

# Afghanistan Rural Enterprise Development Program

## Final Report

### 1. Inspections

In the second quarter of Year III, International Relief & Development (IRD) in conjunction with the World Bank began developing plans to launch a pilot monitoring program for the Afghanistan Rural Enterprise Development Program (AREDP). AREDP helps encourage different levels of savings in rural environments, where traditional financing is not readily available. The two forms of entities that were identified for monitoring were the Village Savings and Loan Association (VSLA) and Savings Groups (SG). The VSLA is a federation of local SGs that have come together to start a larger pool of financing for entrepreneurial activities. IRD conducted field visits, training and coordination from the end of the second quarter through the beginning of the third quarter and began conducting inspections in May 2014. Inspections were completed in July 2014 and produced 118 reports for 98 VSLAs (some were separated by gender, which resulted in two reports) and 120 SGs, 64 of which were under a VSLA and 56 that were stand-alone SGs (Figure 1).

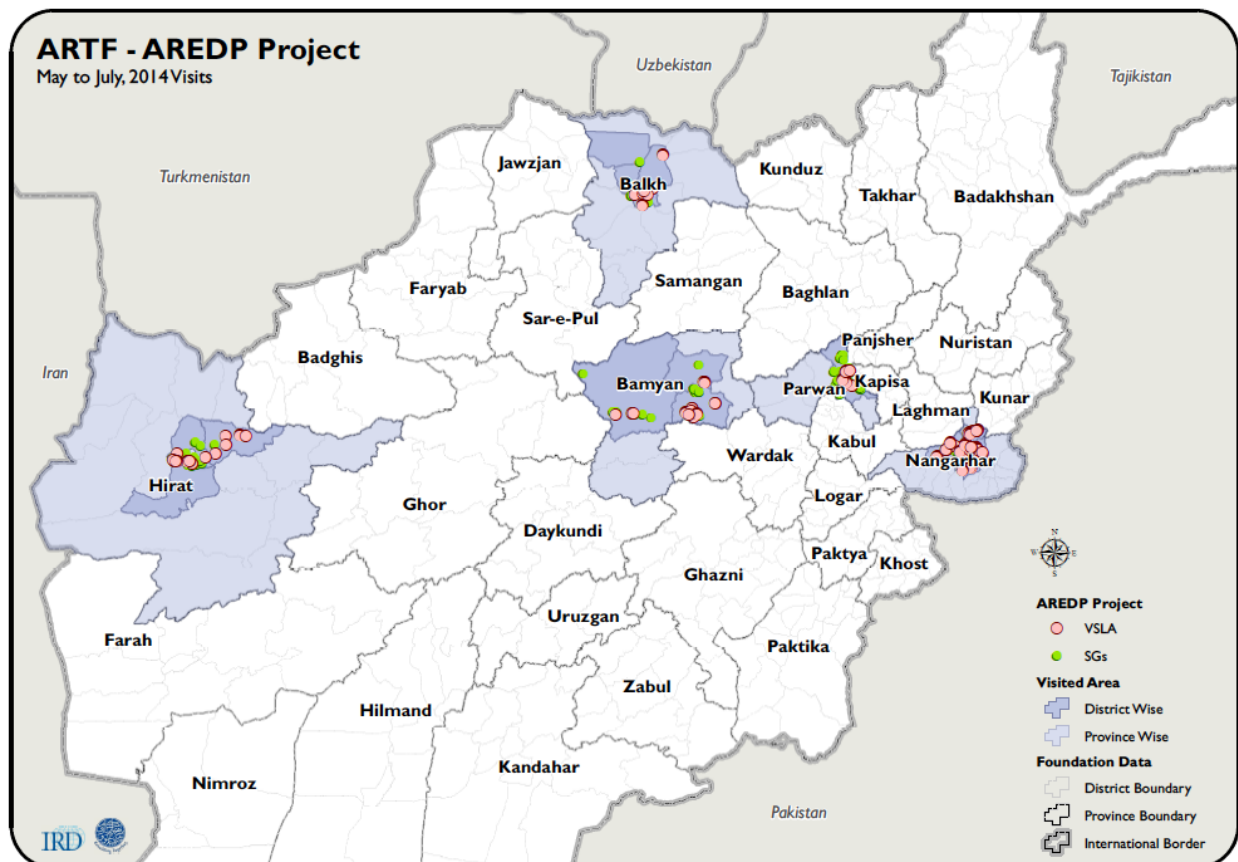


Figure 1: AREDP project inspections 2014

### 2. Findings

#### 2.1 Village Savings and Loans (VSLAs)

IRD inspected 98 VSLAs, which resulted in 118 inspection reports. Although VSLAs are seen as one entity by the Ministry, some were effectively gender separated with women keeping their own books and conducting their own meetings. Gender separation was not seen in the provinces of Hirat, Balkh or Bamyan, but was present in Nangahar Province (13 out of 50 sites) and Parwan Province (7 out of 9 sites). Some VSLAs were exclusively female, such as one in Balkh Province. (Figure 2)

