State of Microfinance in Afghanistan

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State of Microfinance in SAARC Countries

By

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Disclaimer

Any opinions expressed and policy suggestions proposed in the document are the author's own and do not necessarily reflect the views of Institute of Microfinance (InM). The report also does not represent the official stand of the Government of the countries studied.

List of Abbreviations

AFSG	Ariana Financial Services Group
AKF	Aga Khan Foundation
AKRMP	Aga Khan Rural Microcredit Program
ARTF	Afghanistan Reconstruction Trust Fund
BRAC	Bangladesh Rural Advancement Committee
CFA	Children's Fund, Afghanistan (program of Christian Children's fund)
CGAP	Consultative Group to Assist the Poor
DaB	Da Afghanistan Bank
DFID	Department for international Development (UK)
FMFBA	First Micro-Finance Bank Afghanistan
FINCA	Foundation for International Community Assistance
GDP	Gross Domestic Produce
I-ANDS	Interim Afghanistan Development Strategy
MADERA	Mission d'Aide au Development des Economies Rurales
MFI	Micro Finance Institution
MISFA	The Microfinance Investment Support Facility for Afghanistan
NVRA	National Vulnerability and Risk Assessment
OSS	Operational Self-Sufficiency
PAR	Portfolio at Risk
SAARC	South Asian Association for Regional Cooperation
SHG	Self-Help Groups
UNODC	United Nations Office on Drugs and Crime
WOCCU	World Council of Credit Unions
WWI	Women for Women International

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Chapter 1: Introduction and Objectives

Overview

The Institute of Microfinance (InM) has undertaken the task of publishing reports on the state of microfinance in different regions. Each year, InM will prepare a document on the state of micro finance in different regions. In 2009, the Institute will publish a report on the State of Microfinance in the SAARC countries. This series will include seven country reports on each of the SAARC countries. This report on the state of the Microfinance Sector in Afghanistan is part of this first series of reports. This report will attempt to provide an overview of the state of micro finance in Afghanistan from both the demand and supply side up to the end of December 2008. The report is based on secondary information and much of the information reproduced here has been provided by the MicroFinance Investment Support Facility for Afghanistan (MISFA), the MIX Market, independent researchers, reports produced by the MFIs themselves and the donor agencies supporting the sector in Afghanistan. The report includes an analysis of the impact on the sector based on published information and review of case studies. Interviews were held with some of the representatives of selected MFIs and MISFA for a more in-depth discussion of some of the key issues.[1]

Country Background

Afghanistan is one of the poorest landlocked countries in the world affected by a conflict that has lasted for more than 20 years. Estimates of current population vary between 24 million[2] and 30 million.[3] Afghanistan is a rural economy with about 77% of the population living in rural areas. Agriculture has been traditionally the major activity for a large proportion of the population but the sector has suffered from 25 years of conflict, destruction of its infrastructure, low investments and natural disasters. Afghanistan has among the lowest kilometres of road per square km and only 16% of the roads are paved. About half of the rural population lives in areas inaccessible for part of the year. There is a lack of adequate levels of health and education services. The authority of the Government and its capacity for governance are very limited outside the capital Kabul. Although the Central Government appoints Local Governors, its influence and law enforcement is very restricted. Many areas of the country are still under the control of Taliban militant groups and warlords, thus out of reach of assistance. Lack of security in the country has severely limited economic growth and development.

However, since the overthrow of the Taliban, there has been an improvement in economic prospects partly as a result of the influx of development assistance. According to the IMF the Afghan economy has grown at a rate of 11.4% per year in real terms since 2002. The IMF projected that the real growth was likely to increase to 13% in 2007-2008. This strong growth can be attributed to the reconstruction efforts fuelled by development assistance

[1] MISFA, BRAC, MOFAD, WWI, Ariana, FINCA, etc.
[2] Afghan Central Statistical Office, 2006.
[3] World Bank, WDI 2006.

and the recovery of the agriculture sector. From 2001/02 to 2005/06, per capita income increased 2.5 fold from US$123 to US$300. Agricultural production is the main source of rural livelihoods and despite a severe drought from 1998 to 2004, agriculture has been the main driver of economic growth. The contribution of the sector to GDP has steadily increased from 36 percent in 2005 to 53 percent in 2007.

Livestock activities are an integral part of most farming systems in Afghanistan. Previously, the livestock sub-sector accounted for 40% of total export earnings. About 50 percent of the livestock herd was lost between 1997 and 2004.[4] Nowadays it is estimated that livestock numbers have decreased to about half the level of a decade ago due to the prolonged drought, declining feed, overgrazing of rangelands and poor animal health. The smallest and poorest farmers, who formerly kept at least one cow to provide for their subsistence, do not own any animals. Disease problems are being only partially contained. Rangeland is overgrazed; nomadic and semi sedentary shepherds are experiencing high livestock mortality rates. Many herding communities like the Kuchi are in danger of losing their transhumance lifestyle because the prolonged drought has led to a virtual depletion of their livestock. Improvements in the small ruminant sector, even in normal times are hampered by traditional user rights and grazing practices. The small poultry flocks - almost exclusively owned and managed by women - have diminished in many households. Fears about bird flu have contributed to a further reduction of poultry.

Unaccounted by official statistics, Afghanistan is presently one of the largest opium producers of the world. UNODC estimated that 47% of Afghanistan's GDP came from growing poppy and illicit drugs in the period 2004/2005. The I-ANDS states that opium is central to household and national income and 40%-50% of the GDP derives from it. UNODC[5] reports that the total area under opium poppy cultivation in 2006 increased by 56% compared to 2005 and is expected to increase further.[6] About 200,000 households are involved in poppy cultivation whereas an additional 15,000 people participate in drug processing and trafficking. Many more tend to benefit from indirect effects such as employment in construction and trade financed by drug profits. Opium cultivation has become a major strategy for coping with the growing burden of rural debt and landlessness, as well as with food shortages. Given the lack of water and water management, opium is also economically attractive because it is more drought resistant than other crops.

Poverty measurement in Afghanistan is severely constrained by lack of data. It is difficult to reliably estimate income or asset poverty. Periodic estimates of food security have been used as a proxy for poverty headcount ratio since food insecure households tend to be poor. The National Vulnerability and Risk Assessment (NVRA) 2003 estimates that 3.5 million people are extremely poor and 10.5 million are moderately poor. The I-ANDS indicates that over 21% of the rural population lives in extreme poverty and faces food insecurity. A total of 38% rural households (about 6 million of Afghans) face chronic or transient shortage of food. Poverty in Afghanistan appears to be a multi-faceted phenomenon, involving low assets (physical, financial and human), a long period of conflict insecurity and drought, poor infrastructure and public services. The Human Development Index (HDI)

[4] Islamic Republic of Afghanistan, National Development Strategy (2008-2013), 2008
[5] UNODC (2007), Afghanistan – Opium Winter Rapid Assessment Survey, February 2007
[6] UNODC (2006), Afghanistan Annual Opium Survey Report and UNODC (2007), Winter Rapid Assessment Survey, February 2007

value (0.346) ranks Afghanistan 173 out of 178 countries worldwide[7]. Over 80% of the population is illiterate. Life expectancy at birth is under 45 years. However, despite extensive damage to the production system caused by the war and fluctuations in the annual rainfall, Afghans have been resourceful at maintaining a minimum level of calorie intake by relying on social networks, migration, and cultivation of drought-resistant cash crops (opium poppy) as a livelihood option.

[7] Afghanistan is ranked close to the bottom of the HDI index, followed by five African countries: Burkina Faso, Burundi, Mali, Niger and Sierra Leone.

Chapter 2: History of Microfinance

Overview

The history of banking in Afghanistan bears the marks of decades of war which had led to the collapse of the formal banking system in Afghanistan. Microfinance services in Afghanistan are currently provided by three sources (i) formal institutions, such as banks (ii) semiformal institutions, such as non-governmental organizations (NGOs) and (iii) informal sources such as moneylenders and shopkeepers. The six state owned banks which had been operating in Afghanistan prior to the war had stopped their operations though they still exist legally and have some assets. Before the end of the war, the banking sector in Afghanistan was merely operational and formal economic activity in the country was minimal. Without functioning commercial banks, the country depended on the traditional Hawala system for money transfer which was the only effective payment system in place, and the informal credit market which met the demand for liquidity. With the fall of the Taliban regime in late 2001, and the creation of a democratically elected Government, key changes were made to reinvigorate the banking sector. The Government introduced new financial sector legislation in 2002 for strengthening Da Afghanistan Bank (DAB) for monetary control and banking supervision and in establishing a commercial banking sector.

At Present there are 15 licensed banks in the country including three state owned banks, seven private sector banks and five foreign banks.[8] While Da Afghanistan Bank still offers some commercial banking functions, these activities are being phased out as the commercial banking sector adds capacity. The Banking sector has gradually been offering the full spectrum of services. The Banking sector has also created an apex body called the Afghanistan Banking Association in 2004 to represent member banks for the protection of its interest and lobbying for it in dialogues with the DAB. In addition, there is one leasing company and two insurance companies which have recently started operations in Afghanistan. However the provision of financial services by the formal sector is limited to urban areas and the informal sector, most notably the Hawala dealers still meet most of the transfer and remittance service needs in the country.

The Informal Economy

The World Bank estimates that between 80% and 90% of the economic activity in Afghanistan occurs in the informal sector, and almost all credit and other financial transactions are still carried out in the informal sector.[9] Four kinds of agricultural credit arrangements for small and poor farmers are prevalent in Afghanistan. Anawat involves short selling of commodities for cash loans, a system that is sometimes used by shopkeepers. Commodity credit is the delayed payment for commodities purchased from shopkeepers and traders. The third and most common form of credit is from family and kinship group sources. The fourth system is called salaam and is the credit system most widely used by opium traders. It involves the advance sale of produce at negotiated prices, often before planting season but also later on in the crop cycle.

[8] Hussein, Maliha H. Review of the MicroFinance Sector in Afghanistan for the Appraisal of the Rural Microfinance and Livelihoods Support Programme. International Fund for Agriculture Development. November 2008.
[9] Rasmussen, Steve. The Current Situation of Rural Finance in Afghanistan. The World Bank. 2005.

The largest informal sector financial service provision system in Afghanistan is the hawala system, and while it is not a major provider of agriculture credit to small farmers, the hawala system provides money services that play an important role in the economic life of the country and in the opium economy, more so in the absence of a developed formal sector. Da Afghanistan Bank has introduced legislation to supervise the hawala system and other providers of money services, though supervision will need to take a pragmatic approach, accounting for the importance of the informal sector and the significant amount of time it will take for the formal sector to make access available to most people.

The Growth of the Formal Micro-Finance Sector

At the end of 2001, Afghanistan's formal financial system was virtually non-operational, with insolvent public financial institutions, and no private banks. Hence, dependency on informal sources of finance (such as family and friends, moneylenders and shopkeepers, traders, and landlords) increased. Microfinance programs had limited outreach (approximately 10,000 clients at the end of 2001) and weak institutional structures. Savings services were limited to a few informal schemes and in-kind saving such as opium in poppy-growing areas. In 2002, there were estimated to be about 500 NGOs working in Afghanistan of which 20 to 25 were providing some kind of credit services, though half of those had tiny programs that were not designed to be sustainable.[10] These achieved limited outreach and low sustainability due to a handout approach, hyperinflation and interest rate caps imposed for religious reasons.

The World Bank and prominent members of the new Afghan government joined forces to establish a single mechanism for channeling what was hoped would be major investments in a new, rapid-growth microfinance industry. The Microfinance Investment Support Facility for Afghanistan (MISFA) was established as an apex institution in 2003 and was funded via the World Bank's Afghanistan Reconstruction Trust Fund (ARTF). CGAP was brought on board to provide microfinance technical expertise. This mechanism has helped to coordinate donor financing, encourage international and local NGOs to enter the microfinance sector and to help meet the growing demand in the sector. MISFA was recently transformed from an entity within a government program to an Afghan company with limited liability. Now, it is a non share holding company owned by the Ministry of Finance (MoF) and governed by an independent Board of Directors. This provides MISFA with more autonomy to attract new donors and to retain the involvement of those that continue to provide funding directly to government in order to continue to stimulate the expansion of the microfinance sector in the country.

The objectives for which MISFA was created included the following; (i) co-ordinate donor funding so that the conflicting donor priorities endemic in post-conflict situations do not end up duplicating donor efforts and distorting markets; (ii) help young microfinance institutions scale up rapidly by offering performance-based funding for operations and technical assistance; and (iii) build systems for transparent reporting and instill a culture of accountability. In short, MISFA was expected to fast track MF development by making the best use of

[10] Rasmussen, Steve. The Current Situation of Rural Finance in Afghanistan. The World Bank 2003.

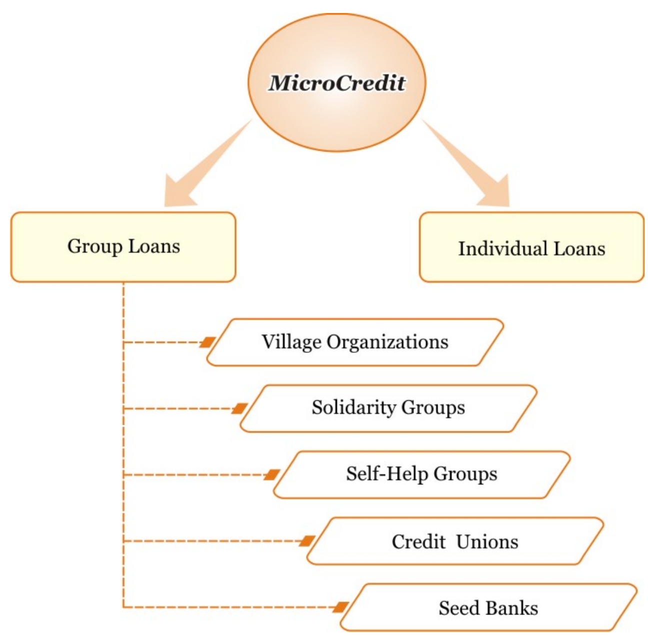
limited public funds over a limited period of time to invest in institutions that would become sustainable, grow further without requiring more subsidies, and help make a transition from international organizations with microfinance expertise to Afghan organizations with local staff.

While most donor agencies providing financing to the sector channel their funds through MISFA, there are some like the USAID and a few other donors who are providing direct funding to some MFIs. However, the volume of direct financing to MFIs is small and most of the donor agencies prefer to go through the Apex. MISFA is currently the main source of financing for the micro-finance sector. The number of MFIs supported by MISFA has grown from only 3 in 2003 to 15 at the end of December 2008. MISFA's partners include 13 NGOs, one credit union and a micro-finance bank. While most microfinance institutions were originally set up by experienced international NGOs, they are in the process of becoming companies under Afghan law.

The Models of Micro-Finance in Afghanistan

The models of micro-finance being used in Afghanistan have all been imported from experiences gleaned elsewhere. There are few models which have developed indigenously in the country. The predominant models combine the group lending approach with individual lending. Some also use the solidarity group lending model. While one or two organizations have experimented with Self Help Group models these have not really taken off in Afghanistan. The membership approach is being used in the establishment of member owned credit unions. However, this membership model is being used in a limited manner and it is too early to say if this model will work in Afghanistan and be taken to any significant scale. Most MFIs are attempting to use the group methodology and within that the solidarity group such as BRAC or village organizations such as the Afghanistan Rural Micro-Credit Programme (ARMP). An innovative seed bank idea was also tried by the International Center for Agricultural Research in the Dry Areas (ICARDA) in Afghanistan. Figure 1 below outlines the different delivery methods being used in Afghanistan and this illustrates that the full spectrum of arrangements is being tried in the country.

Figure 1: Types of Delivery Methodologies



Individual lending is defined as the provision of credit to individuals who are not members of a group that is jointly responsible for loan repayment.[11] This methodology is used by at least 8 MFIs in Afghanistan, as well as by all banks. It requires frequent and close contact with individual clients in order to provide products tailored to the specific needs and cash-flow of the business; therefore the loan officer to client ratio is much lower than it is for group lending. In Afghanistan, individual loan sizes range from $120 - $6000, depending on the need of the client and the experience of the MFI in lending to that type of client. An analysis of cash flow and simple debt to income ratios are often used to determine the clients' ability to repay. Normally a client begins taking out smaller loans and as the clients build their credit history, asset base, and relationship with the lending institution they increase their access to larger loans.

The issue of collateral affects this type of loan most. The poor legal infrastructure and problems of land titling have restricted the ability of lending institutions to provide loans in large amounts. A trust relationship and strong repayment record are the primary "guarantees" for individual lending until mechanisms for contract enforcement and improved land title records are available in Afghanistan. The need for frequent and close contact with clients is one of the major challenges for financial institutions trying to reach rural clients; both weak infrastructure and increased administration costs add to the cost of individual lending programs for farmers, wholesalers, rural traders, and others in rural areas. This is the type of credit, which is considered the most desirable by borrowers, and is most requested. The security of the area and the availability of transport directly impacts access issues.

One of the earliest approaches used in Afghanistan for the delivery of credit, although a few still practice this approach is that of combining it with an integrated development programs and use a combination of technical assistance, agriculture inputs, credit mechanisms, and community development activities to assist a specific population, usually to respond to a specific social need such as food security, agricultural development, or women's empowerment. The credit products generally develop out of a perceived need – not for credit specifically – but as one piece of a development program. This makes them weak in some aspects but useful as examples of interventions that may be able to be adapted and used as a response to the needs identified in Alternative Livelihoods analyses. Approximately nine organizations in Afghanistan are currently doing credit or grant finance activities that are designed as a complement to a non-financial activity.

These financing activities may or may not follow best practices in lending, and sometimes blur the lines between grant and loan products. Often these programs were created because no MFI existed in the area of operations, or existing MFIs were unable or unwilling to meet the financing needs of the population targeted by the program. The financing structures that are established as a result are generally not sustainable. This model has the advantage of ensuring that technical assistance and marketing needs of the borrower are met -- making it more likely that borrowers will be able to enter new markets and create successful businesses. However, it is the least sustainable, as these activities have a high-cost that cannot normally be covered by the fees and interest collected by an MFI. In many cases, no fee is being charged for any services (credit provision, technical assistance, marketing) meaning that the activity will only function as long as donors or the government supports it.

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[11][11] "Sustainable Banking with the Poor: Microfinance Handbook -- An Institutional and Financial Perspective", Joanna Ledgerwood, World Bank, 1999.

Group lending methodology is being used by financial institutions in Afghanistan fairly frequently. Group lending approaches involve the formation of a group with a fairly homogeneous need for credit in terms of loan size and term, although the loan uses within a group are normally varied to decrease the risk of default for the group overall. In Afghanistan, group sizes vary from 4-20 members, who act as a guarantor for the loans of all members of the group. In case any member of the group cannot make a repayment, the other members of the group must repay on that person's behalf. Loans under this methodology tend to start small and have short repayment periods. The range in Afghanistan runs from $85-$600, increasing with each loan cycle. Groups with a good repayment history can continue taking loans of increasing size and duration; and several programs in Afghanistan allow borrowers to graduate from group lending to individual lending after a certain number of cycles.

One of the greatest advantages of this loan product is that peer pressure acts as the loan collateral. When one member is unable to repay, further lending to all members is normally stopped. Therefore, moral hazard is decreased by group members that are risk-averse and those who want to protect their individual borrowing capacity. Group lending also can help decrease administrative costs, as several loans are "managed" by the group leader. The greatest advantage of using this type of loan to respond to the credit needs of poppy cultivators is that MFIs using this methodology have, in a very short period, been able to set up operations in a large number of districts and provinces. However, the small size of the loan, especially in the initial stages, limits the investment and income creation opportunities.

There are four organizations implementing programs that utilize the Village Banking methodology. Village Banks are community-managed savings and loan associations established to provide access to financial services in rural areas. Membership usually ranges from 15-20 members and the bank is financed by mobilization of members' savings in addition to seed capital, which all members agree to be liable for.[12] A Village Bank has a management committee that determines the loan procedures, amounts, and terms. Member's savings are usually tied to loan amounts and savings are used to finance new loans or collective income-generating activities. The key distinction of this lending product is that a community group determines who receives loans, under what conditions the loans are provided, and for what purpose the loans can be used. This model has been limited by the amount that can be mobilized in a community, and may not be useful in areas that have a limited ability to save due to high debts or low asset base. Concerns about levying interest as un-Islamic have further limited the expansion of this model in Afghanistan.

WOCCU[13] is the apex organization of the international credit union system which is assisting with the setup of credit unions here in Afghanistan. Unlike banks and micro finance institutions, credit unions are formed and owned by their members. Only owner-members have access to the savings and loan services provided by each credit union. Awards for Savings are 8% per annum. The loans have a service charge of 2% per month. WOCCU has received USD 19.4 mn and USD 8.3 mn funding from USAID and MISFA respectively to expand its presence

[12] [“Microfinance Handbook: An Institutional and Financial Perspective”, Joanna Ledgerwood, World Bank, 1999.

[13] WOCCU is the world's largest development agency for Credit Unions. It has credit union members in 92 countries with 42,705 credit unions affiliated to it. Together, they hold savings of USD 764bn and have a loan portfolio of USD 612bn. The total credit union membership is of 157 million and together they hold assets USD 894 bn and reserves worth USD 91bn.

in Afghanistan. The USAID funding will be used to set up 20 credit unions and points of service, designated as Investment and Finance Cooperatives (IFCs) in Northern, Southern and Eastern Afghanistan. This funding is part of USAID's USD 80 mn support to the Academy for Educational Development's (AED) Agricultural, Rural Investment and Enterprise Strengthening Program (ARIES). This ARIES program aims to convert back into productive cultivation those farmers who have lapsed into opium cultivation in this conflict-ravaged region. WOCCU, which is associated with AED, will receive USD 15.4 mn as a grant and the remaining USD 4 mn will be in the form of a convertible subordinated debt to equity investment in the project IFCs. The Investment and Finance Cooperatives being set up in Afghanistan are expected to run as per Islamic Banking Principles.

The Aga Khan Foundation (AKF) and the Natural Resources Institution (NRI) supported by the Research in Alternative Livelihoods Fund (RALF) programme have on a pilot basis established Self Help Groups (SHG) as an alternative approach to microfinance provision for the poor in Badakhshan province. The project is based on the voluntary formation of community level SHGs in villages. The experience of this program shows that the loans provided through the Self Helping Groups can, at least in part, replace informal and formal credit sources that have high service charges. Affordable credit through the SHGs can lead to viable opportunities to start or expand income-generation activities that reduce dependency on poppy and improve the livelihoods of rural Afghan families. There was ample demonstration that the SHGs themselves own and understand the process and make all the key decisions about the management of the Groups and their finances themselves. The regular monthly meetings contribute to social cohesion, and provide a forum for discussion of positive developmental opportunities. Of particular importance in this model was the report that this model helped in the empowerment of women through the formation of women's SHGs. The SHG model is less threatening to religious and vested financial interests than other forms of finance. However, this model has not been taken to scale.

In Afghanistan a few organizations have tried the concept of Seed Banks which is a credit mechanism that allows farmers to borrow seed and fertilizer before planting, and repay the value of these items either in cash, wheat seed, or wheat grain after the harvest. This mechanism was initially used to introduce high quality wheat in rural areas in order to increase yield. The Seed Banks are considered successful both by borrowers and program managers, and have created the conditions for Village Banks to be developed out of the community mechanisms used to manage the Seed Bank activities. The methodology is that a shura or specially created village organization is given (as a grant) a predetermined amount of wheat seed and fertilizer. This amount normally represents 25-75% of the seed requirements of the community. The shura determines on what terms and which families will receive the loan of seed and fertilizer. Some programs require only the seed to be repaid; others require the total value of the package to be repaid. Some ask for voluntary additional contributions after harvest, others have no additional cost for the borrower, or require only partial repayment (50%). In some of the very successful seed banks, shuras have chosen to liquidate excess seed in the bank in order to purchase community assets such as a tractor. This type of credit is also sharia-compliant, making it attractive in conservative areas.

Strategies of Leading MFIs

Today BRAC Afghanistan is the largest in terms of its client outreach, geographic coverage and staff strength. BRAC began its operations in Afghanistan in response to the conflict in Afghanistan and the flood of returning refugees in 2002. It is implementing a holistic strategy developed in Bangladesh which has been adapted to suit the local context. BRAC has established a small training centre through which it trains its rapidly growing staff. Currently 95% of the 1,985 BRAC Afghanistan staff in the microfinance sector is Afghani and 1,104 are women. The NGO has also recently established a separate BRAC Afghanistan Bank (BAB) which is a commercial Bank with its headquarters in Kabul.

