

Joint Monitoring Mission Report for RALF Project 01-08

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



Member of a Self-Help Group in Jurm, Badakhshan Province, hands over his monthly savings at a regular monthly meeting

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August/September 2006

Introduction

A joint NRI/ICARDA/MAI/AKF monitoring mission was undertaken between August 27th – 31st 2006 as part of the project: “*Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy*” (RALF 01-08). This project is funded by DFID under the Research in Alternative Livelihoods Fund (RALF) managed by ICARDA. The project is led by the Natural Resources Institute of the University of Greenwich UK, and implemented in partnership with the Aga Khan Foundation (AKF) in Afghanistan. The location of the project is Badakhshan Province in the north-east of the country (see Annex One). The project officially started in July 2004 and is due to finish at the end of December 2006.



Members of the monitoring mission

From left to right: Mr Sayed Moinuddin Ainy (DG Agriculture, Takhar Province), Mr Sarwar Akbari (ICARDA, Kunduz Coordinator), Mr Barry Pound (Project leader, NRI), Mr Seenivasan, R (In-country Project Coordinator, AKF/NRI), Dr Fazulddin Fazl (DG of Extension, MAI) and Dr Najib Malik (RALF Programme Manager, ICARDA). Mr Alem Khan (DG Agriculture, Badakhshan) also joined the mission for one day.

The objective of the mission was to assess the performance of the Self-Help Groups established by the project to provide affordable, accessible finance to poor, rural Afghan women and men in order to improve their livelihoods, financial status and self-reliance, and reduce their dependency on poppy.

The Self-Help Group model being tested by the project originates from India, where it is one of the largest microfinance movements in the world. Briefly, groups of 15-20 men or women are formed and officers appointed by the Group. Bye-laws are determined by the Group that includes regular meetings, regular savings and, when the Group is ready, internal loans to members under conditions fixed by the Group. After about six months the Group should be ready to receive external credit (a “Linking Loan”) from a formal lending institution. The Group manages that credit alongside its savings capital for the benefit of its members.

The first project Self-Help Groups were established in April, 2006. There are now 97 groups with 1675 members¹ in 25 villages in the two pilot Districts of Badakhshan (Jurm and Ishkashim). The Table below presents the overall situation as at 31st July 2006.

Project Self Help Groups as at 31st July 2006

	Ishkashim	Jurm	Total
Villages selected	15	10	25
Self-Help Groups formed	48	49	97
Total member families	737	938	1,675
Female Groups	12	23	35
Male Groups	36	26	62
Savings Mobilized in (Af)	255,680	713,200	968,880
Average monthly Savings per member (Af)	135	290	212.61
Credit disbursed (Af)	255,680	713,200	968,880
Number of Loans issued	121	121	242

¹ Note that as only one member per family is allowed, this represents 1675 families

A. JURM DISTRICT

Meeting with project staff, Jurm District: 27th August

The team travelled from Faizabad to the AKF District office in Baharak, and from there to the AKF District office in Jurm. The Yumgan Area Manager (Mr Hassan Jalili) briefed us on the conditions and work of AKF in Yumgan, which includes Jurm District – one of the two Districts of Badakhshan in which the project is working². The project staff in Jurm District are 2 female Self-Help Associates (Roahafza and Farzana), 2 male SHAs (Najibullah and Hashmatullah) and one District Officer (Ghulam Sarwar).

Yumgan area varies in altitude from 1300-3000m. Poppy is grown in the area at different times of the year according to altitude. Evidence of this was found on the road in Jurm District in the form of dried stalks conserved on rooftops for winter fuel. Mr Jalili commented that although some of the money from poppy leaves the rural area, a significant proportion is retained, which helps to support daily consumption and stimulate the rural economy.



Dr Fazl (left) and Dr Malik in a poppy field on the road between Baharak and Ishkashim

Mr Jalili highlighted the work of other AKF sections in the area, including NRM and Enterprise Development, that should be closely linked to the Self-Help Group initiative. Mechanisms that assist this synergy include the fact that the two female and three male Self-Help Assistants (project staff that facilitate the Self-Help Groups in the communities) are accompanied to the field by the Village Social Organisers (who are supposed to be in touch with all sections) and agriculture staff. An example of synergy in practice is that a group of women receiving literacy classes learned of the SHG movement, and requested that they could also form a Group.

A question was raised as to where the money saved by Group members originates. We were told that it comes from the sale of livestock and livestock products, as well as from income earned from enterprises arising from SHG loans. Loans are given up to a ceiling of 10,000 Afs, with a duration of up to 6-months and at a service charge determined by each individual Group (this varies between a 2-10% charge on the

² The project also works in Ishkashim District

initial capital, payable monthly). We learned that these conditions can be changed at any time by agreement among Group members.

Jurm District has 68 villages, with a total population of 54,482 (11,544 families). There are 47 SHGs, spread over 10 villages. We learned that 25 villages were considered, but 15 were rejected on the grounds of residual warlordism, opposition by religious leaders, poor social cohesion, lack of dynamism during previous initiatives, and lack of interest in the project.

