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Background:

Afghanistan Rural Enterprise Development Program (AREDP) is one of the Ministry of Rural Rehabilitation and Development's flagship programs. AREDP is helping the rural Afghan people to not only utilize their local resources but also empowers them through, technical and socio-economic assistance to start improving the rural economy.

Access to Finance Department provides technical assistance and delivers capacity-building to Saving Groups (SGs) and Village Savings and Loans Associations (VSLAs), along with performing a regular monitoring and checking function. Furthermore, it provides capacity-building on Islamic modes of financing and develops ready-to-use bespoke contracts to the benefit of SGs, VSLAs and SMEs.

Objective:

- Provide SGs with management capacity to aggregate at the village level, functioning as a community financial institution for community members.
- Provide access to finance for community members participating in SGs in more lenient process and low cost.
- Design, organize and manage larger sized financing for productive members of the constituent SG.
- Provide simple savings and loan facilities in a community that does not have access to formal financial services.
- Establish linkages to MFIs and provide seed capital for SGs and VSLA to start off.

Facts and Figures:

In one year, VSLA generated total capital of AFN 171,360 and amount of financing disbursed to VSLA members was 230,000. Total number of SGs federated into the VSLA is 17.

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Context: Shahrak Razi is an isolated village in Karokh district (Herat province). In the last ten years, most of the residents of Shahrak Razi migrated to Iran due to the internal conflicts and crippling socio-economic problems. While residing in Iran both male and female learned the concept of saving and pooling human and financial resources. This behavior contributed to improving their well-being and better economic status. For the most part, women of all ages were involved in handicraft which quickly became their main source of income.

From 2011, AREDP began its operations in the village mobilizing the community. Women, in particular, understood the overall goal and objectives of the program and showed enthusiasm and commitment to proceed further.

The 5 first female SGs rapidly mushroomed into a total of 18 SGs in a year where the new members were eager to participate in weekly meetings and learn more about the program. The SGs members were provided with technical support and were strongly motivated to start small business using their skills and savings. Having successfully accomplished the required criteria, the SGs were deemed to be mature and were federated into a one female-only VSLA. At the same time, the SGs have created Enterprise Groups in the following fields:

- Food processing (making cookies)
- Handicraft
- Soap making

The EGs members received tailored technical trainings, which helped them to improve the quality of their local products and find new market linkages. Furthermore, some of the EGs members attended exhibitions in Kabul and Herat to network and expand their market. At present, they gain sufficient income that contributes to the growth of rural economy.

Results: In September 2013 the VSLA members celebrated the first anniversary with more than 150 female members participating in the celebration. VSLA key staff delivered speeches, focusing on the advantages of being together, working together and utilizing shared resources eyeing the future self-sustainability of their community. The members of the VSLA expressed their satisfaction for the quality of the work carried out by the AREDP team and their commitment and cooperative attitudes in all endeavors. VSLA provided women in rural area with the opportunity to work and address any emergency constrain. More importantly, the association triggered mobility and financially empowered rural female community members.

"We are very thankful to AREDP that taught us how to move from talking the walking. It made the whole difference in our lives and gave us more confidence."

Sustainability/Way Forward: The VSLA mechanism undoubtedly contributes to enterprise development, generating employment and increase in income. The female VSLA in Shahrak Razi has been registered and a bank account opened. In near future, the VSLA will receive seed capital from AREDP. Finally, the governance of the VSLA works very well and its members have received and repaid many financings.



"Commitment, conviction and optimism in achieving self-reliance through rural enterprise development"

Together Towards a Competitive Afghanistan