



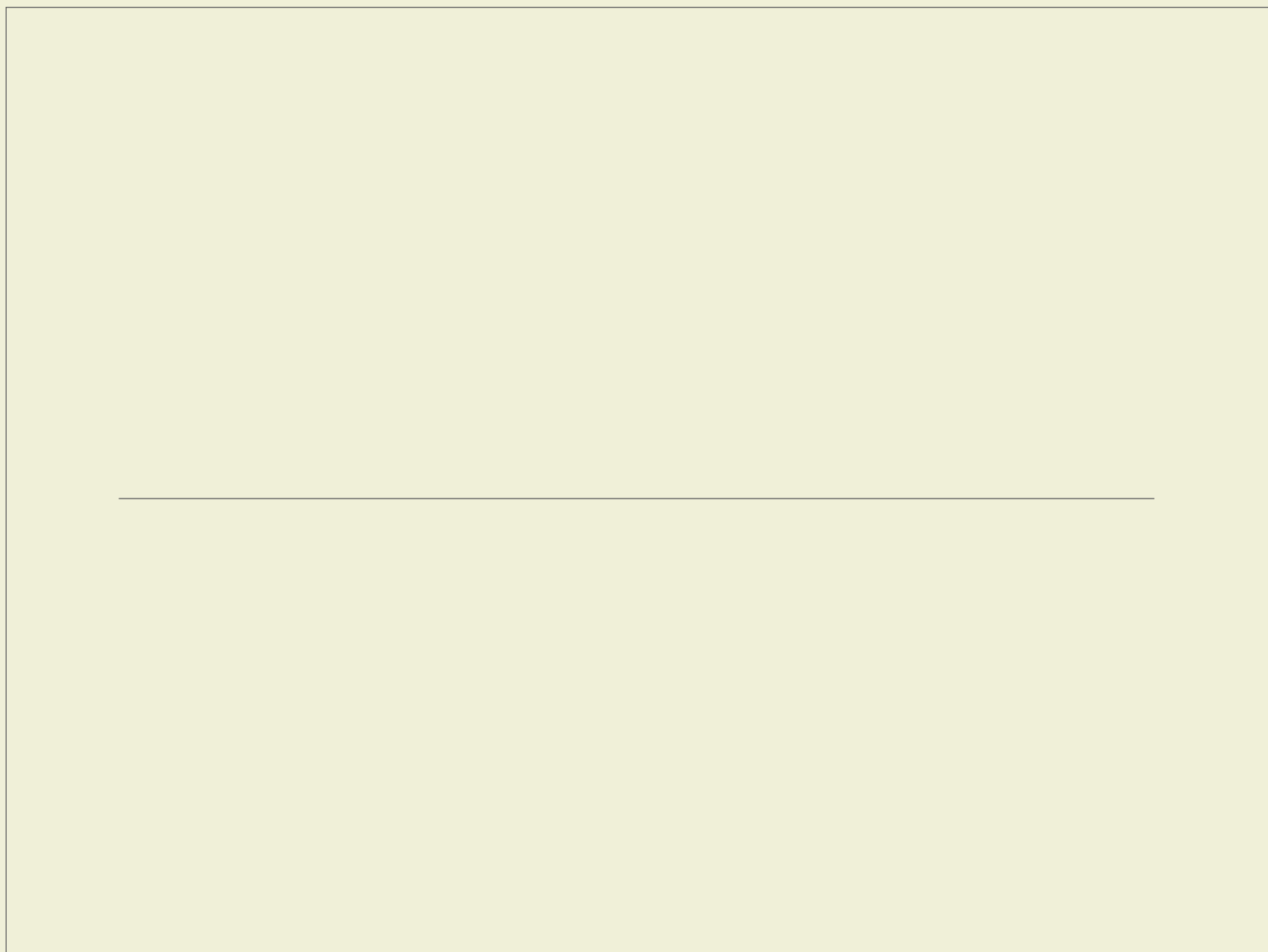
SHOREBANK INTERNATIONAL

Current Opportunities for Expanding SME Finance

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Improving Current SME Finance Provision

ShoreBank International's current activities to overcome challenges in SME finance:

- Expanding MISFA's capabilities to develop new finance products (ex:Sharia) to a diverse partners
- Advising and advocating best practices in SME finance lending to banks, MFIs, donors and GoA
- Building the human resources capacity of SME partner institutions
- Develop new programs targeting women-owned and managed SMEs

Best Practices: SME Lending Strategies

- Rigorous cash-flow based loan analysis and risk management techniques: Quality + Quantity
- Geographic Branch Establishment: Market Surveys to Localize Products
- Localized Lending Operations: Accountability Coupled to Loan Production
- Self Sufficiency and Profitability
- Creating Afghan Institutions for Afghan Businesses



Expand Finance to Reach Afghan Businesses

- Advocate for SME Finance Specific Regulation for Banks and NBFIs to Encourage SME Finance
- Expand MISFA's Capabilities and Resources to Partner with Institutions, Government and Donor Programs to Accelerate & Broaden Outreach
- Assist Existing Institutions Reach Full Market Potential in SME Finance: Banks, MFIs, ARIES Partners
- Develop New Delivery Channels for SME Finance to Reach Underserved Areas and Markets: Retail SME Lending Platform Concept

