MISFA

MICROFINANCE
INVESTMENT
SUPPORT
FACILITY FOR
AFGHANISTAN

MISFA

ANNUAL REPORT

MARCH 2016

Photo credits:

Matin Ezidyar

Maleesha Safdari

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Acronyms

AMA	Afghanistan Microfinance Association
ANDS	Afghanistan National Development Strategy
CHA	Coordination of Humanitarian Assistance
CoAR	Cooridnation of Afghan Relief
DAB	Da Afghanistan Bank
IFAD	International Fund for Agricultural Development
MAIL	Ministry of Agriculture Irrigation and Livestock
MFI	Microfinance Institution
MISFA	Microfinance Investment Support Facility for Afghanistan
MoU	Memorandum of Understanding
MoWA	Ministry of Women's Affairs
MRRD	Ministry of Rural Rehabilitation and Development
NGO	Non-governmental Organization
TUP	Targeting the Ultra-Poor
WADAN	The Welfare Association for the Development of Afghanistan

Building on the success of its flagship program, Targeting the Ultra Poor (TUP), MISFA began scaling up the project in 2015 to rural districts in five other provinces of Afghanistan and planning for further expansion is underway.

The Board Of Directors

Mr. Ahmad Shaheer Shahriar

Board member, and Deputy minister, Ministry of Rural Rehabilitation and Development (MRRD). Mr. Shahriar has extensive working experience at different capacities with the Government of Afghanistan, including as the Director of Mines, for the Ministry of Mines; CEO of the Afghanistan Land Authority (Arazi); Director General of Private Sector Development, Ministry of Commerce and Industries; Director of Strategic Communication, MRRD and Project Manager in the Ministry of Refugees and Repatriation. In addition, Mr. Shahriar has worked for a number of international donors, including the World Bank and USAID.

Mr. Ahmad Shafiq Qarizada

Board Member and Deputy Minister for Revenue and Customs of the Ministry of Finance (MoF). Mr. Qarizada also served in different capacities at the Ministries of Education and Public Works, and worked with international organizations, including the United Nations, prior to joining MoF. Mr. Qarizada has a Masters Degree in General Management from Preston University in Islamabad, Pakistan.

Mr. Mohammad Qurban Haqjo

Board Member and Chief Executive Officer (CEO) of the Afghanistan Investment Support Agency (AISA). Mr. Haqjo also worked as CEO of Afghanistan's Chamber of Commerce and legal advisor to different projects funded by the European Union in Afghanistan, as well as with the Embassy of Italy in Kabul. He has a degree in Political Science from Balkh University and completed a degree in International Business Relations in Germany.

Ms. Nicola Armacost

Board Member, and Managing Director of Arc Finance, formed in the spring of 2008 to link the fields of finance, energy, water and sanitation. Ms. Armacost has the following degrees from institutions in Canada: a Bachelor's degree in international relations from the University of Toronto, an LLB from Queen›s University, and an LLM from Osgoode Hall Law School.

Ms. Kathryn Imboden

Board member and a Policy Advisor for bilateral and multilateral development agencies, including CGAP. She chairs the Board of FIDES Microfinance Senegal, and serves on the boards of Azure Partners, and the Womanity Foundation. Ms. Imboden has a B.A. on Economics from Mount Holyoke College, U.S.A. and a diploma from the Institute of Political Studies in Paris, France.

Ms. Joyce Lehman

Board Member and Independent Advisor to global donor organizations on Financial Inclusion. Previously, Ms. Lehman was a Program Officer on the Financial Services for the Poor team at the Bill & Melinda Gates Foundation. She spent four years in Afghanistan working in the microfinance sector. She is a Certified Public Accountant and holds a Master's Degree from the Bentley College Graduate School of Business.

Life was tough on Reza Gul. She suffered not only from extreme poverty but violence by her drug addicted husband as well.

FROM THE CHAIRMAN OF THE BOARD

While the overall security of the country remained volatile, the year 2015 ushered in a new era for MISFA and its partners; one that brought a glimmer of hope for many Afghans participating in development finance programs.

As much as the environment continued to be complex, unpredictable, and fraught with risks, donors provided support to strengthen MISFA and its partners to carry forward plans to expand access to finance to reach a greater number of rural areas.

Building on the success of its flagship program, Targeting the Ultra Poor (TUP), MISFA began scaling up the project in 2015 to rural districts in five other provinces of Afghanistan and planning for further expansion is underway. In addition, microfinance partner institutions received support to expand outreach by offering an agriculture-focused credit facility that

takes into consideration the specific needs of Afghans whose livelihoods depended on the agriculture value chain.