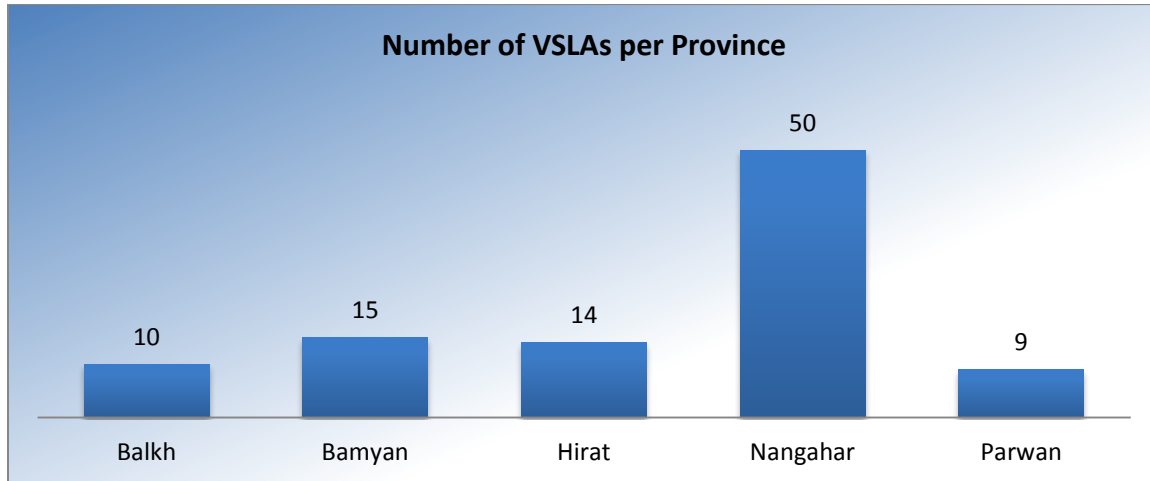


Figure 2: Number of VSLAs per province

Considering the average number of loans by province, Balkh and Bamyan turn over more loans on average than other provinces. This difference cannot be tied solely to the average age of the VSLA since Balkh has the second highest amount of average loans, but the average age of VSLA is significantly lower than Bamyan Province, whose average number of loans is only one higher. For all VSLAs, the average number of loans is 14 and the average age is 16 months. (Figure 3)

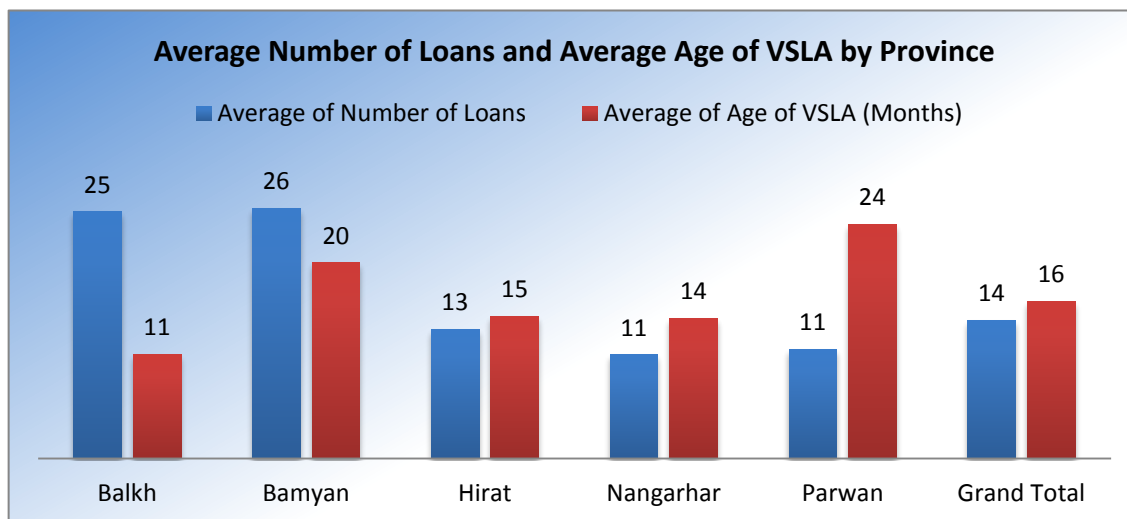


Figure 3: Average number of loans and Average Age of VSLA by Province

The average number of members did not vary greatly, with a range of 20-24. However, the average total savings was significantly higher in Bamyan Province. (Figure 4)

