

Microfinance Investment Support Facility for Afghanistan



August 2021



MISFA completes implementation of World Bank-funded multi-year project

MISFA successfully completed the implementation of several initiatives funded through Access to Finance, a project funded by the World Bank from 2014-2021.

The main objective of the project was to increase financial inclusion by supporting financial institutions that serve low-income Afghans, including microfinance institutions (MFIs); as well as programs that help ultra-poor households escape abject poverty, effectively banking the unbanked.

The Access to Finance (A2F) project involved four components: I) Capacity Building (CB); II) Support to Policy and Regulation; III) Targeting the Ultra-Poor (TUP); and IV) Strengthening of MISFA. Each component has distinct objectives, beneficiaries and delivery mechanisms.

Some of the achievements under the CB component include:

- Development and launch of tailor-made financial products targeting youth, women and the agriculture sector;
- Integration of MFIs into the Afghanistan Payment

System (APS), the national switch of the country, which allows interoperability among financial systems and makes digital financial services possible;

- Establishment of SME departments in two commercial banks, Ghazanfar and Azizi;
- Update of MFIs' policies, procedures, and operational manuals;
- Procurement and installation of soft/hardware by MFIs that strengthen control systems, mitigate risk, and increase operational efficiency and staff productivity;
- Opening of new MFI branches, including women-only service outlets to increase access to finance;
- Support to more than 53,000 microfinance and SME clients, who received three months interest waiver for the lockdown period in 2020 due to spread of the Covid-19 pandemic. Out of the 53,954 clients receiving the interest waiver, around 10,000 (18% percent of the beneficiaries) received another loan and more than 30,000 of them became regular clients while they were in default during the lockdown period: April-June 2020; and

- On-site and off-site trainings for the staff of CBF recipient institutions.

A2F's support to policy and regulation included substantive support to the Central Bank towards the development of its financial inclusion strategy over the years, under the auspices of A2F. In addition, this A2F component supported the advocacy and coordination efforts of the Afghanistan Microfinance Association (AMA). AMA organized several microfinance awareness workshops, radio campaigns at national level and consultations with relevant local government stakeholders to enhance their cooperation with MFIs and address operational challenges in the field.

The TUP component emerged as a flagship program of MISFA. Around 13,000 ultra-poor households (estimated 88,886 individuals) escaped abject poverty and obtained livelihoods. Under this project, beneficiaries receive a holistic and comprehensive package of assistance over a period of two years.

The package includes productive assets, health, financial literacy and skills/livelihoods trainings, subsistence support, social and health awareness and linkages with financial institutions, market and public service delivery facilities such as hospitals, clinics, and schools.

An [Impact Evaluation](#) of the TUP Project in Balkh province, conducted by the World Bank's Evaluation team (DIME), validates the strong results of the project especially on women empowerment; indicators suggest TUP Afghanistan's impact on empowering women has higher returns than similar programs implemented in other countries.

The last component, strengthening of MISFA, supported many institutional strengthening initiatives as well as MISFA's own operational cost-efficiency and effectiveness. A2F helped the establishment of a Knowledge Management unit and KM strategy. Among the many examples of this are: the development and launch of the Progress out of Poverty Index (PPI); and the longitudinal impact evaluations of both TUP and microfinance programs.



This is MISFA's quarterly 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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