The 47 SHGs in Jurm District have 903 members and an average of 19 members per Group. There are 22 women's Groups and 25 men's Groups. The distribution is not even. For example one village has 10 all-male Groups, and another village has 7 all-female Groups.

Savings from the 47 Groups stands at 970,000Afs at the end of August 2006, which is a considerable achievement. Of the 47 Jurm SHGs, 36 save 200 Afs per month, 1 saves 300 Afs, 8 save 500 Afs and 2 save 1000 Afs per month on a regular basis. The uniform savings within each Group makes for relative homogeneity within Groups.

When questioned what proportion of the 903 families are, or were, involved in poppy, the SHAs replied that they hadn't asked directly. However, they felt that the purposes to which the internal loans were being put would result in lessened dependence on poppy cultivation (e.g. opening or stocking shops). The easy access of members to the savings "bank" and the income generated through loans may reduce dependency on poppy traders for loans and poppy for income.

The SHAs gave examples of good returns to the loan capital borrowed (particularly trading merchandise) among women members. This has resulted in such strong demand for loans that the names of applicants have to be put in a hat. Some women have ambitious plans, such as the commissioning of a flour mill as a source of revenue for Group members. Others want to establish cooperatives when they are strong enough. It will be interesting to find out whether women's groups perform better than men's groups over time.

We were informed by the SHAs that if a member takes a loan and is unable to pay though no fault of their own (e.g. they buy a goat and it dies), then they are forgiven and do not have to repay the loan. This eventuality is covered by the service charge on loans.

The process of forming Self-Help Groups requires time and training. It is a rural development process in which local people are empowered to take their own decisions. The first visit is made with AKF social organisers and agricultural staff to meet the key people in the village (CDC/shura, religious leaders, maliks etc). Once these have been informed about the project and approved its objectives, further visits (around 3) are made to meet the village members, to make them aware of the SHG concepts and to facilitate Group formation. The population is self-selected into different categories of savings potential (which is roughly equivalent to wealth ranking). These then decide if they want to form Groups of 15-20 together. They elect a chairperson, secretary and treasurer and they fix the regulations (bye-laws) of the Group, including the level of interest that will be charged by the Group on internal

loans. This interest goes towards the growth of Group capital. Pass books, with identification photos have been issued to all members of all Groups. All transactions (savings and loans and repayments) are entered into these books at the moment of the transactions.

The same process is conducted for the formation of women's Groups except that it takes a little longer as women have to obtain the permission of their husbands to form Groups and attend regular meetings.

There is a focus on selecting the poor among the community. The first round of selection is for those who can only commit to save the lowest amounts (including widows), and then others were admitted. However the process does exclude the poorest, who are unable to commit to regular savings of any sort.

The SHAs (both male and female) pointed out that they have had no major difficulties in establishing or supporting the SHGs to date.

Visit to Upper Sooch village, Jurm District (27th August)

Upper Sooch village is located at 1600m altitude about 1 hours drive from Jurm. There are 10 (al male) Self-Help Groups in the village. We met two of these (called "Unity 1" and "Unity 2") at the time of their regular monthly meetings. Significantly, the meetings took place in the premises of the village mosque. We observed the meetings from start to finish. It is interesting to note that in addition to the members of the two Groups (and ourselves) there was an additional 20 village members observing the process, as well as a group of young boys. We became aware that there is great interest in this, and neighbouring, villages in the Self-Help Groups.

The sequence of their meeting was as follows:

1. Recitation from the Koran
2. Attendance register
3. Paying of saving to the treasurer and registration of this in each members pass book
4. Repayment of instalments on loans (complete with service charge), and registration in pass books of loanees. (Everything was counted twice, and approved by the treasurer)
5. Decisions on, and distribution of, new loans if applicable

The payment of savings (see cover photo) is a solemn, well-ordered and impressive event, and occasioned Dr Fazl to comment: "*Such a development I could never have imagined. I am an Afghan, and have lived in the community, but such a thing I never thought I would see*".

The two Groups observed are exceptional in that they charge a 10% flat rate on initial capital borrowed per month until the whole loan is repaid. Thus a loan of 10,000 Afs is repaid in 4 monthly instalments of 2500 Afs (the return of the capital) + 1000 (10% interest), making a total repaid of 14,000 Afs. The Group justified the high rate by saying that they want their Group capital to expand as fast as possible. However, the high rate might discourage those who wish to borrow for purposes that cannot guarantee such a high rate of return. A second potential disadvantage is that commercial microfinance institutions might use the high internal interest rates as a

justification for their own high rates. Most Groups charge only 2-3%, and some none at all.

The first Group observed saves at the (high) rate of 500 Afs per member per month. The total income to date for the first Group has been 58,000 Afs, all of which has been internally loaned to members. This means that there is no reserve in case of any emergency that might occur to any of the members.