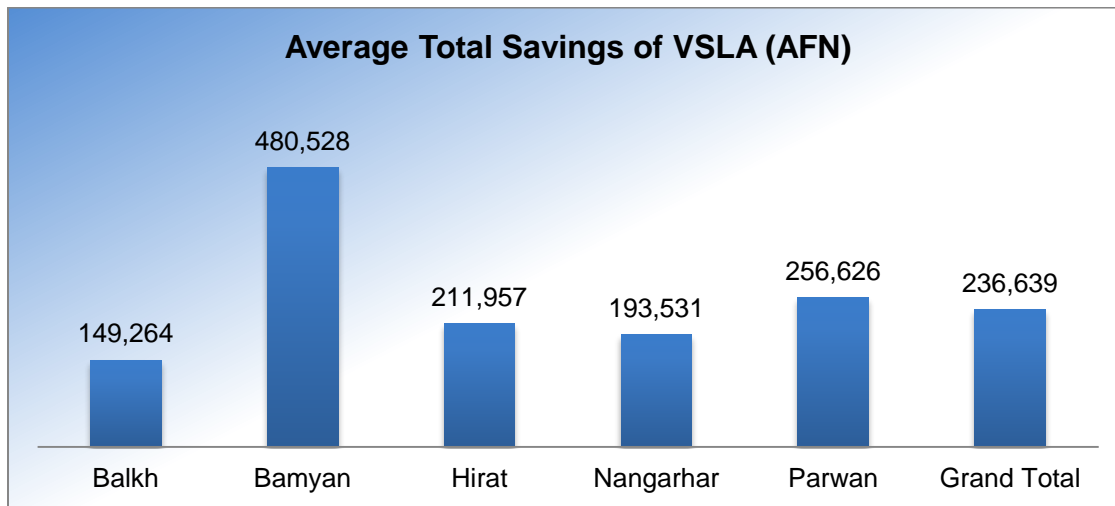


Figure 4: Average total savings of VSLA (AFN)

The number of VSLAs that received seed money varied by province with no recipients in Balkh. It is important to note that with the exception of one case in Parwan both genders in those VSLAs that were separated reported receiving seed money. In the Parwan case there were conflicting answers because both parties agreed that the first installment would go to the women and the second installment (which has not been distributed yet) would go to the men. Some of Bamyan’s high total savings could be due to the fact that they had, on average, larger seed grant amounts than the other provinces and that they received the second highest amount of grants, with 46% of VSLAs receiving a grant. Furthermore, the average household participation in Bamyan Province is higher; the average total savings is calculated over the life of the VSLA, and on average the VSLAs in Bamyan are older than all but those in Parwan (which has the second highest number), possibly accounting for the differences. (Figures 5 and 6)