The First Micro Finance Bank in Afghanistan is the largest MISFA partner in terms of the volume of funds disbursed. It was established by the Aga Khan Agency for MicroFinance. (AKAM). The Bank provides credit and saving products as well as domestic and international payment services. It focuses on micro-enterprises and small businesses. Beginning in Kabul and urban centres in the northeast of the country, the Bank will gradually expand to urban and rural areas of Afghanistan, with a view to opening 14 branches in the next three years. The Aga Khan Development Network (AKDN) has also been implementing credit programmes through the Afghanistan Rural Micro-Credit Programme (ARMP), which provides a wide range of credit products to farmers and traders in rural provinces. Loans have allowed some farmers to repurchase land sold during civil strife to poppy farming landlords and warlords, replant the fields with wheat and potatoes and acquire livestock. There are plans to merge the operations of the ARMP into those of the FMBA.

Given their very disadvantaged position and status, MFIs in Afghanistan give preference to women clients. Female headed households have the highest incidence of poverty[14] of all vulnerable populations – they are more likely to be landless, do not have access to irrigated land, and have limited access to productive assets such as livestock. Female-headed households also have restricted access outside their compound and have limited formal entitlements to productive assets. The Afghanistan Rural Microcredit Programme (ARMP), Bangladesh Rural Advancement Committee (BRAC), Micro Finance Agency for Development (MoFAD), Parwaz and Women for Women (WFW), work exclusively with women clients in the field of small loans. Parwaz uses a cost-effective strategy to reach female clients by hiring part-time community agents, known as Promoters, who live in the community and have strong client relations. They host weekly group meetings and ensure high repayment and social networking. Each loan officer works with 2 community promoters and is able to reach as many as 600 clients.

MADERA a French non-profit organization, working in Afghanistan for more than 16 years has also been implementing a micro-finance programme. It has tried to target farmers, during the last 10 years, in four provinces of Eastern Afghanistan. Some of its specific aims in the sector are to support rural economic development through access to credit, ensure the inclusion of the poorest in the system and to strengthen the capacity of communities to control their local development, through a community based management of the MFI and through integration of the micro finance activities in other developmental activities.

[14] National Risk and Vulnerability Assessments 2003.

Most partner MFIs provide microfinance services exclusively. In accordance with best practice, NGOs that traditionally integrated their financial and social services have started to distinguish between the two – with MISFA support - in order to create independent and sustainable microfinance institutions. Only a few institutions have developed linkages between financial and non-financial services as a way to extend their social reach and impact. These institutions, such as Women for Women, FINCA and BRAC, which channels technical assistance on livestock to select clients, rely on alternate funding to integrate these programs. Women for Women target vulnerable women – usually with no former business experience and limited productive assets – to receive small grants, entrepreneurship training, business support and health education. Many of these women "graduate" into the institution's formal microfinance program.

FINCA Afghanistan began its operations in Herat in 2004 and has now expanded to other parts of the country. The program focuses outreach on women, ethnic minorities, and returning refugees. FINCA Afghanistan is partnering with the International Rescue Committee (IRC) to link financial and non-financial services, enabling very poor Afghan households to overcome constraints to sustainable livelihoods. FINCA will offer financial services to new Afghan clients who will receive market-oriented skills training and business development support from IRC. In order to conform with Islamic principles, FINCA Afghanistan offers three core products: two solidarity group lending programs, the Women's Murabaha Group and the Market Murabaha Group, and a collateralized individual lending program, the Business Murabaha Agreement.

Types of Products and Services

There are only two services provided by the MFIs in Afghanistan; credit and savings. Within credit the type of product is fairly standard and is a one year or a seasonal loan which is repayable in regular instalments or in two block payments at the end of the harvest season. ARMP and OXUS are providing agricultural credit. The main loan product offered by the largest MFI BRAC is based on a solidarity group methodology with groups of four or five clients, primarily women, each one initially borrowing $80-100 to be repaid in installments over a typical loan cycle of 4 to 12 months. Most MFIs allow good clients to graduate rapidly through subsequent loan cycles with increasing loan sizes. Some MFIs have also introduced another loan product that is for individually owned enterprises, primarily managed by men, with loan sizes between $250 and $2000 to be repaid in installments over a year or more. One or two MFIs such as FINCA have recently introduced non-interest bearing Murabaha Islamic loans or contracts where sellers declare their cost and profit. Only 1/3rd of the MFIs provide a voluntary savings product most require mandatory savings which is in this analysis not treated as a product but as a fee for access to credit services.

BRAC Afghanistan
The implementation of its programmes is facilitated by Village Organizations (VOs) and based on local community participation. Each VO has between 25 and 40 women members and hosts weekly meetings. Following consultations with village Shuras, BRAC staff approaches every household to join their VOs and enroll in the microfinance activities. BRAC's major microfinance product is a small loan programme with a loan size of between AFS 8,000 and 20,000 to be repaid in weekly instalments. Savings are compulsory and members receive benefits in the event of an unexpected death.
Products
Small Enterprise loans AFS 40,000 to 500,000 to be repaid within one year in monthly instalments. BRAC staff works closely with the entrepreneur in developing his business and keeping track of the cash flows. *Agriculture and Livestock Development and Credit Support Program* (ALDSCP) – AFS 15,000–30,000 for Poultry, Livestock to be repaid in 12 equal monthly instalments. *Alternative Livelihood Rural Finance Program* (ALRFP) – USD 15,000–20,000 for Agriculture, Livestock and others to be repaid in 12 equal monthly instalments. BRAC charges a 17.5% flat rate for loan provision services.

As the microfinance sector grows, it is expected that it will begin to offer a broader range of financial services, such as savings, insurance, and housing loans, while also using technology such as mobile telephone networks to increase outreach and improve efficiency. Steps are already being taken to widen the range of financial service products in order to meet demand, including Islamic loan products, diversify MFI funding sources to include commercial funding, and expand small business lending by commercial banks and MFIs. In late 2006 MISFA opened an SME financing window for NGOs, thereby closing the 'middle gap' for agricultural loans. Table 1 below outlines the products and services offered by each of the MFIs and their delivery methodology.

Table 1: Approach Used by MFIs in Afghanistan

MFI	Approach	Products and Services
AFSG **(program of Mercy Corps)**	Solidarity groups of 4-8 Individual lending	Credit
AMI **(program of CHF)**	Group Lending Individual lending	Credit
ARMP **(program of AKF)**	Individual Lending Group Lending Village Banking	Credit Savings

Microfinance Program of BRAC Afghanistan	Village Organizations with sub-groups such as solidarity groups	Credit Mandatory Savings
FINCA – Afghanistan	Group lending Individual lending	Credit Islamic Products Group Savings
MADRAC (program of DACAAR	Group Lending	Mandatory savings; Credit; Voluntary Savings
MOFAD (program of CARE)	Saving & Credit Groups Individual lending	Group Savings; Credit
OXUS – Afghanistan (program of ACTED)	Solidarity group Individual loans Collective loans	Credit
PARWAZ	Group Guarantee Loan Individual Loan	Mandatory Savings; Credit
SUNDUQ (program of MADERA)	Individual loans Small Enterprise Loans Collective loans	Mandatory Savings Credit Voluntary Savings
WOCCU	Community Credit Unions	Credit Savings
Microfinance Program of WWI	Group lending	Credit
First MicroFinance Bank Limited	Individual Loans Savings	Savings

Source: Nagarajan, Geetha, Henry Knight and Taara Chandani and MFIs.

Chapter 3: Growth and Outreach

Client Outreach

A review of the growth in the microfinance sector in Afghanistan reveals that there has been very steep growth in the number of clients and portfolio outstanding in the last three years. The rapid growth has been led mainly by two MFIs, BRAC and the First MicroFinance Bank (FMFB). While a few MFIs still operate without assistance from MISFA, the main sector players all go through the apex. MISFA client outreach in Afghanistan increased from a mere 12,000 clients serviced by 3 NGO-type MFIs with a portfolio outstanding of less than US$ 1.1 million in 2003 to 441,092 active clients at the end of December 2008. MISFA supported MFIs have 350,692 current borrowers with a current portfolio outstanding of over US$ 106 million. The cumulative loans disbursed by the MFIs since the inception of MISFA are US$ 557 million with a savings of US$ 14.6 million. Table 2 below provides the overall figures at a glance. Available data has been plotted and shown in Figure 2 below. The figure shows the steep climb in active clients between 2006 and 2007. The rate of growth has come down in the last year.

Figure 2: Growth in Active Clients and Borrowers

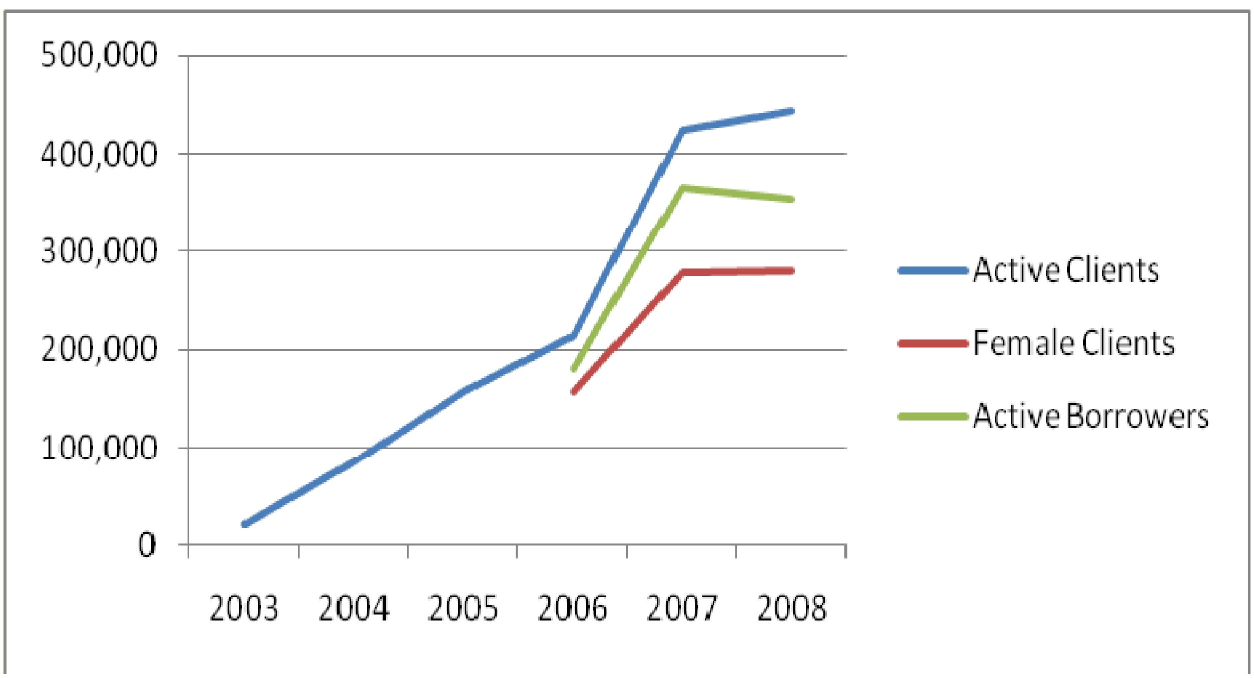


Table 2: MISFA Performance up to December 2008

Outreach	2005	2006	2007	2008
Provinces	19	21	23	24
Districts	19	93	109	113
Active Clients	192,610	280,914	424,802	441,092
Active borrowers	160,744	241,495	365,666	350,692
Client dropout (cumulative)	69,616	112,715	155,995	251,663
No. of loans disbursed (cumulative)	321,644	540,797	999,744	1,317,038
Amount of loans disbursed, $ (cumulative)	71,536,818	139,409,485	369,331,396	557,240,936
No. of loans outstanding	160,744	241,495	365,666	352,904
Gross Loans outstanding, $	27,623,763	51,653,493	102,927,986	106,373,056
Client Savings outstanding, $	2,956,353	4,990,573	11,416,667	14,603,226

Coverage

The geographic coverage of MFIs is indicated on the map of Afghanistan below. This shows that there is a concentration of service provision in the capital Kabul which has 40% of the clients and 39% of the portfolio. The Northern parts of the country also have 40% of the clients and 45% of the portfolio. However, there is very little coverage in the west and southern parts of the country. Large parts of the country receive virtually no coverage from the formal microfinance sector. The coverage by the informal sector has not been properly documented and there are no figures available on its outreach and volume. However, a recent study shows that only 5% of the demand among the bankable poor[15] is now serviced by the MFIs in Afghanistan, and only 8% of the estimated credit requirements are met by the MFIs.[16]

[15] measured by proportion of economically active population below the poverty line.
[16] Nagarajan, Geetha, Henry Knight and Taara Chandani. October 18, 2006.

Figure 3: Geographical Coverage of the Formal MicroFinance Sector in Afghanistan

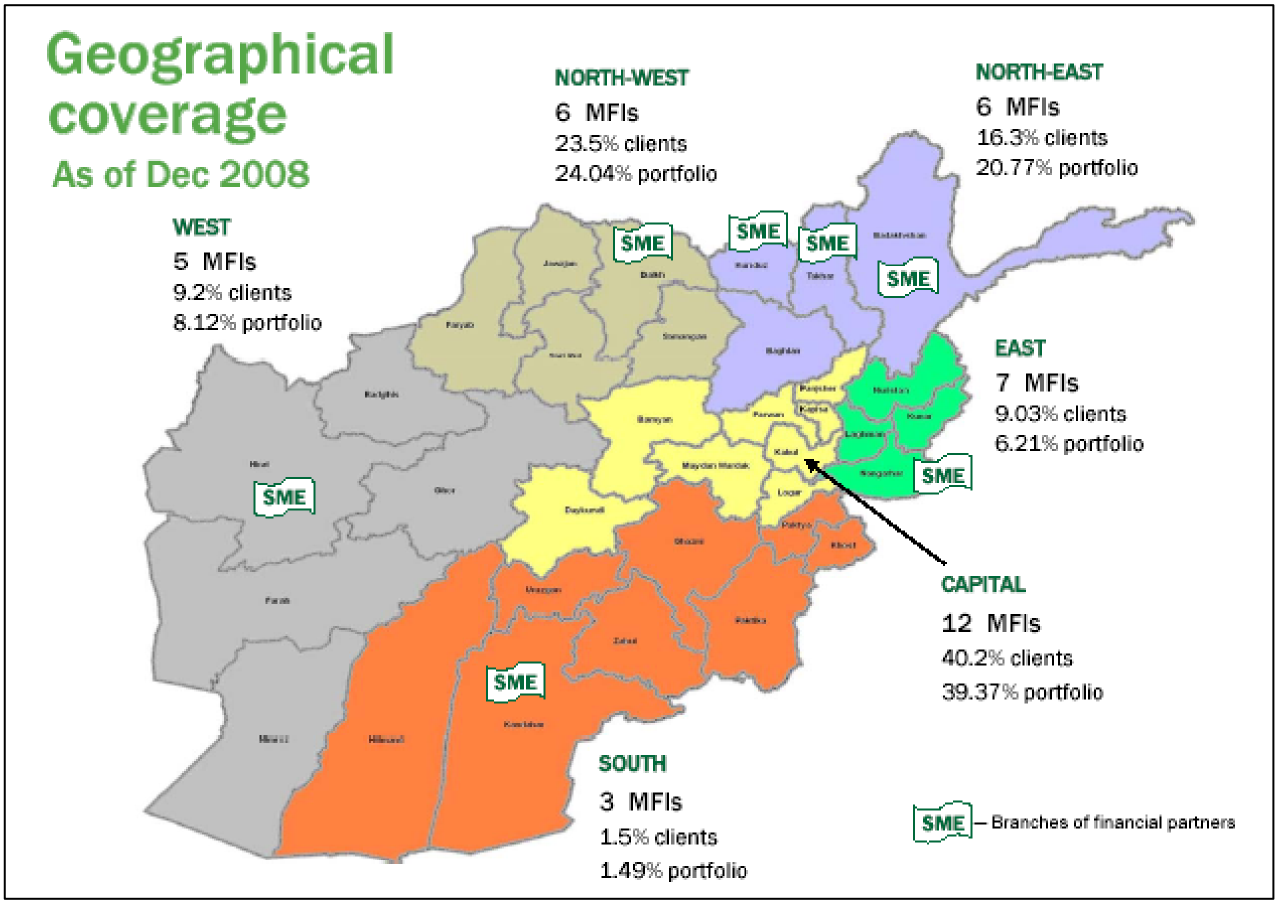
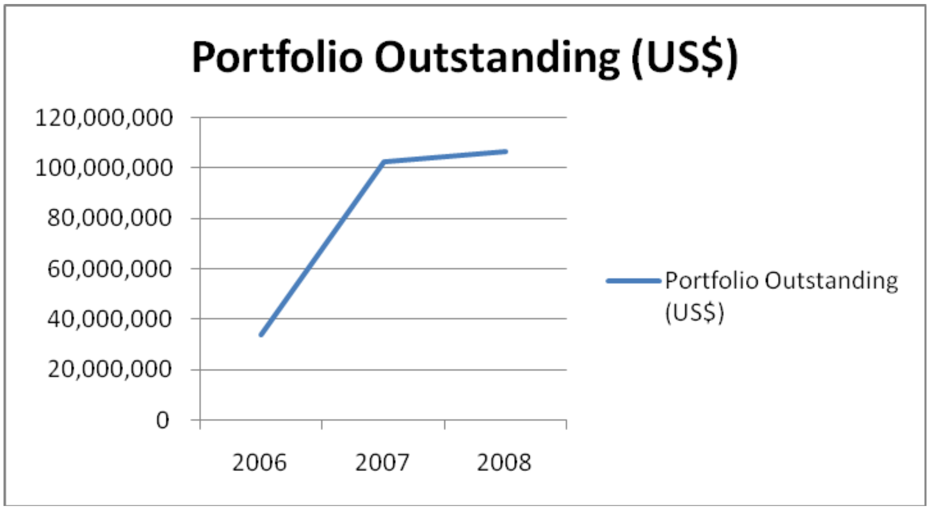


Figure 4 below shows the growth in the loan portfolio outstanding. There was rapid growth in the volume of funds between 2006 and 2007. However, this curve seems to have flattened out in the last year. Between December 2006 and December 2007, MFIs in Afghanistan doubled clients and almost tripled portfolio outstanding in 12 months. There are now growing concerns[17] about the speed with which the sector has grown and many are skeptical about the claims of outreach made by some of the largest providers.[18]

[17] The PAR of both FINCA and MADRAC are areas of concern for MISFA..
[18] Local MFI leaders from WWI, MOFAD and Ariana are open in their criticism about BRAC Afghanistan and maintain that BRAC has given multiple loans to the same clients and question their numbers.

Figure 4: Growth in Portfolio



Like in most countries the sector is dominated by a few MFIs. Between them, BRAC, FMFBA, FINCA and ARMP serve 71% of the clients and have 73% of the portfolio. BRAC currently serves 43% of the total active clients and has 26% of the total volume of portfolio outstanding while the FMFB has 14% of the share of active clients and 33% of the outstanding loan portfolio. As can be seen from the figures below most MFIs have between 3000 and 20,000 active borrowers and only 5 offer savings products as can be seen from the difference in the number of active clients and borrowers. There are no insurance products on offer. FINCA and one or two others are experimenting with leasing but these have very limited outreach. This table covers the main players in the formal microfinance sector who operate through MISFA. A few organizations have received funding from USAID and a few other donors outside the MISFA umbrella. However, these are small in number and do not report to any self-regulating organization within the microfinance sector.

Table 3: Total Active Clients and Borrowers by MFI in Afghanistan in 2008

MFI	Active Clients	Active Borrowers	(%) Share of Active Clients	(%) Share of Active Borrowers
AFS	11,181	11,181	3	3
AMFI	3,896	3,896	1	1
ARMP	21,905	21,905	5	6
BRAC	188,806	140,366	43	40
CFA	20,145	20,145	5	6
FINCA	38,499	38,499	9	11
MADRAC	18,148	16,250	4	5
MOFAD	15,156	11,062	3	3
OXUS	14,394	14,394	3	4
PARWAZ	12,180	12,180	3	3

SUNDUQ	10,531	10,407	2	3
WOCCU	15,540	4,800	3	1
WWI	9,549	9,549	2	4
FMBA	61,162	36,058	14	10
TOTAL	441,092	350,692	100	100

In loan terms of gross amount, a total of US$ 106.37 was outstanding at the end of December 2008. The First Microfinance Bank has the largest share of the loan amount at 33% of the total followed by BRAC at 26%, ARMP 14% and FINCA 6%. The average loan size in the sector is USD 303 with the range varying form USD 133 to USD 972. Table 4 below gives the total loan outstanding by MFI and also provides details of the average loan size of each MFI.

Table 4: Details of Loan Amounts of Afghan MFIs (September 2008).

MFI	**Gross Loan Amount Outstanding (US$)**	**(%) Share of Gross Amount Outstanding**	**Average Loan Amount (US$)**
AFS	3,521,420	3	315
AMFI	763,612	1	196
ARMP	15,352,709	14	701
BRAC	27,310,454	26	195
CFA	3,366,897	3	167
FINCA	5,330,780	6	138
MADRAC	2,433,190	2	150
MOFAD	2,231,890	2	202
OXUS	3,763,479	4	261
PARWAZ	1,959,677	2	161
SUNDUQ	1,476,414	1	142
WOCCU	2,542,982	2	530
WWI	1,273,196	1	133
FMBA	35,046,355	33	972
TOTAL	106,373,056	100	304

Female Clients

Female clients make up a major share of the borrowers. However as can be seen from Table 5 below the proportion of women clients in the sector has decreased somewhat in the last four years from 72% in 2005 to 63%

at the end of December 2008. The data on the volume of loans extended to women is not available but MISFA estimates that this would be around 50%.[19] A major issue which has not been addressed in the sector in Afghanistan is regarding who is actually using the loans extended to women. There has been no serious attempt to investigate this issue. Like in Pakistan it is suspected that a large proportion of these loans are actually being used by the male members of the household.

Table 5: Growth in Female Clients

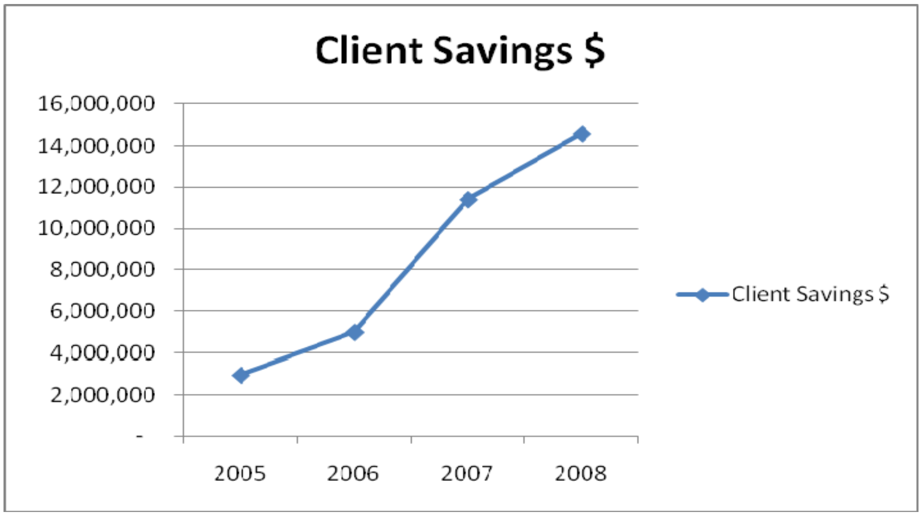
Outreach - Vulnerable Section	**2005**	**2006**	**2007**	**2008**
Women Clients	**139,466**	**206,849**	**278,611**	**279,719**
Widow clients	**-**	**4,177**	**3,370**	**2,191**
Disabled clients	**218**	**196**	**138**	**178**
Returnee clients	**3,114**	**11,316**	**13,174**	**13,872**
Women as % of Total Clients	**72%**	**74%**	**66%**	**63%**

Savings

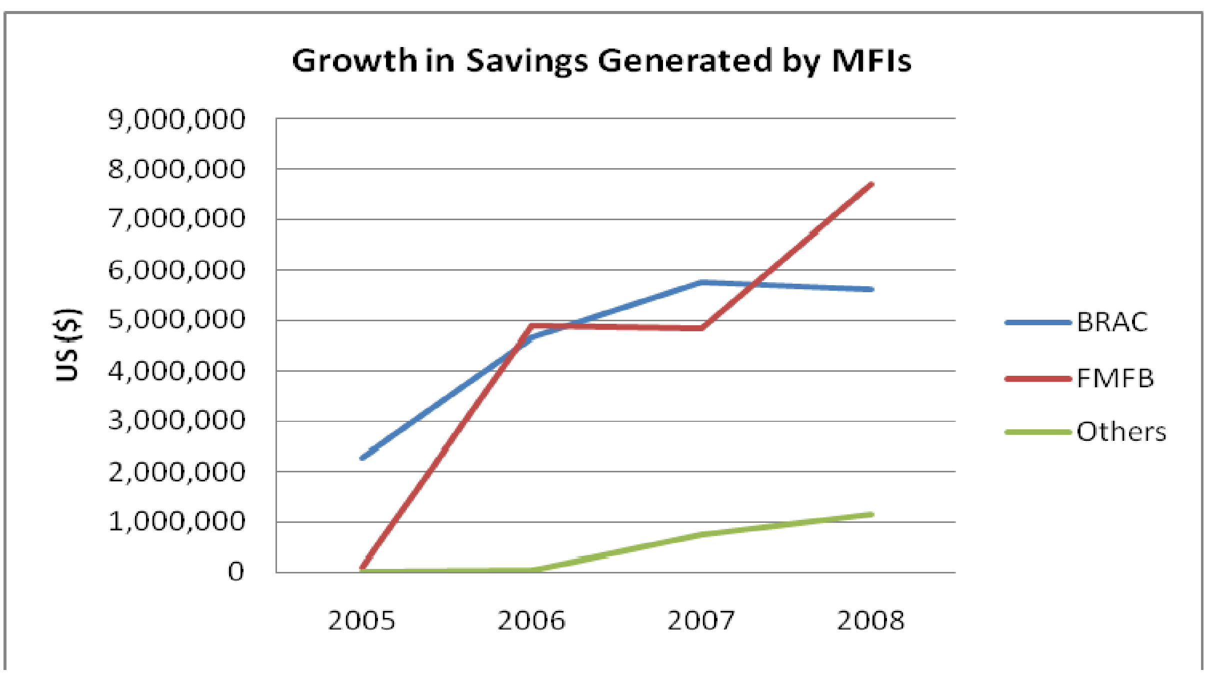
Savings is the forgotten half of microfinance in South Asia as a whole and in Afghanistan in particular. Only 60% of the sector institutions are involved with savings. However 40% of the organizations which collect savings require it as part of their lending methodology and require mandatory savings as collateral. Others only offer a group savings product which limits its potential attractiveness for clients because it destroys some of the most valued features of savings such as confidentiality, liquidity and convenience. Among the organizations which offer a savings product which is voluntary are the First MicroFinance Bank which does not cater to the poor or rural clients in any significant manner and WOCCU which has a small volume of the overall savings. The FMFB (53%) and BRAC (38) between them have 91% of the total savings of US$ 14 million. While the BRAC savings product is valued by some of its 155,000 members it is designed more to fulfill the purpose of collateral and social capital formation as opposed to a product which is highly valued by the client. The attitude of BRAC Afghanistan to savings is illustrated by the fact that savings is not even mentioned on its web site as a financial product when all other products are explained in great detail.