The first Group observed is made up of shopkeepers/traders and farmers. It has disbursed several loans against the savings capital, for the purposes of a) purchase of lambs for fattening and sale; b) purchase of materials from Mazar for re-sale locally.



Self Help Group meeting at Upper Sooch village, Jurm District (also note non-member observers from the village)

The second Group is made up of less affluent villagers, and saves at 200 Afs/member/month. It has accumulated 23,110 Afs to the end of July, of which all but 110 Afs has been loaned to members (3 loans for trading and one for livestock).

Nobody has left either of the Groups since they were established (NB more are interested in joining), and they say that there have been no problems at or since establishment. There is also a big demand for starting new Groups.

The Groups are looking forward to receiving external credit (Linkage loans) that will supplement their savings capital and allow more members to borrow, and a wider choice of enterprises that can be financed. They are expecting their SHG to be permanent, and for the movement to expand to other villages.

It is clear that the Group has benefits beyond just supplying a new form of credit. There are important, but unquantifiable benefits from the improvement of social cohesion, self-reliance and empowerment. Working in a Group opens many possibilities for joint action to achieve objectives that could not be done as individuals. In addition, Group formation enhances community participation and the overall process of community development programmes – many of which require farmers to have access to financial resources.

Visit to Iskan village, Jurm District (28th August)

The village is about 1 hour drive from Jurm, at about 1500 m altitude. There are 370 families in 180 households. About 60 young men have migrated for work in Pakistan. Although literacy among teenagers and adults is low, there are about 20 in universities in other Provinces, and 300 girls and 350 boys in school in the village. The village school takes boys in the morning and girls in the afternoon, up to class 9. The village has “never seen an extension agent”, and has inadequate water supply for irrigation. Lack of affordable credit was a problem for the village, and SHG provided a potential source. Some villagers had seen the banking system and seed banks in Pakistan, and were impressed by the village “banks” they had seen there, especially the fact that they were a secure and well organised way to save and borrow. When the programme started, all members of the village wanted to be part of the Groups. Eventually membership was restricted to those who could commit to saving 500 Afs per month. This saving comes from a variety of sources: work as drivers, shop revenues, work as masons, sale of livestock and livestock products and from labouring.

There are 3 Groups in the village, two male (called Kanoon – which means Law, and Javanon – which means Youth), and one female Group (called Almas, which means diamond). We met with the two male Groups together, and then with the female Group.

The two male Groups were established in May 2006. Both save 500 Afs per member per month. When we commented that this means that they represent the better-off members of the community, they agreed saying that the SHGs have started with those that can afford to take some risk, but that they will later be followed by poorer members if they can demonstrate success. Given that there are 180 households in the village, and that one member only is allowed per household, about one third of households have a (male or female) Group member, and at least theoretical access to loans.

For the two male Groups combined (38 members), there are only 6 literate members. The composition of the two Groups is 10 shopkeepers (who are also part-time farmers), and 28 farmers.

Eight members from the two Groups have now received loans, of which 5 are for shop trading, one for livestock, one for carpentry and one to establish a pharmacy. All are for 2000 Afs each. When asked why members are not taking loans for farming, they said that the capital is too low at present, but they will do when the Group fund is built up more.

The future they see for SHG is that it will lead to an established rural banking system that will lead to greater employment opportunities.

This village also has individuals who have taken loans from ARMP. They describe the 1.75% per month flat rate of interest as “tyranny”, and feel that 1% would be more acceptable to them. They also point out that any delays in payment incurs a penalty fine of 50 Afs per day until due payment is made.



Pharmacy in Iskan village assisted by SHG loan

The Iskan **Women’s SHG** was visited by Dr Najib Malik, Dr Fazl and Barry Pound. This was an “exceptional event” according to Dr Fazl, as it is very rare that meetings between rural women and men (especially foreign men) are allowed.

The women’s Group was formed on 24th April with 15 women. They have savings of 200 Afs per member per month, and have so far disbursed 5 loans, to buy fabric for tailoring (3 loans), to buy goods for husband’s shop (1) and to buy goats to send to the pastures (1). Decisions on what purpose to use loan money for is taken by the whole family, not just by the member. They have seen that the result is good, and now other women in the village want to start another Group.



Women's Self-Help Group at Iskan village, Jurm District

There have been no problems in attending regular meetings. There have been no problems within the family or between members of the Group up to now. They also feel that their savings are safe because they trust each other, and keep good records with the help of their pass books. Although many are illiterate, they ask other family members to read the pass books for them. There is a good relationship between the Group and the shura (NB there is a women's shura in this village and the head is also a Group member).

The women expressed an interest in literacy courses, poultry farms, bee-keeping, clinic, electricity, handicrafts and carpet making.

Meeting with AKF section staff, Jurm: 28th August

The purpose of this meeting was to explore the linkages between the SHG microfinance project and other sections of AKF that could provide technologies that SHG members could consider as the subject for future loans.