Traditional microfinance products have led to urban bias over the years. However, MISFA's Board of Directors and management are committed to serve the under-served, who typically fall out of reach of many government and formal financial services. This was evident in what MISFA achieved in 2015 as highlighted in this report.

I would like to take this opportunity to acknowledge the hard work and commitment of MISFA's Board Members and staff and those of our partner institutions. Together, we are able to demonstrate to donors, government stakeholders, and the Afghan people that we have the capacity and determination to contribute to economic recovery through financial inclusion. Moreover, I would like to express my deep admiration for the resilience of the Afghan men and women, who have shown us time again that they are capable of actively participating in sustainable livelihoods if given the opportunity.

I look forward to many more fruitful years ahead of us.

Sincerely,

Ahmad Shaheer Shahriar

Chairman, MISFA Board of Directors

Deputy Minister - Program, Ministry of Rural Rehabilitation and Development (MRRD)

A MESSAGE FROM MISFA's MANAGING DIRECTOR

The year 2015 is a coming of age for MISFA. Despite the economic and political turmoil of 2014, MISFA managed to begin expanding key programs aimed at delivering financial services to the most vulnerable and marginalized Afghans.

With donor support and collaboration with local governments and Afghan NGOs, MISFA began the scale-up of Targeting the Ultra-Poor to several other provinces across Afghanistan, following its successful pilot in rural districts of Bamyan and Badakhshan. This is a project designed primarily to help Afghan women and their households escape abject poverty through an intensive multi-year, holistic package of assistance.

Another highlight of 2015 was MISFA's support to improving the resilience and self-sustainability of agriculture borrowers by offering them access not only to agriculture-oriented loans, but also to experts, who could offer them technical advice on a whole spectrum of agricultural know-how, including how to mitigate risks.

I highlight these two, among a number of other accomplishments in 2015 because the focus groups – women and Afghans in the agriculture value chain – of these expansion of initiatives are typically rural inhabitants. Since MISFA's inception in 2003 and the rollout of traditional microcredit loans, the sector has fallen short in reaching these two groups. This is in part due to the insecurity and inaccessibility of rural areas, but also because traditional microfinance services have long catered more to traders clustered in urban and peri-urban settings.

TUP's scale-up and support to the self-sustainability and advancement of agriculture borrowers are a testament to the level of maturity and stability that MISFA, together with its implementing partners, has reached. That such outreach to rural Afghans happened in 2015, while Afghanistan as a country was only beginning to recover from the debilitating year of 2014, demonstrates how the organization has become a major contributor to the strengthening of the finance sector overall, and hopefully to Afghanistan's future economic recovery.

I would like to take this opportunity to pay tribute to all the efforts of MISFA's staff and Board of Directors, as well as the staff of our partner institutions. Against all odds, we advanced our programs in the past year based on our collective efforts and the commitment of donors. We count on your continued support in the coming years as we strive harder to serve the financial needs of a greater number of poor Afghans. Thank you!

Sincerely,

Bahram Barzin

MISFA Managing Director

Reza Gul invested the support she recieved from TUP project on treating her drug addicted husband and now he is an active male member of the family selling fruits in the market.

More than 21% of microfinance loans are invested in agriculture, and agriculture value-chain businesses.

1. INTRODUCTION

This report has four main parts. Following this introduction, section 2 provides a brief overview of the microfinance sector through some key indicators representing the consolidated portfolio of MISFA's implementing partners, which comprises 90 percent of the development finance sector of Afghanistan. Section 3 highlights progress of some of MISFA's core programs, including the scale-up of its landmark Targeting the Ultra-Poor project.

The section also outlines the support it has provided within the reporting year to key initiatives of partner MFIs. Section 4 identifies MISFA's direction based on its Strategic Plan for 2016-2018 and some specific initiatives in the works, followed by some concluding remarks. The final part, Section 5, presents the key financial figures for 2015.

2. THE MICROFINANCE SECTOR IN 2015: A SNAPSHOT

• Sector Performance

Although the political and economic turmoil of 2014 spilled over into 2015, the microfinance sector remained relatively steady. For this reporting year, MISFA's partner institutions disbursed a combined total of nearly 125,967 loans worth around AFN 9.4 billion for the year ending 31 March 2016.

Portfolio At Risk greater than 30 days (PAR>30 days) of microfinance institutions for the year was at 3.5 percent, compared to 1.9 percent in 2014; while Operational Self-Sufficiency was at 98 percent in 2015, compared to 108 percent the previous year.

