



Microfinance Institution

# 2006 Annual Report



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PARWAZ Microfinance Institution was established in 2003 in Afghanistan for Afghan women by Afghan women. PARWAZ is a grass-roots microfinance organization based on the belief that women's long-term success in society is dependent upon self-reliance and economic empowerment. PARWAZ provides financial services in the form of credit and savings to disadvantaged and poor women to start micro businesses and thus take a step towards empowerment. PARWAZ clients are able to undertake business activities such as agricultural endeavors, home based tailoring services, livestock, carpet weaving, jewelry making and shop keeping.

**PARWAZ** has gone through a tremendous change this past year. It was a year where our capacity as an institution was tested and we passed with flying colors. We have transformed ourselves from a small program to full fledged Microfinance Institution serving women in 3 provinces of Afghanistan; doubled our client size and loan outstanding portfolio; increased by 75% our operational self sufficiency (OSS) ratio; and doubled our staff. The reason for this growth was one main factor: Funding. For the first time in the history of our organization, PARWAZ was able to obtain the funding promised by donors for microfinance, thus allowing us to not just meet but surpass targets. We are very proud of the achievements to date but we feel we have just started. The demand for micro credit is in the millions in Afghanistan and the majority of the clients are women. Out of the entire 300,000 micro entrepreneur sector, over 70% are women!



### **Clients**

We are proud to state that in December of 2006, we obtained our 5,000<sup>th</sup> active client!

The client, the assigned Loan Officer and the Area Supervisor all received a grand prize in the race to reach this target first! It was indeed a proud day for all of our staff as it took the entire team to reach this milestone and were ALL awarded cash bonuses for their hard work.

### **Staff**

We have made many organizational changes that have prepared us for future growth. For example,

we have hired an extremely capable Administration and Finance Manager, a Loan Program Manager, promoted 5 of our Loan Officers to Area Supervisor positions; we have hired extra staff for the finance department to meet the growth of cash volume, and have a dedicated full time Human Resources Coordinator.

### **Systems**

PARWAZ is also in the process of implementing a computerized MIS system which will allow us to streamline our processes and become more efficient so our loan officers and supervisors can be in the field lending to clients rather than working on reports. In addition, PARWAZ intends to complete a formalized loan process and policy manual in the local language for the staff and to use for internal trainings. PARWAZ was also able to computerize and streamline all the functions of the Finance Department in 2006 and we now have a Finance Department Manual.

### **Expansion**

In 2005, PARWAZ extended its program to the province of Ghazni, South of Kabul, in partnership with UNIFEM. The program was expanded in 2006 with additional funding by UNIFEM and we were able to double the client size. In December of 2006, PARWAZ extended its reach to the Province of Nengarhar in the city of Jalalabad, Southeast of Kabul, to serve women mainly in the rural areas surrounding the city where there is a high demand for credit. We anticipate our first branch opening will be in this warm city in 2007.

### **Indicators**

Of course, one of the biggest measures of a Microfinance Institution's success is their key ratios or indicators of their financial health. Those indicators are primarily to demonstrate efficiency, financial and operational sustainability, and the status of the Loan portfolio and client repayments. We are pleased that PARWAZ has met or even surpassed targets given to us by our major donor and compares well with other MFIs in Afghanistan in the same categories.

### **Impact**

Equally important is the other side of the coin when gauging microfinance's success and that is the social and economic impact on the client. Are we really empowering women? By all of our indicators and monthly surveys, the answer would be a big, resounding YES! Clients report higher income, an increase in household assets (such as home electronic goods, cell phones, household items, etc.). They also state they can go out and obtain contracts with local store owners for goods such as children's, women's and men's clothing, handicrafts, quilts, pillows, rugs, and dairy products among other things—something unheard of for women to do just 2 years ago. In fact, just 5 years ago, it was unheard of for women to be entrepreneurs in Afghanistan. Women also state that they are respected more by their husbands, extended family members, and their neighbors since taking a loan. What we find the most heartening though is that clients can now afford to send their children to school as opposed to having them work or beg in the streets and they can take care of their medical expenses, something they could not do before. The over all trend is that women have more confidence now than before taking the loan and they take great pride in the fact that they can provide for their families. We are also proud of them.

To substantiate our findings, the World Bank has recently commissioned a study to really measure the impact of microfinance in Afghanistan and PARWAZ is one of the partners in this study.



### **Business Training**

To ensure that our clients continue to prosper PARWAZ implemented 12 business awareness trainings in various districts for our clients made possible by a generous donation from American Jewish World Service (AJWS) and implemented by our partner organization KAWYAN—a successful local woman led training company. This is a specialized, visual and participatory business awareness training designed for non-literate women, as most of Afghanistan and especially women are not literate. The training has been a huge success as our

clients enthusiastically attend to learn about basic business concepts such as marketing, advertising, bookkeeping, production line, quality control, and conflict resolution all in the Afghan context. PARWAZ will continue to offer these trainings and advanced courses with continuing assistance from AJWS.



PARWAZ ANNUAL INDICATORS	2005	2006
Provinces	2	3
Districts	9	11
Number of Total clients	2514	5574
Number of Active Groups	215	476
Average Group Size	11	11
Number of Loan Officers and Promoters	19	32
Number of Clients per Loan Officer/Promoter	132	174
Number of Clients per Loan Officer	419	557
Total Number of Employees	27	49
Loan Portfolio Outstanding	193,764	\$578,275
Average Number of Loans Disbursed Monthly	424	716
Average Amount of New Loans Disbursed Monthly	46,179	\$93,275
Number of Loans Disbursed to Date (Cumulative)	5598	15,130
Amount of Loans Disbursed to Date (Cumulative)	\$557,531	\$1,873,215
Average Loan Size per Client (at disbursement)	\$100	\$120
Average Loan Term (Months) at disbursement	6	6
Saving Balances Outstanding	\$12,648	\$32,613
Average Savings Size	8	\$9
Loans Outstanding Per borrower	\$75	\$104
Active Borrower per staff	93	114
Widow Clients	n/A	1,656
Repayment Rate	100%	99.38%
PAR (>30 days)%	0.00%	0.2%
Yield on Portfolio	40%	38%
OSS (for year ending 31 December 2006)	20%	35%

### Donors

Our work would not have been possible without the generous funding from various donors in and outside of Afghanistan. PARWAZ would like to thank The Overbrook Foundation and Buffet family members, who donated our initial funding, MISFA, UNIFEM, American Jewish World Service, Flora Family Foundation, Dining for Women, Montana Connection for Afghan Women; and, of course, our many smaller donors for their contribution to making PARWAZ as success. Tax exempt contributions can be sent to: Parwaz Microfinance, 725 Washington St., #300, Oakland, CA 94607. 100% of your contribution goes directly to Parwaz in Afghanistan.