We met with the following AKF section staff:

Ainuddin:	Trainer, CDC
Habibullah:	Area Officer, NRM
Mohammed Amin:	Enterprise Development Officer
Sayed Hashim:	District Assistant, NRM
Nasmullah:	Finance Officer, NSP
Mohammed Yama:	Enterprise Development Officer
Fazluddin:	Field Assistant, NRM

Sections are aware of the work of the SHG project, and feel that it is good. Section staff acknowledged that whatever ideas they take to farmers tend to need some capital on the part of the farmer, so SHG members are an ideal "target".

The NRM programme in Yumgan includes forestry, nurseries, goat breeding, distribution of improved poultry, wheat variety testing, tillage management, establishment of commercial orchards, and the establishment of mother stock for apples.

The Social workers and the Finance officer are involved with the National Solidarity Programme (Phases 1 and 2), and help the CDCs decide how to use the NSP grant to the advantage of the whole community.

The Enterprise Development Programme has a number of activities of potential use to SHG members: a) Poultry units (cost 12500 Afs). These are mostly given as grants to returning refugees from Iran and Pakistan who have some prior poultry experience; b) silk production; c) turban weaving; d) apiculture (a starter kit of 2 hives and essential equipment is provided for farmers able to pay the subsidised rate of 5300 Afs); e) computer training to private individuals who can then use this skill to train others for money; f) training in tin smithing.

The field assistant distributes improved seed, and fertiliser to villages.

So far there are no examples where AKF section staff have provided SHG members with technologies for loan purposes. This is probably because the loan capital is still very small. However, it would be desirable to raise awareness among Groups of what is on offer, as well as developing simple Gross Margin and rate of return guidance tables so that members can make informed decisions about which technologies suit their circumstances.

Once members start to use these technologies marketing issues will arise that AKF section staff should address now.

The suggestion was made that SHGs in each District could be assisted to form a Union (similar to the Federations in India). This could represent the Groups interests, negotiate financial resources from formal banking institutions and arrange money transfers between Groups for mutual advantage.

Workshop with leaders of Self-Help Groups, Jurm: 29th August

A one-day workshop was held with 30 SHG leaders from 15 (male) Groups drawn from 6 villages. The Purpose of the workshop was two-fold:

- For the monitoring team, project staff and SHG members to learn from the experience of the SHGs
- For the SHG leaders to learn about the concepts and process of Linkage Loans (loans from formal credit institutions to Groups for onward lending to their members)

Following introductions, each village representative outlined the SHG situation in their village, and questions were put to them. This was the first time that Groups have been able to interact between villages, except in informal exchanges.

A number of interesting facts emerged from these presentations:

- Some Groups (e.g. Yabob village) are giving loans for consumption as well as productive purposes (e.g. for weddings, funerals and food purchase). One

person (see Case Study) used a loan to send his son to Heart University to study.

- In the majority of villages there has been no criticism from religious leaders. However, one village (Nawor) does not charge any interest rate because they feel that to do so is *haraam* under Islam. Instead the loanees are meant to share their profits equally between themselves and the Group (NB if they incur losses, these are also equally shared). Thus there is a mechanism for SHGs to function without a fixed internal interest rate for those places that are very strict in their interpretation of Islamic law.
- No members have left any of the Groups, and there is a lot of interest from both men and women in forming new Groups.
- Where there is interest from women, this can only be addressed through a woman Self-Help Assistant.
- There are a few Groups in which members are saving 1000 Afs per month. These are mainly made up of traders and business people.
- Women are said to be more punctual at repaying their loans
- The present level of capital is said by members to be too low as yet (in most cases only 3-4 months after Group establishment) to use for farming/livestock production purposes (e.g. one cow costs 15,000 Afs). They anticipate that as the savings capital increases, and when this is supplemented by Linking Loans, then the proportion of loans used for agriculture, livestock, apiary and horticulture will increase.
- One leader emphasised the social benefits of the SHG. He felt that it “*creates unity among the people, the meetings relieve boredom among the men, and the process relieves the pains inherited up to this point*”
- Although Groups are selected on the basis of their willingness to save a fixed amount, richer applicants are not turned away from the Groups with a lower savings target. Thus some Groups are heterogeneous in their make-up.

Following these presentations, Seenivasan R explained how Groups will be assessed before they are approved for Linkage Loans (to start in September).

A video was then shown of the Linkage between SHGs and rural Banks in India. The video also highlighted the very fast growth of SHG numbers and their capital over a relatively short period.

In response to questions from members the following points were made:

- If savings capital increases, and if the first linkage loan is well managed, then Groups can expect to get further (increased) loans from the formal credit system
- The decisions about what to do if someone leaves the Group (is he just repaid his savings, or savings plus some share of accumulated interest etc?), or someone defaults on a loan, or misses a saving one month are the responsibility of the Group
- Although Linkage Loans will increase the capital of Groups, they are in no way obliged to take them if they have objections to them in principle. In that case they continue to operate in a more modest way with capital from savings.
- The video showed how a Federation of SHGs has formed in India, which could also happen on a District basis here

Two case studies were made of SHG leaders who have taken loans – See Annex Three. Both are atypical in some way of the normal loans given, so should not be taken as typical cases.