Table 1. Sector Key Indicators 2015 - 2016

Key Indicators	March 2015	March 2016
Coverage by no. of Provinces	14	14
Coverage by no. of Districts	83	83
No. of Active Clients	177,767	200,657
No. of Active Borrowers	112,910	129,588
Gross Loans outstanding, AFN	5.7 billion	6.6 billion
Gross Loans outstanding, US$*	99 million	96 million
Women as % of Total Clients	31%	30%
Women as % of Total Borrowers	36%	33%
PAR > 30 days	1.9	3.5%
OSS (Opertional Self-Sufficiency)	108.3	98.3%

* Based on the prevailing AFN-USD exchange rate.

MISFA and partner institutions now offer a more diversified and tailor-made set of loan products catering to their client base, namely: agricultural, group, individual, housing, SME, and Sharia-compliant (murabaha) loan products.

MISFA is supporting its partner, FMFB-A in its efforts to expand its financial services to agricultural clients beyond credit.

As highlighted in the previous report, the continued stability of the sector could be attributed to more robust risk mitigation strategies applied through regular monitoring and reporting of partners' performance, and MISFA steering the sector to a cultural shift towards quality and a more diversified portfolio. This continued on in 2015, with MISFA's partner institutions strengthening governance and due diligence, recognizing these to be critical prerequisites to achieve operational self-sustainability.

One indicator of the sector's maturity is a concerted effort to reach a wider group of low-

income Afghans without access to finance. MISFA and partner institutions now offer a more diversified and tailor-made set of loan products catering to the needs of their client base, namely: agricultural, group, individual, housing, SME, and Sharia-compliant (Murabaha) loan products.

MISFA will continue to promote and provide support to partners' efforts to diversify and develop demand-driven financial products and services, particularly those underpinned by financial inclusion of poor Afghans, who are predominantly in the harder to reach rural areas, as well as those who seek Sharia-compliant lending arrangements.

AFGHAN WOMEN
33 percent of the total number of microfinance borrowers are Afghan women engaged in livelihood activities such as sewing, embroidery and handicrafts.

3. MISFA CORE PROGRAMS AND SUPPORT TO PARTNERS

Under the Afghanistan Access to Finance, a project funded by the International Development Association (IDA), administered by the World Bank, MISFA was able to continue to build on some of its core programs in line with its multi-year Strategic Plan. In addition, MISFA was able to provide support to partner MFIs and other stakeholders through the Afghanistan Microfinance Association (AMA). Following are some highlights.

3.1 MISFA PROGRAMS UPDATE

- Scaling-up TUP

The year 2015 marked the largest scale-up yet of MISFA's flagship financial graduation program, Targeting the Ultra-Poor (TUP). TUP has been piloted successfully in succession– first in Bamyan then in Badakhshan, and this year ushered in the beginning of its simultaneous replication in five provinces across Afghanistan.

The TUP expansion aims to target 6,725 households to benefit more than 47,000 Afghans across the five provinces. The project will be implemented by Non-governmental Organizations (NGOs) selected through a competitive process and approved by the National Procurement Commission (NPC) headed by the president H.E. Mohammad Ashraf Ghani.

The NGOs selected are: Coordination of Afghan Relief (CoAR), The Welfare Association for the Development of Afghanistan (Wadan) and Coordination of Humanitarian Assistance (CHA). CoAR will implement the project in the provinces of Herat and Takhar; Wadan in Kunar and Laghman; and CHA in Balkh.

