

MID-TERM REVIEW
ZARDOZI – MARKETS FOR AFGHAN ARTISANS
Focus on: Business Categories, Nisfe Jehan,
Trade Facilitation Centres and Loan Fund

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TABLE OF CONTENTS

INTRODUCTION	3
BUSINESS CATEGORIES.....	3
1. BUSINESS CATEGORIES CURRENT STATUS	3
2. BUSINESS CATEGORIES OPPORTUNITIES	4
<i>Plans for Business Categories.....</i>	<i>4</i>
<i>Analysis of Business Categories.....</i>	<i>4</i>
<i>Recommendations re: Business Categories.....</i>	<i>5</i>
NISFE JEHAN	5
1. NISFE JEHAN CURRENT STATUS.....	6
2. NISFE JEHAN OPPORTUNITIES.....	9
<i>Plans for Nisfe Jehan.....</i>	<i>9</i>
<i>Analysis of Nisfe Jehan</i>	<i>10</i>
<i>Recommendations re: Nisfe Jehan.....</i>	<i>14</i>
TRADE FACILITATION CENTRES	18
1. TRADE FACILITATION CENTRE CURRENT STATUS	18
<i>KRO Trade Facilitation Centre.....</i>	<i>18</i>
<i>MRO Trade Facilitation Centre.....</i>	<i>19</i>
<i>Head Office</i>	<i>20</i>
2. TRADE FACILITATION CENTRE OPPORTUNITIES.....	20
<i>Plans for Trade Facilitation Centres</i>	<i>20</i>
<i>Analysis of Trade Facilitation Centres.....</i>	<i>21</i>
<i>Recommendations re: Trade Facilitation Centres</i>	<i>23</i>
ZARDOZI LOAN FUND	26
1. LOAN FUND CURRENT STATUS	26
<i>KRO Loan Fund.....</i>	<i>26</i>
<i>MRO Loan Fund.....</i>	<i>26</i>
<i>JRO Loan Fund</i>	<i>27</i>
2. LOAN FUND OPPORTUNITIES	27
<i>Plans for Loan Fund</i>	<i>27</i>
<i>Analysis of Loan Fund</i>	<i>27</i>
<i>Recommendations re: Loan Fund.....</i>	<i>28</i>
CONCLUSIONS	29
ANNEXURES.....	30

INTRODUCTION

Zardozi Markets for Afghan Artisans works with the most disadvantaged women in Afghanistan: poor urban and rural women who are uneducated and illiterate, and often confined to a limited area around their homes. These women have poorly developed business and vocational skills, and do not have the opportunity to upgrade them. Further, many do not have access to markets or information on market demand, and all are impacted by the insecurity and instability of Afghanistan.

In this challenging environment, Zardozi strives to bring sustainable economic opportunities to women. To achieve its goal, Zardozi has taken great care to understand its client base and to determine the strategies that will be the most successful. Over time, Zardozi has refined its understanding of clients, and is working to take advantage of this knowledge in order to develop more effective and efficient programming, as well as to expand outreach to a larger number of underserved women.

At the start of the DFID contract, Zardozi had 65 staff, and this number has grown about 30% to total 83 across headquarters and four regional offices. There were established regional offices in Kabul and Jalalabad prior to the project start, with a third, Mazar-e-Sharif, launched a year before commencement. Heart has recently opened its office and is being rapidly developed to take advantage of the time remaining in the contract. With this programme expansion, Zardozi has been able to significantly expand outreach in its first 18 months: women trained in business skills has grown from 220 to 933; 1,110 were trained in skills before the contract and 2,280 in total now. Manbehs, the neighbourhood drop-in skills development centres have increased from 10 to 47 – over 1500 women have signed up to be part of the Nisfe Jehan network (described below) and take advantage of the weekly services offered by the manbehs.

Within the context of this successful initiative, the mid term review examines four key aspects of Zardozi programming – business categories, Nisfe Jehan, Trade Facilitation Centres and the Loan Fund – providing a summary of their current status and making recommendations for next steps. Many of these recommendations emerged during discussion with clients, staff and management of Zardozi, and the consultants have served to document and formalize the suggestions included here.

BUSINESS CATEGORIES

1. BUSINESS CATEGORIES CURRENT STATUS

As the number of Zardozi clients has grown, and the range of issues are more complex, it has become imperative for Zardozi to reflect on its structures and service offerings. In order to meet this challenge, a new system to segment Zardozi clients into distinct business categories was established in mid-2012. This has allowed Zardozi to better understand the constraints and opportunities of target clients, and to be more responsive in service provision. Previously, Zardozi classified clients into one of two categories: either as a sale agent – defined as a woman who engages directly with the market and works with home producers – or as a home producer who is typically homebound and therefore not able to go to the market herself.

Shifting from this dual model, Zardozi established five distinct segments of clients as follows:

1. **Copper** refers to homebound tailors who do not go to market. Their primary customers are their family and neighbours, and they are usually called “Copper Tailors” by Zardozi staff.
2. **Bronze** clients are sale agents who interact with shopkeepers, oversee orders for embroidered or tailored piecework, and work with home producers outside of their family circle.
3. **Silver** sale agents are similar to those in the Bronze category, but their home producers make finished products in addition to piecework,¹ and are family members. This category was developed primarily for Mazar-e-Sharif where such a combination of factors is common.
4. **Gold** clients engage with the market as sale agents and oversee a network of home producers who make finished products for the market.
5. **Diamond** clients own shops, and these shops are not necessarily connected to the garment industry.

These business categories are being successfully used by field staff and management to classify and communicate about clients, and to develop differentiated services (although this is early days for the latter). There are a few minor challenges, for example some clients appear to change categories or may be miscategorized, but the system is working well overall, is supported by Zardozi staff, and has allowed Zardozi to strengthen its service delivery.

2. BUSINESS CATEGORIES OPPORTUNITIES

Plans for Business Categories

Recognizing the varying need of Zardozi clients, and wishing to adjust services accordingly to increase impact, upper management has begun to implement changes according to the classification of business categories. For example, the formation of a Copper Tailor Guild is being launched in order to meet specific needs of homebound tailors who make garments for their family and neighbours. Strategy meetings with staff have been set for July to develop the proactive capacity of staff members, and to revise plans relating to business categories, services and other related matters covered in this document.

Analysis of Business Categories

The revised business categorization has served multiple purposes to date: (1) clearer communication among staff regarding clients and their roles in the program and market system; (2) a foundation for understanding client needs and differentiating services; (3) active targeting in the recruitment of copper tailors by staff who are now better able to identify appropriate clients; and (4) allocation of orders from the market to the most appropriate clients.

In addition to the various ways that business categories are proving useful, there is potential to further build on the segmentation to determine the best services for each category (see detail in recommendations below).

¹ Note that the distinction between piecework and finished products is as follows: piecework is specified by shopkeepers and materials are typically provided to complete the work; finished products originate from the women, and are sold individually or on order based on samples taken to market.

Recommendations re: Business Categories

As described above, Zardozi's segmentation of clients has aptly revealed that clients face different opportunities and challenges according to their category. Reflective of our discussions with Zardozi management, staff and clients, the following recommendations build on this strategy and reinforce the positive direction Zardozi is taking to make good use of the classification system.

1. Four categories (copper, bronze, gold, diamond) describe a client's relationship to the market and her product offering. Only one category, silver, is focused on the production chain (family members as home producers as opposed to non-related women). This latter distinction does not contribute to the assessment of the types of services that clients at each level require.
Recommendation: It is recommended that Zardozi remove the silver category, and re-categorize silver clients as either bronze or gold. As services offered by Zardozi become more targeted, this will avoid confusion and will streamline service delivery.
Timeframe: Recategorization can be accomplished within the next 6 to 12 months, as services are reviewed and redesigned.
2. Business categories are being used effectively as a reporting and communication tool by Zardozi programming. The different challenges and opportunities faced by women in the various segments have also become clearer, and Zardozi is beginning to leverage this information.
Recommendation: Zardozi programming would benefit from formalizing a needs assessment process and pinpointing the priority services for each business category. This can be achieved by documenting observations of staff and conducting a client survey. This would enable Zardozi to assess target services to each category – using both existing services and expanded services based on the needs evaluation.
Timeframe: The evaluation of service needs would ideally be completed in the next 6 months, with rollout of segmented services by the end of Phase One (18 months).
3. Zardozi has a reference sheet that lists business categories in a table with key words, but there is no narrative documentation describing and discussing the business categories.
Recommendation: It could be helpful for staff to create documentation (possibly a handbook), which describes the characteristics of clients in each of the business categories (including needs) and outlines the differentiated strategy for each segment.
Timeframe: This documentation could follow on the above recommendation's evaluation and be prepared as rollout of services is planned and being launched (within 6 to 12 months)

In summary, the business categorization of Zardozi clients has proven to be a highly successful strategy for understanding clients and communicating about their needs. Building on this initiative, Zardozi is now poised to leverage it to greater benefit of its clients.