B. ISHKASHIM DISTRICT

Meeting with project staff: Ishkashim

The monitoring team was given a briefing by the following project staff:

Manocher Amiri:	District Officer, Self-Help Groups
Nazer Bakth	Female Self-Help Associate (SHA)
Zakir Hussein	SHA
Shirin Beg	SHA
Lal Beg	SHA
Anwar Khan	SHA
Rahim	AKDN CDC organiser
Azhar	AKDN CDC District Officer

Ishkashim District was established 61 years ago. It has 35 villages, 1312 households and a population of 12,400 people. The town of Ishkashim lies at 2800 m altitude.

AKF activities started in 1997, and include health, education, enterprise development, micro-finance and NRM activities³.

Project activities started in April 2006 with contact with government authorities during which 10 villages were identified as pilot villages out of a total of 34 in the District. These were clustered for logistical ease. A workshop was held in April with the CDC leaders from these 10 villages (in which women CDC members also participated) to gain their approval of the project approach. The first batch of 21 Self-Help Groups (of which 4 were women's Groups) were formed in May, with 325 members. To July 31st these had accumulated membership fees of 16,250 Afs and savings of 48,600 Afs. Of these Groups, one saves 250 Afs monthly and the rest 100 Afs. Interest on internal loans is 2% for all Groups. Three differences can be noted between Ishkashim Groups and those in Jurm: a) Ishkashim Groups charge a (non-refundable) membership fee of 50 Afs per month (on top of savings) for the first 3 months to help boost capital at the start; b) Ishkashim in general has less cash in then economy than Jurm, so the savings rates tend to be lower; c) Interest rates are commonly fixed at 2 or 3% in Ishkashim, while they are more variable in Jurm.

The fact that Ishkashim Groups than those in Jurm save less makes them no less successful, as success is not measured by the amounts of capital accumulated – but rather the difference it makes to the livelihoods (social, human and financial aspects) of the member families.

A second batch of 24 Groups was formed in June, with 363 members. Membership fees to July 31st totalled 18,050 Afs and savings 45,450 Afs. A last batch, of 3 Groups, started in June, with 49 members and membership fees to July 31st of 2,400 Afs and savings of 5,400 Afs.

In total there are 48 Groups, 12 of which are all-female Groups. The formation of women's Groups is a major achievement, as it was thought that women have little access to cash. For this reason (and because it was difficult to find suitably qualified

³ In a meeting with Mr Ghul Nazar, the head of the Enterprise Development Programme for Ishkashim, Mr Nazar said he was keen to link the poultry unit technology he has with the SHGs in that District

and able candidates) only one woman SHA was recruited. This decision is now being reviewed on grounds of safety, and to enable effective support to the women's Groups. The AKF Community Development staff working on the National Solidarity programme in Ishkashim said that "there is virtually nothing to occupy women for income-generation", even though their survey suggested that 67% of productive capacity was shouldered by women.

The staff were asked if either men or women had talked about pooling their loan entitlement so that they could start something bigger than that which would be possible as an individual. The women's Groups have discussed the idea of jointly setting up a weaving facility, while men have discussed jointly buying a tractor and thresher.

Most women's loans have been for the purchase of goods (by men) that women then sell little by little. Some have been for buying cloth to make clothes for sale. Most men's loans have been for trading or livestock, although one man has started saving to be able to send his son to University in 2-years time!

Visit to Khermani village, Ishkashim District (31st August)

A women's group (the Omid, or "Hope" Group) was visited. The Group had been established on 8th May 2006, with 18 members. 16 were present at the meeting.



Some of the women members of the Omid SHG in Khermani village (Ishkashim) with their pass books

Each member was questioned in turn about their family and farming situation, which is summarised in the Table below. Few households have sufficient land for even half the years staple food needs, so they sell livestock to buy these and other basics. Not all children go to school. Despite the relative poverty of the area, there were no overseas migrants in the households of the Group members. However, of the 18 members, 12 have a family member who holds a salaried post or uses a temporary cash-earning skill.