Reshaping the SME Finance Market

- Employing Technology Enabled Solutions: Front-End, Back-End Systems
- Linkages to Donor Initiatives: Agriculture, Infrastructure and Business Development
- Human Resource Development: Emphasis on Staff Development and Career Track Employment
- Market Segmentation and Product Development: Building Local Products for Local Needs



The Retail SME Platform Concept:

What →	A new SME delivery channel focusing exclusively on SMEs in underserved, primarily rural markets via a time-bound institutional mandate
Why →	Expand provision and demonstrate the viability and profitability of SME financing to risk averse institutions and encourage movement into SME finance space
Whom →	Target SMEs in rural and secondary markets, women entrepreneurs, agriculture and production sector clients, those in sensitive and challenging lending environments
How →	Deliver financing through proven methodologies, develop new products - real estate, agricultural and value chain finance – and targeted locations for Islamic and women-focused finance operations

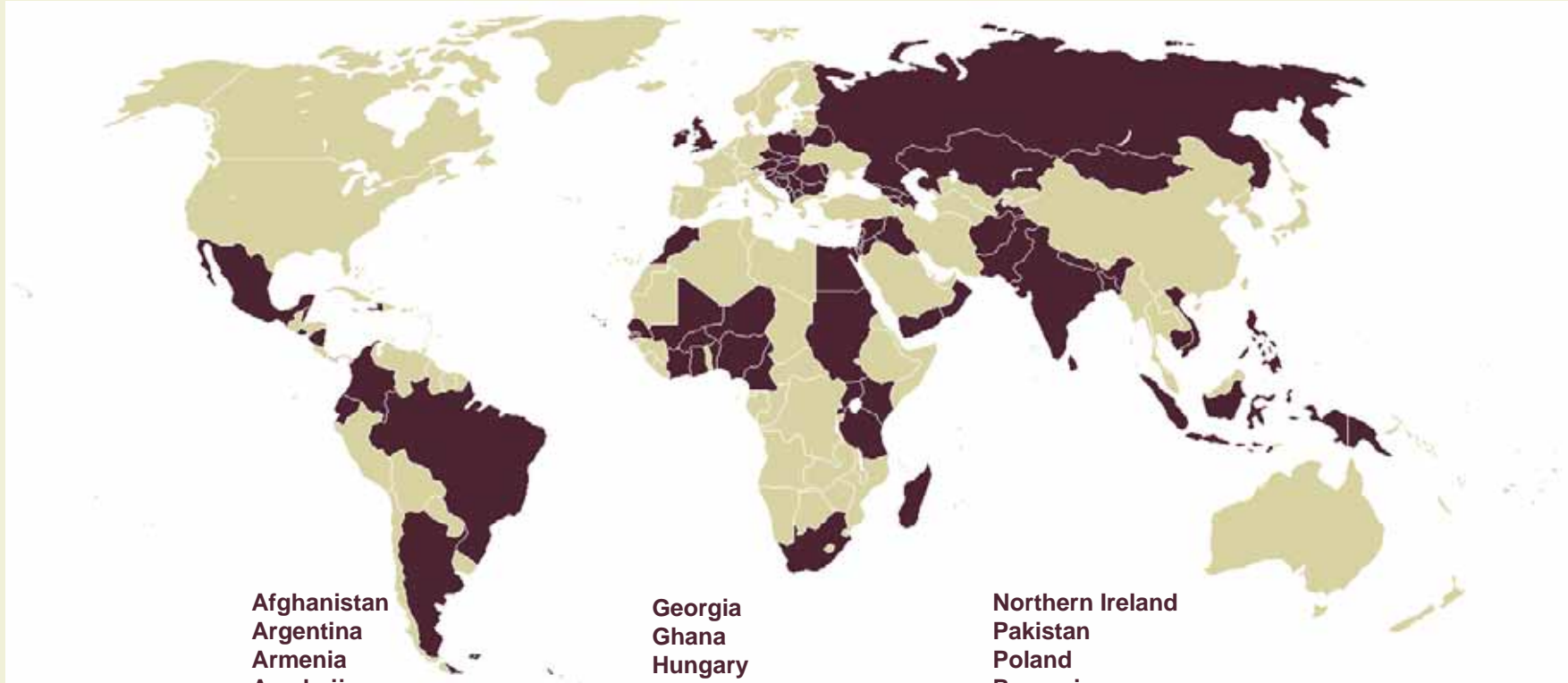
Anticipated Results

- Institution that catalyzes expanded SME lending to currently unserved markets, attractive for investor take-out by local banks and/or strategic long-term investors
- Increase SME lending through national network of lending offices using local credit analysis
- Develop innovative credit products (agricultural, value-chain lending), demonstrating sound lending practices to existing financial institutions
- Boost lending in the south, particularly through the development of Sha'ria-compliant products

Conclusion

- Improve finance provision through responsiveness to market, quantity coupled with quality
- SBI sees a strong beneficiary impact of increasing SME access to finance to improve security via sustained economic growth
- SBI estimates that more than 20,000 jobs can be created via new delivery channels for SME finance and expanded MISFA partnerships
- Expanding SME finance in rural and secondary markets must be addressed via a cohesive strategy linking donors, government and institutions

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