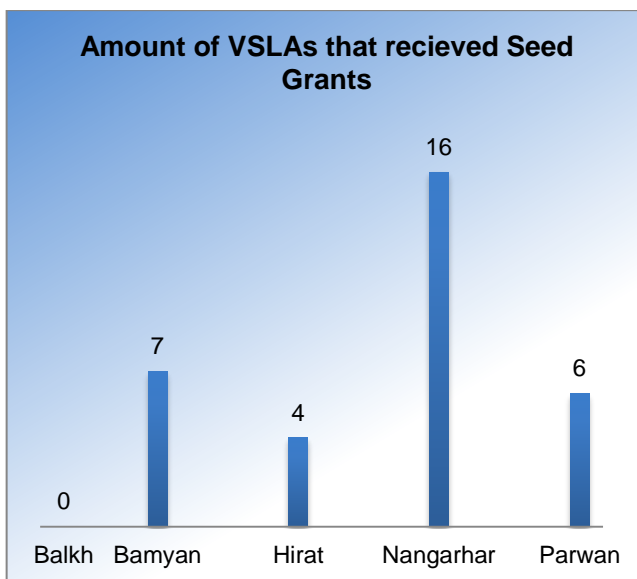


Figure 5: Amount of VSLAs that received seed grants by province

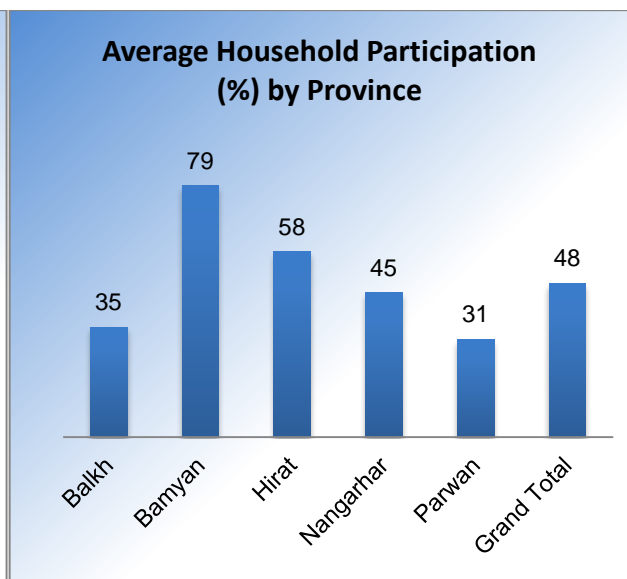


Figure 6: Average household participation (%) by province

Reasons given for non-participation, when provided, were insufficient funds to contribute, financially secure enough to think it unnecessary, or skepticism about the success of the program.



On average, in all provinces except Parwan, VSLAs met twice per month, with those in Parwan meeting only once a month on average, which may account for the lower amount of loans given in Parwan.

Generally, all requisite documentation was available, though in some cases there were missing details, such as a schedule of time and amount of installments for loan repayment. Delayed repayments were rare and only occurred in seven cases. Record books were kept in all cases.

The most common uses of loans were for the procurement of livestock or inventory for stores. One VSLA decided to stop granting individual loans and instead invested all the money in a crockery shop, the profits of which were used to fund public works such as roads and mosque repairs. In five cases the village facilitator held an officer status in the VSLA. All VSLAs have only elected officers once; there is no guidance provided by AREDP on election procedures, therefore most have not considered election cycles.

### 2.2 Saving Groups (SGs)

IRD inspected 120 SGs, 64 of which were under a VSLA and 56 that were stand-alone SGs. There were a total of 32 female SGs and 88 male SGs visited. (Figure 7)