Table 1: Family and farming situation of the *Omid* Self-Help Group members

No.	No. of people in household	No. of families in H/h	Irrigated land in H/h (jirib) ⁴	Livestock belonging to H/h	Crops in H/h	Comments
1	20	3	2.5	1 cow ⁵ , 6 sheep, 1 goat, 16 chickens	Wheat, barley, lentils, Faba bean	Only 3 children in school
2	12	2	2	5 cows, 2 sheep	“	Husband works for AKDN
3	11	2	1	1 cow, 2 sheep, 1 goat	“	Husband is carpenter
4	10	1	0.5	2 cows, 2 sheep	“	Get 91 kg wheat from 0.5 ser (only enough for one month). Husband and son work in bakery
5	12	1	1	2 cows, 4 sheep	“	
6	21	5	2	4 cows, 8 sheep, 6 goats	“	Husband works with AKDN
7	22	4	3	4 cows, 10 sheep, 2 horses	“	
8	11	2	2	3 cows, 7 sheep, 3 goats	“	Husband is unpaid deputy of CDC, and (paid) supervisor on a project site
9	23	5	3	2 cows	“	The household includes 2 blacksmiths and one soldier
10	7	1	0.5	1 cow, 2 sheep, 1 goat	“	Men in H/h labour for others
11	16	2	1	1 cow, 2 sheep	“	One man in h/h is labourer
12	9	1	0.5	1 cow, 1 sheep	“	Two men are part-time labourers
13	6	1	0.5	1 cow	“	Husband works as a labourer
14	12	2	2	2 cows, 5 goats	“	
15	8	1	0.5	1 cow	“	One man is driver, one is cook at AKDN
16	7	1	No land	2 cows, 2 sheep, 2 goats	“	Farms 0.5 jirib mortgaged from another farmer. Son is shopkeeper

⁴ One jirib = 2000m² (one fifth of a hectare)

⁵ Only adult animals are noted here. Most families also own at least one donkey and some chickens

Of the 18 members, 12 households have taken out a loan from ARMP at 1.75% interest (which they regard as “tyranny”). The amounts and purposes of the loan are given below:

No.	Purpose of ARMP loan	Amount of loan (Afs)
1	Shop keeping	50,000
2	Livestock/construction	100,000
3	House construction	100,000
4	Livestock/consumption	100,000
5	Trade	100,000
6	House construction	20,000
7	Construction	20,000
8	Consumption/construction	100,000
9	Trade	25,000
10	Trade and construction	100,000
11	Construct tourism guest-house	150,000
12	Buy flour to make and sell bread	100,000

Within the Group, three have taken internal loans so far: one has been for tailoring and the other two for trade (by their husbands).

The women say that none of them has any commercial skills or income-generating work. Only two are literate. Their expectations of the Group are: a) that it will provide a future for their children, b) help them face emergencies, c) provide capital for income-generating activities, d) to work jointly on an income-generating venture.

Visit to Bazgeer village, Ishkashim District (31st August)

Bazgeer village has 64 households and 110 families. Two Groups are running in the village. The name of the men’s Group visited is “Hareqan” Self-Help Group, named after a local mountain. The saving per month is 200 Afs per member, with an additional membership fee of 50 Afs per month for the first 3-months. We observed the fifth meeting of the Group. The sequence, after a recital, was: 1. Attendance register; 2. Repayment of loans (and noting in the pass book); 3. Handover of monthly savings; 4. Distribution of new loans; 5. Noting the minutes and reading them aloud. All activities were very transparent and well-ordered.

As several members were interested in taking a loan, the merits were discussed and a vote taken to determine who should receive the loan. The successful candidate received a loan of 6,000 Afs to repay within 6 months, with a service charge of 2%. The loan was for trading, as have been all loans to date.

A discussion was held about joint purchase of seed and fertiliser in the Spring. There should be considerable savings (transport, time and discounted price) for joint purchase. Members agreed this was a good idea. By the Spring, the capital should be sufficient to enable such a purchase.

A further discussion was held about what is a fair service charge for the Linkage Loans. The consensus was that 1% is tolerable.

Visit to Osas village, Ishkashim District (1st September)

Osas village is situated close to Ishkashim centre, and has 44 households (87 families). We attended the fifth meeting of the men's SHG, which was the first to be formed in the District (on 1st May 2006). The Group saves at the rate of 200 Afs per member per month (with a 50 Afs membership fee for the first three-months). There are 18 members representing 16 households. 6 members are literate (considered a high number). Although there is also a women's SHGs in this small village, still about half of all families are not represented. The excluded families are keen to join at some point.

There have been 4 loans to date, totalling 19040 Afs, for the following purposes:

- Trading (4750 Afs)
- Household emergency need (3400 Afs)
- Trading (6560 Afs)
- Clinic treatment for wife (4330 Afs)

The total savings of the Group to the end of August is 21,750 Afs.

The Group includes 3 shopkeepers, 1 clerk and 3 junior staff of AKF in Ishkashim.

The Group was asked if they would be willing to help train new Groups if they were established in neighbouring Districts such as Wakhan and Zebak. They declared themselves ready to do so.

CONCLUSIONS

The 5-day field joint NRI/ICARDA/MAI/AKF monitoring mission was successful in its objective of monitoring the performance of a sample of men's and women's Self-Help Groups in Jurm and Ishkashim established by the NRI⁶/AKF project "*Innovative financial mechanisms for improving the livelihoods of rural Afghans currently economically dependent on opium poppy*" (RALF 01-08) funded by DFID and managed by ICARDA..