1. NISFE JEHAN CURRENT STATUS

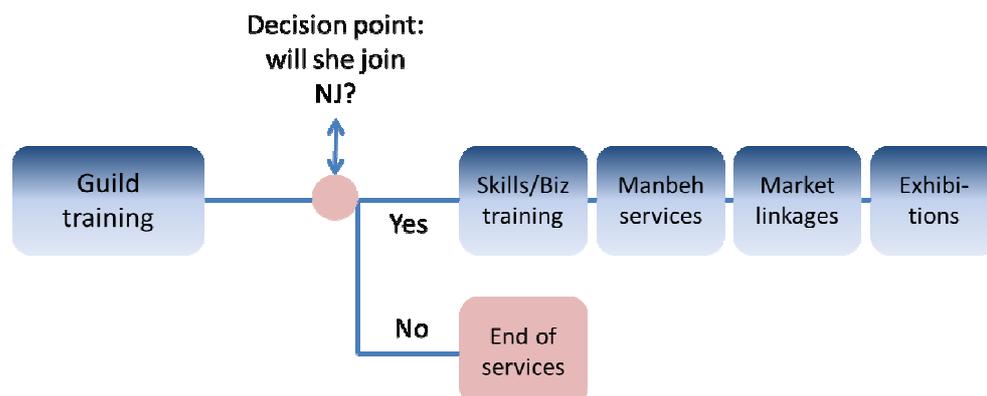
Nisfe Jehan (NJ)², which translates as “Half the World”, was designed as a women’s Business Membership Organization (BMO) in 2010 and is registered with the Ministry of Justice as a civil society organization. Despite the challenges of Afghanistan, and particularly those around women’s mobility and therefore group formation, Zardozi founded this organization with the intent of creating a democratic, member-based, member-operated institution, which could provide sustainable services to women entrepreneurs in the informal garment industry.³

Zardozi’s inclusive approach with regard to NJ is that all clients should be members, and be eligible for much-needed services in skills building and business development. When potential clients are identified, they receive introductory training on Nisfe Jehan. Once this is completed, participants are given the opportunity to become a full NJ member and gain access to Zardozi services. Membership requires the payment of a monthly membership fee, the amount of which is established by NJ’s regional Executive Committees and varies between 30 and 50 Afs⁴. In order to access services, clients must maintain their monthly membership payment.

One of the most popular components of NJ are the Manbehs. Manbehs are physical locations within the communities and act as a form of technical drop-in centre where women can access cutting services, patterns and advice from vocational trainers. The spaces are also sometimes used for trainings such as “Guild” and business trainings.

The figure below outlines the optimal client path as explained by Zardozi staff. Following initial recruitment, women attend a “Guild” Training which outlines the reasons for, and benefits of, joining NJ. Potential clients are then called upon to decide whether they wish to join NJ or not. A decline should lead to a cessation of services, although this is not always the case in practice. Those women who chose to join NJ can then access further NJ services at the Manbehs.

Figure 1: NJ Membership Process and NJ Service Offering



² The organization is referred to interchangeably as: the guild, the union, Nisfe Jehan, and *Anjuman e Sanayee Disti e Khanumha (ASK)*, or even simply called *Zardozi*.

³ DFID proposal March 2011

⁴ Kabul, Mazar and Herat pay 50 Afs per month, Jalalabad pays 30 Pakistani Rupees (about 30 Afs) per month as the executive committee voted to reduce the monthly fee.

NJ Services

At this time, all of the services are designed, managed and delivered by Zardozi, but are considered Nisfe Jehan services. The intent is for Nisfe Jehan to eventually become responsible for all or most service provision. Current service offerings include:

“Guild” training: This training is given initially to the women who are selected for the program. This training is aimed at explaining the purpose, functioning and requirements of NJ, which includes the requirement to pay monthly fees. Women wish to join NJ and pay the monthly fees will be able to access further training.

Tailoring upgrade training: Copper tailors and bronze agents who work with tailors receive training in tailoring. The training is either offered in the Manbeh space or at the regional office. This training is particularly geared to Copper Tailors as the women selected in this category may not have highly developed skills.

Business training/civil society and other training: Trainings are offered in basic and advanced business, skills (tailoring and embellishment), Guild institution Building (Guild awareness, leadership and good governance), and civil society and gender. Trainings are modular and divided between basic business training, advanced business training and civil society training. One of the modules often cited by women in interviews as having had a significant impact is the communications module, which teaches them how to interact with shopkeepers. Depending on the region, these trainings are offered either at the regional office or in the Manbehs.

Manbeh: As described above, Manbehs are a physical space rented within a community, often a room in a client’s house, which serves as a meeting point for a group of neighbouring clients. In order to open a new Manbeh at least 20 clients must be available to attend. Many of the trainings outlined above are offered within the Manbeh. A set timeframe of 2-3 hours every week is established as a drop-in time where facilitators are available to offer technical support, such as cutting services and tailoring advice. Women come to the Manbeh to pick-up designs and patterns, obtain technical assistance and, in some instances, gain access to some machinery such as sewing machines. These have proven to be highly successful in bringing women together, exposing them to new skills, and supporting them to engage with one another. In fact, woman are asking for increased opportunities and time in manbehs

Market linkages and orders: Zardozi employs market facilitation staff to accompany women to markets with the aim of introducing clients to shopkeepers. This supports clients to interact directly with shopkeepers for the purpose of obtaining and filling orders. On occasion, Zardozi also places orders with clients directly. These are from one of two sources: either through the Trade Facilitation Centres (TFCs) which Zardozi has established for a few products (discussed further below) or through other partners of Zardozi Program or Enterprise.

NJ Leadership

Currently, Nisfe Jehan is primarily operated by Zardozi staff, with a plan to transfer leadership and management of the institution to NJ membership. To this end, leadership capacities are being developed through the promotion and support of an elected Executive Committee in each region. Executive Committee Members (ECMs) meet once a month to share member feedback to Zardozi.

As NJ is often a woman’s first experience with a democratic institution, Zardozi has pioneered a process to build the capacity of the ECMs and the institution itself. At the initial creation of a regional branch of NJ, a Guild Advisory Committee (GAC) is elected and is in place for about 6 months while women learn the mechanics of a democratic membership-based organization. The GAC is called upon to give advice and recommendations to Zardozi staff regarding matters that impact clients. The GAC is not expected to make any decisions.

Once this stage is completed, the NJ members elect an Executive Committee. The clients who sit on the Executive Committee (referred to as Executive Committee Members, or ECMs) receive an honorarium of 200 Afs for each full day for which they are called to meet or work (100 AFs for half days). Within the Executive Committee, office bearers are selected to help run the meetings and take on responsibilities; these include a chairperson, a secretary and treasurers. ECMs are expected to advise Zardozi staff, particularly in solving service delivery problems, and to contribute to decisions on issues identified by Zardozi. Decision-making topics to date include exhibition timing and locations, utilization of membership fee fund and basic trouble shooting. Most issues are brought to the attention of the ECMs by Zardozi staff who facilitate the discussions. In Mazar and Jalalabad, ECMs are also expected to attend weekly Manbehs and are involved in their operation. In Kabul ECMs represent general membership and not specific Manbehs.

NJ Nisfe Jehan Financial Model

Members of Nisfe Jehan are expected to pay monthly fees ranging from 30 to 50 Afs depending on the region as noted above. These fees were established to create a revenue stream for NJ and a commitment on the part of NJ members. Since most of the services currently offered by Zardozi are delivered through the Manbeh, and therefore NJ, a woman is expected to be up to date on her fee payment if she wishes to access services (although staff are not always strict about this).

Consistency of payment seems to be directly related to the perceived value of services. The women who make use of the weekly Manbehs generally pay their membership fees on a regular basis. Other women pay membership fees when they wish to attend exhibitions or run as candidates for the NJ Executive Committee. Often these women are more advanced and do not need the weekly Manbeh services. However, in order to participate in exhibitons, for example, they are willing to pay months in arrears to bring their memberships up to date. The Manbehs also offer an opportunity for staff to collect membership fees.

Table 1: Potential NJ Revenue

	Potential NJ revenue (Afs)				
	# Members	Mthly Fee	Total	#manbeh	
JRO	750	30	22,500	16	1,406
KRO	270	50	13,500	6	2,250
MRO	686	50	34,300	11	3,118

Zardozi clients vary in how they interpret the reason for membership fees. Some associate fees

with the services that they receive, some believe the fees create a pool of money for loans, and others are unsure. Zardozi staff members also have different perspectives as to why women pay membership fees that parallel the ideas of clients (and have undoubtedly transferred their understanding to clients). This is an area that could be clarified and result in greater numbers of women staying up to date on membership fees. If all NJ members were consistent in paying their monthly fees, Table 1 outlines the total monthly revenue that NJ could earn from fees as well as the revenue per Manbeh.

