme supporting farmers, and the joint FAO-UNHCR-UN Woman “Women’s Access, Dignity and Advancement (AWADA) initiative.

Afghanistan faces economic contraction, increasing food insecurity, and widespread poverty. Since August 2021 it has experienced a dramatic drop in public spending, shrinking household incomes and reduced consumption.

Despite the economic challenges facing Afghanistan, many businesses have maintained operations or seek to resume activities. Women, who may have been excluded from jobs in the public sector or lost their employment, are seeking to open businesses utilizing their skills.

UNHCR’s 80 designated PARR areas comprise its main operational response zones in Afghanistan, in line with the Solutions Strategy for Afghan Refugees (SSAR) and the multisectoral Humanitarian-Development-Peace (HDP) interventions.