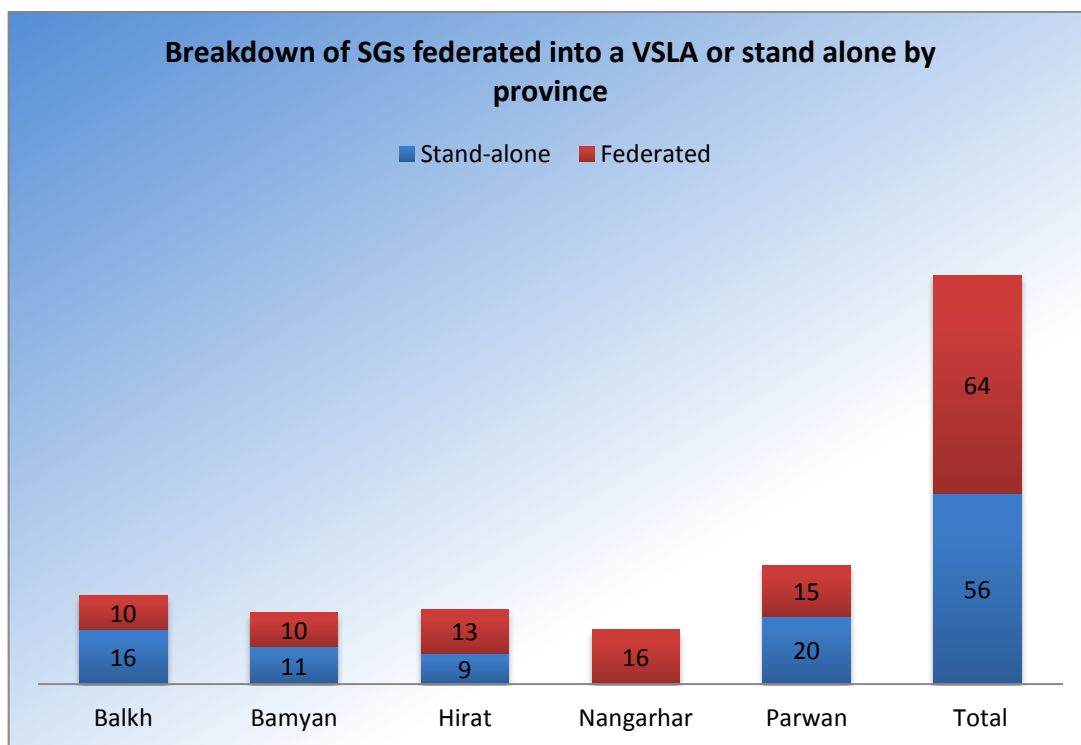


Figure 7: Breakdown of monitored SGs by VSLA federation status and province

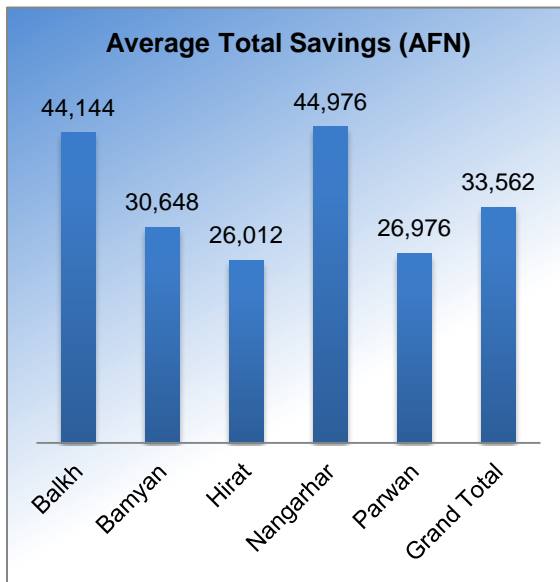


Figure 8: Average total savings (AFN) by province

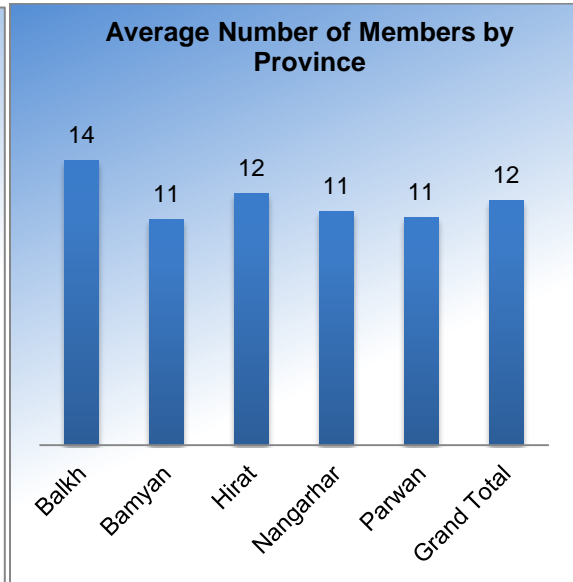


Figure 9: Average number of members by province

The average total savings is highest in Nangarhar and Balkh provinces, which is at least partially attributable to the fact that Balkh has more members on average, and all of the Nangarhar SGs were federated under a VSLA and therefore likely to be older and have more savings. (Figures 8 and 9)

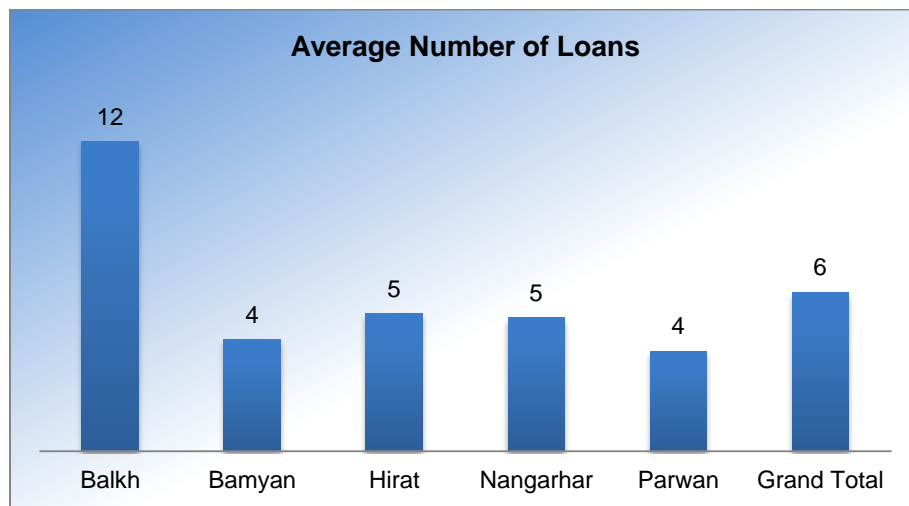


Figure 10: Average number of loans by province

An analysis of loans by province, gender, and VSLA status reveals that Balkh has a much higher number of loans than other provinces, twice as many loans on average were granted to female SGs than male SGs, and the average number of loans for SGs that are federated under a VSLA are higher than those that are stand-alone SGs. The latter could be due to the fact that VSLA SGs are most likely older, rather than this being an indication of improved practices. (Figure 10 through 12)