The pilot shows that even poor communities can save on a regular basis, and that there is sufficient trust and commitment in villages to form and maintain group action.

The mission has concluded that there is considerable potential for mobilizing local resources through savings to provide accessible, affordable finance for trading, household and agricultural purposes for all but the very poorest (economically inactive) in the community.

The loans provided through the SHGs can, at least in part, replace informal and formal credit sources that have high service charges (that can lead to serious indebtedness and loss of land and other assets). Affordable credit through the SHGs can lead to viable opportunities to start or expand income-generation activities that reduce dependency on poppy and improve the livelihoods of rural Afghan families.

In addition we observed important social benefits from the process of Group formation and function. There was ample demonstration that the SHGs themselves own and understand the process and make all the key decisions about the management of the Groups and their finances themselves. The regular monthly meetings contribute to social cohesion, and provide a forum for discussion of positive developmental opportunities. There is also capacity building of the members in holding meetings, managing finances and enterprise planning, leading to sustainable, local institutional development.

Of particular importance is the empowerment of women through the formation of women's SHGs. There are few forums that allow women to discuss and implement development options in a structured way, or build their capacity to generate and manage income. Husband are consulted at Group formation stage, and allow their women to hold regular meetings. There are signs that part of the capital generated by the groups might be used for joint women's activities (such as the development of a tailoring facility in the village).

The SHG model is less threatening to religious and vested financial interests than other forms of finance. For instance we observed Groups holding their regular monthly meeting in the grounds of the village mosque. During a workshop with SHG leaders it became clear that the SHG model is sufficiently flexible to be able, where necessary, to adapt to strict interpretations of Islamic Law on the charging of interest within Groups, or the acceptance of external loans that also charge interest.

⁶ NRI is the Natural Resources Institute of the University of Greenwich, Chatham Maritime, Chatham, Kent ME4 4TB, England (email b.pound@gre.ac.uk)

The mission confirmed that 97 groups are functioning in a disciplined and well-managed way, supported by a total of 12 project staff (Coordinator, 2 District Officers, 9 Self-Help Associates – of which 3 are women). The Groups are regularly saving between 100 and 1000 Afs per month, and have accumulated over 1 million Afs of savings capital to date. This capital is being used for small internal loans (2000-10,000 Afs) to Group members. Loans are being re-paid promptly and completely.

At present the bulk of these loans are being used for trading purposes, but they are also being used for household purposes (food, health, education, construction) and for the purchase of livestock. Groups say that as the capital increases, and the season is right, they will also use loans for agricultural purposes, and perhaps for joint ventures between members.

There is a considerable difference in the amounts being saved in Jurm (average savings 290 Afs/month) compared to Ishkashim (average 135 Afs per month). However, we conclude that the success of the Groups should not be measured by the savings capital, but rather by the fact that a savings habit is formed and by the benefits to livelihoods that those savings lead to through access to capital, the generation of income, the reduction of dependence on poppy as an income source, and the reduction of dependence on punitive informal sources of finance.

The SHG model is working in this pilot because of the investment that was put, by the project staff, into the formation and training of the Groups. This investment is vital to the success of the model, and constitutes a sunk developmental cost which is higher than for other micro-finance models. It is also important to the models' success that there is continuing support and encouragement to the Groups, at least while they are still comparatively fragile and inexperienced in the first year of operation.

Mobilising finance is useless unless there are productive ways of channelling that finance. Although there are some links between the project and other AKF sections (especially NRM and Enterprise Development) that can offer specific income-generating technologies, these links need to be strengthened and added to by links to other NGO and government opportunities.

An immediate challenge that the project faces is linking a formal source of credit to the SHGs, so as to boost savings capital with loans from banks or microfinance institutions. The main microfinance institutions are suspicious of the SHG model, which is as yet untested in its entirety in Afghanistan, and they are therefore unwilling to embrace the philosophy of local management of finance by SHGs, or trust them to repay loans reliably.

Finally, we conclude that the Community Self-Help Group model is relevant to the conditions of rural Badakhshan, and has considerable potential to be expanded and replicated elsewhere in Afghanistan.

Acknowledgement

We would like to thank the AKDN offices at Kabul, Faizabad, Baharak, Jurm and Ishkashim for their excellent arrangements for transport, accommodation and food.