Costs for NJ services vary between regions as salaries, rents etc. reflect the different costs of living across Afghanistan. As is further discussed in the analysis section, an average estimate of costs of all NJ services amount to about 290,000 Afs per month, per region (for an average of 400 members). The potential monthly revenue based on full payment of membership fees could be about 20,000 Afs, leaving a required subsidy by Zardozi of approximately 270,000 Afs per month. Some of the major discrepancies of costs per region are clearly exemplified when looking at costs per Manbeh. The services offered by drop-in centre cost between 3400 Afs (JRO) and 8700 Afs (KRO) on a monthly basis (see Table 2 for breakdown). This estimate is based on actual full time salaries of two staff per region that are responsible for delivering the current services such as cutting and patterns, as well as costs for rent and equipment. This total only looks at direct costs and excludes any indirect costs which are required to operate the service (see analysis section for more detailed breakdown). The significant difference between regional costs is mainly due to: (1) higher prices in Kabul, both salary and Manbeh space rental, and (2) the much smaller number of Manbehs in Kabul as compared to MRO and JRO. Based on potential income as outlined in Table 1, membership fees would be able to cover between 26% and 54% of Manbeh direct costs.

Table 2: Monthly Costing per Manbeh

Monthly cost per Manbeh (Afs)					
	#manbeh	Staff	rent	Equipment	Total
JRO	16	1904	1000	500	3,404
KRO	6	6281	2000	500	8,781
MRO	11	3757	1500	500	5,757

Regional Variations (KRO, MRO, JRO)

Nisfe Jehan is designed similarly in all three regions, with Zardozi implementing services under the banner of NJ through Manbehs and regional offices. Beyond costing issues, the main distinction among NJ branches lies in the representation status of the ECMs. In Mazar and Jalalabad, each Manbeh is tasked with electing one ECM. This has the advantage of linking the ECM to a specific group of women whom she represents on the Executive Committee. In Kabul, any woman may put her name forward as a candidate during the general assembly and may be elected, which means that some women and clusters associated with Manbehs do not have a voice in NJ.

2. NISFE JEHAN OPPORTUNITIES

Plans for Nisfe Jehan

Zardozi is laying the groundwork for Nisfe Jehan to become an independent, member-run organization that will take on and manage the services that are currently delivered by Zardozi. The expectation, expressed by Zardozi upper management, is that NJ will become a sustainable civil society player supporting women’s economic advancement at the local and national levels. It should be emphasized that civil society engagement is for the purpose of women’s economic empowerment and not for the sake of civil society action.

There is also an expectation that Nisfe Jehan may take on a larger market role. Such a role is envisaged to include: collective marketing such as branding, quality control services, development of seasonal collections, a fee for service workshop space, bulk purchasing and/or wholesaling, and domestic and international market linkages⁵.

Furthermore, division of NJ is being considered as a mechanism to address the needs of specific subgroups of members. A pilot will shortly be under way to create a sub entity within Nisfe Jehan specifically targeting Copper Tailors – referred to as the Copper Tailors’ Union. This sub entity is being explored due to the expectation that it will be easier for members to manage an organization that is entirely composed of women operating in the same market segment, and therefore facing similar challenges and opportunities.

Analysis of Nisfe Jehan

When Nisfe Jehan is analyzed as a democratic institution representing its membership, we observe that it has had a particularly positive impact on the clients who are elected to the Executive Committee. They have developed a rudimentary understanding of democratic processes, and appreciate the trainings and capacity building offered to them. Executive Committee Members are settling into their representative role, acting as a reporting link between the NJ members and Zardozi staff.

This is a first step. Awareness of Nisfe Jehan, the institution, is lower amongst clients who are not involved in the Executive Committee, and capacity is still being built by Zardozi and the ECM among the general membership. For example, many of them participated in democratic elections and know their ECMs, but they are still learning about the role of NJ as a representative body or the purpose of the monthly fees.

In most regions there is not yet name recognition of *Nisfe Jehan* as a service provider, and most services are referred to as Zardozi or Manbeh or guild services by both clients and staff. This makes sense insofar as the services have always been offered by Zardozi and often through the Manbeh, and the process for shifting the services to NJ has not yet happened. In the long run, as the transfer of services is put in place, it will be possible to clearly identify Zardozi services versus NJ services, and offer training to staff and clients on the new structure.

Full transfer of services to an independent NJ will be a long-term endeavor. Zardozi clients, who are members of Nisfe Jehan, are selected in part on the basis of their vulnerability and are generally representative of a very poor segment of the population who are mostly illiterate or semi-literate. Significant capacity building and time will be required to build a self-sustaining, self-managed structure. This being said, building a member-based democratic institution is a worthy goal, which has been shown to have worked in other regions, such as India (see Annex One for more information on similar structures successful in other regions). Very gradual transfer of specific services and responsibilities with continued Zardozi support will likely be the best way forward.

As Zardozi is discussing, not all services need to be transferred to NJ, rather some may best be delivered through the private sector. For example, as discussed in interviews with clients and reported by Zardozi staff, cutting services are in very high demand and women often complain that the two-hour per week timeframe given for each Manbeh drop-in is not

⁵ These were obtained from the initial DFID proposal, as well as discussion with various Zardozi staff.

enough to address the needs of all the attendees. This points to significant unmet market demand. Discussion with staff has shown that cutting services are available in markets, but these are either too far for the women to be allowed to go, or the combined cost of transport to the market and the cutting service itself makes it inaccessible. Another example of a high demand service is access to specific equipment such as overlock sewing machines. Staff members have flagged this demand many times, but there is a wariness to place machines in Manbehs as there are concerns as to who would own and operate equipment, who would maintain it, and whether it would be available outside Manbeh hours. With transportation costs to and from markets of up to 20 Afs⁶ and overlock services ranging between 20-40 Afs, accessing services far from home is not viable.

Seeing the demand, there could be scope to spin off some of these services (cutting, access to specific equipment) as commercial services undertaken by entrepreneurial and competent women in the neighbourhoods, thereby eliminating the transportation costs and barriers around mobility. Since the demand is high for these, and the supply strictly limited to a two-hour time frame per week, commercial services would likely be able to co-exist with the free Manbeh services. Other services such as design work and pattern making may also have commercial potential but would require further demand analysis along with costing and pricing.

The concept of separating out a Copper Tailor's Union within Nisfe Jehan is [an innovation](#) idea, which [is being](#) piloted in a region of Jalalabad. This strategy presents advantages that help solve capacity issues. [The pilot is being run to determine if there are](#) also disadvantages which need to be explored before rolling out the concept across all regions. Refer to the box below for some key advantages and disadvantages of splitting out NJ.

[The](#) table below outlines the financial model for NJ both in its current or short-term state as well as projected into medium and long terms. This profit and loss model outlines the potential sources of revenue as well as the main expenses for one region (numbers used are based on actual figures averaged from JRO, KRO and MRO; see budget notes in Annex Two for sources). Although it is [never](#) possible to create [precise](#) financial projections multiple years into the future, the exercise can be a useful one to begin visualizing some of the needs and strategies which may need to be adopted in the long term to achieve sustainability.

⁶ All prices obtained through conversations with staff

COPPER TAILORS UNION

Key Advantages identified:

- The textile industry is complex and women operate in many different segments of it. It will be easier for a leadership composed of copper tailors to understand and respond to copper tailor needs.
- In view of the limited capacity of NJ members, it is more realistic to limit the scope of any organization which they are to manage.
- Cohesion among members has the potential to support and empower women in their new role as economic actors

Potential disadvantages to monitor:

- Women in other categories tend to be more mobile and may have a variety of skills to bring to a mixed leadership for NJ.
- Currently, copper tailors represent about 55% of Zardozi clients. The other 45% is comprised of all other categories combined. These tend to be concentrated in Kabul and Mazar and are dispersed in terms of geography. It would be hard to separate effectively the women by segment in different unions
- By further focusing on copper tailors, Zardozi might lose sight of services and development of other categories of women, who are important to the sustainable

As with any member-based organization, a mix of income sources will be required to help sustain NJ in the long term. Strategies to increase fee for service and fundraising will be established in the medium term (3-8 years) to support revenue growth. On the expenses side, long-term plans will need to include eventual transfer of responsibility from Zardozi staff to multiple NJ staff members per region. The model also highlights the need for more Manbeh spaces and staff in proportion to the increasing number of members. This is particularly important in a model where membership fees only cover a small fraction of actual costs, and a larger membership base will drive costs up much faster than revenue. Annex Two provides the full excel sheet where numbers may be altered to reflect different growth strategies. It also includes budget assumptions and cell calculations.

