

Microfinance Investment Support Facility for Afghanistan



Clients of the new Sharia-compliant loan product, *murabaha*, implemented by Mutahid in Herat and Kabul provinces.

Demand for new Islamic loan product soars

Hundreds of Afghan micro entrepreneurs are opting for the new Sharia-compliant loan product in Afghanistan, *murabaha*, according to Mutahid Development Finance Institution (DFI).

Since its sluggish uptake when it was first piloted by Mutahid last year, *murabaha* has taken off quite dramatically—from an initial 85 borrowers in 2013, to more than 800 today, in only a year.

The introduction of this Islamic service, as an alternative to the traditional loan product, is intended to reach out to Afghans, who need financial assistance to build up their livelihoods, but are not comfortable taking interest-bearing loans on religious grounds.

Murabaha is the most popular and common mode of Islamic financing. It is also known as “mark-up” or “cost-plus financing”. This Islamic product is

approved by the Ulema Council (religious scholars) of Afghanistan. Mutahid piloted the product in Herat province in January 2013 and last March, it launched *murabaha* in Kabul.

“Such dramatic growth in disbursements for this Islamic product is a good indication to the government and donors that there is room for innovation in product development, especially if the process is consultative, and based on country-context and customer demand,” said Yousef A. Hayat, CEO of Mutahid DFI.

Mutahid was established in 2011. Its creation facilitated the smooth consolidation of the best clients, staff, and resources of microfinance institutions exiting the sector. As such, it is well placed to incorporate best practices and lessons learned into product development and innovations.



Hundreds of Badakhshan women beat ultra-poverty

MISFA’s Targeting the Ultra-Poor (TUP) project facilitated the graduation of hundreds of ultra-poor households out of extreme poverty and linked them to sustainable livelihoods in Badakhshan, an upland, rural province in the northeast of Afghanistan.

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More than 80 percent of the 800 TUP beneficiaries identified to be in the bottom of the poverty scale, successfully graduated and have been linked to sustainable livelihoods.

While the remaining 20 percent of program participants overcame extreme poverty, they have yet to reach graduate status, which requires achieving food security and sustainable livelihoods.

Based on local stakeholders' demand, of, who have been publicly praising the social transformation effected by the project, MISFA, with IFAD funding and support from local partners, will extend TUP to two more districts in Badakhshan, to assist 560 more households.

TUP is a grant based, comprehensive approach tailor made to facilitate the escape of ultra-poor households from poverty by providing them a package of inputs, including livestock, animal husbandry training, subsistence support, and basic health and hygiene care and access to finance.

TUP intervention in Badakhshan is geared specifically towards lifting 800 female-headed households with children in abject poverty. MISFA implemented the project in Badakhshan in June 2012 with funding from

the International Fund for Agriculture Development (IFAD) and in partnership with Ministry of Agriculture, Irrigation and Livestock (MAIL). TUP participants graduated upon project completion in July 2014. The project was first piloted in Bamyan province in 2010 targeting 400 households.

To ensure that none of the participants relapse to their pre-intervention situation, MISFA developed an exit strategy. For the first six months following project completion, MISFA will conduct post-project follow-ups to ensure participants are moving on the right track.

In addition, MISFA ensures that the TUP caseload is handed over to Community Development Councils (CDCs) and the Directorate of Agriculture, Irrigation and Livestock (DAIL) for longer-term follow-ups and consultations.

With the success of the TUP model in two of the poorest provinces of Afghanistan—Bamyan and Badakhshan—MISFA will be scaling up the project to six other provinces over a period of five years under the Access to Finance Project, funded by the World Bank. TUP will be expanded to Balkh, Takhar, Kandahar, Laghman, Kunar and Herat provinces. ♦



Bibi Asli, TUP graduate from Badakhshan, with her sons

This is MISFA's bi-monthly newsletter. MISFA is a Limited Liability Company (LLC) established in 2003 as a vehicle through which the Afghan government and international donors could channel technical assistance and funding to build and strengthen Afghanistan's microfinance sector.

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www.misfa.org.af | info@misfa.org