[19] Discussion with Dale Lampe at MISFA.

Figure 5: Savings Trends in Afghanistan



Apart from the FMFB none of the organizations in Afghanistan have a license to accept voluntary savings. In July 2006 Da Afghanistan Bank announced a new article under which it would license, regulate and supervise Depository Microfinance Institutions. It also announced that Microfinance institutions that accept only mandatory deposits from members are not considered to be DMFIs but they can voluntarily submit to the regulation. However, no one has chosen to register under this regulation as it is not clear what benefit this would provide them given that the regulation allows them to accept mandatory savings from members.

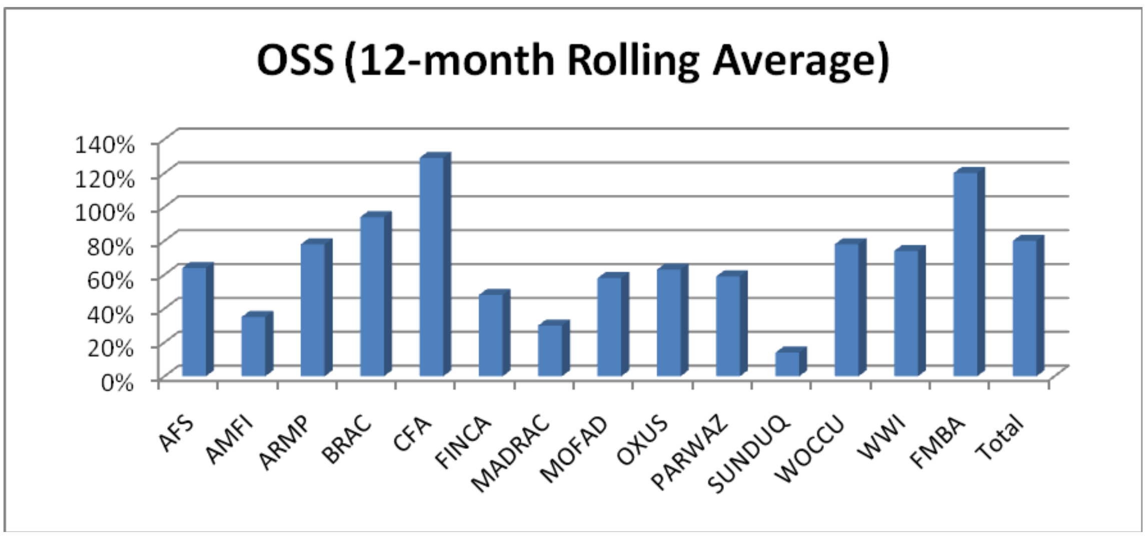


Chapter 4: Sustainability

Operational Self-Sufficiency

The overall operational self-sufficiency of the leading MFIs in Afghanistan was reported to be 80% at the end of December 2008.[20] Currently, only two MFIs in Afghanistan, the Children's Fund for Afghanistan and the First MicroFinance Bank of Afghanistan report an operational self-sufficiency ratio of more than 100%. Figure 6 below gives the OSS for the main MFIs in the country. It is generally thought that it takes about 3 to 5 years for MFIs on an average, to attain operational sustainability in conflict affected countries. The operating costs are very high in Afghanistan due to expenses incurred on security measures, small sized loans, low population density, poor infrastructure, the high costs of some services and hiring of expatriate staff. It is possible that the continued insecurity in many areas where some MFIs have expanded to achieve scale is beginning to affect their ability to attain sustainability. Evidence from many countries now shows that rapid growth temporarily depresses profitability.

Figure 6: Operational Self-Sufficiency in Afghanistan



It is also becoming increasingly clear that the projected growth estimates by MISFA and its partners were overly optimistic. Many MFIs are observed to struggle to meet their projected outreach in their initial business plans. The MFIs are now scaling down their expectations. Funding constraints experienced in 2005 were reported to limit expansion. However, many MFIs were unable to scale up to match the projections even after funds were released by MISFA. It now appears that continued insecurity in many geographic areas, and low human and physical infrastructure capacity, limit expansion more than just funding constraints. The over estimation by the MFIs of their outreach potential, due in part, led to high initial funding commitments from MISFA. Figure 7 below gives MISFA's estimates of its growth until December 2010. It estimates that it will be able to reach

[20] Monthly Progress Report. MISFA. December 2008.

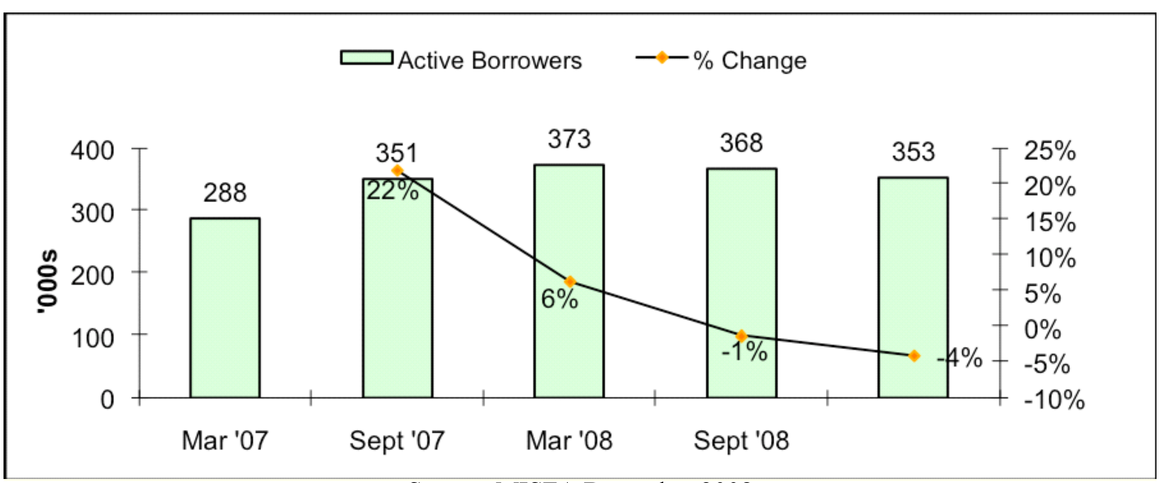
676,000 clients of which roughly 65% will be women. In terms of the funds it will have an outstanding loan portfolio of US$ 220 million or double its current volume. MISFA also estimates that it will have provided some access to 28 of the 34 provinces in the country. The apex projects that 87% of the outstanding loans will be disbursed by MFIs with an OSS of greater than 100% and that 100 of (possibly 100% and not 100 as a number) the MFIs will have been registered as separate legal entities under Afghan law. The actual outreach of MISFA at the end of December 2008 shows that it is somewhat behind in terms of its targets.

Figure 7: Projected Growth of MISFA's MFI Partners

Sector	Dec., 2007 (actual)	Dec., 2008	Dec., 2009	Dec., 2010
Number of Active MFI Clients	425,000	472,000	574,000	676,000
Percent of Female Clients of MFIs	68%	65%	65%	65%
Amount of outstanding loans	$90 million	$126 million	$174 million	$220 million
Number of provinces with active MFIs	23	25	28	28
Percent of outstanding loans accounted for by MFIs with OSS>100%	50%	60%	80%	87%
Percent of MFIs registered as separate legal entities under Afghan Law	66	90	100	100

The growth in MISFA's portfolio and that of its partners shows a marked change this year. The growth pattern in borrowers shows that against an increase of over 62,000 borrowers (or 21.6%) between March 2007 and September 2007, there has been a decline of over 4,600 borrowers (or -1.2%) between March 2008 and September 2008 and a further decline of 15,000 or (-4%) at the end of December 2008. The decline is driven mainly by stagnation in growth of major MFIs and a reduction in the number of borrowers of most MFIs.

Figure 8: Change in Active Borrowers of MISFA



Source: MISFA December 2008

Productivity of the Sector

An analysis of the productivity of the sector indicates that the loan outstanding per branch has steadily risen and each branch on average was handling an outstanding loan portfolio of US$ 375,877 and each staff member had almost doubled her productivity in the last four years and was managing a portfolio of US$ 22,200 at the end of December 2008. However active borrowers per staff member had remained more or less stagnant in the 70 to 80 range in the last four years and had even showed a decline between 2007 and 2008. This indicates that the loan size is actually increasing. Data on loan per borrower shows loan size has increased by almost 80% in the last four years.

Figure 9: Productivity of the Sector

Productivity Indicators	2005	2006	2007	2008
Loan Outstanding Per Branch	175,948	240,249	398,946	375,877
Loan outstanding per borrower, $	172	214	281	303
Portfolio per staff, $	12,094	16,952	23,457	22,201
Active borrowers per staff	70	79	83	73
Cost per active client, $			9	10

Interest Rate Policy

Generally interest rates on loan products offered by MFIs depending on terms and type of product/guarantee or lack thereof range from 1.4 – to 2% flat per month or 17% to 24% flat per annum. There has been some downward pressure on pricing, particularly in Kabul due to competition among the MFIs. There is generally a pressure on MFIs in Afghanistan not to charge high interest rates by the Government of Afghanistan. Interest rates have remained more or less steady given that MFIs in Afghanistan were given clear targets regarding sustainability and most of them expected that they would become sustainable within the first five years. The interest that will be made to clients for their deposits is not a matter which is given any significant prominence in Afghanistan. BRAC does not even mention savings as a financial product in its list of products or what rate it offers on the deposits of its members. The FMFB does not offer any interest on its current accounts.

It is difficult to gauge exactly what influences interest rate policy on loan products of the different MFIs in Afghanistan. While some MFIs determine the interest cost on an assessment of the delivery and financial costs that they incur others have determined interest rates based on the capacity of their clients to pay, others affix these based on their own management's understanding of what an MFI should charge given that it is attempting to help poor households in Afghanistan while many have imported programmes from other countries and simply charge sector averages. In justifying their interest costs, some of the MFIs in Afghanistan maintain that the interest rates and charges reflect the costs of doing business in an environment of high security risk, scattered population, high wage and food inflation and of adopting an Islamic approach which entails higher costs due to the fact that female loan officers require Maharams and the Murabaha transactions have higher administrative costs, etc. A key factor which has influenced the interest rate policy of MFIs in Afghanistan is the availability of grants for operational costs and subsidised loan funding from MISFA. The apex has helped to keep interest costs down. The MISFA operational manual does not prescribe any specific interest rate policy form for the MFIs apart from a general statement regarding sustainability. In fact a comment about MFIs interest charges appears only in Appendix 37 (aa) and it is not clear what it says as it is never attached to the main Operational Manual

Portfolio Yields

The average portfolio yield in Afghanistan is 27% but ranges between 4% (Sunduq) to 38% (WWI). The interest rates charged in Afghanistan are comparable with many peer countries. The Government and donors have followed a laissez-faire policy to let the microfinance sector set the interest rates to cover some of their costs for lending operations. However, there are always concerns voiced by the Government about the interest rates charged. Like in most other countries, there has been little focus in Afghanistan on assessing the returns from the investments made by beneficiaries. Many MFIs stated that the availability of grants for covering most of their operating costs is reflected in the rates charged for the services.

Portfolio Quality

A major area of concern in the microfinance sector in Afghanistan is the portfolio quality of the sector which has deteriorated quite significantly in the last nine months, with the PAR (>30 days) increased from 1.9% in March 2007 to 10.2% in March 2008 and to 9.4% at the end of September 2008 and 10.5% at the end of December 2008, the steepest increase in the last 18 month period. The total amount of portfolio at risk in the sector has reached a total of about $11 million. Of this, over $8 million (or 3/4th) is accounted for by the four big MFIs - ARMP ($2.7 mill.), BRAC ($2 mill.), FINCA ($2.2 mill.) and FMFB ($1.2 million) together, while the rest of the sector makes up the balance. The biggest increase in PAR has been in the case of FINCA and ARMP, by about 18% and 10% respectively. The situation maybe more serious than officially reported as some privately report that their PAR (> 30 days) actually stands at 55% although officially it only reports 36%. In terms of ageing, 1/4th of the total amount at risk is in the 31-90 day category, another 1/4th is in the 91-180 day category and rest, nearly a half (49%), is in the >180 days (6 months) category, suggesting that a significant portion of portfolio is at risk of non-recovery.

Figure 10: Portfolio at Risk in Afghanistan

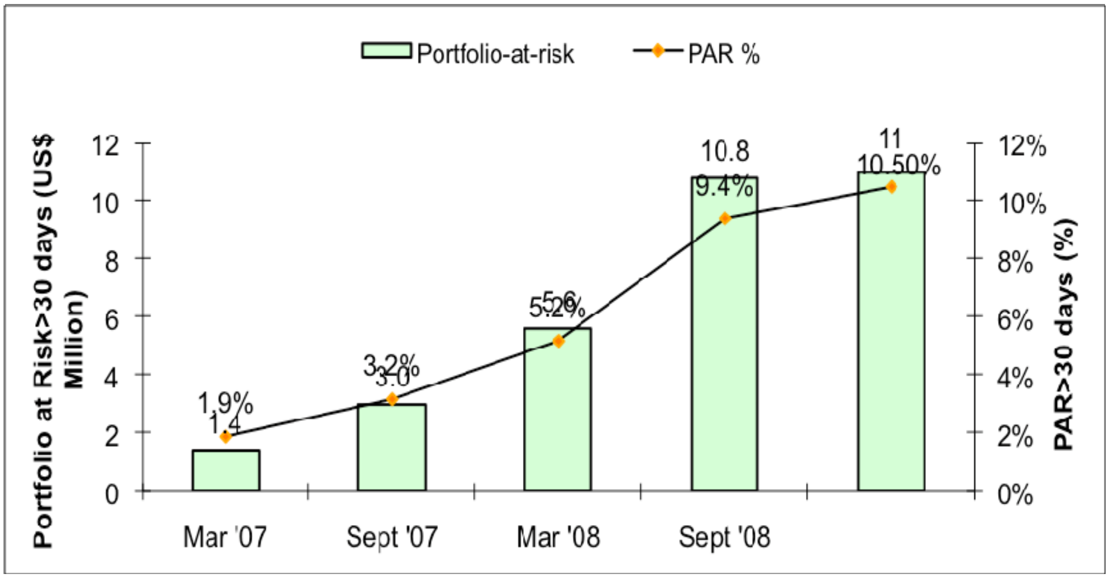
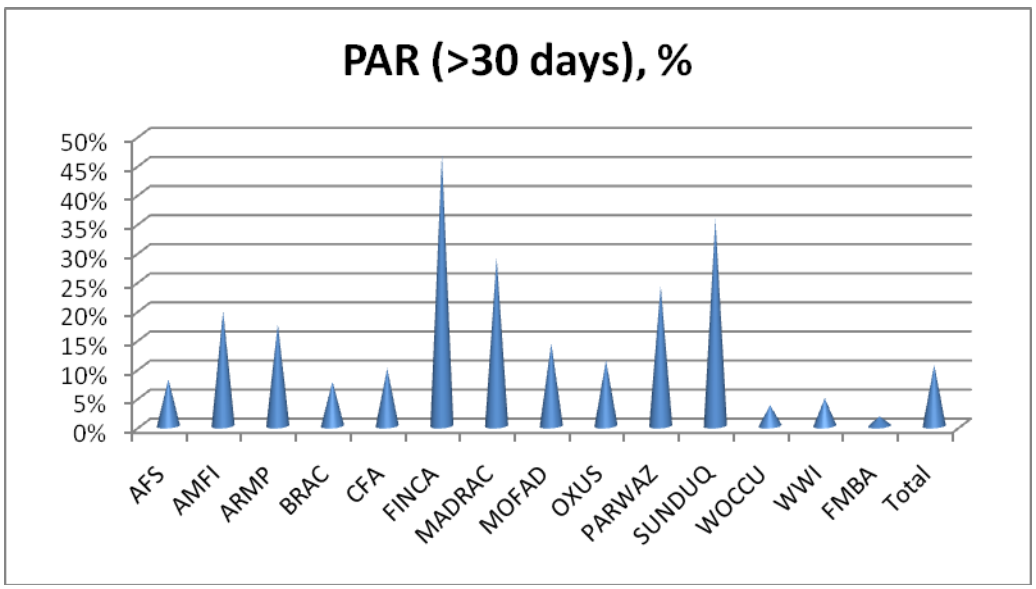


Figure 11: MISFA Portfolio at Risk



The reasons for the increasing delinquency are both external and internal. Among the external factors it is deterioration in the security situation which affects economic activity. Over 50% of the delinquency is due to losses in business, inflation, and migration; while drought conditions prevalent in many parts of Afghanistan, is also affecting the repayment accounting for 20% of the PAR. Weaknesses in internal controls, rapid expansion, limited management and staff capacity were identified as key issues. Fraud, which accounts for 14% of the overall PAR, has been a major reason for the increasing portfolio at risk in MFIs like FINCA and ARMP. As a result improved monitoring and audit of the MFIs have been strengthened and need further augmentation. As a result of the deteriorating PAR, the growth rate at MISFA is not as rapid as it was at one time projected to be by its leadership.

Client Drop-Out

While all MFIs report client drop out, the MFIs in Afghanistan do not have a proper system for tracking drop-outs and all vary on how they track this indicator. MISFA is planning to establish a standard definition and track it properly. MISFA claims that tracing client drop out is a big item on its capacity building. MISFA feels that recent drop outs, in many cases reflect ghost clients, and that the actual borrowers were never as high and the drop outs also aren't as high. MISFA is conducting portfolio audits to assess the extent of ghost clients.

At the end of December 2008, the overall cumulative client drop out in Afghanistan was reported to be around 250,000. Available figures indicate that there has been a sharp increase in the total number of client dropouts during the last 9 months. A drop in the client base of FINCA accounts for 49% of the total drop-outs. A majority of the drop-outs have been due to the MFIs stopping disbursements to clients who have not paid previous loans on time. Some of the clients may also be leaving due to a mismatch between their cash flows and the loan repayment conditions. Also, as many MFIs have deliberately slowed down to focus on delinquency, the number of dormant clients may be increasing. Many MFIs have policies in place which stipulate that if a Loan Officer has more than a certain percentage of her/his portfolio in arrears, no disbursements are made to the clients of that particular Loan Officer.

MISFA: The Whole Sale Lending Apex

The Microfinance Investment Support Facility for Afghanistan was established in 2003 under the Ministry for Rural Reconstruction and Development and later transformed into a private Afghan company. The main objectives of MISFA were (i) to build sustainability and promote microfinance institutions that would not require donor subsidies after 5 years (ii) Expand Outreach of the sector to all 34 provinces of the country with a range of products and services and (iii) develop a sector with Afghan institutions governed and managed by Afghans. MISFA provides investment funds to a wide range of microfinance institutions that, in turn, provide loans to the poor and vulnerable of Afghanistan. MISFA also provides institution-building support to its partner institutions on a declining basis. MISFA has been the single most important institution with respect to microfinance in Afghanistan and has been responsible for the growth of the sector.

Grants are available for the MFIs for the purchase of equipment, to provide training to staff and clients, and to cover regular operational deficits (operating expenses less interest income collected from MFI lending operations), up to 100% of an organization's needs. These funds are not for activities that are not identified in an MFI's business plan or that are not part of their regular operations. Grants are provided in the first five years of start-up or expansion of offices for providing services to the poor or vulnerable population of Afghanistan. MISFAs loan funds to MFI's are only for on-lending. These funds cannot be used to fund operational expenses of the MFI or other activities other than the provision of loan capital. Interest rates and repayment term for loans by MISFA to its partner MFIs are determined by the MFI Investment Committee. While considering its own interest rate policy it gives consideration to the competitive situation in the loan market.

Indicative Terms of MISFA Loans

Term	One year, with the option of roll-over to another term after written consent from MISFA management and based on satisfactory performance.
Disbursements	Based on SOEs up to a maximum amount agreed in the contract.
Interest Payments	Due quarterly, in arrears.
Application Fee	None
Interest Rate	5% per annum on outstanding principal (‘declining’ balance)Interest rate is based on cost of funds, risk premium and MFI profitability and can be modified over time
Late fee (penalty)	Late fee of 0.5% will be charged on all loans past due
Minimum Amount	USD 100,000
Maximum Amount	Exact amount of loans shall depend on an analysis of the applicant’s needs and ability to repay based on the cash flow of its operations

On-going Donor Funded Initiatives in Support of the Microfinance Sector

The World Bank helped set up MISFA and has been closely involved in its development. Since 2003, the World Bank has coordinated donor assistance to MISFA through the Afghanistan Reconstruction Trust Fund. However donors support MISFA both through the ARTF mechanism and directly as well. The largest supporters of MISFA are the Canadian International Development Agency and DFID. CIDA has contributed about US$ 92.51 million to MISFA and the United Kingdom has provided close to US$ 67.28 million. United States has been the largest supporter of assistance outside the ARTF. Denmark, Switzerland, Australia, CGAP, NOVIB, etc also support the apex agency. Oxfam/Novib has supplied limited support for capacity building mainly in the area of general MFI training and mentoring of individual organizations.

DFID has provided support to strengthen and expand MISFA core operations and has introduced a special funding window to enable and promote the expansion of microfinance in seven priority poppy-growing provinces. DFID agreed to provide a UK £ 17 million extension to their general support to MISFA for the next three years. Under the Helmand Agriculture and Rural Development Programme (HARDP) DFID will provide to MISFA around £5.7m over three years (2006 to 2009) to provide loans for income generating activities, such as small shops, small scale manufacturing, handicrafts and agriculture.

The World Bank has been providing a small amount of support to MISFA through the ARTF. However, in August 2007, the World Bank approved an additional US$ 30 million IDA grant for Expanding Microfinance Outreach and Improving Sustainability Project for loaning by MISFA to the microfinance service providers. This financing will not use the ARTF mechanism. The World Bank is in the processing of finalizing the design of the

Afghanistan Rural Enterprise Development Program (AREDP) which is aimed at inclusive economic growth and sustainable enhancement of rural livelihoods. The AREDP design builds on the social capital developed through the National Solidarity Program (NSP) and other projects, by supporting the formation of producer and community groups for savings and income generating activities and fosters forward linkages towards markets and service provision. Achieving the necessary scale in each targeted district through a clustering and graduation approach will improve access to markets and credit. The rural enterprise (SME) component aims to tackle the gaps and disincentives to the private sector active in rural areas and agri-related businesses. This approach integrates a livelihood approach, for social and economic empowerment of the rural poor, with interventions to develop value chains and encourage rural enterprises. However, AREDP will not be providing credit but will provide grants to specialist associations.