Table 3: Illustrative Profit and Loss projection statement for NJ

Illustrative P&L for one NJ region, monthly							
	Value (Afs)	# Units	Short term	# Units	Medium term	# Units	Long term
			18 mths		3-8 years		10-15 years
REVENUE							
Membership fees	50	400	20,000	2000	100,000	5000	250,000
Fee for service	150	0	-	2000	300,000	5000	750,000
Fundraising	25,000	0	-	0.5	12,500	1	25,000
External grant			269,750		242,750		
Total Revenue			289,750		655,250		1,025,000
EXPENSES							
Administration							
ECMs	200	20	4,000	50	10,000	50	10,000
NJ staff	20,000	0	-	1	20,000	5	100,000
Zardozi 'guild' manager	110,000	1	110,000	1	110,000	0	-
Zardozi overhead	10%	1	30,000	1	60,000	1	60,000
Sub-total administration			144,000		200,000		170,000
Services							
Manbehs	5,500	10	55,000	50	275,000	100	550,000
Exhibitions	25,000	0.15	3,750	0.25	6,250	0.25	6,250
Skills trainings	16,000	2	32,000	4	64,000	7	112,000
Business trainings	30,000	1	30,000	2	60,000	3	90,000
Market linkages	25,000	1	25,000	2	50,000	3	75,000
Sub-total Services			145,750		455,250		833,250
Total expenses			289,750		655,250		1,003,250
Total P&L			0		0		21750

Table 3 demonstrates that NJ is on track to becoming a sustainable organization if it can continue to diversify its sources of funding. The long-term column even shows a small monthly surplus without external grants – although this should be taken cautiously as additional revenues and expenses may emerge as the association develops. Further, factors such as the number of members and their consistent fee payment will have significant impacts on the revenue side. Similarly, decisions to offer more/new services and the potential need for increased staffing or large variances in salaries would have significant impacts on the expenses side. Key risk factors in this model include: (1) inflation was not included as the model assumes corresponding inflation adjustments on both the revenue and expenses side, although failure to adjust revenue at a consistent pace would affect the balance of the projections; (2) the number of members is shown to rise to 5000 which ambitious. Not attaining these high numbers should not unduly impact the financial model if service costs remain more or less in proportion to the number of clients; (3) service provision will evolve over time with some new services being adopted and others being removed, so costs of new services should be closely monitored to ensure affordability and sustainability. Failure to do this would see NJ remain in the long term overly dependent on external sources of funding such as grants.

Recommendations re: Nisfe Jehan

- Executive Committee Members (ECMs) of Nisfe Jehan have valuable experience and perspectives to offer but must contend with hurdles such as illiteracy and lack of management experience. This needs to be **front and centre** when designing the potential structure of Nisfe Jehan in the short, medium and long term.

Recommendation: **Reinforcing** clear and realistic expectations of what the Executive Committee can do and contribute will assist in the development of NJ. Consider developing a document which outlines the short and medium term objectives of NJ and the Executive Committee Members' roles and responsibilities; identify the skills needed to manage those responsibilities and outline specific trainings or strategies to transfer the necessary skills to the NJ Executive Committee Members. In the medium term, consider creating a paid position within NJ which could be held by a strong or talented ECM in each regional chapter. This would help mitigate some of the transient nature of the ECMs who may come and go and leave capacity gaps within the Executive Committee. It would also continue to move the ownership of the organization from Zardozi to the members.

Timeframe: The capacity building of NJ ECMs can be designed and started within the next 18 months. The creation of paid positions should be targeted for Phase Two, within 3 to 5 years following Phase One.

- There **will continue to be** challenges in awareness and comprehension by staff, clients and ECMs of the purpose and responsibilities of NJ, as well as the difference between NJ and Zardozi, **since a genuinely member-based organization is a new concept to many**.

Recommendation: Set clear intermediate goals for NJ and separate Zardozi services from NJ services. Create an internal MOU which outlines roles and responsibilities for each organization (step 3 in the process found in the next recommendation). It may not be realistic in the near to medium term for NJ to be able to coordinate services such as trainings or market linkages, but they could, for example, start to manage more aspects of the Manbehs, exhibitions and the loan fund.

Figure 2: Potential Division of Responsibilities between NJ and Zardozi

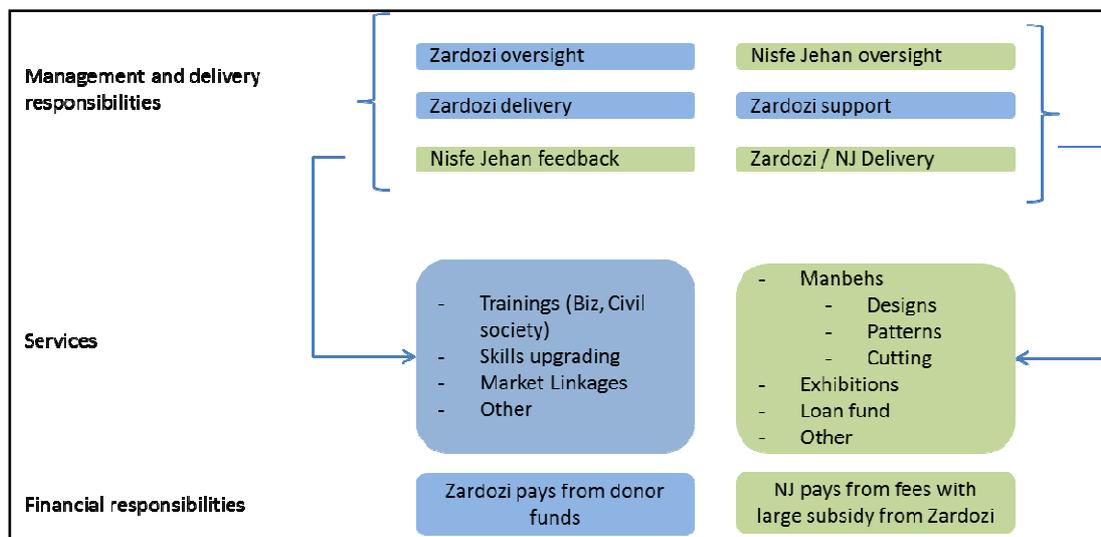


Figure 2 outlines a potential division of services and responsibilities. The rationale for the division of responsibilities includes:

- NJ services
 - *Manbehs*: Drop-in centres provide ECMs with the opportunity to get feedback from members and submit proposals for improvements. Finances for Manbehs can be easily separated out (rent, salaries, equipment, potentially Zardozi overhead) and ECMs, with Zardozi support, can begin to understand the cost for services behind these entities.
 - *Exhibitions*: ECMs can start to gain more responsibilities and decision-making power over exhibitions, with potential for co-payment from the NJ membership fee fund.
 - *Loan fund*: ECM members are already involved in some loan fund decision and activities (e.g., fund withdrawal from the bank). This is another distinct service that could continue to be transferred to ECM oversight. This should only be done once clarity in the management of the fund is accomplished at Zardozi's level (as detailed below).
- Zardozi services
 - Trainings and market linkages: The large variety of trainings and market linkages services which Zardozi staff offers to clients needs to be responsive to market demands, changing environments, skills and capacity gaps, etc. As such they are complex services that would be difficult for Nisfe Jehan to manage effectively in the foreseeable future. It is appropriate for Zardozi to maintain these services in-house as programmatic offerings.

Timeframe: The strategic decisions of which services to allocate to NJ (as opposed to maintaining them within Zardozi) as well as the establishment of the plans for transfer can be achieved in the next 18 months. Full transfer of the selected responsibilities will likely require an additional 3 to 5 years. In the long term, there would be room for Nisfe Jehan to continue to offer enhanced services to members, such as some of the training services initially maintained within Zardozi. Examples from other member-based organizations in India (such as SEWA – see Annex One) and other countries demonstrate that this role can be successfully filled by a local organization. The reality of the capacity of NJ members makes this a long-term goal, rather than an immediate or medium term target.

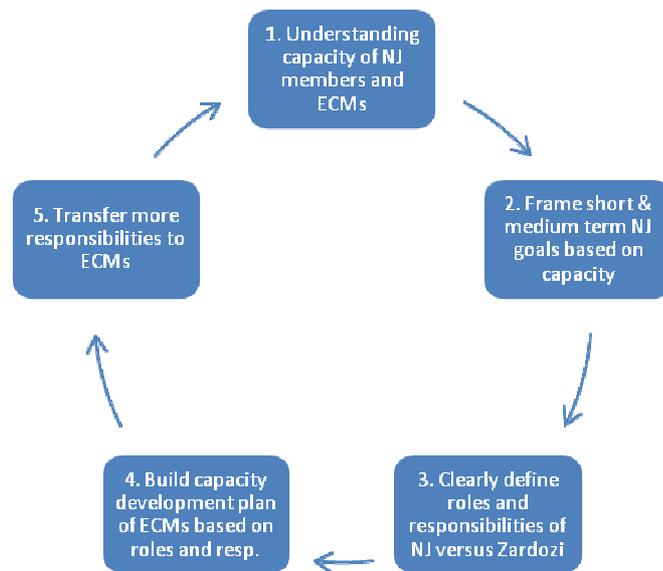
3. The formation of a membership organization by an external entity (as opposed to self-organizing) is a challenging undertaking under most circumstances. Within the difficult working environment in Afghanistan and recognizing the capacity of the women Zardozi is targeting, the development of NJ will need to be paced over the long term if it is to be successful. Significant support on the part of Zardozi will be necessary as it accompanies NJ in its development to a fully democratic and representative institution operating as a service provider to its members.

