

# From Small Entrepreneur to Major Supplier

Sewing machines as far as the eye can see, busy hands skilfully cutting fabrics, working with needle and thread and transforming rolls of fabric into school uniforms, suits and white coats for hospital staff.

Ali Dad's business is booming: 'Today, I have seven production facilities in seven provinces. That allows me to provide jobs and income for 415 men and women.' The dynamic entrepreneur is rightly proud of his success, given that he himself could not have dreamed of things turning out this way ten years ago.

In 1996, young Ali Dad fled to Iran with his family. There, he was apprenticed to a tailor and discovered his talent for the craft. He specialised in suit-making, which allowed him to earn a living for his family. After the collapse of the Taliban regime, however, the family man increasingly felt the pull of his homeland. In 2006, he and his wife decided to take a chance and relocate to Kabul. Dad had saved up USD 5,000, which he used as his start-up capital to open up a small tailor's shop together with his two brothers. 'To our delight, the shop did great business from the beginning and we started making a profit immediately,' Dad says. Thoughts of expansion began to take shape, but the young man needed additional money.

The opportunity came thanks to a loan programme for entrepreneurs offered by the First MicroFinance Bank (FMFB). In order to give small and medium-sized enterprises (SMEs) better access to credit, the German government supports the Afghan Credit Guarantee Foundation (ACGF). The foundation provides credit guarantees in high-risk contexts in Afghanistan and advises Afghan partner institutions such as banks and microfinance providers. With an initial loan of USD 20,000 guaranteed by ACGF, the tailor's business took off. His first move was to enlarge his production premises, introduce inventory-monitoring software and hire new staff. Encouraged by his success in Kabul, he took out another two loans and opened additional branches in six provinces. The order books are full at all seven locations. Dad is extremely satisfied with this development: 'I was able to close deals with local companies, hospitals and schools to make staff clothing and school uniforms.'

Years of armed conflict took their toll on the Afghan textile and garment industry, ultimately destroying it. With their businesses, individuals like Dad are making a small contribution to closing the resulting gap. The entrepreneur has by no means reached the end of the line and is already working on new plans: 'I want to open up a second production site in Kabul



*The financial latitude enabled my expansion.*

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- ACGF - Afghan Credit Guarantee Foundation (<http://www.acgf.de/>)

and, in the future, also export to neighbouring countries.’ He no doubt has the loans to thank for this success. But he knows that it is not the money alone that did it. ‘The financial latitude enabled my expansion. But it is only because I have learned to overcome the daily challenges that my business is still flourishing today,’ he stresses.

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**Programme:** Afghan Credit Guarantee Foundation

**Commissioned by:** German Federal Ministry for Economic Cooperation and Development (BMZ)

**Implementing Organisation:** KfW Development Bank

**Partner:** World Bank

**Programme Objective:** The [Afghan Credit Guarantee Foundation \(ACGF\)](#) is a charitable foundation based in Cologne, Germany. ACGF's mission is to improve access to finance for Small and Medium Enterprises (SMEs) in Afghanistan by providing credit guarantees and technical assistance to Afghan partner institutions – banks, micro-finance and micro-deposit institutions. So far, over 5,000 loans reaching a total volume of EUR 200 million have been issued. Since ACGF's establishment in 2014 until the end of 2017, the foundation has supported the creation of more than 9,500 new jobs and the preservation of over 52,000 existing positions. ACGF's predecessor, the Credit Guarantee Facility for Afghanistan (CGF-A), was founded in 2005 by the German Federal Ministry for Economic Cooperation and Development (BMZ) and the United States Agency for International Development (USAID). Since March 2017, ACGF also supports the Access to Finance project in Afghanistan funded by the World Bank as an implementing partner.

