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Q1: Respondent details

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Q2: Country or Customs territory

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

Q3: Organization

Other (please specify) Regional Development Bank

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Q4: Title of case story

Banking on Business in Afghanistan

Q5: Case story focus

Infrastructure upgrading and the development of related services markets, including through support for investment climate reforms.

Q6: Case story abstract

ADB with partners invested in the development of the nation's first private bank in the post-Taliban era, the Afghanistan International Bank. ADB invested \$2.6 million in equity in Afghanistan International Bank, equivalent to a 25% ownership stake. Afghanistan International Bank opened its doors in 2004 with a small staff of 15 employees. Now the largest and most profitable bank in Afghanistan, it employs 680 and is zeroing in on assets of \$1 billion dollars.

Q7: Who provided funding?

Other (please specify)
Asian Development Bank, Afghanistan Investment Partners Corporation, Horizon Associates, Wilton Holdings

Q8: Project/Programme type

Single country

Q9: Your text case story

After 22 years of civil war and the fall of the Taliban regime in 2001, Afghanistan was left a shattered country. The economy was in ruins and the finance sector barely recognizable. In 2004, ADB joined with the Afghanistan Investment Partners Corporation, Horizon Associates, and Wilton Holdings to lend a hand by investing in the development of the nation's first private bank in the post-Taliban era, the Afghanistan International Bank. ADB invested \$2.6 million in equity in Afghanistan International Bank, equivalent to a 25% ownership stake. As a member of the bank's board, ADB provided technical advice and participated actively in the bank's development. Afghanistan International Bank's mission included leading the way to increased competition in the banking sector, inducing financial reforms, and promoting internationally recognized best practices in corporate governance and commercial banking, thus spurring economic and employment opportunities so crucial to the stability of the country. But the new bank faced formidable challenges. These included lack of proper infrastructure in the country or reliable electricity in Kabul, and almost no communication infrastructure

The bank was created to provide desperately needed financial services to small and medium-sized enterprises which are traditionally the highest generators of jobs. To achieve that goal, Afghanistan International Bank formed a partnership with the German Federal Ministry for Economic Cooperation and Development, and the German Investment Corporation, a subsidiary of KfW, to establish the Afghan Credit Guarantee Foundation. The foundation provides loan guarantees to Afghanistan International Bank for the many small business that would not otherwise qualify to borrow. The partnership means that feasible businesses without collateral or financial records, common in Afghanistan, can still get access to finance.

Afghanistan International Bank opened its doors in 2004 with a small staff of 15 employees. Now the largest and most profitable bank in Afghanistan, it employs 680 and is zeroing in on assets of \$1 billion dollars. Due to Afghanistan International Bank's strict compliance with international banking standards designed to prevent fraud and money laundering, it is the only bank in the country able to clear customers' US dollars. Commitment to the highest industry standards and global best practice has made Afghanistan International Bank the country's most trusted and respected bank. Since its inception, Afghanistan International Bank has provided training programs for its staff, often sending people to training centers outside the country. The bank also sponsors eligible employees to pursue their bachelor's or master's degrees.

Q10: Lessons learnt

The new bank faced formidable challenges. These included lack of proper infrastructure in the country or reliable electricity in Kabul, and almost no communication infrastructure. Asadullah Fayzi, who is now chief operating officer of Afghanistan International Bank, remembers those days well. "There was a lack of proper infrastructure in the country or reliable electricity in Kabul, and almost no communication infrastructure either. Our staff all had to be trained from scratch," he says.

A bigger challenge involves meeting international standards for due diligence including 'know your customers' and 'anti money laundering regulations'. Due to Afghanistan International Bank's strict compliance with international banking standards designed to prevent fraud and money laundering, it is the only bank in the country able to clear customers' US dollars. Commitment to the highest industry standards and global best practice has made Afghanistan International Bank the country's most trusted and respected bank.
