

## Press Release

### Completion of Sharia-compliant Regulatory Framework Paves the Way for SME's Access to Finance

**Kabul, 14 October 2015** – The Central Bank of Afghanistan with the technical and financial assistance from Harakat-Afghanistan Investment Climate Organization completed the development of Sharia-compliant SME access to finance regulatory framework for the first time in Afghanistan. The goal of this project is to put in place the regulatory foundation for Islamic banking in the country to meaningfully increase access to finance to small and medium size businesses (SMEs).

#### **Strong Demand for Sharia-compliant Banking:**

Most of the businesses in Afghanistan are hesitant to engage in conventional banking because of their religious beliefs. This includes a reluctance to keep their deposit in banks and take interest-based loans. A survey conducted by Harakat showed high demand among Afghan private sector firms for Islamic banking and finance in the country. This survey found that 94% of the respondents are willing to use Islamic banking and 58% said that they had low awareness of it.

Access to finance is critical for investment and funding current operations by businesses. When businesses have easier and more affordable access to finance, investment is higher and more employments are created. Lack of Islamic financing and banking system has been cited as one of the biggest challenges of access to finance.

Islamic banking system is a relatively new in the financial system of many countries which has gradually become institutionalized. Harakat provided technical assistance and a funding of \$1,175,600 to this project within the Central Bank of Afghanistan that started on April 2014. This project lays the regulatory and institutional foundation for Islamic banking in the country. As result of this project, investors and individuals are able to access to Islamic banking products and services in the country that would increase investment, create job and generate revenue for the government.

#### **Project Activities and Achievements**

- 1. Built a strong foundation for Islamic banking in the country, including 46 regulations, product guidelines, procedures, manuals and parameters developed and approved by the Sharia Supervisory Board (SSB) of the Central Bank of Afghanistan.*
- 2. Sharia Supervisory Board structure was formulated and established to ensure products and procedures are in accordance to Sharia and the Central Bank regulations.*
- 3. More than 60 key staff from the commercial banks and Central Bank of Afghanistan were trained for 13 days which enabled them to use and offer the Islamic banking products and services.*
- 4. One Islamic banking library was established at the Central Bank of Afghanistan, which consists of 400 Islamic banking books and guidelines by renowned international scholars.*

5. *Developed a visual Islamic banking toolkit for SMEs for public awareness. Moreover, 5000 copies (2500 in Pashto, 2500 in Dari) and 1000 CDs were printed, part of which was distributed in five major commercial hubs. The remaining part was delivered to the Central Bank of Afghanistan to be added to the Library Collection and distributed among stakeholders.*
6. *Established Islamic banking web based toolkit and SME.af website for public awareness, which is now accessible to public.*
7. *Conducted public awareness workshops about Islamic banking in 5 major cities of the country. Individuals from SMEs, commercial banks, civil society and relevant government entities were invited and benefited from the workshops*

**About the Central Bank:** The central bank of Afghanistan is an independent government entity, which supervises all of the domestic and international banks operating in Afghanistan and regulates the monetary policies with collaboration of the related government entities.  
*Further information at [www.dab.gov.af](http://www.dab.gov.af)*

**About Harakat:** Harakat is an independent, nonprofit, Afghan-managed organization whose mission is to reduce or remove regulatory and institutional barriers to investment and doing business in Afghanistan. It aims to improve Afghanistan's business environment by funding reform projects and activities by the government, civil society, and private sector entities.  
*Further information at [www.harakat.af](http://www.harakat.af)*