USAID is providing support through the Agriculture, Rural Investment, and Enterprise Strengthening (ARIES) Project, implemented by the Academy for Educational Development. This is a new project designed to provide economic opportunities and expand access to sustainable rural financial services. ARIES is designed to support equitable access to essential financial services in rural Afghanistan for a range of female and male-owned micro-enterprises (households and smallholder farmers) and agro-based SMEs. To achieve this goal, ARIES plans to provide technical assistance, training, capital, and operations support for start-up and expansion of retail non-bank financial institutions and capacity building of local commercial banks in rural and SME finance. Through ARIES, the U.S. Government is planning to disburse over 50,000 loans for a total value of $22.4 million; create rural credit cooperatives, 4 investment and finance cooperatives, and 3 new FINCA branches; and establish a new lending window for small and medium enterprise (SME) loans within MISFA.

The Asian Development Bank has recently initiated the Rural Business Support Project with the objective of sustainable increase in farm incomes in four rural districts in Afghanistan by linking farmers, agri-processors, and traders into profitable production, processing, and marketing industries through the establishment of four Rural Business Support Centers (RBSCs). The RBSP project will provide $240,000 in technical assistance towards the development of Sharia compliant and agricultural products.

Table 6: Donor Funds Pledged/Received Since Inception 1382-1387 (2003 - Dec' 08)

	Pledged	Received (USD Mil)	Received of Pledged %
ARTF			
Canada/CIDA	92.51	86.04	93.01
United Kingdom	67.28	57.31	85.18
USAID	5.00	5.00	100.00
World Bank	6.00	6.00	100.00
Denmark	11.60	11.60	100.00
Sweden/SIDA	2.22	2.22	100.00
Australia	6.59	6.59	100.00
Netherlands	5.00	2.50	50.00
Finland	3.59	1.37	38.12
Sub-Total	**199.78**	**178.63**	**89.41**
Other			
IDA - World Bank	10.00	0.00	0.00
DFID	2.80	1.20	42.86
USAID/RAMP	5.00	5.00	100.00
USAID/ARIES	22.00	17.00	77.27
CGAP	1.80	1.80	100.00
NOVIB	1.26	0.66	52.38
Interest Income from Loan Funds + Bank Interest/Other	0.00	7.19	
Sub-Total	**42.86**	**32.85**	**76.64**
Total Source of Funds	**242.64**	**211.48**	**87.15**

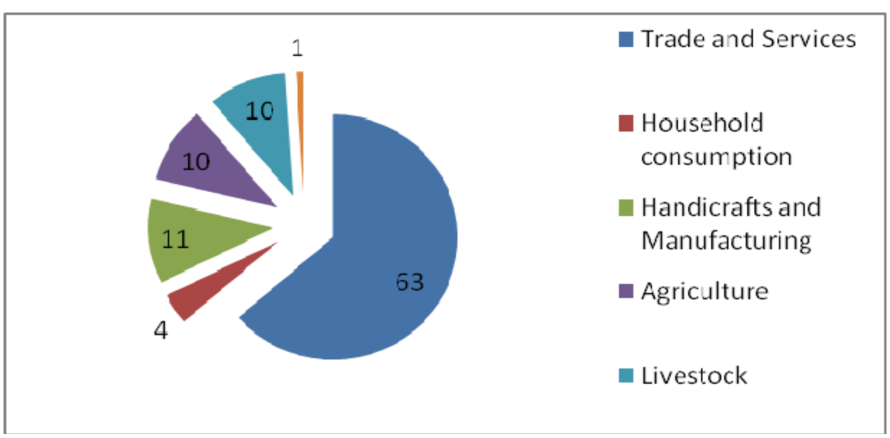
Source: MISFA December 2008

Chapter 5: Demand for Microfinance Services

Estimates about the demand for microfinance in Afghanistan differ widely. While many including the World Bank give estimates of the demand for credit, it is not clear what this estimate is based upon. In 2002, the World Bank estimated that over 1 million households demand micro-credit in Afghanistan. The National Risk and Vulnerability Assessment of 2005 found that 42% of all rural households take out loans. In a survey UNODC found that 45% of farmers intended to take out a loan in 2004, and the average of these loans in 2003 was $700.[21] The need for loans has been consistent across socio-economic groups: a majority of landlords, owner-cultivators, and the landless all expressed that they had previously taken out loans.[22] Farmers take out loans for fertilizer, food for the family, ashr (agriculture tax) payments, and contributions to local mullahs and merabs.[23] The peculiar characteristics of the cropping pattern in Afghanistan also impacts demand for microfinance services. Some reports state that evidence shows a strong correlation between the taking out of loans and poppy growing activity. In 2003, 50% of all poppy farmers reported having taken out loans while only 32% of all non-poppy farmers reported having taken out loans.[24] Moreover, the loans taken out by poppy growers were on average larger than those taken out by non-poppy growers. Poppy farmers had an average of US$740 in outstanding loans while non-poppy growers had an average around US$ 456. One factor which affects demand for credit negatively is the perception that interest is haram or unacceptable in Islam. More Sharia compliant products are likely to further increase the demand for credit.

A review of the areas for which microfinance has been taken indicates that 63% has been used for trade and services, 11% has been for handicrafts and manufacturing, 10% for agriculture, 10% for livestock and 4% for household consumption purposes.

Figure 12: The Stated Use of Micro Finance Funds



[21][3] Afghanistan Opium Survey 2004, UNODC, November 2004.
[22] UNDCP, “The Role of Opium as a Source of Informal Credit”, Strategic Study #3, January 1999.
[23] Afghanistan Opium Survey 2004, UNODC, November 2004.
[24] Steven Oliver. Restructuring Supply in Afghanistan’s Narco-Economy: Farmer Choice. May 2006.

It is estimated that there are 4.2 million households in Afghanistan of which 3.3 million households live in rural areas and 0.985 million households live in urban areas. Based on the UNDOC survey one could project that the current demand for credit in rural areas would be 1.386 million households of the 3.3 million households and the annual credit amount would be around US$ 970 million per year.[25] The credit needs of urban households have also been estimated assuming that at least 50% of the households would demand credit. The credit for urban households would be in the range of US$ 334 million assuming the same average demand as in rural areas which is a conservative estimate. To this if one adds the credit needs in the livestock sector in which 73% of the rural households and 89% of the *Kuchi* households are involved the demand would further increase. At a minimum the credit requirements in Afghanistan would be around US$ 1.3 billion on an annual basis.

Table 7: Estimating Credit Demand in Afghanistan

	HHs	**HHs Demanding Credit**	**Credit Demand (US$)**
Rural Households	3,300,000	1,386,000	970,200,000
Urban Households	985,000	492,500	344,750,000
Total Households	4,200,000		1,314,950,000

The formal microfinance sector is serving less than 400,000 clients currently or only 8% of the total. Savings services are offered to an even smaller client base. There is a large un-met demand in the sector. In terms of the volume of credit the gap between demand and supply would be much larger as the current outstanding loans in the formal sector is just over US$ 106 million against a demand of ten times that amount.

There is a gap not just in terms of the volume of finance required but also in terms of the range of financial services required such as loans designed specially for agriculture, livestock or even the business sectors and there is lack of savings services and no insurance products. Clients also complain about the amount of loan provided. Most MFIs allow good clients to graduate rapidly through subsequent loan cycles with increasing loan sizes. Some MFIs have also introduced another loan product that is for individually owned enterprises, primarily managed by men, with loan sizes between $250 and $2000 to be repaid in installments over a year or more. Surveys in many other Islamic countries which are less conservative than Afghanistan such as Jordan, Algeria, and Syria revealed that 20–40 percent of respondents cite religious reasons for not accessing conventional micro-loans.[26] Thus the demand for such finance is expected to be even higher in rural Afghanistan. The sector has developed a few Islamic modes of financing which address part of the client concerns about Islamic injunctions about interest rates but these services have a limited outreach and have been designed in a manner which makes them difficult and costly to administer. Eight of the current 15 MFIs include some kind of savings product for members of the groups. None of the MFIs have offered an insurance product.

[25] Estimating and average credit demand of US$ 700 per borrower.
[26] Nimrah Karim, Michael Tarazi and Xavier Reille. Islamic Microfinance: An Emerging Market Niche. August, 2008.

In almost all cases loan repayment starts almost immediately and repayments are on a weekly, bi-weekly or monthly basis. This implies that only those households can obtain loans that have at least one member in the household with a regular source of income. This generally excludes the poor with no regular source of income. While the microfinance sector in Afghanistan has played a commendable role in ensuring that a majority of its clients are women, it has not been very good at following up and ensuring that its loans are actually suitable for use by women. As such a majority of its loans, even those given through women are actually used by men.

Generally interest rates depending on terms and type of product/guarantee or lack thereof range from 1.4 – 2% flat per month or 17% to 24% flat per annum. In justifying their interest costs, the MFIs in Afghanistan maintain that the interest rates and charges reflect the costs of doing business in a high security risk, dispersed population, high wage and food inflation and of adopting an Islamic approach which entails higher costs due to the fact that female loan officers require Maharams and the Murabaha transactions have higher administrative costs, etc. There has been some downward pressure on pricing, particularly in Kabul due to competition among the MFIs.

Chapter 6: Impact

Overview

There is lack of sufficient data in Afghanistan to properly assess the impact of microfinance services. While each MFI uses its own formats for collecting data and consolidating and analyzing the information gathered from prospective and actual clients, they do not use this in any systematic manner to assess impact. BRAC, for example, collects baseline data on each client and uses the information to approve the initial loan but not to examine social outcomes and act over time. In addition to baseline-type data some MFIs collect information about their clients at subsequent loan cycles. However, some MFIs invest considerable time and resources in collecting this information none of them input this baseline and monitoring data in an electronic format that can be easily analyzed. Most of the information on impact is generally reported on the basis of individual case studies.

There are very few surveys available which examine the impact of microfinance in Afghanistan. BRAC, the largest MFI in terms of clients of microfinance in Afghanistan has recently completed a draft report on impact assessment of its microfinance activities. This report has been circulated for comments but is not yet available for public circulation. [27] BRAC reports that its study found that microfinance has positive impacts on per capita expenditure and food security, indicating programme participation and reduced poverty in the client households. The study also reveals that microfinance participation helped the client households to accumulate assets and diversify income sources. BRAC also found that the programme has positive impact on empowerment of the client women.

The First MicroFinance Bank of Afghanistan, the largest in terms of volume of funds has not undertaken any specific impact studies but periodically reports case studies of individual clients who have benefited from its programme. In addition, smaller organizations like PARWAZ reports that it has been included in a World Bank survey but the study is not yet available.[28] There are two ongoing qualitative reports which are examining the impact of microfinance in Afghanistan, both with a particular focus on women. One study is being funded by the Danish government and the other by Afghanistan Research and Evaluation Unit (AREU), with support from DFID.

These reports have not been made available for circulation. MISFA commissioned a survey at the end of September 2007. This represents the largest survey in terms of attempting to examine the impact of microfinance in the country. MISFA's study attempts to establish a baseline database of clients to assess and measure the impact of MISFA's microfinance program in Afghanistan. One of the objectives of the study was to identify key socio-economic indicators that microfinance institutions could use to track the well-being of their clients. The study interviewed 1,019 households across 5 regions of Afghanistan. It revealed that the microfinance program

[27] The quarterly newsletter of the Research and Evaluation Division of BRAC. Volume 7 No. 3. September 2008.
[28] Annual Report 2006. PARWAZ.

has empowered beneficiaries both socially and economically and has created substantial employment opportunities.

Highlights of the MISFA Survey on Impact

70% of the program beneficiaries are women;
40% of clients are located in rural areas;
More than 80% of the loans were used for setting up businesses or expanding them;
47% of urban clients and 39% of rural clients generated employment opportunities for others;
72% of the clients reported an improvement in their economic situation;
44% women clients reported absolute control over their money;
80% women clients reported 'improved attitude of their husbands and other relatives, both male and female.

Impact on Women

While the MISFA survey shows very impressive results with respect to its impact on women, others[29] who have looked into the sector in Afghanistan caution that lending to women in Afghanistan only implies that all transactions related to the disbursement and repayment of loans is done with women, and not that loans are actually controlled by women. In many cases, the work within the household is shared with women undertaking production and men taking responsibility for selling products in the market. Women tend to rely on other household members or relations in the community to link with product suppliers and retail markets. In these cases, lending to women may increase their status within the family and the community, but the loan is supporting a broader family or social group. Since it is also common for households to rely on multiple income sources and enterprises to draw on the labor and input from different family members, it is difficult and expensive to track loan use and nearly impossible to isolate exactly who is in control.

The reports of PARWAZ highlight the fact that the participation of women should be seen in its proper context given the situation of women just a few years ago. PARWAZ reports that its clients who are all women are able to undertake business activities such as agricultural endeavors, home based tailoring services, livestock, carpet weaving, jewelry making and shop keeping. Clients report higher income, an increase in household assets (such as home electronic goods, cell phones, household items, etc.). They also state they can go out and obtain contracts with local store owners for goods such as children's, women's and men's clothing, handicrafts, quilts, pillows, rugs, and dairy products among other things—something unheard of for women to do just 2 years ago. In fact, just 5 years ago, it was unheard of for women to be entrepreneurs in Afghanistan. Women also state that they are respected more by their husbands, extended family members, and their neighbors since taking a loan. What we find most heartening though is that clients can now afford to send their children to school as opposed to having them work or beg in the streets and they can take care of their medical expenses, something they could not do before. The overall trend is that women have more confidence now than before taking the loan and they take great pride in the fact that they can provide for their families. PARWAZ reports that to substantiate its findings, the

[29] Nagarajan, Geetha, Henry Knight and Taara Chandani.

World Bank has recently commissioned a study to really measure the impact of microfinance in Afghanistan and PARWAZ is one of the partners in this study.[30]

Impact on Poverty

In Afghanistan MFIs reach clients that are only slightly above the lower-end of the poverty strata. The average depth of outreach (measured by percentage of average loan size to GNP per capita) in Afghanistan is about 27% and compares well with South Asian countries with similar poverty levels.[31] While MFIs in Afghanistan have attempted to reach the poor there is some dilution in this objective as the growing loan size indicates. While MFIs broadly articulate missions around poverty alleviation and indeed report a depth of outreach that compares favorably with many South Asian and Arab countries, they are not explicitly targeting services to extremely vulnerable or marginalized communities. Like in many other countries, client selection is based primarily on "ability to repay" rather than "relative vulnerability". To minimize risk to their loan portfolio, MFIs emphasize the creditworthiness of potential clients rather than their vulnerability. Clients are screened by a combination of physical and social capital, including household or enterprise assets such as an existing retail business, and ownership of land or ability to lease land; and social reputation, through entry and participation in a solidarity group, and backing from community leaders or the local Shura.[32] Some MFIs, such as MADRAC, institute compulsory savings before loan disbursement as a way for new clients to build their creditworthiness

MFIs, nonetheless, reach underserved clients through broad geographic targeting. Most MFIs are working in low-income peri-urban districts that have a high concentration of poverty and where the demand for small loans (between $100 and $600) is very high. The Afghanistan Rural Microfinance Program (ARMP), whose average loan size at US$600, is considerably higher than other MFIs, has mandated some portion of their loans to exclusively reach poor clients in the service areas. It provides staff incentives to ensure that poor clients are served: to qualify for a performance bonus, loan officers have to demonstrate that at least 25% of their portfolio comprises clients who earn less than $1 a day. Even without explicitly targeting the poor, however, many MFIs are indeed reaching households with no prior access to affordable financial services. Financial services are an important part of a poor household's livelihood and coping strategies – so extending these services to people without access fulfills a social responsibility.

Those who have looked at the sector in Afghanistan feel that to reach extremely vulnerable populations, MFIs will require appropriate incentives, additional resources and partnership support.[33] If MFIs choose (or are encouraged) to increase the depth of outreach to harder-to serve populations, they will need to develop appropriate products through market research, offer additional services such as entrepreneurship training and develop linkages with other agencies which offer Business Development Services, product suppliers, etc. MFIs will require dedicated investments in research, MIS and personnel to modify the scope of their portfolio and measure social performance. Pursuing this on a significant basis would represent a different strategy to the more laissez-faire approach of fast-tracking the development of the industry.

[30] Parwaz, 2006, Annual Report.
[31] Source: South Asia Report, The MIX, 2006
[32] Nagarajan, Geetha, Henry Knight and Taara Chandani.
[33] Nagarajan, Geetha, Henry Knight and Taara Chandani.

Chapter 7: Regulatory Frameworks

The government of Afghanistan has taken a very proactive role in establishing and promoting the microfinance sector in the country. The Government recognized that the Afghan economy has been largely dominated by money lenders in the absence of formal banking systems and there was a need to provide alternatives. Afghanistan does not have specific regulations to address microfinance activities and diverse laws apply to the different providers of microfinance services. These include the Central Banking Law and the Commercial Banking Law which were promulgated in September 2003 and apply to banks. Most MFIs registered as NGOs operate under the June 2005 law on NGOs which established a new legal framework, replacing the previous Regulation for the Activities of Domestic and Foreign NGOs in Afghanistan enacted in 2000 under the Taliban regime. This new regulatory framework previews two different types of registered, non-governmental and not-for-profit organizations with legal entity status.

The formal micro-finance sector emerged in Afghanistan in 2002 as part of the rehabilitation process to provide social protection and alternative means of livelihoods to the poor. In the absence of microfinance expertise within the country, international NGOs were invited and supported to establish the microfinance sector in the country. The Micro-credit and the establishment of a formal and sustainable financial system is a priority for the current Government. The GoA recognises that access to resources for further investment in licit livelihoods is crucial to tackling both opium dependency and poverty reduction as well as to promote growth. Securing Afghanistan's Future Plan assigns a particular role to finance and micro-credit to achieve expected rates of growth. As a result the Government has been very supportive of MISFA and has helped in the flow of funds to it through the donor community. The growth of the sector in Afghanistan was phenomenal and stands first compared to many conflict affected countries such as Bosnia and Herzegovina, Mozambique, Uganda, Sierra Leone, and Liberia in their early stages of recovery. However, in its present form the microfinance sector in the country is very much subsidized by MISFA and the sustainability of MFIs is a critical issue in future growth.

While there is no special micro-finance legislation in the country, the existing policies are such that micro-finance banks committed to microfinance feel they can enter the market. This is illustrated by the entry of two specialised banks which cater to the microfinance sector. The First Microfinance Bank, Afghanistan was the first licensed microfinance bank in Afghanistan which has been incorporated as a full service commercial bank with micro finance being its main area of focus. The FMBA was incorporated in 2003 with considerable help and financing from the IFC and KFW. A technical assistance package has been secured from donors in order to overcome some of the short-term constraints imposed by the Afghan environment, in particular with respect to security, gender outreach, the lack of infrastructure, and training of staff. At the end of 2006, BRAC also established the BRAC Afghanistan Bank (BAB) with a focus on small business lending but its portfolio has expanded to include a range of credit and savings products. In addition to this supportive legal environment the Government of Afghanistan has taken other measures to support the fledgling microfinance industry. In 2006 the central bank published the "Deposit Taking Microfinance Institutions" regulations under the Banking Act that will allow MFIs to eventually transform into specially-regulated deposit-taking microfinance institutions, and from there to full commercial banks should they wish.[34]

In July 2006 the Legislative & Regulatory Division of Da Afghanistan Bank announced Article Twelve: Licensing, Regulation, and Supervision of Depository Microfinance Institutions. This states that DMFIs, which take deposits and make loans, would normally be subject to Article 2.1 of the Law, which states that "no person shall engage in the business of receiving money deposits or other repayable funds from the public for the purpose of making credits or investments for his own account in Afghanistan without a banking license issued by Da Afghanistan Bank…" However, DMFIs are hereby deemed to qualify for exemption from Article 2.1. In order to be considered a DMFI and be licensed, regulated, and supervised under this regulation, it is not necessary for the microfinance institution to engage in every permitted activity of a DMFI. Accordingly, microfinance institutions that accept only mandatory deposits or no deposits at all may voluntarily choose to be licensed as DMFIs, and DAB will consider their license applications and regulate and supervise these institutions under the same set of requirements as if they were actually taking voluntary deposits.

A Depository microfinance institution (DMFI) is defined under this article as a legal entity that accepts voluntary savings deposits only from a membership defined by a common bond, such as employment at the same legal entity or defined groups of entities or in the same occupation, or residence within the same delineated community, and grants micro-credits only to that same membership. Microfinance institutions that accept only mandatory deposits from members are not considered to be DMFIs. Microfinance institutions that accept only mandatory deposits or no deposits at all may voluntarily choose to comply with these regulations in order to receive a license from DAB, and shall also be considered DMFIs for purposes of this regulation. No MFI has as yet applied for regulation under this article. The FMFB which has around 52% of the total savings of the sector is already licensed as a bank and cannot benefit from this new law. BRAC could potentially benefit from this regulation as it has 38% of the total savings in the sector and also has a membership approach which would make it an ideal candidate to use member deposits as a source of financing. However, BRAC has registered a BRAC Bank in Afghanistan and may simply transfer member deposits to the new entity. Other MFIs do not adopt a membership approach and have less than 10% of total savings in the sector as a whole and therefore do not really stand to gain from this legislation.

[34] IDA. 2007.

Chapter 8: Challenges Facing the Sector

Overview

The micro-finance sector in Afghanistan is at a cross-road today. The sector has enjoyed strong backing from the Government and donors and sought to follow microfinance's best practices, and build the capacity and capital base of MFI's. The deliberate approach to encourage rapid scaling has led to rapid client outreach and the resulting growth is impressive and stands first when compared with conflict-affected countries. The attempt by many in the MFI sector to target women has demonstrated that when concerted attempts are made to reach women clients this is possible even in a country like Afghanistan which harbours extremely negative views about women's economic participation. However, despite this performance most analysts agree that this growth has come at a cost. The sector faces many challenges today. These challenges include excessive reliance on one agency for funding, lack of staff capacity and weak management systems, low level of sustainability and rising portfolio at risk, delivery strategies which impose a high cost on the borrower, limited product range and lack of information on how women are actually benefiting from the loans. The key stakeholders have begun to appreciate some of these challenges which are outlined in this section.

Weak Management and Implementation Capacity

Lack of experience in country was a principal reason that reputable international MFIs with experience of microfinance in developing countries were encouraged to start microfinance operations in Afghanistan. Regardless of the level of experience at higher tiers of management, international agencies also have to recruit local staff at the field level. The rapid growth in the microfinance sector has led to recruitment of staff which is not properly qualified especially at the level of the loan officers. In Afghanistan like in most other countries there is no tailor made training for this level of tier of staff. Organizations which recruit women at the field level such as BRAC face a more acute problem as they have to recruit from a pool of women with limited or no training or experience of any kind. Furthermore, some organizations intentionally choose staff with limited experience as a cost cutting strategy. While MISFA has been mandated to undertake capacity building of the MFI sector as one of its prime objectives, its capacity to provide training at the field level is also limited. BRAC and some of the other MFIs do provide some training to staff but training by MISFA and the MFIs cannot compensate for weak staff capacity. A review of the sector by donors commented that the effectiveness of the training programs of MISFA could not be assessed as it does not carry out formal follow-up.[35]

Portfolio at Risk

The portfolio at risk reported by the MFIs in Afghanistan is an area of serious concern. At the end of December the overall portfolio at risk of the sector was 10.5% with some MFIs reporting alarming PARs such as FINCA (47%), Sunduq (36%) Madraq (29%), Parwaz (24%), AMFI at 20%, ARMP (17%) and MOFAD (11%). There

[35] Nagarajan, Geetha, Henry Knight and Taara Chandani.

are various reasons reported for this high PAR, one of the principal reasons is weak internal management capacity, internal fraud, target oriented disbursements which did not properly assess clients, ghost clients, inability of borrowers to pay due to worsening economic situation, etc. To address the need for more careful monitoring, the MISFA monitoring unit has been strengthened and its scope has been enhanced. MISFA has produced individual performance reports for each of the MFIs and has been holding individual discussions with MFIs to discuss their performance. These discussions have included reviewing progress made so far, assessing their achievements with respect to targets, discussing management and financial issues that emerge from the reports, and reassessing growth more realistically.

Sustainability

The focus on first achieving wide geographic coverage appears to have delayed sustainability objectives in the microfinance sector. At the end of December 2008, three MFIs had an Operational Self-Sufficiency (OSS) ratio of over 100%. For the sector as a whole the OSS was 79% at the end of December 2008. However, this ratio is expected to drop in the future as MFIs scale back their expansion plans and focus on improving portfolio quality. Inherent challenges to achieving sustainability in Afghanistan result from the high operating costs of the MFIs that will need to be addressed. However, there are some factors which are outside the control of individual MFIs such as the lack of security, limited economic opportunities, the extreme discrimination against women, destruction of the physical infrastructure, inadequate marketing infrastructure, etc. The MFI sector in Afghanistan is currently focusing its service provision in Kabul and major towns in the North. The problem of cost control is likely to be a major issue for coverage to rural areas where the population density is only 40 people per square kilometer.