Recommendation: Develop a process for setting reasonable objectives for Nisfe Jehan and delivering results, grounded in a realistic understanding of the environment and capacity of the members. Figure 3, outlines a potential process for transfer of responsibilities to NJ ECMs. The process begins by assessing the capacity of members, establishing short and medium term goals for NJ, and clearly delineating the roles and responsibilities for NJ and Zardozi. The process continues based on the identified roles and responsibilities of NJ, the capacity needed to manage these, and a capacity development plan for ECMs. As the ECMs are shepherded through the process by Zardozi and gain capacities, Zardozi can start to transfer full responsibilities for specific activities and services to NJ. Once the stated

goals are achieved or well on the way, the process starts again with the evaluation of the enhanced capacity of NJ members.

Timeframe: This process can be established within the next 18 months and continue to be used in an iterative fashion into the next project phase. The previous recommendation outlines some of the short to medium term responsibilities which could be initially evaluated and transferred.

Figure 3: Process for Transfer of Responsibilities to NJ



4. Staff, clients and ECMs are sometimes unclear about the purpose of the membership fees. Ultimately, membership fees will represent an important pillar of the financial sustainability of NJ and it is therefore important to establish systems that encourage fee payment.

Recommendation: Membership fee payments may be more consistent if fees are directly linked to access to services. A potential approach to this would see the ECMs involved in the month-to-month collection of fees, and designation of fixed amounts to specific services. For example, 75 Afs per week per Manbehs could be earmarked for the weekly Manbeh services (cutting, patterns, use of space, etc). Every month, the ECM would be responsible to sign over the payment to Zardozi. This would clearly establish that services have costs, as well as the purpose of the fees. Remaining funds could then be allocated to activities or services as decided by the ECMs such as exhibitions. Here, NJ could contribute a portion of the costs of an exhibition while Zardozi would still need to co-fund such activities for the foreseeable future. ECMs would be expected to assess the needs or expectations of their Manbeh members for these services and therefore represent them when fund-allocation is decided. This strategy would not only help clarify the purpose of the fees, but might also encourage ECMs to be more involved in the recruitment and retention of paying members while contributing to the financial management capacity of the Nisfe Jehan leadership.

Timeframe: This strategy will require planning and capacity building of ECMs, but can be accomplished within the next 18 months.

5. Some of the services offered by the Manbehs, particularly high demand services such as cutting, present an exciting opportunity for individual women to become services providers and increase their incomes. Throughout field interviews, and a credit to Zardozi's programming, a recurrent complaint was that one Manbeh per week was not enough time for the clients to access all the desired services. Additional Manbeh hours are requested, but this would require significantly increased costs for Zardozi relating in particular to staff time.
Recommendation: Support talented women who are willing to invest and to become neighbourhood service providers. Upgrading the skills of potentially strong service providers would allow for increased income flow to these clients, while at the same time providing women with access to needed services within their own neighbourhoods in a culturally acceptable manner. This transfers the onus of responsibility for operation, maintenance and quality control of services to market based operators who are generally better positioned to respond to market demand.
Timeframe: This activity can be launched within the next 18 months, but will require time in the next phase of the project to be solidly established and replicated. The women who are encouraged to become neighbourhood service providers will need ongoing support for 1 to 2 years to become solid market players.

6. Vouchers / coupons can be an effective way of tying membership fees to services, and limiting the quantity of unpaid service. As Zardozi develops commercial service providers in addition to Manbeh services, vouchers could be a way of limiting use of free services, promoting market actors and ensuring consistency of monthly fee payment.
Recommendation: Assess the viability of a voucher system whereby monthly paid up members receive coupons for ongoing services. Do not offer vouchers for back payments on membership fees.
Timeframe: Pilot a voucher system in one region in the next 6-12 months.

7. Elected Executive Committee Members (ECMs) are not selected in the same manner in all regions. In Mazar and Jalalabad, each Manbeh votes for a representative. On the other hand, in Kabul, the voting process is somewhat different with ECMs selected from a general assembly. In Mazar and Jalalabad, ECMs are expected to visit their Manbehs regularly to obtain feedback from clients and take these up at the monthly meetings. In Kabul ECMs are invited to address issues in specific areas as flagged by staff.
Recommendation: In order to strengthen the representative nature of the ECM's role, the Mazar/Jalalabad model of ECM selection should be applied in all regions. Having one ECM per Manbeh makes it easier for all clients to at least know their ECMs and be able to access and pass feedback more easily. As membership grows there may eventually be too many Manbehs and corresponding elected representatives to have an effective committee in each region. If or when this number is reached (recommended 20 to 25 committee members should be the upper limit) different strategies should be evaluated, by looking at governance approaches of other membership-based organizations. One potential approach would be to create a two-tiered approach with a larger general committee which meets less often and a smaller executive committee which meets once a month – a variation on the current model of EC and office bearers.
Timeframe: The standardized approach can be rolled out across all regions within the next 18 months. Creating a more complex representative system as the number of Manbehs grows would be suitable for Phase Two of the program.

8. As outlined above, a Copper Tailors' Union is **being** piloted in Jalalabad. There are clearly pros and cons to this approach. This **piloting** can be a good strategy to compare models of implementation and evaluate the benefits and drawbacks.
Recommendation: This new development should be clearly **time bound** as a pilot to avoid rolling it out in other areas before establishing if it presents a stronger model than the mixed union approach. If it is judged to be a more beneficial approach, a clear plan will need to be prepared for those women who are not Copper Tailors.
Timeframe: The Copper Tailors' Union pilot should run for up to a year with a thorough evaluation of the strengths and weaknesses of this alternative model.

9. Membership based organizations, are not typically funded by membership fees alone. Rather mixed sources of funding are necessary which can include membership fees, fee for services, fundraising activities and external grants. In the near to medium term, it is unlikely that Nisfe Jehan will be able to independently access the mix of funds necessary to achieve financial sustainability.
Recommendation: As described above, the executive committee for NJ needs to be introduced to basic financial responsibilities. These should include costs of services, monthly fee collection, contribution to the payment of certain services, costs of activities such as exhibitions etc. Financial understanding is a crucial first step towards financial management. Zardozi will still bear the responsibility of funding the majority of costs for NJ.
Timeframe: In the next 18 months, capacity building of the ECMs in financial management can be achieved and a concerted effort to normalize monthly fee payment may be accomplished. Within the following 2 to 5 years, the identification and launch of alternative sources of funding such as fee for service and fundraising activities can begin.

TRADE FACILITATION CENTRES

Trade Facilitation Centres are currently being operated in the Kabul and Mazar regional offices (KRO and MRO). The formation of the TFCs was a **groundbreaking** response **by Zardozi** to saturated or saturating markets and as such their purpose is to expand market opportunities for women producers. **To achieve this goal, TFCs are involved in sourcing input supplies, product design and development, costing and pricing and sales and marketing. The TFCs are more effective than clients in achieving the objectives of opening up new product opportunities in a specific region or expanding to new market opportunities beyond a region, including national markets.**

1. TRADE FACILITATION CENTRE CURRENT STATUS

Trade facilitation centres were created to support product and market development, and are currently making excellent headway in two regions, with plans to expand activities to the other two regions once effective methodologies have been developed and documented.

KRO Trade Facilitation Centre

In KRO, **Zardozi's** TFC has **actively** focused on the production of 'Baby Sets' (Layette) for sale in Kabul. Baby Sets represent a new product for Zardozi clients in KRO, enabling them to **break into an established market and promoting import substitution.** This market had

previously been dominated by imports from China and Pakistan, and shopkeepers are interested in the new local designs being shown to them by TFC market facilitators.

KRO staff involved in the TFC work include market and design facilitators, the administrative accountant and senior management both in the KRO office and at Headquarters.

Zardozi clients were introduced to the Baby Set market opportunity by Zardozi staff just four months ago (February 2013) and have received a range of support from the in-house designer as well as the market facilitator. Zardozi purchased raw materials for training women, and paid them 320 Afs to stitch and embroider one Baby Set. Twelve clients attended the workshop and 7 were chosen (or self-selected) to continue in this work.