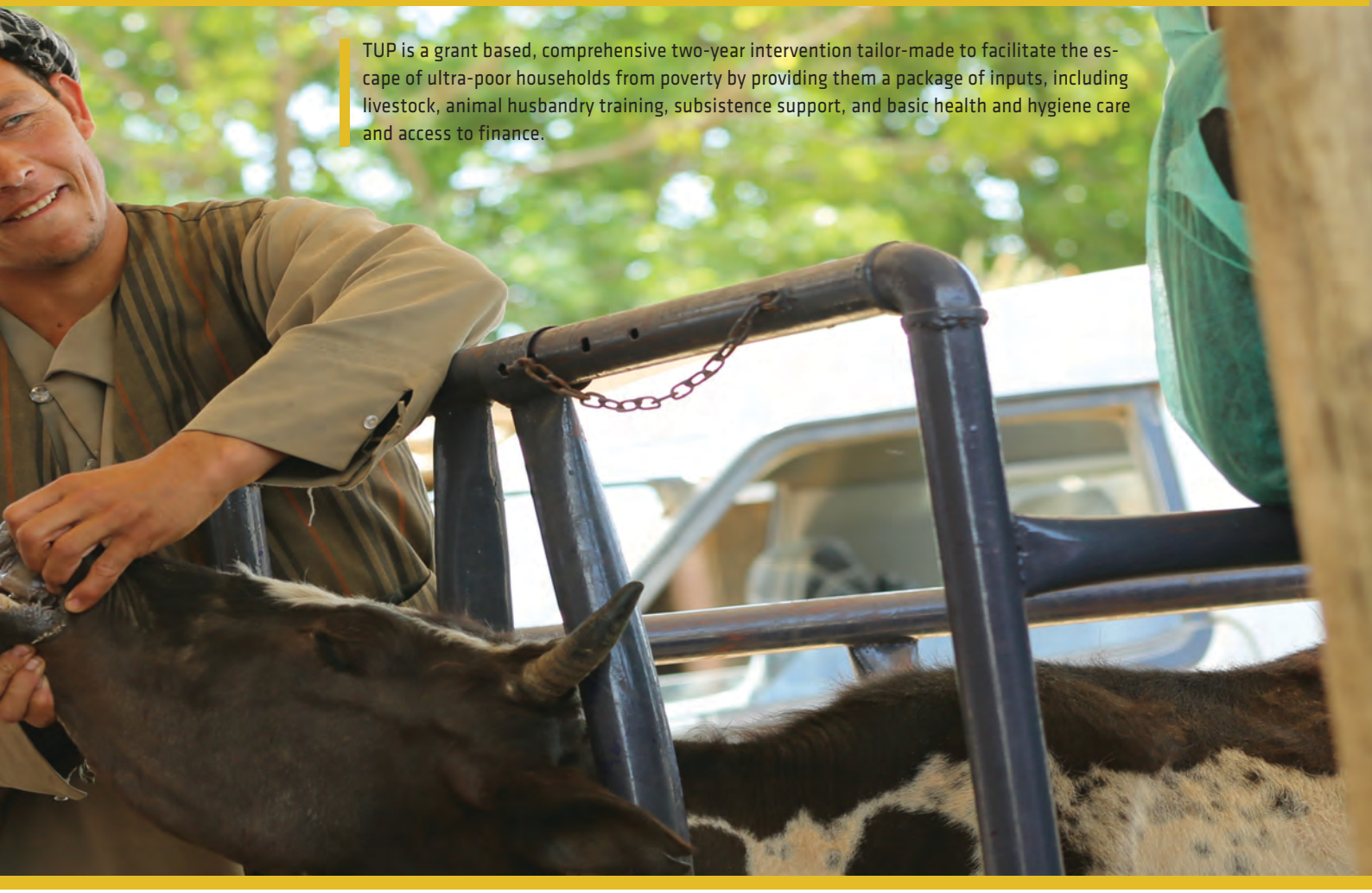
TUP is a grant based, comprehensive two-year intervention tailor-made to facilitate the escape of ultra-poor households from poverty by providing them a package of inputs, including livestock, animal husbandry training, subsistence support, and basic health and hygiene care and access to finance .

The main objective of the project is to support the TUP participants in lifting them selves out of abject poverty in a sustainable way. This is achieved by providing them the holistic, phased out package of assistance throughout the two years, and by linking them upon graduation to financial service providers, such as Microfinance Institutions (MFIs), Community Savings Promoting Institutions (CSPIs), Cooperatives, and Self Help Groups (SHG), to further expand their businesses and enterprises.

With Funding from IFAD, TUP was first piloted in Bamyan and then replicated in Badakhshan, targeting a total of 1,200 female-headed households suffering from abject poverty and resorting to negative coping mechanisms.

Calls from government officials and community leaders in Badakhshan led to the extension of the project to support an additional 560 ultra-poor families. The successful implementation of TUP has encouraged donors to support the program scale-up as a viable path to poverty reduction and national economic recovery in Afghanistan. The project scale-up will cover 1,725 HHs in Herat, 1,500 HHs in Takhar, 1,500 in Balkh, 1,000 in Laghman, and 1,000 in Kunar. The expansion of TUP project in Kabul and Kandahar provinces targeting a total number of 2,500 eligible households (HH) is underway.

The TUP expansion to Kabul, Takhar, Kandahar, Balkh, Laghman, and Kunar provinces is funded through IDA/World Bank; while the expansion in Herat is supported by the Italian Development Cooperation Office. MISFA will implement the TUP project in Herat based on an agreement signed between MISFA, the Italian Cooperation Development Fund, and Afghanistan's Ministry of Finance (MoF). The Italian agency will provide US$ 3.4 million to MISFA to implement the project in four districts of Herat province.