Limited Source of Financing

MFIs depend heavily on MISFA as a source of funds to finance their lending operations. Loans from MISFA to MFIs account for more than 90% of the MFIs' portfolio outstanding. Any disruption in loan funds from MISFA can adversely affect MFIs' operations unless they can secure alternative funding sources. For example, in 2005 MRRD / MISFA did not receive enough funding to meet the funding requirements identified under contracts that had been signed with MFIs, and much of what was provided came at the very end of the year. As a result of the disruption in fund availability to MISFA, of the US$ 129 million indicated in contracts with MFIs, only US$ 24 million (18%) were disbursed. Funding delays are now suggested to be one of the major reasons that limited expansion of the MFIs. Donor commitments generally fall short of the volume of funds required by MFIs in their business plans. MFIs report that this also leads to a loss of their credibility when they cannot honour their commitments to clients. MFIs in Afghanistan have not demonstrated the capacity to generate member savings or mobilize deposits which could then be used as a source of financing. While the Afghan Government allows the licensing of a Deposit Taking Microfinance Institutions under the Banking Act, none of the MFIs have registered under this regime. Most MFIs in Afghanistan do not have savings programmes and no plans to pursue member deposits as a strategy for mobilizing resources.

Ability to Attract Foreign Financing

It was a correct strategy of the initial Government efforts for developing the microfinance sector to deliberately choose international microfinance institutions (MFIs) to establish new “green field” initiatives in Afghanistan while building capacity of local Afghan MFIs. It is clear that the strategy has facilitated achieving scale rapidly, demonstrated good practices, and helped build local capacity. There are now four MFIs (Parwaz, WWI, AFSG and MADRAC) managed by Afghans. Parwaz is also owned and fully staffed by Afghans. The objective of government in this regard is to encourage MFIs, especially those that are benefiting from grant funds, to establish permanent forms of organization in the country. The form of incorporation for most MFIs is the limited liability company registered under the regulations of the Ministry of Commerce. These are non-distributive companies but with limitations on the distribution of dividends only for the first five years. Whereas this form of organization will be helpful to building domestic institutions that are staffed with nationals, the form may be less attractive for foreign investors concerned with realizing fast returns on their invested funds. Conditions in Afghanistan still haven't reached a point where international social investment funds or large international banks with microfinance investment programs are ready to sign on. However, some MFIs have strong balance sheets and solid portfolios and are therefore likely to attract some financing.

Narrow Product Range

While a few organizations have developed some interesting products and delivery strategies one of the most common refrain in the sector is that the amount of loan is too small, the repayment period too short and the scheduling of repayments is too soon. While some organizations are experimenting with a few innovative products such as FINCA with Islamic products, the range of the products that is offered is generally very narrow and does not always meet the requirements of the different activities for which the loan has been taken. For example, few organizations have developed a product to address the needs of the livestock sector where one of the key constraints is winter feed. Thus farming households have to sell the animals at a low price. MFIs have focused on credit to the exclusion of other types of services such as savings, insurance, etc. There is need to design better financial products and develop risk mitigation measures for clients faced with high risk.

Re-examination of Delivery Strategies

Many of the strategies that are being used in Afghanistan have been imported from elsewhere. While some are working effectively there is need for a re-examination of some of these to assess how these are actually working in the local environment and whether there is a need for modifying them to respond more effectively to the local context. This is particularly important for MFIs which are seeking to target women. Too often MFIs use strategies without fully appreciating that this imposes an additional cost on the client. This begins to manifest itself in poor client loyalty, high client drop-out, high PAR and low impact. There was no evidence that there had been a comparative assessment of the approaches that used the individual, solidarity group, village level banking models.

Outreach to Rural Areas

A major challenge for the microfinance sector in Afghanistan is its concentration in a few areas such as Kabul and a few towns in the northern parts of the country. Large parts of the country are uncovered. Providing coverage to other parts of the country is a special problem because of lack of security, poor physical and institutional infrastructure and low population densities. Afghanistan has a population density of 119 per square miles which is one tenth of that of Bangladesh and makes it extremely difficult to provide financial services in a cost effective manner outside the urban areas. This represents a special challenge for the country and requires innovation in terms of products, delivery strategy and use of communication and information technology.

Impact on Poverty

While a few reports have been generated on the impact of the sector on poverty alleviation more work needs to be undertaken in this regard. There is need to undertake proper cost/benefit analysis and assess the returns to investments in trade, cereal crops, horticulture and livestock sectors and areas in which credit is most often deployed. Only an examination of this sort will indicate whether the poor farming communities can bear the interest costs currently being charged by the MFIs and the extent to which the provision of services has an impact on poverty.

Impact on Gender

The microfinance sector in Afghanistan especially prides itself on reaching women given the difficult position of women in the country. While some of the organizations target women only and the sector has an overall outreach to women of 63%, the impact on women is not properly documented. There is need for a better understanding of who is actually using these loans and the specific impact they have on women's empowerment, social status, productivity and incomes. The experience of many other countries indicates that the loans, even when they are being given to women, are not always used by them but are often passed on to household men. In Afghanistan this issue has not been carefully examined and there is a need to look at this carefully.

Strengthen Capacity of Support Organizations

The microfinance sector needs a few strong support organizations which can help to develop the capacity of the MFIs. The Afghanistan Microfinance Association (AMA) has been established to help in providing training for building staff capacity, strengthening monitoring and evaluation capacity in the sector, promote transparency, enhance industry standards, monitor industry benchmarks, disseminate knowledge and information sharing. Such an institution can also help MFIs evaluate their performance, identify areas to improve, and urgently develop strategies to reduce costs of operations and become sustainable. Such an organization could also help in product innovation, process reengineering, broad applications of new technology, and creation of new strategic alliances will all be essential for the MFIs to develop a strong microfinance sector in Afghanistan. The MFIs need to actively support Afghanistan Microfinance Association (AMA) to grow and assume a visible role in lobbying, training, the gathering of performance statistics and other functions that are currently performed by MISFA.

Annexure

List of Annex Tables

Table 1.A - Summary of Microfinance Growth and Portfolio Quality

Outreach	2005	2006	2007	2008
Provinces	19	21	23	24
Districts	19	93	109	113
Active Clients	192,610	280,914	424,802	441,092
Active borrowers	160,744	241,495	365,666	350,692
Client dropout (cumulative)	69,616	112,715	155,995	251,663
No. of loans disbursed (cumulative)	321,644	540,797	999,744	1,317,038
Amount of loans disbursed, $ (cumulative)	71,536,818	139,409,485	369,331,396	557,240,936
No. of loans outstanding	160,744	241,495	365,666	352,904
Gross Loans outstanding, $	27,623,763	51,653,493	102,927,986	106,373,056
Client Savings outstanding, $	2,956,353	4,990,573	11,416,667	14,603,226

Outreach - Vulnerable Section	2005	2006	2007	2008
Women Clients	139,466	206,849	278,611	279,719
Widow clients	-	4,177	3,370	2,191
Disabled clients	218	196	138	178
Returnee clients	3,114	11,316	13,174	13,872
Women as % of Total Clients	72%	74%	66%	63%
MFI Resources employed	2005	2006	2007	2008
Branches	157	215	258	283
Male staff		-	2,519	2,878
Female staff			1,869	1,931
Total staff	2,284	3,047	4,388	4,809
LOAN PORTFOLIO	2005	2006	2007	2008
Cumulative Principal Amount due (demand), $	20,945,495	8,537,369	20,364,084	326,492,582
Cumulative Principal Amount received, $	20,611,293	7,942,375	18,396,897	311,721,989
Cumulative Principal prepaid, $	6,477	2,125	928,044	909,289

Cumulative Number of loans overdue	11,526	13,684	48,148	135,990
Number of loans written-off	76	3	1,553	5,662
Amount of loans written-off (cumulative), $	8,771	131	141,285	1,182,042

PORTFOLIO AGEING (Principal Balances,$)	**2005**	**2006**	**2007**	**2008**
Current (loans having no overdue)	800,955.85	249,075,717	95,250,643	91,556,264
Amount of loans rescheduled	17,009.00	3,714,877	3,188,544	348,221
1-30 days late		853,826	863,881	3,737,950
31-90 days late		594,273	748,986	2,859,209
91-180 days late		881,641	1,035,199	2,880,834
>180 days late		1,535,214	1,840,733	5,462,519
Total	817,965	256,655,548	102,927,986	106,844,997
LOAN LOSS RESERVE (Total)	9,710.46	10,718.44	4,376,008	9,686,361
Outstanding Number of Loans by Size:	2005	2006	2007	2008
AFS 15,000	127,129	172,314	216,781	172,780
AFS 15,001-50,000	31,073	61,598	113,335	133,600
AFS 50,000	2,542	7,583	35,550	46,516
Total	160,744	241,495	365,666	352,896

Outstanding Amount of Loans by Sector ($):	**2005**	**2006**	**2007**	**2008**
Trade and Services	14,307,464	28,589,898	63,140,585	67,478,751
Household consumption			3,395,073	4,525,981
Handicrafts and Manufacturing	4,434,560	6,680,341	14,258,499	11,977,172
Agriculture	3,097,705	5,497,650	7,732,395	10,829,380
Livestock (small & large animals)	5,203,335	9,628,532	12,710,691	10,879,846
Others	567,155	1,257,072	1,690,744	1,073,726
Total	27,610,219	51,653,493	102,927,986	106,764,857

Productivity Indicators	2005	2006	2007	2008
Loan Outstanding Per Branch	175,948	240,249	398,946	375,877
Loan outstanding per borrower, $	172	214	281	303
Portfolio per staff, $	12,094	16,952	23,457	22,201
Active borrowers per staff	70	79	83	73
Cost per active client, $			9	10
Portfolio Quality	2005	2006	2007	2008
Cumulative repayment rate, %	98%	93%	86%	95.20%
PAR (>30 days), %	1.24%	1.16%	4%	10.5%
Loan loss reserve ratio, %	1.35%	1.6%	3%	9%
Profitability (quarterly)	Monthly	Monthly	Monthly	Quarterly
Yield on portfolio, %	2.9%	0.0%	3%	27.3%
Operating expense ratio, %	15.0%	2.6%	3%	32.7%
Operational self-sufficiency, %	47.4%	0.0%	90%	79.4%
Other				
Capital adequacy ratio, %	4.7%		23%	0.0%
OSS (12-month Rolling Average)				80%

Table 1.B –Amount of Savings by MFI Clients ($)

MFI	2005	2006	2007	2008
Ariana Financial Services(AFS)	-	-	-	-
Afghanistan Rural Microcredit Programme (ARMP)	-	-	-	-
Bangladesh Rural Advancement Committee (BRAC)	2,262,429	4,649,122	5,744,960	5,596,627
Child Fund Afghanistan (CFA)			170,350	270,464
Foundation for International Community Assistance (FINCA)	-	-	-	-
The First MicroFinance Bank(FMFB)	95,107	4,880,510	4,835,811	7,700,812
Microfinance Agency for Development and Rehabilitation of Afghan (MADRAC)			106,924	171,263
Micro Finance Agency for Development (MoFAD)			111,862	178,448
OXUS	-	-	-	-
Parwaz Microfinance Institution	12,648	32,613	69,394	100,770
Sunduq (Khadamati Mahally Sunduq)			134,949	152,754
World Council of Credit Unions (WOCCU)			242,416	432,088
Women for Women International (WWI)	-	-	-	-
TOTAL	2,956,353	4,990,573	11,416,667	14,603,226

Table 1.1 Portfolio Summary by MFI (December 2008)

PORTFOLIO SUMMARY						
Dec-08	**AFS**	**AMFI**	**ARMP**	**BRAC**	**CFA**	**FINCA**
Outreach - Overall						
Provinces	2	3	12	21	4	10
Districts	29	8	56	101	12	74
Active Clients	11,181	3,896	21,905	188,806	20,145	38,499
Active borrowers	11,181	3,896	21,905	140,366	20,145	38,499
Client dropout (cumulative)	5,819	-	689	111,512	-	63,213
No. of loans disbursed (cumulative)	46,657	16,477	109,883	541,063	56,008	188,031
Amount of loans disbursed, $ (cumulative)	13,848,980	7,804,800	85,534,772	145,604,000	14,556,373	62,690,537
No. of loans outstanding	-	-	-	-	-	-
Gross Loans outstanding, $	3,521,420	763,612	15,352,709	27,310,454	3,366,897	5,330,780
Client Savings outstanding, $	-	-	-	5,596,627	270,464	-
Outreach - Vulnerable Section						
Women Clients	7,653	1,563	2,716	163,154	9,947	20,229
Widow clients	578	-	328	-	-	-
Disabled clients	24	-	-	-	-	-
Returnee clients	864	-	6,748	-	-	-
Women as % of Total Clients	68%	40%	12%	86%	49%	53%
MFI Resources employed						
Branches	4	5	20	163	5	19
Male staff	85	67	436	881	58	419
Female staff	51	13	62	1,104	25	164
Total staff	136	80	498	1,985	83	583
LOAN PORTFOLIO						
Cumulative Principal Amount due (demand), $	10,300,650	7,032,079	70,611,945	121,139,150	11,489,571	60,619,574
Cumulative Principal Amount received, $	10,298,856	6,901,964	68,244,863	118,006,921	11,189,787	57,255,327
Cumulative Principal prepaid, $	243,470	-	-	-	-	-
Cumulative Number of loans overdue	806	1,296	4,972	50,598	4,463	21,477
Number of loans written-off (cumulative)	152	723	55	970	-	1,347
Amount of loans written-off (cumulative), $	34,168	163,945	34,971	337,262	-	104,430
PORTFOLIO AGEING (Principal Balances,$)						
Current (loans having no overdue)	2,797,641	627,083	12,061,333	23,985,192	2,788,218	2,472,813
Amount of loans rescheduled	-	-	298,148	-	-	-
1-30 days late	441,460	49,838	309,434	1,240,149	246,499	368,525
31-90 days late	183,597	50,686	376,260	547,438	130,401	384,459
91-180 days late	69,636	52,473	664,820	359,354	46,091	450,957
>180 days late	29,086	63,672	1,642,715	1,178,321	155,688	1,654,027
Total	3,521,420	843,752	15,352,709	27,310,454	3,366,897	5,330,780

LOAN LOSS RESERVE (Total)	198,069	121,616	2,604,189	1,922,032	274,995	2,101,519
Outstanding Number of Loans by Size:						
≤ AFS 15,000	6,899	2,598	3,786	69,051	14,943	21,383
AFS 15,001-50,000	2,616	1,257	14,986	61,500	5,090	14,818
> AFS 50,000	1,666	41	3,133	9,815	112	2,298
Total	11,181	3,896	21,905	140,366	20,145	38,499
Outstanding Amount of Loans by Sector ($):						
Trade and Services	2,425,650	494,914	1,988,572	23,102,635	1,382,988	2,678,731
Household consumption	-	-	-	-	-	-
Handicrafts and Manufacturing	432,950	267,269	123,834	1,282,907	646,265	2,254,378
Agriculture	662,819	1,263	3,917,310	2,560,212	1,337,645	-
Livestock (small & large animals)	-	166	9,280,360	364,700	-	-
Others	-	-	42,631	-	-	397,672
Total	3,521,420	763,612	15,352,709	27,310,454	3,366,897	5,330,780
Key Performance Ratios						
Productivity						
Loan outstanding per borrower, $	315	196	701	195	167	138
Portfolio per staff, $	25,893	9,545	30,829	13,758	40,565	9,144
Active borrowers per staff	82	49	44	71	243	66
Cost per active client, $	16.14	21.76	27.44	3.93	3.40	21.89
Portfolio Quality						
Cumulative repayment rate, %	98%	98%	97%	97%	97%	94%
PAR (>30 days), %	8%	20%	17%	8%	10%	47%
Loan loss reserve ratio, %	6%	16%	17%	7%	8%	39%
Profitability (quarterly)						
Yield on portfolio, %	27%	36%	16%	33%	29%	34%
Operating expense ratio, %	32%	58%	33%	24%	16%	110%
Operational self-sufficiency, %	56%	41%	48%	100%	113%	49%
Other						
Capital adequacy ratio, %	6%	-20%	10%	3%	36%	75%
OSS (12-month Rolling Average)	**64%**	**35%**	**78%**	**94%**	**129%**	**48%**

PORTFOLIO SUMMARY						
Dec-08	**MADRAC**	**MOFAD**	**OXUS**	**PARWAZ**	**SUNDUQ**	**WOCCU**
Outreach - Overall						
Provinces	8	1	5	1	3	11
Districts	19	17	28	13	12	31
Active Clients	18,148	15,156	14,394	12,180	10,531	15,540
Active borrowers	16,250	11,062	14,394	12,180	10,407	4,800
Client dropout (cumulative)	11,811	1,649	20,342	19,113	9,688	2,371
No. of loans disbursed (cumulative)	43,219	31,007	44,556	46,982	33,664	14,760
Amount of loans disbursed, $ (cumulative)	9,694,130	9,224,539	13,834,337	9,468,140	7,271,493	8,832,510
No. of loans outstanding	-	-	-	-	-	-

Gross Loans outstanding, $	2,433,190	2,231,890	3,763,479	1,959,677	1,476,414	2,542,982
Client Savings outstanding, $	171,263	178,448	-	100,770	152,754	432,088
Outreach - Vulnerable Section						
Women Clients	7,749	15,156	7,392	12,180	4,694	2,796
Widow clients	-	-	148	220	53	-
Disabled clients	-	38	46	40	15	15
Returnee clients	-	-	1,967	319	51	4
Women as % of Total Clients	43%	100%	51%	100%	45%	18%
MFI Resources employed						
Branches	12	3	9	10	8	6
Male staff	116	37	110	50	59	56
Female staff	33	39	49	100	20	12
Total staff	149	76	159	150	79	68
LOAN PORTFOLIO						
Cumulative Principal Amount due (demand), $	7,491,129	7,678,331	9,248,895	940,825	3,784,488	6,183,214
Cumulative Principal Amount received, $	7,230,940	6,489,655	6,683,320	328,890	2,606,798	6,285,528
Cumulative Principal prepaid, $	-	-	116,372	-	-	249,904
Cumulative Number of loans overdue	6,674	2,001	29,683	3,830	7,875	425
Number of loans written-off (cumulative)	-	-	329	279	474	215
Amount of loans written-off (cumulative), $	-	-	19,509	27,999	72,514	48,568
PORTFOLIO AGEING (Principal Balances,$)						
Current (loans having no overdue)	1,570,567	1,902,150	3,263,772	1,237,240	875,248	2,349,321
Amount of loans rescheduled	-	-	-	-	-	-
1-30 days late	157,080	12,427	75,230	250,454	74,180	103,302
31-90 days late	235,013	59,962	61,303	289,008	210,575	46,187
91-180 days late	239,751	137,004	145,932	87,447	250,145	35,785
>180 days late	230,779	120,347	217,243	95,528	66,266	8,387
Total	2,433,190	2,231,890	3,763,479	1,959,677	1,476,414	2,542,982
LOAN LOSS RESERVE (Total)	476,548	240,802	363,354	272,117	295,696	77,537
Outstanding Number of Loans by Size:						
≤ AFS 15,000	14,102	7,439	9,872	10,502	4,193	1,127
AFS 15,001-50,000	2,148	3,623	3,682	286	3,683	3,179
> AFS 50,000	-	-	840	1,392	2,531	486
Total	16,250	11,062	14,394	12,180	10,407	4,792
Outstanding Amount of Loans by Sector ($):						
Trade and Services	989,934	1,923,489	2,809,284	1,506,882	785,603	1,295,644
Household consumption	-	-	-	204,645	-	-
Handicrafts and Manufacturing	598,284	172,798	484,689	213,095	133,121	98,422
Agriculture	682,788	21,120	383,328	-	414,333	810,365
Livestock (small & large animals)	-	35,045	86,179	35,056	143,356	338,552
Others	162,184	79,438	-	-	-	-
Total	2,433,190	2,231,890	3,763,479	1,959,677	1,476,414	2,542,983
Key Performance Ratios						
Productivity						
Loan outstanding per borrower, $	150	202	261	161	142	530
Portfolio per staff, $	16,330	29,367	23,670	13,065	18,689	37,397

Active borrowers per staff	109	146	91	81	132	71
Cost per active client, $	10.97	10.97	11.94	18.52	7.23	6.31
Portfolio Quality						
Cumulative repayment rate, %	97%	85%	71%	35%	69%	98%
PAR (>30 days), %	29%	14%	11%	24%	36%	4%
Loan loss reserve ratio, %	20%	11%	10%	14%	20%	3%
Profitability (quarterly)						
Yield on portfolio, %	20%	21%	33%	35%	4%	23%
Operating expense ratio, %	55%	24%	38%	52%	41%	39%
Operational self-sufficiency, %	22%	51%	64%	39%	10%	72%
Other						
Capital adequacy ratio, %	-4%	-11%	11%	23%	-30%	18%
OSS (12-month Rolling Average)	**30%**	**58%**	**63%**	**59%**	**14%**	**78%**

PORTFOLIO SUMMARY			
Dec-08	**WWI**	**FMBA**	**Total**
Outreach - Overall			
Provinces	3	12	24
Districts	18	12	113
Active Clients	9,549	61,162	443,304
Active borrowers	9,549	36,058	352,904
Client dropout (cumulative)	5,266	-	251,663
No. of loans disbursed (cumulative)	45,179	92,620	1,317,038
Amount of loans disbursed, $ (cumulative)	10,718,660	156,179,515	557,240,936
No. of loans outstanding	-	-	-
Gross Loans outstanding, $	1,273,196	35,046,355	106,764,857
Client Savings outstanding, $	-	7,700,812	14,603,226
Outreach - Vulnerable Section			-
Women Clients	9,549	13,636	279,719
Widow clients	815	-	2,191
Disabled clients	-	-	178
Returnee clients	3,919	-	13,872
Women as % of Total Clients	100%	22%	63%
MFI Resources employed			-
Branches	1	17	283
Male staff	14	478	2,878
Female staff	86	169	1,931
Total staff	100	647	4,809
LOAN PORTFOLIO			-
Cumulative Principal Amount due (demand), $	4,325,017	5,587,761	326,492,582
Cumulative Principal Amount received, $	4,252,841	5,887,305	311,721,989
Cumulative Principal prepaid, $	-	299,544	909,289
Cumulative Number of loans overdue	1,176	701	135,990
Number of loans written-off (cumulative)	859	259	5,662
Amount of loans written-off (cumulative), $	78,980	259,695	1,182,042
PORTFOLIO AGEING (Principal Balances,$)			-

Current (loans having no overdue)	1,120,251	34,114,095	91,556,264
Amount of loans rescheduled	50,073	-	348,221
1-30 days late	42,287	367,087	3,737,950
31-90 days late	38,833	245,487	2,859,209
91-180 days late	21,752	319,686	2,880,834
>180 days late	-	-	5,462,519
Total	1,273,196	35,046,355	106,844,997
LOAN LOSS RESERVE (Total)	90,205	643,307	9,686,361
Outstanding Number of Loans by Size:			-
≤ AFS 15,000	6,841	44	172,780
AFS 15,001-50,000	2,708	14,024	133,600
> AFS 50,000	-	21,990	46,516
Total	9,549	36,058	352,896
Outstanding Amount of Loans by Sector ($):			-
Trade and Services	929,433	25,164,992	67,478,751
Household consumption	-	4,321,336	4,525,981
Handicrafts and Manufacturing	165,515	5,103,646	11,977,172
Agriculture	38,196	-	10,829,380
Livestock (small & large animals)	140,052	456,380	10,879,846
Others	-	-	1,073,726
Total	1,273,196	35,046,355	106,764,857
Key Performance Ratios			
Productivity			
Loan outstanding per borrower, $	133	972	303
Portfolio per staff, $	12,732	54,167	22,201
Active borrowers per staff	95	56	73
Cost per active client, $	9.44	16.29	10.29
Portfolio Quality			
Cumulative repayment rate, %	98%	100%	95.20%
PAR (>30 days), %	5%	2%	10.5%
Loan loss reserve ratio, %	7%	2%	9%
Profitability (quarterly)			
Yield on portfolio, %	38%	28%	27.3%
Operating expense ratio, %	55%	25%	32.7%
Operational self-sufficiency, %	60%	130%	79.4%
Other			
Capital adequacy ratio, %	2%	18%	0.0%
OSS (12-month Rolling Average)	**74%**	**120%**	**80%**

Table 1.2 Income Statement by MFI (December 2008)