The selected clients were offered a 5000 Afs loan each to purchase raw material – at the rate of about 600+ Afs per Baby Set. They repay the loan at a monthly rate of 500 or 1000 Afs, depending on their means. The design facilitator takes them to the market to buy raw materials, and this is quite complicated because they have to go to different markets for fabric, notions and stuffing. Once a Baby Set is completed and accepted (following a quality check) the producer is paid for her time and materials (giving her a profit of 320 Afs per Baby Set). She is able to make two a day if she works full-time, but usually each woman would make one in a day. The original seven (two more have recently joined) no longer need to take loans as they have enough capital to finance their production.

The market facilitator, designer and regional manager told us that a problem with which Zardozi is concerned regarding Baby Sets is the consistency of quality supplied by the producers. Some of the 7 clients work with their own home producers, and some make the sets themselves. In either case, the designer must check them over, and even then shopkeepers have rejected some based on the quality of the product. One reported issue is that women skimp on stuffing in the mattress and quilt in order to save on expenses. We repeatedly heard from Zardozi that it is a challenge to incentivize clients to care about quality when dealing with Zardozi, because, in the short term, it is difficult for Zardozi staff to refuse products of these women in need.

MRO Trade Facilitation Centre

The MRO TFC is becoming active in the peron tomban market (PT – men’s traditional long shirt and loose fitting trousers known as shilwar kameez elsewhere) by introducing an alternative price point / quality into the market system – that is, a product that is a cut above the cheapest PT currently available but still affordable at around 220 Afs per adult PT. This potential market opportunity was uncovered by Zardozi market research. The intent is that Zardozi clients will not only be able to make appropriate products for this market, but that eventually, the PTs will be picked up by national distribution systems and be sold across Afghanistan, particularly to lower-income rural markets.

In MRO, the TFC identifies the market, selects interested clients, trains them on making the PT, purchases the inputs, buys the finished suits and markets them. This means the involvement of the Zardozi market facilitator, administrative accountant, local advisor and project officer.

The market facilitator and project officer manage the orders internally, support the clients, check the orders and ensure delivery. The local advisor – Saeed Islam – trained the women on making PTs and finds markets. As Saeed Islam used to have a shop selling PTs and understands the industry very well, he was hired as a local advisor. He explained that

identifying markets is quite difficult because trade in PTs is a closed system and one has to gain trust – that is, new players are not always welcomed, and old trading relationships dominate in the market system. However, excellent headway has been made in this system, and sales are growing.

The administrative accountant – Habibullah Afridi – is responsible for the stock of TFC (amount, dealers and producers) and financial tracking. Saeed Islam phones and places an order, and Habib delivers it and prepares the documentation. The TFC takes a lot of time to manage – about 20-25% of his time overall – as Habib has to do double entry bookkeeping that gets entered manually.

Saeed Islam and Zardozi are concerned that the quality of the PTs inconsistent – for one order the quality is good, and then another order is not so good. Women have the capacity but they get sloppy and he cannot anticipate when this will happen. Saeed Islam supported the view that quality control may be an issue because Zardozi staff feel sorry for the clients, and sometimes accept substandard work. Zardozi clients and staff need positive and negative incentives to make sure that the product is saleable for the desired price.

Head Office

Hasina, the design manager, is testing the potential for another KRO TFC product line – women's shirts. She is working with Farima, the design officer from KRO who was moved to the head office to make shirt samples under the supervision of Hasina. Hasina is managing orders and testing markets. Farima is good at designing and cutting, but her tailoring of the shirts has been inconsistent. She does not always pick up the details right away, but once she gets it, her work is good so Hasina is paying extra attention to this process. If there is market demand for the samples that they are producing, then they involve clients (copper tailors) in making them – Farima will train them on the design and tailoring, and she will cut the material for the clients. When they have tested the market demand and have established it will be positive, Head Office will start transferring orders to Zardozi clients, while still involving Farima in cutting. To date they have made 10 different shirts and have sold these to shopkeepers, but it is too early to know yet the results of this testing.

Early in the process, Hasina had previously received a lot of orders from shopkeepers but they have had delays in delivering samples (fabric buying in Pakistan, time to make quality samples) and so the shopkeepers lost interest and thought they would not be deliver products once ordered. This has led to greater caution on the part of Hasina and Zardozi to ensure they build confidence in the markets. Hasina is also concerned about the quality and timely deliver of products from Zardozi clients, and has therefore prepared an order form so that if clients don't deliver on time, then they can be told to keep their work and pay for the fabric. With this approach newly adopted, perhaps half are now on time and half are developing time management skills.

2. TRADE FACILITATION CENTRE OPPORTUNITIES

Plans for Trade Facilitation Centres

Plan for TFC in MRO: The market for PTs is still under development in MRO, and issues around quality control and order management are being handled by Zardozi staff in collaboration with the market consultant, Saeed Islma. Orders are growing, and a process for handling the expansion is under consideration. As this is a complex market development initiative, Zardozi is continuing to develop its strategy (please see recommendations below).

Plan for TFC in KRO: The market facilitator has been given the target of orders for 50 Baby Sets per month. With the current nine producers, this would be 5 or 6 Baby Sets each per month, translating into an income of 1600-1920 Afs per month per woman for part-time work which is often very desirable (or approximately \$35.00). Some concern was expressed that this will require constantly new designs that may not be forthcoming due to the challenge of designs and the capacity of staff, or may require constant training of the producers, using up Zardozi staff time. Zardozi is discussing the selection of sale agents who are stronger in design, and working with shopkeepers who also have design abilities.

Plan for TFC in Head Office: The Head Office TFC functions as a market testing facility before products are moved to regional TFCs for proof of concept. Head Office first explored PTs and Baby Sets before moving these to the regional offices for testing. The plan with regard to women's shirts is that copper tailors will become home producers, and that a copper tailor may develop into a bronze and be the sales agent for women's shirts. This model has been adopted in the regional offices as school uniforms have been explored by the MRO directly.

Analysis of Trade Facilitation Centres

The two KRO and MRO TFCs initiatives have demonstrated that a new market can be opened for Zardozi clients, and that they can be introduced to new products. Although there are mixed results to date from market testing, the largest stumbling block appears to be quality control. In particular, there is a tendency among some producers to not take market demands as seriously when they work through Zardozi. Sometimes staff will buy their products regardless of the quality. Fortunately, Zardozi sale agents with commercial ventures and a strong sense of business growth appear to have fewer issues with quality control (and have developed the mechanisms to deal with it since they have a strong incentive to do so). Although market results are in the preliminary phase for TFC products, to date, early indications suggest that the markets could be expanded with the right marketing people, time to develop and appropriate pricing and products.

The ECMs of Nisfe Jehan (NJ) have low capacity and it is unlikely that the committee would be able to handle the management of a collective business in the near future. Further, it is questionable if this is a suitable role for NJ (see recommendations in the NJ section).

Analysis of KRO TFC – Baby Sets: Up to now, 82 sets have been purchased by Zardozi with 75 sold to the market. The remaining 7 remain in stock at the KRO. The TFC marks up the product from approximately 950 Afs cost to 1500 Afs maximum. This means that Zardozi realizes a profit of around 550 Afs per Baby Set and this amount is entered into a new account. So far the KRO TFC has collected 49,700 profit on the work of the seven active members over the past 4 months (which in fact shows a profit greater than 550 Afs). Recently, two more clients have taken a 5000 Afs loan to produce Baby Sets. One of these, Razia, has worked on a new design and is waiting to see if it will sell in the market. The market facilitator (Hosay) took two samples to the market the day we interviewed Razia, and they were not purchased by the shopkeeper in question. It remains to be seen if this new design will be adopted.

If, in keeping with the current plan, a market can be found for 50 Baby Sets per month, this would result in a solid profit of 22,500 Afs (after paying producers) or more each month. Although this is not sufficient to cover the cost of Zardozi staff and facilities, it has the potential of being spun off to a private sector initiative, headed by a sale agent – perhaps one of the current Baby Set producers who is willing to go to the market to buy raw

materials and sell products, as well as monitor the production quality of the other producers.

The market absorptive capacity for Baby Sets is limited by the fact that Zardozi is committed to work with one shopkeeper per market, and only in the more central markets. However, given the population growth in Kabul and the high birthrate, 50 Baby Sets per month is a reasonable market for a dedicated commercial sales agent who must sell in order to earn a commission.

Analysis of MRO TFC – PTs: Despite the challenges, an impressive 1700 PTs have been sold in 10 months to three different traders (one of whom has dropped out). Of the two that remain, a Jalalabad trader has ordered about 884 (240 child, 640 adult) since January 2013 and a retailer in Badakhshan has ordered 522 adult PTs since July 2012. At this rate, with two traders, about 1800 adult and 500 children's PTs could be expected over a year (or approximately 2000 adult equivalents since children's are half the time and half the profit).