Mr Barry Pound, NRI

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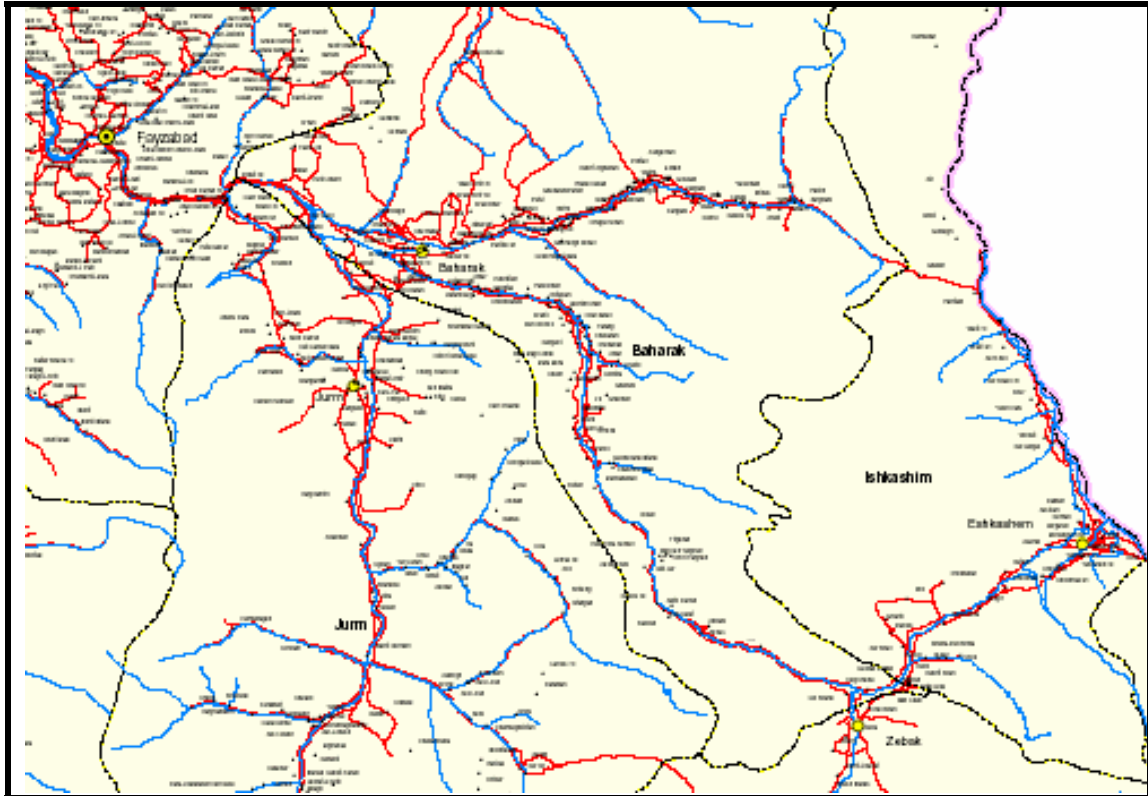
Mr Sarwar Akbari (ICARDA Kunduz Coordinator)

Mr Seenivasan, R (AKF/NRI)

September 2006.

ANNEX ONE

Map of the area covered by the monitoring mission (From AIMS – <http://www.aims.org.af/maps>)



ANNEX TWO

Programme Schedule for Monitoring Mission

Date	Activity
26 August 2006	Monitoring team assembles at Faizabad
27 August 2006	Travel to Baharak; Jurm project staff meeting; visit to Upper Sooch village SHG
28 August 2006	Visit to Iskan SHGs; meeting key sector staff
29 August 2006	Workshop with SHG Leaders (full day)
30 August 2006	Proceed to Ishkashim; meet with Ishkashim project staff
31 August 2006	Visits to SHGs in Khermani and Bazgeer
1 September 2006	Visit SHG in Osas; proceed to Faizabad

ANNEX THREE

CASE STUDY: Sayed Mohiuddin

My name is Sayed Mohiuddin. I am from Sooch Bala village and a member of Sulh SHG. I am a farmer and part-time trader.



I joined the SHG, expecting it to solve some of the problems of the village. I took a loan of 60,000 Afs, which was the whole of the saved amount for the Group after 3 months. I used this loan to buy goods in Mazar-e-Sharif, for sale in Jurm bazaar and Sooch village. The business has been successful and I am re-paying the loan according to the due repayment schedule.

CASE STUDY: Mr Shaaban

My name is Shaaban, and I am from Nawi Jurm village. I'm a member of Saadat SHG. I am a farmer, with 10 jirib of irrigated and 10 jirib of rainfed land. I also have an orchard. The SHG is a way of solving the problem of those who can't get credit. It allows people to save when they have something, for the times when they need money.

I took a loan of 4750 Afs to send my son to Herat University to study. I also put in about 15000 Afs of my own money. I repaid the loan in a single monthly instalment through the sale of goods in the bazaar, so the capital would be available for others to use.

CASE STUDY: Woman member of Omid SHG

Our aim for joining the SHG is to meet each other once a month and discuss about our problems and find a way to solve them for ourselves and our children. If we are able to save and get a Linking Loan, we can start a tailoring project for ourselves to earn money. The Group is functioning well, and every month everyone is saving regularly and the members who have got a loan are repaying regularly.

I received a loan from the savings of the SHG, which I used for tailoring. However, my tailoring is not professional and I can not sell it in bazaar; it is just for the village women. Within one month I repaid the loan back to group with (2%) of service charge.