Dec-08	AFS	AMFI	ARMP	BRAC	CFA	FINCA	MADRAC
OPERATING INCOME	-	-	-	-	-	-	-
Income from Loans	80,283	21,227	280,048	753,970	78,282	148,485	40,368
Other Operating Income	2,950	-	49,882	-	217	-	424
Interest on Investment	-	5,260	173,567	-	2,229	93,459	-
TOTAL OPERATING INCOME	83,233	26,487	503,497	753,970	80,728	241,944	40,792
FINANCIAL EXPENSES	-	-	-	-	-	-	-
Interest on Loan	10,323	8,637	78,808	122,989	15,599	59,785	16,740
Interest on Client Deposits	-	-	-	(81,725)	-	-	-
Foreign Currency Losses/(Gains)	-	(20)	130	-	-	73,587	-
Provision for Loan Losses	66,890	35,494	(50,401)	66,298	20,000	78,832	61,802
TOTAL FINANCIAL EXPENSES	77,213	44,112	28,537	107,562	35,599	212,204	78,542
OPERATING EXPENSES	-	-	-	-	-	-	-
Personnel Expenses	69,803	19,764	299,725	394,852	19,746	338,874	81,100
Other Administrative Expenses	30,823	23,498	224,028	172,787	11,357	191,672	33,678
Depreciation expense	4,480	-	54,027	26,539	4,000	10,802	6,684
Allocated Headquarters Expenses (NICRA)	-	-	10,000	38,911	-	105,557	-
TOTAL OPERATING EXPENSES	105,106	43,261	587,780	633,089	35,102	646,905	121,462
TOTAL FINANCIAL & OPERATING EXPENSES	182,319	87,373	616,316	740,651	70,701	859,109	200,004
OPERATING PROFIT/(LOSS) - BEFORE TAX	(99,087)	(60,886)	(112,819)	13,319	10,027	(617,165)	(159,212)
Business Receipts Tax	8,551	-	-	-	4,036	2,970	1,938
Income Tax	-	-	-	-	-	-	-
NET OPERATING PROFIT/(LOSS) - AFTER TAX	(107,637)	(60,886)	(112,819)	13,319	5,991	(620,134)	(161,150)
NON-OPERATING INCOME & EXPENSES	-	-	-	-	-	-	-

Grants from MISFA	-	-	(62,492)	(13,319)	-	7,043	-
Grants from Other Sources	-	-	-	-	-	1,619,210	-
Other Non-Operating Income (Expenses)	-	-	-	-	-	-	-
Total Non-Operating Income	-	-	(62,492)	(13,319)	-	1,626,254	-
TOTAL CONSOLIDATED PROFIT/(LOSS)	(107,637)	(60,886)	(175,311)	-	5,991	1,006,119	(161,150)

Dec-08	**MOFAD**	**OXUS**	**PARWAZ**	**SUNDUQ**	**WOCCU**	**WWI**	**FMBA**	**Total**
OPERATING INCOME	-	-	-	-	-	-	-	-
Income from Loans	42,267	109,186	61,524	-	51,189	36,642	861,238	2,564,709
Other Operating Income	694	1,103	-	-	1,550	4,750	261,721	323,290
Interest on Investment	-	1,644	4,741	1,664	(90)	-	377,132	659,606
TOTAL OPERATING INCOME	42,961	111,932	66,265	1,664	52,649	41,391	1,500,091	3,547,605
FINANCIAL EXPENSES	-	-	-	-	-	-	-	-
Interest on Loan	15,262	19,473	18,916	24,789	10,084	11,329	309,907	722,641
Interest on Client Deposits	-	-	-	-	3,315	-	99,741	21,331
Foreign Currency Losses/(Gains)	-	-	(487)	158	-	119	1,400	74,887
Provision for Loan Losses	90,981	34,524	130,884	-	2,681	10,492	(358,364)	190,113
TOTAL FINANCIAL EXPENSES	106,244	53,997	149,313	24,947	16,080	21,939	52,685	1,008,973
OPERATING EXPENSES	-	-	-	-	-	-	-	-
Personnel Expenses	29,491	75,372	56,322	31,391	51,690	42,660	398,650	1,909,439
Other Administrative Expenses	26,748	31,601	27,168	17,912	22,335	19,778	489,296	1,322,680
Depreciation expense	3,666	9,074	2,716	2,687	4,928	1,974	39,394	170,971
Allocated Headquarters Expenses (NICRA)	-	5,218	-	-	-	3,321	-	163,006
TOTAL OPERATING EXPENSES	59,905	121,265	86,206	51,990	78,953	67,733	927,340	3,566,096

TOTAL FINANCIAL & OPERATING EXPENSES	166,148	175,261	235,519	76,937	95,033	89,672	980,024	4,575,069
OPERATING PROFIT/(LOSS) - BEFORE TAX	(123,188)	(63,329)	(169,254)	(75,272)	(42,384)	(48,281)	520,067	(1,027,464)
Business Receipts Tax	-	5,597	3,313	-	-	2,070	75,707	104,182
Income Tax	-	-	-	-	-	-	86,860	86,860
NET OPERATING PROFIT/(LOSS) - AFTER TAX	(123,188)	(68,926)	(172,567)	(75,272)	(42,384)	(50,350)	357,499	(1,218,505)
NON-OPERATING INCOME & EXPENSES	-	-	-	-	-	-	-	-
Grants from MISFA	-	121,265	2,608	-	55,801	-	-	110,907
Grants from Other Sources	-	-	-	2,687	-	-	(10,060)	1,611,837
Other Non-Operating Income (Expenses)	-	8	-	-	-	-	-	8
Total Non-Operating Income	-	121,273	2,608	2,687	55,801	-	(10,060)	1,722,752
TOTAL CONSOLIDATED PROFIT/(LOSS)	(123,188)	52,347	(169,959)	(72,586)	13,417	(50,350)	347,439	504,246

Table 1.3 Balance Sheet by MFI (December 2008)

Dec-08	AFS	AMFI	ARMP	BRAC	CFA	FINCA	MADRAC
ASSETS	-	-	-	-	-	-	-
Cash and Bank Balances	1,087,285	1,181,391	14,647,780	14,922,711	2,055,819	4,292,351	1,918,950
Gross Loans Outstanding	3,521,420	763,612	15,352,708	27,310,454	3,366,897	5,330,780	2,433,190
Less: Loan Loss Reserve	(236,795)	(135,626)	(3,167,361)	(1,989,215)	(286,430)	(2,366,711)	(458,548)
Net Loans Outstanding	3,284,625	627,987	12,185,348	25,321,239	3,080,467	2,964,070	1,974,643
Interest receivable on loans	-	-	134,315	416,210	105,263	135,130	-
Accounts receivable and other assets (Including investments)	25,728	80,276	459,653	75,811	4,897	18,923,776	122,224
Gross Fixed Assets	279,769	177,529	1,252,652	1,214,473	83,584	879,540	331,708
Less: Accumulated Depreciation	(142,542)	(62,977)	(669,740)	(728,364)	(44,870)	(379,419)	(179,891)
Net fixed Assets	137,227	114,552	582,913	486,109	38,714	500,121	151,817
TOTAL ASSETS	4,534,865	2,004,206	28,010,008	41,222,080	5,285,160	26,815,447	4,167,634
LIABILITIES	-	-	-	-	-	-	-
Deposits - voluntary savings	-	-	-	-	-	-	-
Deposits - compulsory savings (loan-linked)	-	-	-	5,596,627	270,464	-	171,263
Interest payable on funding liabilities (incl MISFA loans)	60,750	26,352	421,858	369,536	107,685	516,113	135,838
Accounts payable and other liabilities	320,776	20,102	683,957	310,416	-	1,300,235	41,399
Loans from MISFA	3,399,318	2,101,800	18,558,000	28,961,521	3,673,366	13,592,664	3,546,565

Loans from Other Sources	219,039	-	6,729,267	-	-	-	-
Other Long Term Liabilities (incl deferred revenue)	301,379	31,340	68,163	5,092,642	-	-	364,576
TOTAL LIABILITIES	4,301,263	2,179,594	26,461,245	40,330,742	4,051,515	15,409,012	4,259,642
EQUITY (NET WORTH)	-	-	-	-	-	-	-
Paid-in Capital	-	-	-	-	919,252	-	-
Donated Capital from MISFA (Total)	1,868,050	1,960,152	3,344,357	9,027,202	88,200	9,289,264	2,290,649
Donated Capital from Other Sources (Total)	84,545	-	-	-	-	15,470,437	-
Operating Profit/(Loss) after Tax (Total)	(1,718,993)	(2,135,541)	(1,795,594)	(8,135,864)	226,193	(13,353,266)	(2,382,657)
Reserves (e.g. those imposed by law, statutes, board decisions)	-	-	-	-	-	-	-
Other Equity Accounts	-	-	-	-	-	-	-
TOTAL EQUITY (NET WORTH)	233,602	(175,389)	1,548,763	891,338	1,233,645	11,406,435	(92,008)
TOTAL LIABILITIES AND EQUITY	4,534,865	2,004,206	28,010,008	41,222,080	5,285,160	26,815,447	4,167,634
Balance Sheet Equation	0	0	0	-	0	-	0

Dec-08	**MOFAD**	**OXUS**	**PARWAZ**	**SUNDUQ**	**WOCCU**	**WWI**	**FMBA**	**Total**
ASSETS	-	-	-	-	-	-	-	-
Cash and Bank Balances	1,435,552	1,744,168	1,901,468	451,868	200,182	169,129	23,144,315	69,152,971
Gross Loans Outstanding	2,231,890	3,763,479	1,959,677	1,476,414	2,542,982	1,273,196	35,046,355	106,373,055

Less: Loan Loss Reserve	(246,730)	(363,354)	(279,317)	(628,716)	(41,675)	(90,205)	(1,915,256)	(12,205,938)
Net Loans Outstanding	1,985,160	3,400,126	1,680,360	847,698	2,501,307	1,182,991	33,131,098	94,167,117
Interest receivable on loans	-	-	-	-	13,451	-	-	804,368
Accounts receivable and other assets (Including investments)	130,728	326,513	18,993	442,477	484,571	1,603,886	37,823,493	60,523,025
Gross Fixed Assets	133,535	240,705	152,670	154,298	109,791	119,904	2,281,558	7,411,717
Less: Accumulated Depreciation	(127,037)	(116,363)	(53,541)	(82,710)	(59,456)	(63,528)	(1,340,430)	(4,050,869)
Net fixed Assets	6,498	124,342	99,129	71,588	50,335	56,376	941,128	3,360,848
TOTAL ASSETS	3,557,938	5,595,148	3,699,951	1,813,630	3,249,846	3,012,382	95,040,035	228,008,329
LIABILITIES	-	-	-	-	-	-	-	-
Deposits - voluntary savings	-	-	-	-	376,343	-	56,913,096	57,289,439
Deposits - compulsory savings (loan-linked)	178,448	-	100,770	152,754	41,600	-	-	6,511,927
Interest payable on funding liabilities (incl MISFA loans)	39,344	50,231	43,568	49,578	139,596	31,057	-	1,991,506
Accounts payable and other liabilities	-	71,190	53,762	-	37,026	190,088	1,609,381	4,638,333
Loans from MISFA	3,594,042	4,852,241	2,930,837	1,965,675	1,541,657	2,618,005	11,000,000	102,335,691
Loans from Other Sources	-	43,831	-	100,000	560,836	33,458	16,000,640	23,687,071
Other Long Term Liabilities (incl deferred revenue)	-	124,342	102,503	71,588	50,231	93,613	-	6,300,376

TOTAL LIABILITIES	3,811,835	5,141,835	3,231,440	2,339,595	2,747,291	2,966,220	85,523,116	202,754,344
EQUITY (NET WORTH)	-	-	-	-	-	-	-	-
Paid-in Capital	-	52,180	-	-	280,714	-	5,853,118	7,105,264
Donated Capital from MISFA (Total)	2,199,894	2,463,477	1,406,144	1,620,074	342,395	1,536,965	-	37,436,823
Donated Capital from Other Sources (Total)	-	-	415,807	23,776	9,889	6,005	3,872,474	19,882,933
Operating Profit/(Loss) after Tax (Total)	(2,453,790)	(1,862,494)	(1,353,510)	(2,169,815)	(149,823)	(1,496,808)	(180,433)	(38,962,396)
Reserves (e.g. those imposed by law, statutes, board decisions)	-	(209,973)	-	-	19,381	-	-	(190,593)
Other Equity Accounts	-	10,124	70	-	-	-	-	10,194
TOTAL EQUITY (NET WORTH)	(253,897)	453,314	468,511	(525,965)	502,556	46,161	9,545,159	25,282,226
TOTAL LIABILITIES AND EQUITY	3,557,938	5,595,148	3,699,951	1,813,630	3,249,846	3,012,382	95,068,275	228,036,569
Balance Sheet Equation	0	-	(0)	0	-	0	28,240	28,240

Table 1.4 Portfolio Summary by MFI (December 2007)

Outreach - Overall	**Current Month Total**	**AFSG**	**AMFI**	**ARMP**	**BRAC**	**CFA**	**FINCA**	**MADRAC**	**MOFAD**
Outreach - Overall									
Provinces	23	2	3	12	21	4	10	6	1
Districts	109	27	8	56	101	11	98	12	15
Active Clients	424,802	9,292	4,404	30,719	179,022	16,290	63,570	16,301	13,717
Active borrowers	365,666	9,292	4,404	30,719	143,097	16,290	63,570	14,222	7,422
Client dropout (cumulative)	155,995	3,672	-	131	101,614	2,650	21,274	4,559	765
No. of loans disbursed (cumulative)	999,744	32,302	12,345	89,520	438,977	36,294	156,322	28,959	19,543
Amount of loans disbursed, $ (cumulative)	369,331,396	7,896,984	6,315,400	68,187,168	96,079,739	8,561,462	51,935,464	6,000,100	4,850,052
No. of loans outstanding	365,666	9,292	4,404	30,719	143,097	16,290	63,570	14,222	7,422
Gross Loans outstanding, $	102,927,986	1,948,991	1,109,631	20,690,527	25,015,238	2,812,229	11,816,398	2,220,351	1,722,360
Client Savings outstanding, $	11,416,667	-	-	-	5,744,960	170,350	-	106,924	111,862
Outreach - Vulnerable Section									
Women Clients	278,611	6,793	1,396	5,616	158,951	9,421	30,209	7,185	13,717
Widow clients	3,370	509	-	328	-	-	-	-	-
Disabled clients	138	20	-	-	-	-	-	4	38
Returnee clients	13,174	861	-	6,748	-	-	-	-	-
Women as % of Total Clients	66%	73%	32%	18%	89%	58%	48%	44%	100%
MFI Resources employed									
Branches	258	2	4	20	163	4	18	11	2
Male staff	2,519	47	44	405	835	37	455	117	27
Female staff	1,869	41	11	66	1,119	25	204	34	37
Total staff	4,388	88	55	471	1,954	62	659	151	64

LOAN PORTFOLIO									
Principal Amount due (demand), $	20,364,084	333,589	270,802	3,523,784	3,282,619	383,760	3,508,722	378,821	237,622
Principal Amount received, $	18,396,897	330,046	209,582	2,566,003	3,132,512	301,924	2,337,362	305,035	223,827
Principal prepaid, $	928,044	-	543	-	-	-	-	-	-
Number of loans overdue	48,148	264	604	2,260	28,952	1,059	6,406	2,204	76
Number of loans written-off (cumulative)	1,553	100	-	2	-	-	1,312	-	-
Amount of loans written-off (cumulative), $	141,285	22,638	-	947	-	-	92,873	-	-
PORTFOLIO AGEING (Principal Balances, $)									
Current (loans having no overdue)	95,250,643	1,794,733	925,778	19,236,803	22,767,722	2,714,010	9,299,544	2,146,565	1,708,565
1-30 days late	3,188,544	141,186	100,226	286,650	613,373	13,226	1,642,450	24,425	-
31-60 days late	863,881	2,263	37,676	122,621	224,340	10,446	334,002	16,646	238
61-90 days late	748,986	1,003	29,776	154,176	242,358	4,728	228,946	10,494	748
91-180 days late	1,035,199	2,511	16,175	232,848	336,486	4,172	242,606	15,031	3,836
181-365 days late	1,029,492	7,295	-	629,986	53,487	65,397	68,850	6,225	3,862
>365 days late	811,241	0	-	27,444	777,472	250	-	965	5,110
Total	102,927,986	1,948,991	1,109,631	20,690,527	25,015,238	2,812,229	11,816,398	2,220,351	1,722,360
LOAN LOSS RESERVE (Total)	4,376,008	41,582	55,719	1,097,843	1,544,253	95,675	699,133	51,157	28,982
Outstanding Number of Loans by Size:									
≤ $300	216,781	5,164	1,563	5,421	94,092	14,449	35,308	13,505	4,931
$301-1,000	113,335	4,128	2,715	21,349	43,630	1,810	24,468	717	2,401
≥$1,000	35,550	-	126	3,949	5,375	31	3,794	-	89
Total	365,666	9,292	4,404	30,719	143,097	16,290	63,570	14,222	7,422
Outstanding Amount of Loans by Sector ($):									
Trade and Services	63,140,585	1,519,128	679,214	4,637,237	22,029,436	876,256	5,937,771	903,560	1,460,654

Household consumption (food, medical, house repair, education, etc.)	3,395,073	-	-	-	-	-	-	-	-
Handicrafts and Manufacturing	14,258,499	365,286	258,620	481,712	1,720,804	656,374	4,997,134	521,458	122,524
Agriculture	7,732,395	64,577	136,291	3,802,298	853,993	1,279,599	-	642,890	12,796
Livestock (small & large animals)	12,710,691	-	35,506	11,590,949	411,005	-	-	-	42,352
Others	1,690,744	0	-	178,331	-	-	881,494	152,443	84,033
Total	102,927,986	1,948,991	1,109,631	20,690,527	25,015,238	2,812,229	11,816,398	2,220,351	1,722,360
Key Performance Ratios									
Productivity									
Loan outstanding per borrower, $	281	210	252	674	175	173	186	156	232
Portfolio per staff, $	23,457	22,148	20,175	43,929	12,802	45,359	17,931	14,704	26,912
Active borrowers per staff	83	106	80	65	73	263	96	94	116
Cost per active client, $	8.64	7.52	17.08	12.77	3.29	3.59	12.58	6.70	4.47
Portfolio Quality									
Current repayment rate, %	86%	99%	77%	73%	95%	79%	67%	81%	94%
PAR (>30 days), %	4%	1%	8%	6%	7%	3%	7%	2%	1%
Loan loss reserve ratio, %	3%	2%	5%	5%	6%	3%	6%	2%	2%
Profitability (for the month)									
Yield on portfolio, %	3%	3%	3%	2%	3%	3%	4%	1%	2%
Operating expense ratio, %	3%	3%	5%	1%	2%	1%	5%	2%	3%
Operational self-sufficiency, %	90%	83%	44%	106%	114%	130%	52%	43%	60%
Other									
Capital adequacy ratio, %	23%	0%	34%	52%	4%	33%	63%	0%	0%

Outreach - Overall	OXUS	PARWAZ	SUNDUQ	WOCCU	WWI	FMBA	Hope for Life
Outreach - Overall							
Provinces	5	3	3	3	2	8	1
Districts	10	15	11	20	16	8	13
Active Clients	11,026	12,288	12,465	6,596	13,612	33,288	2,212
Active borrowers	11,026	12,288	11,305	2,591	13,612	23,616	2,212

Client dropout (cumulative)	6,012	8,440	3,356	1,781	1,551	-	190
No. of loans disbursed (cumulative)	25,817	31,996	25,530	7,458	32,232	55,517	6,932
Amount of loans disbursed, $ (cumulative)	6,062,929	5,314,944	5,455,278	4,245,770	7,070,917	89,377,040	1,978,149
No. of loans outstanding	11,026	12,288	11,305	2,591	13,612	23,616	2,212
Gross Loans outstanding, $	1,887,958	1,667,946	1,919,982	1,228,422	1,486,264	27,009,889	391,801
Client Savings outstanding, $	-	69,394	134,949	242,416	-	4,835,811	-
Outreach - Vulnerable Section							
Women Clients	5,915	12,288	5,327	559	13,612	6,317	1,305
Widow clients	-	191	53	-	2,240	-	49
Disabled clients	4	41	15	10	6	-	-
Returnee clients	74	319	51	2	5,119	-	-
Women as % of Total Clients	54%	100%	43%	8%	100%	19%	59%
MFI Resources employed							
Branches	7	1	8	3	1	13	1
Male staff	72	18	61	24	9	356	12
Female staff	39	68	23	7	71	120	4
Total staff	111	86	84	31	80	476	16
LOAN PORTFOLIO							
Principal Amount due (demand), $	492,878	251,632	564,468	3,057,560	401,321	3,616,550	59,955
Principal Amount received, $	444,887	235,363	349,198	3,015,234	344,979	4,541,950	58,995
Principal prepaid, $	-	-	459	1,642	-	925,400	-
Number of loans overdue	996	545	3,371	236	1,162	-	13
Number of loans written-off (cumulative)	-	14	-	122	3	-	-
Amount of loans written-off (cumulative), $	-	1,176	-	23,495	155	-	-

PORTFOLIO AGEING (Principal Balances, $)							
Current (loans having no overdue)	1,812,444	1,601,808	1,704,253	1,159,044	1,382,001	26,606,031	391,341
1-30 days late	42,263	31,720	124,922	22,224	26,249	119,630	-
31-60 days late	13,716	2,195	52,543	8,834	15,116	23,247	-
61-90 days late	5,370	7,323	22,672	15,083	18,403	7,905	-
91-180 days late	14,018	16,357	15,592	16,068	33,245	86,254	-
181-365 days late	147	8,542	-	7,169	11,250	166,822	460
>365 days late	-	0	-	-	0	-	0
Total	1,887,958	1,667,946	1,919,982	1,228,422	1,486,264	27,009,889	391,801
LOAN LOSS RESERVE (Total)	39,110	43,356	65,700	42,066	64,484	502,618	4,328
Outstanding Number of Loans by Size:							
≤ $300	9,716	11,095	8,983	411	12,143	-	-
$301-1,000	1,235	1,185	2,322	2,153	1,469	3,752	-
≥$1,000	75	8	-	27	-	19,864	2,212
Total	11,026	12,288	11,305	2,591	13,612	23,616	2,212
Outstanding Amount of Loans by Sector ($):							
Trade and Services	1,470,760	1,166,811	1,038,848	665,451	1,114,698	19,640,762	-
Household consumption (food, medical, house repair, education, etc.)	-	99,304	-	-	-	3,295,769	-
Handicrafts and Manufacturing	148,546	397,285	287,001	35,183	193,214	4,073,358	-
Agriculture	230,714	-	276,133	418,240	14,863	-	-
Livestock (small & large animals)	37,938	4,546	318,000	106,906	163,489	-	-
Others	-	-	-	2,642	-	-	391,801
Total	1,887,958	1,667,946	1,919,982	1,228,422	1,486,264	27,009,889	391,801
Key Performance Ratios							
Productivity							
Loan	171	136	170	474	109	1,144	177

outstanding per borrower, $							
Portfolio per staff, $	17,009	19,395	22,857	39,627	18,578	56,743	24,488
Active borrowers per staff	99	143	135	84	170	50	138
Cost per active client, $	7.13	5.28	7.53	4.37	3.08	29.49	4.66
Portfolio Quality							
Current repayment rate, %	90%	94%	62%	99%	86%	100.00%	98.40%
PAR (>30 days), %	2%	2%	5%	4%	5%	1.1%	0.12%
Loan loss reserve ratio, %	2%	3%	3%	3%	4%	2%	1.10%
Profitability (for the month)							
Yield on portfolio, %	3%	3%	3%	2%	3%	3.3%	3.0%
Operating expense ratio, %	4%	3%	5%	1%	2%	2.0%	2.6%
Operational self-sufficiency, %	69%	66%	56%	85%	125%	113.2%	113.7%
Other							
Capital adequacy ratio, %	-12%	15%	0%	17%	12%	29.1%	97.1%

Table 1.5 Outreach Indicator (December 2006)

Dec-06	
Outreach – Overall	
Provinces	21
Districts	93
Active Clients	280,914
Active borrowers	241,495
Client dropout (cumulative)	112,715
No. of loans disbursed (cumulative)	540,797
No. of loans outstanding	241,495
Amount of loans disbursed, $ (cumulative)	139,409,485
Gross Loans outstanding, $	51,653,493
Client Savings outstanding, $	4,990,573
Outreach - Vulnerable Section	
Women Clients	206,849
Active women borrowers	172,584
Number of widow clients	4,177
Number of disabled clients	196
Number of returnees	11,316
Women as % of Total Clients	74%
MFI Resources employed	
Branches	215
Field staff (loan officers, credit officers, promoters)	-
Total staff	3,047

Table 1.6 Key Performance Ratios (December 2006)

Key Performance Ratios	
Productivity	
Loan outstanding per borrower, $	214
Portfolio per staff, $	16,952
Active borrowers per staff	79
Loan portfolio to total assets, %	87%
Portfolio Quality	
Current repayment rate, %	93%
PAR (>30 days), %	1.16%
Loan loss reserve ratio, %	1.6%
Profitability (for the month)	
Yield on portfolio, %	0.0%
Operating expense ratio, %	2.6%
Operational self-sufficiency, %	0.0%
Financial	
Capital adequacy ratio, %	0.0%
Outreach (for the month)	
Dropout ratio, %	0.0%

Table 1.7 Portfolio Summary (December 2006)