To keep 10 women busy with PTs, the orders would have to be for 6000 PTs per year (doable given early piloting) – estimating 200 work days per year and three PTs per day. The profit margin for a woman client is 50+ Afs per adult PT of which she can make three per day and would therefore earn 150 Afs per day or 2500 Afs per month (averaging 17 days per month). The TFC takes no margin from this. In order to achieve this goal, then two more traders and two more retailers of the current capacity (for example) would need to be located by the trader. The PTs are sold to the traders for 220-225 Afs and retail at up to 300 Afs which is somewhat more than the cheaper version but considerably less than custom tailored PTs.

When Saeed Islam was asked if there is potential for a viable business model, he explained that there could be and he might be willing to take it on himself. An additional margin could be charged for his work, or producers could be paid somewhat less as the increase in their income is triple their earlier earnings. Currently women who work for the commercial markets earn 60 Afs a day, and so 120 Afs or 40 Afs per PT is double their normal income. Therefore, if producers earned 120 Afs rather than the 150 Afs per day noted above, the remaining 30 Afs could be commission for a trader and his related expenses. As noted above, Saeed Islam's concern is whether the producers would become more consistent in their production quality and timeliness.

One option would be for them to work together in a union or a workshop with one woman responsible for order management and quality control. Another option, as described in the recommendations below is to produce and market PTs through a social enterprise structure that is within or outside of Zardozi. This would allow for greater control and inputs from Zardozi. However, more time is needed to determine the best option for further development of PT markets.

Analysis of Head Office – Women's Shirts:

There is significant time and effort being expended to develop this new product line for KRO. The issues of client and staff capacity will be the same for this product as for Baby Sets and PTs – quality control and on-time delivery of goods. As these issues are remedied, the overall size of the market will be assessed as it is not yet quantified. Like PT, there may be an opportunity to expand into national works but this would need further research.

At this time, Head Office sells the shirts to the market for 350 Afs – which represents a lower value product with cheaper fabric and minimal embroidery. Producers receive 40 Afs for one

shirt – maybe three hours sewing. The fabric costs on average 120 Afs and the embroider receives about 80 Afs although there is a range for both. This leaves a margin of about 100 Afs per shirt that could be utilized to develop a sustainable market system.



Recommendations re: Trade Facilitation Centres

1. Zardozi's Trade Facilitation Centres have proven themselves to be effective as a 'proof of concept' mechanism – identifying a market, exploring it and testing it. At the same time, the TFCs have also demonstrated that management of production and marketing is not at the level it should be at, and products would benefit from management by commercial actors. This would result in more professional quality control and marketing with experienced business individuals. There are two main options for this commercialization process: 1) Zardozi sale agents (now renamed Bronze or Gold clients) provide the market linkage and order management in the development of local commercial value chains or 2) Zardozi develop social enterprise that operates on business principles and is led by a commercial actor (such as Saeed Islam). The latter could follow a process not unlike the commercialization of Zardozi Enterprise when it became independent from DACAAR, with profit from the TFCs be set aside for further development of new products and value chains. Another social enterprise option is to maintain the PT TFC within Zardozi. This requires further proof of concept / piloting to determine the best path.

Recommendation: It is recommended that the role of TFCs within Zardozi be a 'laboratory' for market development initiatives that will lead to commercialization if a product line passes the proof of concept stage. In order to pursue this path in a consistent manner, it is further recommended that Zardozi develop a step-by-step strategy for a Zardozi TFC laboratory and the eventual commercialization of successful products (see Figure 4).

Timeframe: If acceptable, the process can be adapted and adopted now, and staff can be oriented to the process – with Baby Sets being the first focus in Phase One.

Figure 4: TFC Commercialization Process

2. Baby Sets have been proven to have market potential and fit option 1) for commercialization – a sale agent and producer model.

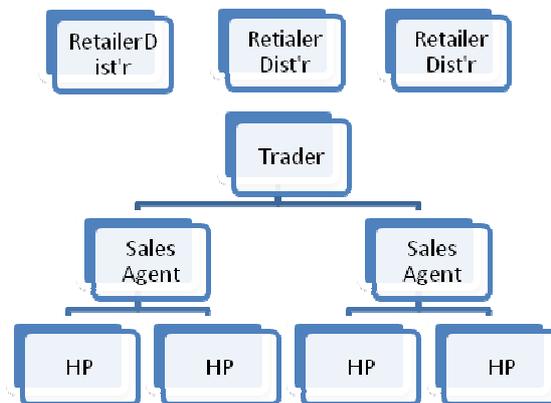
Recommendation: Baby Sets are ready for commercialization, and following a transition plan, Zardozi will be able to support the sale agent / trader to take over production and marketing as diagrammed in Figure 4.

Timeframe: During the next 6 - 9 months.

3. Zardozi has found that Peron Tombans are more complicated (due to market development and quality control issues) and will take longer to commercialize than Baby Sets. Further, PT may be better suited to a social enterprise model where Zardozi can provide support until sustainability is achieved over a longer timeframe.

Recommendation: Continue to develop PT production and marketing, monitoring market growth and potential, including profitability for producers, traders, and others in the chain. If viable, pilot a separate entity within Zardozi that can be spun off into a separate business.

Figure 5: Zardozi Expanded Market Access Model



Timeframe: Development to continue throughout Phase One with commercial piloting in Phase Two.

4. A first step in the commercialization process is to develop transparent criteria for the selection of the private sector actor to take over the commercialization role, with the possibility of a formal bidding process. Criteria could be, for example, knowledge of the product, awareness of the market, experience working with producers, ability to collaborate with Zardozi during transition, ethical business practices, entrepreneurialism and solid management of orders. (This would be true for model 1) with a sales agent or model 2) involving a social enterprise.

Recommendation: Develop criteria for the selection of a commercialization partner.
Timeframe: Next 3 months before commercialization of Baby Sets and PTs begins.

5. Since both PTs and possibly Baby Sets now have proven potential for expanded markets beyond their region of production, including to the national level, it will be necessary to develop a hierarchical value chain of actors to reach markets, taking into consideration margins and costs at each level of the value chain. In the diagram below, for example, the trader could be Saeed Islam working through other traders and retailers.

Recommendation: Develop a model for reaching national and other regional markets through a combination of sales agents and established traders/distributors/retailers.

Timeframe: Dependent on the commercialization of Baby Sets beyond Kabul; for PTs, this would be developed in Phase Two.

6. Zardozi's research suggests that as one set of products is being commercialized, a second set of products can be tested for commercialization in both MRO and KRO. For example, school uniforms are being considered as the next TFC product by MRO. In Kabul, women's shirts are already being tested and could soon enter the KRO proof of concept phase. Additionally, KRO has suggested that children/adult/bride sets would be an obvious next step from Baby Set production.
Recommendation: Market surveys should be conducted for the potential next test / proof of concept product in each location. Once selected, the Zardozi TFC proof of concept strategy can be followed in a step-by-step manner.
Timeframe: The next products for TFC proof of concept and commercialization are currently being studied (school uniforms, women's shirts) and this can be completed in the next 3-6 months.
7. Product diversification into other non-garment household goods – pickles, yoghurt, snacks – has been discussed within Zardozi and there seems to be good market potential for such consumables, particularly in local stores or through snack trolleys/stands (that will continue to operate after 2014). This might require less facilitation from the TFC than embroidery and tailoring, but this should be evaluated during the market assessment process.
Recommendation: A market assessment should be conducted to determine the size and demand of each market and the best way to develop it.
Timeframe: Given the level of effort required for existing and new TFC products, this further market assessment could be conducted in Phase Two.
8. It is not recommended that Nisfe Jehan and the ECM take over TFC product line production and marketing coordination or implementation. Collective production and marketing through associations is a complex issue and one that often results in failure. Further, the capacity for ECMs is currently not high, and yet their development is critical. Rather than burden them with such a demanding task, as noted elsewhere, the ECM capacity building should be focused on association tasks and not on commercial endeavors.

Recommendation: Do not involve ECMs in production and marketing of products, but focus on building their capacities to represent members as noted elsewhere.

9. Exhibitions are an extremely important part of the sales and marketing of women's products. While women receive orders beyond the sales at the exhibition, it has been noted from exhibition reports that very few orders (if any) come from shopkeepers and traders. The location appears to lend itself to consumers and direct orders.

Recommendation: For TFC products but not limited to them, it is recommended that alternative forms of exhibitions and trade fairs are considered – varying the location, the promotion and the setup to appeal to retailers and wholesalers who can offer a multiplier effect in opening up markets. There may also be other trade fairs and exhibitions where Zardozi can have a single booth to represent TFC products or others with mass production potential.

Timeframe: Ongoing market exploration and taking advantage of opportunities as they arise.