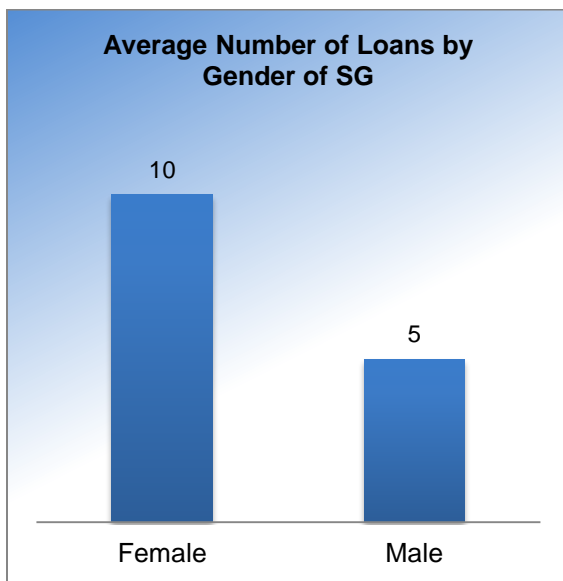


Figure 11: Average Number of Loans by Gender

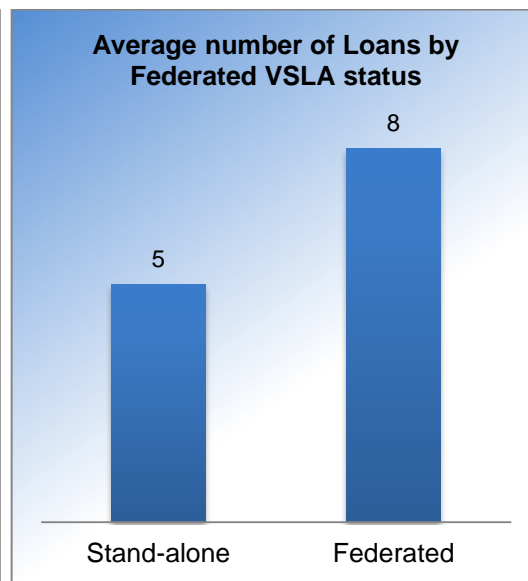


Figure 12: Average Number of Loans by Federated Status

There were only two cases of delayed repayment among the Savings Groups. In seven cases the village facilitator held officer status in the SG. The vast majority of SGs were happy with the village facilitator; however, in two cases they thought more training should have been provided. In most cases, either the treasurer or secretary, or both, were literate.

Ten SGs either did not have any loans because they were federated into a VSLA immediately or stopped giving loans because their savings was diverted into the VSLA. There were other cases where there were no outstanding loans, but the SG said they were planning on distributing more soon. It's possible in some cases that the SG stops being utilized once the VSLA forms. The SGs that are federated meet three times per month on average, versus four times per month for stand alone SGs; generally VSLAs meet once or twice a month.

There were on average five SGs (both male and female with a ratio of 1:1) in each village. SG loans, as with VSLAs, are generally used for procurement of livestock, tailoring, or store inventory. Record books were kept in all cases, though in one case they had stopped recording for the past six weeks, despite continued money collection, because the secretary and treasure had left the country and taken some of the books with them. In another case, they had run out of pages and were awaiting new book.

### 3. Conclusions and Recommendations

While this study was only a pilot program that looked at a limited number of entities, the results show a program that is running well. Listed below are recommendations which could strengthen the program in the future.

- Set a minimum age or amount of loan turn over for each SG before it can be federated with others into a VSLA.
- Prior to federating into a VSLA, SGs should develop a plan on how to split savings and how loans will be approached within the SG.
- Institutionalize the VSLA system to be more robust, including use of automatic bank account systems, not just for seed grants.



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- Promote more female SGs due to generally higher circulation of money on average in this sector.
- Develop instructions, policies, and guidelines on conducting elections and other administrative issues.

### **4. Point of Contact**

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