Dec-06	
LOAN PORTFOLIO	
Principal Amount due (demand), $	8,537,369
Principal Amount received, $	7,942,375
Principal prepaid, $	2,125
Principal installment overdue, $	597,119
Number of loans overdue	13,684
Number of loans written-off	3
Amount of loans written-off, $	131
PORTFOLIO AGEING (Number of Loans)	
Current (loans having no overdue)	227,811
1-30 days late	4,323
31-60 days late	921
61-90 days late	507
91-180 days late	766
181-365 days late	969
>365 days late	6,198
Total	**241,495**
PORTFOLIO AGEING (Principal Balances, $)	
Current (loans having no overdue)	459,359.00
1-30 days late	45,856.00
31-60 days late	3,356.00
61-90 days late	313.00
91-180 days late	545.00
181-365 days late	150.00
>365 days late	-
Total	**509,579.00**
LOAN LOSS RESERVE	
Current - 1%	4,593.59
1-30 days late - 10%	4,585.60
31-60 days late - 25%	839.00
61-90 days late - 50%	156.50
91-180 days late - 75%	408.75
181-364 days late - 90%	135.00

>365 days late - 100%	-
Total	**10,718.44**
LOAN PORTFOLIO DIVERSIFICATON	
Outstanding No of Loans by Size	
≤$100	6,693
$101-300	165,621
$301-500	45,525
$501-1,000	16,073
≥$1,000	7,583
Total	**241,495**
Outstanding No of Loans by Sector:	
Trade and Services	161,597
Handicrafts and Manufacturing	34,691
Agriculture	21,691
Livestock (small & large animals)	20,386
Others	3,130
Total	**241,495**
Outstanding Balances of Loans by Sector ($):	
Trade and Services	28,589,898.11
Handicrafts and Manufacturing	6,680,341.27
Agriculture	5,497,650.13
Livestock (small & large animals)	9,628,531.91
Others	1,257,071.53
Total	**51,653,492.95**
Outstanding Loans under Murabaha (No)	26,575
Outstanding Amount under Murabaha ($)	6,142,148
Outstanding Loans under Microleasing (No)	212
Outstanding Amount under Microleasing ($)	164,230

Table 1.8 Outreach Indicator (April 2006)

Apr-06	
Outreach – Overall	
Provinces	19
Districts	19
Active Clients	192,610
Active borrowers	160,744
Client dropout (cumulative)	69,616
No. of loans disbursed (cumulative)	321,644
No. of loans outstanding	160,744
Amount of loans disbursed, $ (cumulative)	71,536,818
Gross Loans outstanding, $	27,623,763
Client Savings outstanding, $	2,956,353
Outreach - Vulnerable Section	
Women Clients	139,466
Active women borrowers	118,952
Number of widow clients	-
Number of disabled clients	218
Number of returnees	3,114
Women as % of Total Clients	72%
MFI Resources employed	
Branches	157
Field staff (loan officers, credit officers, promoters)	24
Total staff	2,284

Table 1.9 Key Performance Ratios (April 2006)

Key Performance Ratios	
Productivity	
Loan outstanding per borrower, $	172
Portfolio per staff, $	12,094
Active borrowers per staff	70
Loan portfolio to total assets, %	-
Portfolio Quality	
Current repayment rate, %	98.37%
PAR (>30 days), %	1.23%
Loan loss reserve ratio, %	1.45%
Profitability (for the month)	
Yield on portfolio, %	0.8%
Operating expense ratio, %	4.1%
Operational self-sufficiency, %	-
Financial	
Capital adequacy ratio, %	-
Outreach (for the month)	
Dropout ratio, %	-

Table 1.10 Portfolio Summary (April 2006)

Apr-06	
LOAN PORTFOLIO	
Principal Amount due (demand), $	20,945,495
Principal Amount received, $	20,611,293
Principal prepaid, $	6,477
Principal installment overdue, $	340,679
Number of loans overdue	11,526
Number of loans written-off	76
Amount of loans written-off, $	8,771
PORTFOLIO AGEING (Number of Loans)	
Current (loans having no overdue)	149,217
1-30 days late	2,916
31-60 days late	1,163
61-90 days late	852
91-180 days late	911
181-365 days late	633
>365 days late	5,052
Total	**160,744**
PORTFOLIO AGEING (Principal Balances, $)	
Current (loans having no overdue)	800,955.85
1-30 days late	17,009.00
31-60 days late	-
61-90 days late	-
91-180 days late	-
181-365 days late	-
>365 days late	-
Total	**817,964.85**
LOAN LOSS RESERVE	
Current - 1%	8,009.56
1-30 days late - 10%	1,700.90
31-60 days late - 25%	-
61-90 days late - 50%	-
91-180 days late - 75%	-
181-364 days late - 90%	-

>365 days late - 100%	-
Total	**9,710.46**
LOAN PORTFOLIO DIVERSIFICATON	
Outstanding No of Loans by Size:	
≤$100	12,242
$101-300	114,887
$301-500	25,674
$501-1,000	5,399
≥$1,000	2,542
Total	**160,744**
Outstanding No of Loans by Sector:	
Trade and Services	101,334
Handicrafts and Manufacturing	30,578
Agriculture	13,043
Livestock (small & large animals)	13,539
Others	2,250
Total	**5,879**
Outstanding Balances of Loans by Sector ($):	
Trade and Services	14,307,464.03
Handicrafts and Manufacturing	4,434,560.41
Agriculture	3,097,704.61
Livestock (small & large animals)	5,203,335.21
Others	567,154.81
Total	**27,610,219**
Outstanding Loans under Murabaha (No)	1,121
Outstanding Amount under Murabaha ($)	346,055
Outstanding Loans under Microleasing (No)	96
Outstanding Amount under Microleasing ($)	92,753

List of Appendix Tables

AFS (Ariana Financial Services (Mercy Corps)

Table 1.1.1 Outreach & Impact

OUTREACH & IMPACT						
OUTREACH INDICATORS	**31/03/08**	**31/12/07**	**31/03/07**	**31/03/06**	**31/03/05**	**31/03/04**
Outreach Indicators						
Number of Personnel	98	88	43	n/a	34	24
Loan						
Number of Active Borrowers	10,312	9,292	6,217	4,328	1,911	2,873
Average Loan Balance per Borrower (US$)	244	210	149	124	127	108
Loans below US$300 (%)	n/a	n/a	n/a	n/a	37.00%	13.00%
Woman Borrowers (%)	70.50%	73.10%	85.50%	n/a	67.50%	24.10%
Average Loan Balance						

Table 1.1.2 Financial Indicators

FINANCIAL INFORMATION IN US$						
	31/03/08	**31/12/07**	**31/03/07**	**31/03/06**	**31/03/05**	**31/03/04**
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD
Balance Sheet						
Gross Loan Portfolio (in US$)	2,514,016	1,948,991	925,905	535,601	243,110	308,897
Total Assets (in US$)	3,721,572	3,514,419	3,232,590	667,305	566,399	682,047
Savings (in US$)	0	0	0	0	0	0
Total Equity (in US$)	576,213	390,530	531,711	19,101	213,399	340,047
Financing Structure						
Capital / Asset Ratio	15.48%	11.11%	16.45%	2.86%	37.68%	49.86%
Debt / Equity Ratio	545.87%	799.91%	507.96%	3,393.56%	165.42%	100.57%
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Loan Portfolio / Total Assets	67.55%	55.46%	28.64%	80.26%	42.92%	45.29%
Overall Financial Performance						
Return on Assets (%)	-5.95%	n/a	-6.14%	-50.31%	-63.86%	n/a
Return on Equity (%)	-37.35%	n/a	-43.49%	-266.96%	-144.06%	n/a
Operational Self-Sufficiency (%)	73.88%	79.26%	71.36%	33.94%	20.69%	10.08%
Revenues						
Financial Revenue Ratio (%)	16.83%	n/a	15.30%	25.85%	16.66%	n/a
Profit Margin (%)	-35.36%	-26.16%	-40.14%	-194.60%	-383.34%	-892.15%
Expenses						
Total Expense Ratio (%)	22.78%	n/a	21.44%	76.16%	80.52%	n/a
Financial Expense Ratio (%)	3.51%	n/a	3.81%	5.17%	2.35%	n/a
Loan Loss Provision Expense Ratio (%)	0.82%	n/a	0.73%	0.00%	1.35%	n/a
Operating Expense Ratio (%)	18.45%	n/a	16.90%	70.99%	76.81%	n/a
Efficiency						
Operating Expense / Loan Portfolio (%)	37.30%	n/a	45.09%	112.47%	173.73%	n/a
Cost per Borrower	77.6	n/a	62.5	140.4	200.5	n/a
Productivity						
Borrowers per Staff member	105	106	145	n/a	56	120
Savers per Staff member	0	0	0	n/a	0	0
Risk						
Portfolio at Risk > 30 days Ratio (%)	0.73%	0.67%	1.66%	n/a	1.10%	7.90%
Loan Loss Reserve Ratio (%)	1.92%	2.21%	2.54%	1.72%	3.78%	0.00%
Risk Coverage Ratio (%)	263.33%	329.47%	153.00%	n/a	343.57%	0.00%
Write Off Ratio (%)	0.22%					

AMFI (Afghanistan Microfinance Institution) (CHF International)

Table 1.2.1 Outreach & Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**30/09/05**	**30/09/04**
Outreach Indicators				
Number of Personnel	62	40	33	14
Loan				
Number of Active Borrowers	4,811	3,362	1,736	304
Average Loan Balance per Borrower (US$)	229	351	306	359
Loans below US$300 (%)	n/a	n/a	78.00%	50.00%
Woman Borrowers (%)	35.90%	23.20%	30.70%	34.20%
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a
Saving				
Number of Savers	0	0	0	0
Average Savings Balance per Saver (US$)	n/a	n/a	n/a	n/a
Average Savings Balance per Saver/ GNI per Capita (%)	n/a	n/a	n/a	n/a
Depth of Outreach				
Clients below poverty line (%)	n/a	90 %	75 %	75 %
Clients in bottom half of the population below the poverty line (%)	n/a	30 %	n/a	n/a
Clients in households earning less than US$1/day per household member (%)	n/a	90 %	40 %	40 %
Clients starting microenterprise for the first time (%)	n/a	10.00 %	2.00 %	2.00 %

Table 1.2.2 Financial Indicators

FINANCIAL INFORMATION IN US$				
	31/03/08	**31/03/07**	**30/09/05**	**30/09/04**
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD
Balance Sheet				
Gross Loan Portfolio (in US$)	1,103,260	1,178,618	531,623	109,200
Total Assets (in US$)	2,427,660	2,506,086	645,945	337,189
Savings (in US$)	0	0	0	0
Total Equity (in US$)	236,949	231,714	2,791	57,189
Financing Structure				
Capital / Asset Ratio	9.76%	9.25%	0.43%	16.96%
Debt / Equity Ratio	924.55%	981.54%	23,043.86%	489.60%
Deposits to Loans	0.00%	0.00%	0.00%	0.00%
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%
Gross Loan Portfolio / Total Assets	45.45%	47.03%	82.30%	32.39%
Overall Financial Performance				
Return on Assets (%)	-18.32%	n/a	-140.36%	n/a
Return on Equity (%)	-192.85%	n/a	-2,300.61%	n/a
Operational Self-Sufficiency (%)	46.90%	43.87%	6.94%	3.91%
Revenues				
Financial Revenue Ratio (%)	16.18%	n/a	10.47%	n/a
Profit Margin (%)	-113.23%	-127.93%	-1,340.73%	-2,455.00%
Expenses				
Total Expense Ratio (%)	34.50%	n/a	150.83%	n/a
Financial Expense Ratio (%)	4.26%	n/a	5.64%	n/a
Loan Loss Provision Expense Ratio (%)	3.30%	n/a	2.16%	n/a
Operating Expense Ratio (%)	26.93%	n/a	143.02%	n/a
Efficiency				
Operating Expense / Loan Portfolio (%)	58.23%	n/a	219.42%	n/a
Cost per Borrower	162.6	n/a	689.3	n/a
Productivity				
Borrowers per Staff member	78	84	53	22
Savers per Staff member	0	0	0	0
Risk				
Portfolio at Risk > 30 days Ratio (%)	16.48%	0.00%	95.57%	0.00%
Loan Loss Reserve Ratio (%)	9.52%	2.00%	2.00%	9.82%
Risk Coverage Ratio (%)	57.78%	n/a	2.09%	n/a
Write Off Ratio (%)	0.00%	n/a	0.00%	n/a

ARMP (Afghanistan Rural Microcredit Programme (Aga Khan Development Network))

Table 1.3.1 Outreach and Impact

OUTREACH & IMPACT						
OUTREACH INDICATORS	**31/12/07**	**31/12/06**	**1/12/05**	**31/12/04**	**31/12/03**	**1/12/02**
Outreach Indicators						
Number of Personnel	471	315	193	92	60	30
Loan						
Number of Active Borrowers	30,719	30,346	15,670	4,907	722	58
Average Loan Balance per Borrower (US$)	674	557	538	626	109	
Loans below US$300 (%)	n/a	n/a	n/a	1.00%	n/a	n/a
Woman Borrowers (%)	18.30%	19.00%	11.40%	5.10%	1.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	n/a	

Table 1.3.2 Financial Indicators

FINANCIAL INFORMATION IN US$						
	31/12/07	**31/12/06**	**31/12/05**	**31/12/04**	**31/12/03**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet						
Gross Loan Portfolio (in US$)	20,690,527	16,889,524	8,430,793	3,072,903	78,833	
Total Assets (in US$)	30,418,876	20,701,493	9,920,267	3,708,058	186,967	
Savings (in US$)	0	0	0	0	0	
Total Equity (in US$)	10,969,468	9,011,104	5,843,409	3,341,472	(34,162)	
Financing Structure						
Capital / Asset Ratio	36.06%	43.53%	58.90%	90.11%	n/a	
Debt / Equity Ratio	177.30%	129.73%	69.77%	10.97%	n/a	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	68.02%	81.59%	84.99%	82.87%	42.16%	
Overall Financial Performance						
Return on Assets (%)	2.78%	2.42%	-3.76%	-0.34%	n/a	
Return on Equity (%)	7.12%	4.99%	-5.58%	-0.40%	n/a	
Operational Self-Sufficiency (%)	116.46%	111.67%	83.75%	98.95%	14.68%	
Revenues						
Financial Revenue Ratio (%)	19.70%	23.16%	19.38%	31.85%	n/a	
Profit Margin (%)	14.13%	10.45%	-19.40%	-1.06%	-581.03%	
Expenses						
Total Expense Ratio (%)	16.92%	20.74%	23.14%	32.18%	n/a	
Financial Expense Ratio (%)	2.48%	2.46%	1.62%	0.25%	n/a	
Loan Loss Provision Expense Ratio (%)	3.35%	3.98%	1.78%	1.29%	n/a	
Operating Expense Ratio (%)	11.09%	14.30%	19.74%	30.65%	n/a	
Efficiency						
Operating Expense / Loan Portfolio (%)	15.09%	17.30%	23.38%	37.88%	n/a	
Cost per Borrower	92.9	95.2	130.7	212.1	99.0	
Productivity						
Borrowers per Staff member	65	96	81	53	12	
Savers per Staff member	0	0	0	0	0	
Risk						
Portfolio at Risk > 30 days Ratio (%)	5.64%	2.27%	n/a	0.00%	0.00%	
Loan Loss Reserve Ratio (%)	7.90%	4.60%	2.00%	2.00%	2.00%	
Risk Coverage Ratio (%)	139.97%	202.95%	n/a	n/a	n/a	
Write Off Ratio (%)	0.00%	0.29%	0.24%	0.00%	n/a	

BRAC - AFG (BRAC Afghanistan)

Table 1.4.1 Outreach and Impact

OUTREACH & IMPACT							
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/12/05**	**31/12/04**	**31/12/03**	**31/12/02**	
Outreach Indicators							
Number of Personnel	1,953	1,868	1,228	977	305	45	
Loan							
Number of Active Borrowers	140,032	138,625	87,153	55,572	15,710	264	
Average Loan Balance per Borrower (US$)	188	150	86	65	50	168	
Loans below US$300 (%)	n/a	n/a	n/a	99.00%	99.00%	100.00%	
Woman Borrowers (%)	100.00%	92.00%	95.90%	99.30%	99.10%	100.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	n/a	n/a	
Saving							
Amount of Savings (US$)	5,596,627	5,744,960	4,649,122	2,262,429			
Depth of Outreach							
Clients below poverty line (%)	n/a	n/a	n/a	98 %	98 %	99 %	
Clients in bottom half of the population below the poverty line (%)	n/a	n/a	n/a	3 %	1 %	0 %	
Clients in households earning less than US$1/day per household member (%)	n/a	n/a	n/a	99 %	99 %	99 %	
Clients starting microenterprise for the first time (%)	n/a	n/a	n/a	30.00 %	20.00 %	15.00 %	

Table 1.4.2 Financial Indicators

FINANCIAL INFORMATION IN US$						
	31/03/08	**31/03/07**	**31/12/05**	**31/12/04**	**31/12/03**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet						
Gross Loan Portfolio (in US$)	26,341,011	20,780,335	7,463,597	3,585,947	786,975	
Total Assets (in US$)	41,276,831	31,233,183	14,508,376	5,503,113	1,273,115	
Savings (in US$)	0	0	0	0	0	
Total Equity (in US$)	891,338	3,147,235	1,960,039	1,017,260	48,226	
Financing Structure						
Capital / Asset Ratio	2.16%	10.08%	13.51%	18.49%	3.79%	
Debt / Equity Ratio	4,530.88%	892.40%	640.21%	440.97%	2,539.89%	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	63.82%	66.53%	51.44%	65.16%	61.81%	
Overall Financial Performance						
Return on Assets (%)	-3.57%	n/a	-18.13%	-52.92%	-37.67%	
Return on Equity (%)	-64.18%	n/a	-121.85%	-336.54%	-1,146.33%	
Operational Self-Sufficiency (%)	85.16%	65.87%	50.60%	23.02%	23.27%	
Revenues						
Financial Revenue Ratio (%)	20.51%	n/a	18.57%	15.83%	11.43%	
Profit Margin (%)	-17.43%	-51.81%	-97.64%	-334.33%	-329.67%	
Expenses						
Total Expense Ratio (%)	24.08%	n/a	36.69%	68.75%	49.09%	
Financial Expense Ratio (%)	4.16%	n/a	3.85%	5.66%	1.19%	
Loan Loss Provision Expense Ratio (%)	2.58%	n/a	2.61%	3.53%	3.86%	
Operating Expense Ratio (%)	17.34%	n/a	30.23%	59.55%	44.04%	
Efficiency						
Operating Expense / Loan Portfolio (%)	26.69%	n/a	54.75%	92.28%	80.13%	
Cost per Borrower	45.1	n/a	42.4	56.6	41.7	
Productivity						
Borrowers per Staff member	72	74	71	57	52	
Savers per Staff member	0	0	0	0	0	
Risk						
Portfolio at Risk > 30 days Ratio (%)	6.42%	27.97%	4.69%	0.21%	0.00%	
Loan Loss Reserve Ratio (%)	6.05%	5.52%	4.22%	4.18%	3.86%	
Risk Coverage Ratio (%)	94.16%	19.73%	89.99%	1,981.92%	n/a	
Write Off Ratio (%)	2.07%	n/a	1.74%	0.00%	0.00%	

CFA (Child Fund Afghanistan (CCF))

Table 1.5.1 Outreach and Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	
Outreach Indicators				
Number of Personnel	69	35	19	
Loan				
Number of Active Borrowers	20,380	10,430	7,100	
Average Loan Balance per Borrower (US$)	174	167	128	
Loans below US$300 (%)	n/a	n/a	n/a	
Woman Borrowers (%)	53.50%	64.80%	68.20%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	
Saving				
Total Amount of Savings (US$)	270,464	170,350	0	

Table 1.5.2 Financial Indicators

FINANCIAL INFORMATION IN US$				
	31/03/08	**31/03/07**	**31/03/06**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet				
Gross Loan Portfolio (in US$)	3,541,841	1,743,375	909,926	
Total Assets (in US$)	5,195,352	1,829,650	979,914	
Savings (in US$)	0	0	0	
Total Equity (in US$)	1,144,118	807,455	833,989	
Financing Structure				
Capital / Asset Ratio	22.02%	44.13%	85.11%	
Debt / Equity Ratio	354.09%	126.59%	17.50%	
Deposits to Loans	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	68.17%	95.28%	92.86%	
Overall Financial Performance				
Return on Assets (%)	3.88%	3.05%	n/a	
Return on Equity (%)	13.96%	5.21%	n/a	
Operational Self-Sufficiency (%)	130.79%	112.84%	106.08%	
Revenues				
Financial Revenue Ratio (%)	20.27%	26.77%	n/a	
Profit Margin (%)	23.54%	11.38%	5.73%	
Expenses				
Total Expense Ratio (%)	15.50%	23.72%	n/a	
Financial Expense Ratio (%)	2.81%	1.25%	n/a	
Loan Loss Provision Expense Ratio (%)	1.48%	6.29%	n/a	
Operating Expense Ratio (%)	11.21%	16.18%	n/a	
Efficiency				
Operating Expense / Loan Portfolio (%)	14.90%	17.13%	n/a	
Cost per Borrower	25.6	25.9	n/a	
Productivity				
Borrowers per Staff member	295	298	374	
Savers per Staff member	0	0	0	
Risk				
Portfolio at Risk > 30 days Ratio (%)	2.12%	6.22%	0.36%	
Loan Loss Reserve Ratio (%)	3.96%	5.07%	0.00%	
Risk Coverage Ratio (%)	187.17%	81.56%	0.00%	
Write Off Ratio (%)	0.00%	0.00%	n/a	

FINCA – AFG (FINCA Afghanistan)

Table 1.6.1 Outreach and Impact

OUTREACH & IMPACT					
OUTREACH INDICATORS	**31/12/07**	**31/12/06**	**31/12/05**	**31/08/04**	
Outreach Indicators					
Number of Personnel	659	391	186	31	
Loan					
Number of Active Borrowers	63,571	27,570	10,092	2,864	
Average Loan Balance per Borrower (US$)	186	223	138	97	
Loans below US$300 (%)	n/a	n/a	73.00%	100.00%	
Woman Borrowers (%)	47.50%	25.10%	28.90%	33.40%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	
Saving					
Number of Savers	0	0	0	0	
Average Savings Balance per Saver (US$)	n/a	n/a	n/a	n/a	
Average Savings Balance per Saver/ GNI per Capita (%)	n/a	n/a	n/a	n/a	
Depth of Outreach					
Clients below poverty line (%)	n/a	n/a	30 %	30 %	
Clients in bottom half of the population below the poverty line (%)	n/a	n/a	0 %	0 %	
Clients in households earning less than US$1/day per household member (%)	n/a	n/a	60 %	60 %	
Clients starting microenterprise for the first time (%)	n/a	n/a	0.00 %	0.00 %	

Table 1.6.2 Financial Indicators

INANCIAL INFORMATION IN US$					
	31/12/07	**31/12/06**	**31/12/05**	**31/08/04**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet					
Gross Loan Portfolio (in US$)	11,815,480	6,144,048	1,389,805	277,890	
Total Assets (in US$)	22,603,830	8,958,157	2,179,617	524,343	
Savings (in US$)	0	0	0	0	
Total Equity (in US$)	7,961,283	3,981,990	529,846	263,332	
Financing Structure					
Capital / Asset Ratio	35.22%	44.45%	24.31%	50.22%	
Debt / Equity Ratio	183.92%	124.97%	311.37%	99.12%	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	52.27%	68.59%	63.76%	53.00%	
Overall Financial Performance					
Return on Assets (%)	-16.79%	-72.47%	n/a	n/a	
Return on Equity (%)	-44.36%	-178.89%	n/a	n/a	
Operational Self-Sufficiency (%)	60.06%	18.26%	20.39%	13.50%	
Revenues					
Financial Revenue Ratio (%)	25.24%	16.18%	n/a	n/a	
Profit Margin (%)	-66.51%	-447.78%	-390.47%	-640.51%	
Expenses					
Total Expense Ratio (%)	42.02%	88.65%	n/a	n/a	
Financial Expense Ratio (%)	2.47%	3.62%	n/a	n/a	
Loan Loss Provision Expense Ratio (%)	3.86%	2.25%	n/a	n/a	
Operating Expense Ratio (%)	35.69%	82.78%	n/a	n/a	
Efficiency					
Operating Expense / Loan Portfolio (%)	62.72%	122.38%	n/a	n/a	
Cost per Borrower	123.6	244.8	n/a	n/a	
Productivity					
Borrowers per Staff member	96	71	54	92	
Savers per Staff member	0	0	0	0	
Risk					
Portfolio at Risk > 30 days Ratio (%)	7.39%	0.34%	5.00%	0.00%	
Loan Loss Reserve Ratio (%)	5.96%	1.48%	3.20%	1.00%	
Risk Coverage Ratio (%)	80.71%	429.30%	64.06%	n/a	
Write Off Ratio (%)	0.84%	2.09%	n/a	n/a	

FMFB - AFG (The First MicroFinanceBank - Afghanistan)