ZARDOZI LOAN FUND

1. LOAN FUND CURRENT STATUS

Zardozi has piloted a modest loan fund with a total value of approximately \$10,000 (555,396 Afs) across three regions since 2009: JRO 63,500 Afs, KRO – 350,000 Afs; and MRO 141,896 Afs. Since microfinance has suffered significant failure rates in Afghanistan, the Zardozi approach adopts a value chain methodology and invests in clients who have direct involvement in specific sectors in which Zardozi Programme is operating. This means that clients are utilizing loans for targeted business opportunities that have been vetted and are therefore likely to succeed and benefit the borrower. There is still delinquency in loan repayment, but the rates are acceptable for a new fund in such a challenging environment, and the pilot is a successful starting point.

The loans are appreciated by clients as they would otherwise have to be pay interest of 18-24% per annum from banks. However, since Zardozi charges no service fees either, there are sustainability issues that will need to be addressed over the long term (see below for Zardozi plans in this regard).

The following sub-sections examine the specifics of the loan fund in each of the three regions, provides analysis of the fund, and makes recommendations for going forward.

KRO Loan Fund

There is currently 22,659.78 Afs in the KRO loan account and total outstanding loans of 325,000 Afs bringing the total loan portfolio to about 350,000 Afs. A significant portion of this – 288,888 Afs – is the outstanding loan to two businesswomen, Dordona and Meena. This mother and daughter team were given a loan of approximately 300,000 Afs earlier this year to set up a construction materials shop of which 12,000 Afs has been repaid. In addition to the shop, the loan fund is mainly used for clients to purchase raw materials. In April 2013, 30,000 Afs was loaned to six producers to purchase materials for Baby Sets, and after the first round of production, they have enough money in profits to fund the next cycle themselves. This means that the fund can be recycled to other producers.

MRO Loan Fund

The MRO loan fund was launched in October 2011 with 10,000 Afs and has been expanded to 141,896 Afs. There is currently 81,100 Afs in the bank (on hold) and about 58,156 in loans (with no indication of default). The total number of loans from the beginning has been 21, with one very large loan of 49,943 given to a woman to open a shop. The shop did not work after 6 months and the loan was partially repaid in cash and in kind (fabric that was given to another client), and the remaining approximately 10,000 Afs is apparently in default (which has not been reported to head office). Another woman borrowed 20,000 to buy a refrigerator for her shop, but after one or two months she closed the shop and Zardozi took over the refrigerator.

The program officer, Humaira, lets people know that the purpose of the loan is for business and they must make an application for a loan. Humaira checks to make sure they have paid their membership fees, that they have work and can repay, and then she speaks to the Regional Manager to get approval and begin the contract process. The staff are re-examining the disbursement of the loan fund in Mazar to ensure that loans are not approved unless there is a business plan and a low risk of default. Once this is put in place, loans will once again be processed.

JRO Loan Fund

An initial loan fund of 63,500 Afs was established and an additional 55,000 Afs was transferred from membership fee account. However, there is only 40,000 Afs outstanding and 78,500 Afs in the loan bank account. This was because a client had requested 60,000 Afs for a loan that was not approved. Usually, the size of the loans are from 5000-15,000 Afs, and women borrow to purchase supplies for their garment-making business.

The process of getting a loan is that the clients write an application letter addressed to Zardozi and attach a completed loan form with support from Zardozi staff. On the loan application form the borrower has to write the amount as well as the terms of repayment. After submission of the application, the program director approves the amount of each loan.

2. LOAN FUND OPPORTUNITIES

Plans for Loan Fund

The general consensus is that the loan fund is beneficial to women, and it enables women to grow their businesses and participate in economic activities that would otherwise not be available to them.

Zardozi is considering a Murabaha system where they purchase supplies and mark them up – this can be done by a client bringing an invoice and does not have to involve the actual physical management of input supplies by Zardozi. A Murabaha system is acceptable in Islamic banking standards and would therefore be accessed by more women.

There are no specific plans for expanding the size of the loan fund, although the demand would be there if funds are available and the opportunity promoted.

Analysis of Loan Fund

The loan fund has been an important resource for women associated with Zardozi – both for small input supply loans and larger loans to start shops etc. In fact, many women indicated that they would be interested in taking a loan if they are eligible but seemed unclear on whether or not they would be successful in a loan application.

The loan fund has operated as a pilot, and as such there have been learnings for Zardozi staff around approval processes, monitoring and reporting, and delinquency. With regard to the last point, while many clients are responsible, some women borrow beyond their capacity for repayment, and staff need to have the skills to assess the financial viability of each loan application.

Recommendations re: Loan Fund

1. Regional staff did not always have financial numbers that were compatible with head office in terms of the amount of loan fund they had received upfront and the amount outstanding. The latter was particularly an issue for KRO. In the case of MRO, there is a large loan default that was not reported to head office. Head office is aware of this situation and is planning remedial action.

Recommendation: Head office should visit each regional office and review their loan fund information to make sure it is accurate and matches the information available in head office. If there are any discrepancies these should be reviewed. Capacity building may be needed in some cases.

Timeframe: Immediate action to ensure records are accurate and would stand up to an external audit.

2. The loan fund is currently being managed by Zardozi staff in each region. Zardozi is aware that this is not a long-term sustainable solution, but utilized this approach for the pilot phase. However, since the loan fund is not large enough to be of commercial, NJ and the ECM (or a separate loan fund committee) are being considered as the best place to transfer the loan fund management over time.

Recommendation: Develop the financial capacity of the Executive Committee Members of Nisfe Jehan so that over time they can manage the loan fund account and loan fund application process. A business module and workshop along with mentoring would be ideal strategies for a transition.

Timeframe: See individual capacity building recommendations for the NJ ECM outlined in the NJ section above.

3. There are not yet documented policies and procedures for the loan fund – from loan criteria, size, repayment, delinquency and management. Zardozi has identified a consultant to support with this process this year.

Recommendation: Prepare a policy and procedures manual for all aspects of the loan, ensuring strong management and preparing it for growth.

Timeline: Prior to loan fund expansion in the next 6-12 months.

4. As Zardozi recognizes, situations like the transfer of JRO members' fees to the loan fund, without an actual approved borrower, would not have occurred with a policy and procedure manual in place. Further, this use of membership fees does not appear appropriate (see section above on NJ).

Recommendation: Transfer back the JRO member fees to the membership account.

Timeline: Immediately

5. Clients have found the loan fund important for expanding their businesses – and in fact would borrow more if the funds were available. However, the loan fund has a level of delinquency that Zardozi is working to understand, record and report against.

Recommendation: Once delinquency is understood and mitigated for, loan fund should be expanded – perhaps doubled – over the next year – and then monitored for continued expansion.

Timeframe: Once solidified, the loan fund can be expanded over the next 12 months and monitored for six months to the end of Phase One.

6. Some women have not applied for a loan because they do not know if they would qualify. Greater attention can be paid to raising women’s awareness of the loan fund and helping them to understand the criteria for a successful application. This understanding should extend to staff, business trainers and ECMs who are providers of the information.

Recommendation: Ensure the loan fund is understood and promoted accordingly. Consider a poster for each Manbeh that outlines loan criteria for all to see.

Timeframe: As the loan fund is being tidied up and prior to expansion in the next 6-12 months, awareness raising can begin.

7. In addition to a loan fund, expanding access to financial services for women could involve a savings group approach or linkages to other financial institutions. New savings group methodologies have been very successful in working with illiterate women in other countries, enabling them to save for large expenses, providing additional loan funds to the group, and incentivizing women to meet.

Recommendation: Review the growing literature on savings groups and select an approach; consider linkages to other financial institutions.

Timeframe: Consider as an activity for Phase Two.

CONCLUSIONS

Zardozi – Markets for Afghan Artisans has been highly successful in reaching marginalized women and assisting them to gain access to markets and increase incomes. In order to facilitate this process in such a challenging environment, Zardozi has developed innovative structures and services (Nisfe Jehan, Trade Facilitation Centres, Manbehs, Loan Fund) that have the potential of becoming sustainable entities in a mature market system. Further, management and staff have worked tirelessly to conduct research, pilot new ideas, and adjust programming to overcome obstacles and achieve higher impact with a broader and more diverse group of women. The above sections discuss and make recommendations regarding the roles of the various entities, including Zardozi, and how these will evolve as confidence, capacity and capital is built into the system.

The development of a sustainable market system managed by women who are stakeholders will inevitably take time – as demonstrated by similar programs around the world in less challenging environments. The role that Zardozi has adopted as facilitator is not a short-term prospect and a second phase of up to five years would be a reasonable amount of time to solidify gains in the garment sector and to expand the model to other sectors.

To support this, we have discussed models for commercialization, market system development, division of tasks and financial projections – models that have emerged from Zardozi programming and learning. These models can be formalized in the second half of Phase One to assist in delineating roles and tasks of staff members, and to provide a clear path for program outcomes and in particular sustainable pathways out of poverty for Zardozi clients.

ANNEXURES

The following two annexes are attached as separate files.

ANNEX ONE: Research paper on other models

ANNEX TWO: Detailed financial projections