Table 1.7.1 Outreach and Impact

OUTREACH & IMPACT					
OUTREACH INDICATORS	**31/12/07**	**31/12/06**	**31/12/05**	**31/12/04**	
Outreach Indicators					
Number of Personnel	476	218	109	48	
Loan					
Number of Active Borrowers	23,616	16,955	8,302	2,111	
Average Loan Balance per Borrower (US$)	1150	995	899	1114	
Loans below US$300 (%)	n/a	n/a	0.00%	0.00%	
Woman Borrowers (%)	26.70%	16.10%	14.80%	13.10%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	
Saving					
Number of Savers	9,426	2,498	156	49	
Average Savings Balance per Saver (US$)	516	1954	610	2068	
Total Amount of Savings (US$)	7,700,812	4,835,811	4,880,510	95,107	

Table 1.7.2 Financial Indicators

FINANCIAL INFORMATION IN US$					
	31/12/07	**31/12/06**	**31/12/05**	**31/12/04**	
Exchange Rate used for Conversion	49.437 AFN/USD	49.108 AFN/USD	49.15 AFN/USD	43 AFN/USD	
Balance Sheet					
Gross Loan Portfolio (in US$)	27,164,553	16,866,704	7,463,105	2,350,833	
Total Assets (in US$)	62,720,237	33,709,260	23,426,688	10,851,496	
Savings (in US$)	4,862,951	4,880,510	95,107	101,351	
Total Equity (in US$)	8,213,263	6,944,586	5,911,993	5,148,875	
Financing Structure					
Capital / Asset Ratio	13.10%	20.60%	25.24%	47.45%	
Debt / Equity Ratio	663.65%	385.40%	296.26%	110.75%	
Deposits to Loans	17.90%	28.94%	1.27%	4.31%	
Deposits to Total Assets	7.75%	14.48%	0.41%	0.93%	
Gross Loan Portfolio / Total Assets	43.31%	50.04%	31.86%	21.66%	
Overall Financial Performance					
Return on Assets (%)	1.91%	1.24%	-3.54%	n/a	
Return on Equity (%)	12.16%	5.52%	-10.96%	n/a	
Operational Self-Sufficiency (%)	123.88%	119.54%	86.27%	14.06%	
Revenues					
Financial Revenue Ratio (%)	18.17%	18.88%	15.46%	n/a	
Profit Margin (%)	19.28%	16.34%	-15.91%	-611.28%	
Expenses					
Total Expense Ratio (%)	14.66%	15.79%	17.92%	n/a	
Financial Expense Ratio (%)	1.59%	1.22%	0.52%	n/a	
Loan Loss Provision Expense Ratio (%)	1.49%	1.09%	0.56%	n/a	
Operating Expense Ratio (%)	11.58%	13.49%	16.84%	n/a	
Efficiency					
Operating Expense / Loan Portfolio (%)	25.36%	31.68%	58.83%	n/a	
Cost per Borrower	275.3	305.2	554.4	n/a	
Productivity					
Borrowers per Staff member	50	78	76	44	
Savers per Staff member	20	11	1	1	
Risk					
Portfolio at Risk > 30 days Ratio (%)	1.05%	0.00%	0.00%	0.00%	
Loan Loss Reserve Ratio (%)	4.25%	2.53%	1.55%	1.00%	
Risk Coverage Ratio (%)	404.07%	n/a	n/a	n/a	
Write Off Ratio (%)	0.00%	0.00%	0.00%	n/a	

MADRAC (Microfinance Agency for the Development and Rehabilitation of Afghan Communities)

Table 1.8.1 Outreach and Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	
Outreach Indicators				
Number of Personnel	160	105	43	
Loan				
Number of Active Borrowers	15,358	8,249	886	
Average Loan Balance per Borrower (US$)	173	145	75	
Loans below US$300 (%)	n/a	n/a	n/a	
Woman Borrowers (%)	50.20%	46.90%	42.20%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	
Saving				
Number of Savers	171,263	106,924	0	
Average Savings Balance per Saver (US$)	n/a	n/a	n/a	
Average Savings Balance per Saver/ GNI per Capita (%)	n/a	n/a	n/	

Table 1.8.2 Financial Indicators

FINANCIAL INFORMATION IN US$					
	31/03/08	**31/12/07**	**31/03/07**	**31/03/06**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet					
Gross Loan Portfolio (in US$)	2,662,430	2,220,351	1,195,027	66,207	
Total Assets (in US$)	3,562,134	3,695,886	2,003,303	185,805	
Savings (in US$)	0	0	0	0	
Total Equity (in US$)	26,498	377,680	135,555	(68,635)	
Financing Structure					
Capital / Asset Ratio	0.74%	10.22%	6.77%	n/a	
Debt / Equity Ratio	13,343.03%	878.58%	1,377.85%	n/a	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	74.74%	60.08%	59.65%	35.63%	
Overall Financial Performance					
Return on Assets (%)	-23.90%	n/a	-37.39%	n/a	
Return on Equity (%)	-820.90%	n/a	-1,222.96%	n/a	
Operational Self-Sufficiency (%)	43.67%	49.66%	24.53%	24.53%	
Revenues					
Financial Revenue Ratio (%)	18.53%	n/a	12.15%	n/a	
Profit Margin (%)	-128.97%	-101.37%	-307.61%	-307.61%	
Expenses					
Total Expense Ratio (%)	42.44%	n/a	49.54%	n/a	
Financial Expense Ratio (%)	4.00%	n/a	3.88%	n/a	
Loan Loss Provision Expense Ratio (%)	2.17%	n/a	1.17%	n/a	
Operating Expense Ratio (%)	36.27%	n/a	44.50%	n/a	
Efficiency					
Operating Expense / Loan Portfolio (%)	52.33%	n/a	77.23%	n/a	
Cost per Borrower	85.5	n/a	106.6	n/a	
Productivity					
Borrowers per Staff member	96	n/a	79	21	
Savers per Staff member	0	n/a	0	0	
Risk					
Portfolio at Risk > 30 days Ratio (%)	2.52%	2.22%	0.13%	0.00%	
Loan Loss Reserve Ratio (%)	2.77%	2.30%	1.12%	1.00%	
Risk Coverage Ratio (%)	109.84%	103.63%	895.13%	n/a	
Write Off Ratio (%)	0.00%	n/a	0.00%	n/a	

MoFAD (Micro Finance Agency for Development (CARE))

Table 1.9.1 Outreach and Impact

OUTREACH & IMPACT					
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	**30/06/05**	
Outreach Indicators					
Number of Personnel	70	36	30	35	
Loan					
Number of Active Borrowers	9,069	4,499	2,501	1,978	
Average Loan Balance per Borrower (US$)	207	215	74	61	
Loans below US$300 (%)	n/a	n/a	95.00%	n/a	
Woman Borrowers (%)	100.00%	100.00%	100.00%	100.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	
Saving					
Amount of Savings (US$)	178,448	111,862	0	0	
Clients below poverty line (%)	n/a	n/a	80 %	80 %	
Clients in bottom half of the population below the poverty line (%)	n/a	n/a	70 %	70 %	
Clients in households earning less than US$1/day per household member (%)	n/a	n/a	70 %	70 %	
Clients starting microenterprise for the first time (%)	n/a	n/a	60.00 %	60.00 %	

Table 1.9.2 Financial Indicators

FINANCIAL INFORMATION IN US$					
	31/03/08	**31/03/07**	**31/03/06**	**30/06/05**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet					
Gross Loan Portfolio (in US$)	1,875,353	966,520	184,119	120,838	
Total Assets (in US$)	2,887,012	2,097,151	515,003	449,679	
Savings (in US$)	0	0	0	0	
Total Equity (in US$)	6,142	(12,724)	(124,108)	156,679	
Financing Structure					
Capital / Asset Ratio	0.21%	n/a	n/a	34.84%	
Debt / Equity Ratio	46,904.43%	n/a	n/a	187.01%	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	64.96%	46.09%	35.75%	26.87%	
Overall Financial Performance					
Return on Assets (%)	-12.57%	-42.80%	n/a	n/a	
Return on Equity (%)	9,517.84%	816.97%	n/a	n/a	
Operational Self-Sufficiency (%)	53.52%	20.17%	4.90%	5.73%	
Revenues					
Financial Revenue Ratio (%)	14.47%	10.81%	n/a	n/a	
Profit Margin (%)	-86.84%	-395.71%	-1,939.67%	-1,646.51%	
Expenses					
Total Expense Ratio (%)	27.04%	53.61%	n/a	n/a	
Financial Expense Ratio (%)	3.37%	2.94%	n/a	n/a	
Loan Loss Provision Expense Ratio (%)	0.79%	0.59%	n/a	n/a	
Operating Expense Ratio (%)	22.88%	50.08%	n/a	n/a	
Efficiency					
Operating Expense / Loan Portfolio (%)	40.13%	113.69%	n/a	n/a	
Cost per Borrower	84.1	186.9	n/a	n/a	
Productivity					
Borrowers per Staff member	130	125	83	57	
Savers per Staff member	0	0	0	0	
Risk					
Portfolio at Risk > 30 days Ratio (%)	0.65%	0.53%	3.03%	7.00%	
Loan Loss Reserve Ratio (%)	1.84%	1.53%	4.12%	0.00%	
Risk Coverage Ratio (%)	283.85%	289.49%	135.87%	0.00%	
Write Off Ratio (%)	0.00%	0.00%	n/a	n/a	

OXUS – AFG (OXUS Afghanistan)

Table 1.10.1 Outreach and Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	
Outreach Indicators				
Number of Personnel	136	95	47	
Loan				
Number of Active Borrowers	13,406	5,621	616	
Average Loan Balance per Borrower (US$)	192	143	137	
Loans below US$300 (%)	n/a	93.30%	99.50%	
Woman Borrowers (%)	52.90%	45.00%	40.10%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	
Saving				
Number of Savers	0	0	0	
Average Savings Balance per Saver (US$)	n/a	n/a	n/a	
Average Savings Balance per Saver/ GNI per Capita (%)	n/a	n/a	n/	

Table 1.10.2 Financial Indicators

INANCIAL INFORMATION IN US$				
	31/03/08	**31/03/07**	**31/03/06**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet				
Gross Loan Portfolio (in US$)	2,568,744	805,522	84,437	
Total Assets (in US$)	4,282,637	1,685,744	172,195	
Savings (in US$)	0	0	0	
Total Equity (in US$)	(345,435)	(210,901)	(187,428)	
Financing Structure				
Capital / Asset Ratio	n/a	n/a	n/a	
Debt / Equity Ratio	n/a	n/a	n/a	
Deposits to Loans	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	59.98%	47.78%	49.04%	
Overall Financial Performance				
Return on Assets (%)	-12.74%	-48.12%	n/a	
Return on Equity (%)	136.70%	224.45%	n/a	
Operational Self-Sufficiency (%)	58.67%	23.47%	3.31%	
Revenues				
Financial Revenue Ratio (%)	18.09%	14.75%	n/a	
Profit Margin (%)	-70.43%	-326.16%	-2,916.78%	
Expenses				
Total Expense Ratio (%)	30.83%	62.87%	n/a	
Financial Expense Ratio (%)	2.93%	2.65%	n/a	
Loan Loss Provision Expense Ratio (%)	2.86%	2.52%	n/a	
Operating Expense Ratio (%)	25.04%	57.71%	n/a	
Efficiency				
Operating Expense / Loan Portfolio (%)	44.30%	120.48%	n/a	
Cost per Borrower	78.6	171.9	n/a	
Productivity				
Borrowers per Staff member	99	59	13	
Savers per Staff member	0	0	0	
Risk				
Portfolio at Risk > 30 days Ratio (%)	5.91%	3.85%	0.00%	
Loan Loss Reserve Ratio (%)	4.31%	3.14%	2.00%	
Risk Coverage Ratio (%)	72.89%	81.44%	n/a	
Write Off Ratio (%)	0.00%	0.00%	n/a	

Parwaz (Parwaz MicroFinance Institution)

Table 1.11.1 Outreach and Impact

OUTREACH & IMPACT						
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/12/05**	**31/12/04**	**31/12/03**	
Outreach Indicators						
Number of Personnel	87	65	32	12	5	
Loan						
Number of Active Borrowers	14,708	7,138	2,211	626	513	
Average Loan Balance per Borrower (US$)	110	103	88	76	67	
Loans below US$300 (%)	n/a	6,732.00%	n/a	100.00%	100.00%	
Woman Borrowers (%)	100.00%	100.00%	100.00%	100.00%	100.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	n/a	
Saving						
Amount of Savings (US$)	100,770	69,394	32,613	12,648	0	

Table 1.11.2 Financial Indicators

FINANCIAL INFORMATION IN US$						
	31/03/08	**31/03/07**	**31/12/05**	**31/12/04**	**31/12/03**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet						
Gross Loan Portfolio (in US$)	1,623,032	734,834	193,764	47,331	34,371	
Total Assets (in US$)	4,049,046	1,213,268	405,972	63,249	40,168	
Savings (in US$)	0	0	0	0	0	
Total Equity (in US$)	680,007	329,456	169,194	47,881	38,609	
Financing Structure						
Capital / Asset Ratio	16.79%	27.15%	41.68%	75.70%	96.12%	
Debt / Equity Ratio	495.44%	268.26%	139.94%	32.10%	4.04%	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	40.08%	60.57%	47.73%	74.83%	85.57%	
Overall Financial Performance						
Return on Assets (%)	-10.92%	n/a	-86.62%	-140.65%	n/a	
Return on Equity (%)	-56.93%	n/a	-187.24%	-168.18%	n/a	
Operational Self-Sufficiency (%)	58.03%	39.61%	15.57%	16.07%	23.72%	
Revenues						
Financial Revenue Ratio (%)	14.13%	n/a	15.97%	26.93%	n/a	
Profit Margin (%)	-72.33%	-152.47%	-542.40%	-522.36%	-321.67%	
Expenses						
Total Expense Ratio (%)	24.34%	n/a	102.59%	167.58%	n/a	
Financial Expense Ratio (%)	2.22%	n/a	2.79%	8.51%	n/a	
Loan Loss Provision Expense Ratio (%)	1.52%	n/a	0.62%	0.26%	n/a	
Operating Expense Ratio (%)	20.60%	n/a	99.19%	158.81%	n/a	
Efficiency						
Operating Expense / Loan Portfolio (%)	45.98%	n/a	193.04%	201.02%	n/a	
Cost per Borrower	49.6	n/a	164.0	144.2	n/a	
Productivity						
Borrowers per Staff member	169	110	69	52	103	
Savers per Staff member	0	0	0	0	0	
Risk						
Portfolio at Risk > 30 days Ratio (%)	2.40%	0.08%	0.00%	0.00%	0.00%	
Loan Loss Reserve Ratio (%)	2.99%	1.16%	1.00%	0.28%	0.00%	
Risk Coverage Ratio (%)	124.41%	1,482.61%	n/a	n/a	n/a	
Write Off Ratio (%)	0.00%	n/a	0.00%	0.00%	n/a	

Sunduq (Khadamati Mahally Sunduq)

Table 1.12.1 Outreach and Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	
Outreach Indicators				
Number of Personnel	82	58	33	
Loan				
Number of Active Borrowers	11,025	3,660	3,061	
Average Loan Balance per Borrower (US$)	155	198	89	
Loans below US$300 (%)	n/a	n/a	n/a	
Woman Borrowers (%)	47.50%	40.60%	38.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	
Saving				
Amount of Savings (US$)	152,754	134,949	0	

Table 1.12.2 Financial Indicators

FINANCIAL INFORMATION IN US$				
	31/03/08	**31/03/07**	**31/03/06**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet				
Gross Loan Portfolio (in US$)	1,711,116	724,417	270,899	
Total Assets (in US$)	2,655,627	1,393,685	448,054	
Savings (in US$)	0	0	0	
Total Equity (in US$)	301,895	995,382	(308,323)	
Financing Structure				
Capital / Asset Ratio	11.37%	71.42%	n/a	
Debt / Equity Ratio	779.65%	40.02%	n/a	
Deposits to Loans	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	64.43%	51.98%	60.46%	
Overall Financial Performance				
Return on Assets (%)	-21.98%	-27.09%	n/a	
Return on Equity (%)	-68.62%	-72.62%	n/a	
Operational Self-Sufficiency (%)	52.15%	45.33%	n/a	
Revenues				
Financial Revenue Ratio (%)	23.96%	22.46%	n/a	
Profit Margin (%)	-91.76%	-120.61%	n/a	
Expenses				
Total Expense Ratio (%)	45.94%	49.55%	n/a	
Financial Expense Ratio (%)	3.57%	1.72%	n/a	
Loan Loss Provision Expense Ratio (%)	6.17%	0.49%	n/a	
Operating Expense Ratio (%)	36.20%	47.34%	n/a	
Efficiency				
Operating Expense / Loan Portfolio (%)	60.18%	87.60%	n/a	
Cost per Borrower	99.8	129.7	n/a	
Productivity				
Borrowers per Staff member	134	63	93	
Savers per Staff member	0	0	0	
Risk				
Portfolio at Risk > 30 days Ratio (%)	12.78%	0.00%	0.00%	
Loan Loss Reserve Ratio (%)	7.73%	1.00%	1.00%	
Risk Coverage Ratio (%)	60.48%	n/a	n/a	
Write Off Ratio (%)				

WOCCU - AFG (WOCCU Afghanistan)

Table 1.13.1 Outreach and Impact

OUTREACH & IMPACT				
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	
Outreach Indicators				
Number of Personnel	44	14	12	
Loan				
Number of Active Borrowers	3,009	1,869	1,261	
Average Loan Balance per Borrower (US$)	484	452	368	
Loans below US$300 (%)	n/a	n/a	n/a	
Woman Borrowers (%)	35.20%	30.30%	n/a	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	
Saving				
Number of Savers	15000		n/a	
Average Savings Balance per Saver (US$)	28			
Amount of Savings (US$)	432,088	242,416		

Table 1.13.2 Financial Indicators

FINANCIAL INFORMATION IN US$				
	31/03/08	**31/03/07**	**31/03/06**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet				
Gross Loan Portfolio (in US$)	1,455,827	844,609	464,322	
Total Assets (in US$)	1,921,381	876,148	539,908	
Savings (in US$)	7,270	5,670	n/a	
Total Equity (in US$)	267,587	160,726	150,595	
Financing Structure				
Capital / Asset Ratio	13.93%	18.34%	27.89%	
Debt / Equity Ratio	618.04%	445.12%	258.52%	
Deposits to Loans	0.50%	0.67%	n/a	
Deposits to Total Assets	0.38%	0.65%	n/a	
Gross Loan Portfolio / Total Assets	75.77%	96.40%	86.00%	
Overall Financial Performance				
Return on Assets (%)	-0.78%	-0.05%	n/a	
Return on Equity (%)	-5.07%	-0.23%	n/a	
Operational Self-Sufficiency (%)	96.19%	99.76%	36.66%	
Revenues				
Financial Revenue Ratio (%)	19.58%	21.30%	n/a	
Profit Margin (%)	-3.96%	-0.24%	-172.75%	
Expenses				
Total Expense Ratio (%)	20.36%	21.35%	n/a	
Financial Expense Ratio (%)	5.02%	6.19%	n/a	
Loan Loss Provision Expense Ratio (%)	1.97%	2.86%	n/a	
Operating Expense Ratio (%)	13.36%	12.30%	n/a	
Efficiency				
Operating Expense / Loan Portfolio (%)	16.25%	13.30%	n/a	
Cost per Borrower	76.6	55.6	n/a	
Productivity				
Borrowers per Staff member	68	134	105	
Savers per Staff member	n/a	8	n/a	
Risk				
Portfolio at Risk > 30 days Ratio (%)	3.07%	4.02%	n/a	
Loan Loss Reserve Ratio (%)	2.16%	2.77%	0.67%	
Risk Coverage Ratio (%)	70.23%	68.89%	n/a	
Write Off Ratio (%)	2.04%	0.00%	n/a	

WWI - AFG (Women for Women Afghanistan)

Table 1.14.1 Outreach and Impact

OUTREACH & IMPACT					
OUTREACH INDICATORS	**31/03/08**	**31/03/07**	**31/03/06**	**31/03/05**	
Outreach Indicators					
Number of Personnel	91	69	51	15	
Loan					
Number of Active Borrowers	14,511	10,773	3,442	1,414	
Average Loan Balance per Borrower (US$)	120	118	118	110	
Loans below US$300 (%)	n/a	n/a	n/a	n/a	
Woman Borrowers (%)	100.00%	100.00%	100.00%	100.00%	
Average Loan Balance per Borrower/ GNI per Capita (%)	n/a	n/a	n/a	n/a	
Saving					
Number of Savers	0	0	0	0	
Average Savings Balance per Saver (US$)	n/a	n/a	n/a	n/a	
Average Savings Balance per Saver/ GNI per Capita (%)	n/a	n/a	n/a	n/a	

Table 1.14.2 Financial Indicators

FINANCIAL INFORMATION IN US$					
	31/03/08	**31/03/07**	**31/03/06**	**31/03/05**	
Exchange Rate used for Conversion	1 USD/USD	1 USD/USD	1 USD/USD	1 USD/USD	
Balance Sheet					
Gross Loan Portfolio (in US$)	1,742,004	1,266,941	407,337	156,037	
Total Assets (in US$)	3,008,004	2,003,762	622,026	353,050	
Savings (in US$)	0	0	0	0	
Total Equity (in US$)	184,496	1,489	(327,937)	1,455	
Financing Structure					
Capital / Asset Ratio	6.13%	0.07%	n/a	0.41%	
Debt / Equity Ratio	1,530.39%	n/a	n/a	24,164.60%	
Deposits to Loans	0.00%	0.00%	0.00%	0.00%	
Deposits to Total Assets	0.00%	0.00%	0.00%	0.00%	
Gross Loan Portfolio / Total Assets	57.91%	63.23%	65.49%	44.20%	
Overall Financial Performance					
Return on Assets (%)	0.06%	-28.53%	-104.49%	n/a	
Return on Equity (%)	1.48%	229.50%	312.06%	n/a	
Operational Self-Sufficiency (%)	100.23%	43.59%	16.59%	4.91%	
Revenues					
Financial Revenue Ratio (%)	23.53%	22.05%	20.78%	n/a	
Profit Margin (%)	0.23%	-129.42%	-502.77%	-1,937.34%	
Expenses					
Total Expense Ratio (%)	23.47%	50.58%	125.27%	n/a	
Financial Expense Ratio (%)	3.77%	5.34%	8.55%	n/a	
Loan Loss Provision Expense Ratio (%)	2.02%	0.71%	0.66%	n/a	
Operating Expense Ratio (%)	17.68%	44.53%	116.06%	n/a	
Efficiency					
Operating Expense / Loan Portfolio (%)	29.45%	69.83%	200.88%	n/a	
Cost per Borrower	35.0	82.2	233.1	n/a	
Productivity					
Borrowers per Staff member	159	156	67	94	
Savers per Staff member	0	0	0	0	
Risk					
Portfolio at Risk > 30 days Ratio (%)	1.75%	0.11%	0.15%	0.00%	
Loan Loss Reserve Ratio (%)	2.50%	1.09%	1.14%	1.03%	
Risk Coverage Ratio (%)	142.37%	964.55%	771.52%	n/a	
Write Off Ratio (%)	1.39%	0.02%	0.00%	n/a	

December 2008 (US Dollars)

Name of MFI	Number of branches	Staff	Number of borrowers		Loan disbursed ($)	Loan outstanding ($)	Loan overdue ($)	Member savings ($)	Public deposits (If any)
			Male	Female					
Ariana Financial Services (AFS)	4	136	3,528	7,653	13,848,980	3,521,420	441,460	-	-
Afghanistan Microfinance Institution (AMFI)	5	80	2,333	1,563	7,804,800	763,612	49,838	-	-
Afghanistan Rural Microcredit Programme (ARMP)	20	498	19,189	2,716	85,534,772	15,352,709	309,434	-	-
Bangladesh Rural Advancement Committee (BRAC)	163	1,985	25,652	163,154	145,604,000	27,310,454	1,240,149	5,596,627	-
Child Fund Afghanistan (CFA)	5	83	10,198	9,947	14,556,373	3,366,897	246,499	270,464	-
Foundation for International Community Assistance (FINCA)	19	583	18,270	20,229	62,690,537	5,330,780	368,525	-	-
The First MicroFinance Bank (FMFB)	17	647	47,526	13,636	156,179,515	35,046,355	367,087		7,700,812
Microfinance Agency for Development and Rehabilitation of Afghan (MADRAC)	12	149	10,399	7,749	9,694,130	2,433,190	157,080	171,263	-
Micro Finance Agency for Development (MoFAD)	3	76	0	15,156	9,224,539	2,231,890	12,427	178,448	-
OXUS	9	159	7,002	7,392	13,834,337	3,763,479	75,230	-	-
Parwaz Microfinance Institution	10	150	0	12,180	9,468,140	1,959,677	250,454	100,770	-
Sunduq (Khadamati Mahally Sunduq)	8	79	5,837	4,694	7,271,493	1,476,414	74,180	152,754	-
World Council of Credit Unions (WOCCU)	6	68	12,744	2,796	8,832,510	2,542,982	103,302	432,088	-
Women for Women International (WWI)	1	100	0	9,549	10,718,660	1,273,196	42,287	-	-