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

• Expansion of Public Awareness Campaign

In 2015, in support of the TUP scale up and the work of partner MFIs, MISFA and the Killid Group produced info-drama programs titled Fasl-e Baran (rainy season), intended to further expand public awareness of microfinance in Afghanistan.

The programs were broadcast by 12 local radio stations in six provinces: Herat, Kundoz, Badakhshan, Balkh, Baghlan and Bamyan, and simultaneously in Kabul. The provinces were targeted based on the higher number of microfinance borrowers living there .

The campaign had multiple objectives: to encourage potential clients; introduce new products; clarify misperceptions about microfinance services and institutions; and explain the roles of district representatives and village leaders. It also showed what microfinance can do to change people's lives, if managed properly.

In 2015, in support of the work of partner MFIs, MISFA produced info-drama programs titled: Fasl-e Baran (rainy season), intended to further expand public awareness of microfinance in Afghanistan.

The drama program featured Afghan artists, including Wesal Noori, a prominent journalist, poet and drama director. The drama series had five episodes and each episode was aired in Dari and Pashto for three months. The total broadcast time was 6,492 minutes (108 hours).

MISFA's public awareness campaign through radio is now in its fourth phase. The first phase focused on client oriented news features. The second phase targeted the introduction of microfinance program in Afghanistan and its history through five-minute dramas in Dari and Pashto. The third phase highlighted the process of loan taking and client eligibility for loans.

To measure the impact of the awareness campaign, MISFA in collaboration with the Afghanistan Microfinance Association (AMA), designed and conducted a survey. A total of 1,110 people were surveyed in Balkh, Kunduz and Herat provinces. Sixty-two percent (62%) of the respondents were male, while the remaining 38% were female.

The survey found that around 70 percent of the respondents listened to the radio, thus indicating that radios are the appropriate means for the public awareness campaign.

MISFA's Knowledge Management and Learning Unit

MISFA established a Knowledge Management and Learning (KM&L) unit to support the creation, capture, storage and sharing of knowledge within the sector. The department will build a strong knowledge base to facilitate analysis and solution finding about what works in the microfinance sector, in order to increase learning and add value to results achieved by MISFA and its partners.

KM&L is a relatively new concept in Afghanistan, but has been adopted as an approach by international development organisations, particularly for gathering success stories, lessons learned, and good practices from the field. Over the past ten years. MISFA and its partners have been undertaking some KM&L related functions, such as research, communications, training, and market development, albeit not in a systematic way.

The gravure product of a microfinance client

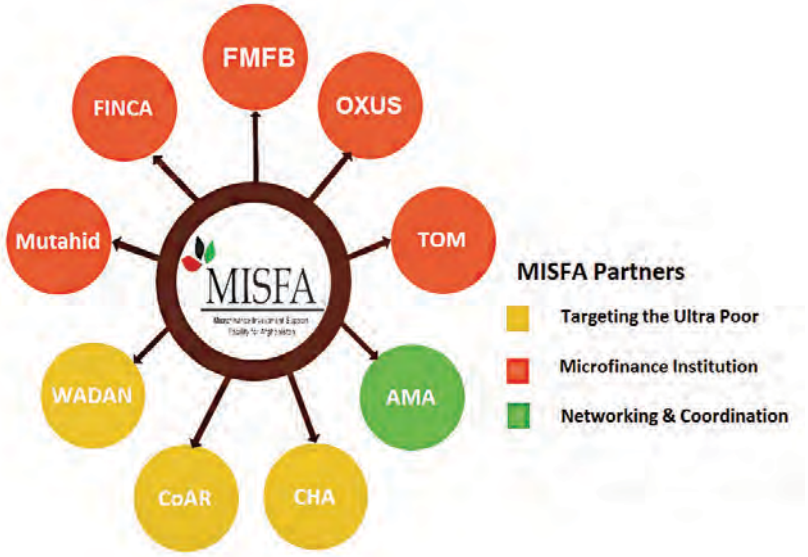
The gravure product of a microfinance client

The gravure product of a microfinance client

MISFA has taken stock of past and existing KM&L activities delivered by the organisation and its partners following a KM&L Assessment. The Assessment findings and recommendations have identified ways of improving the performance and sustainability of MISFA and its partner organisations. These findings and recommendations have now been incorporated into the KM&L strategy. The KM&L unit will ensure that both explicit and implicit knowledge of the microfinance sector will be documented and used to increase the effectiveness and efficiency of delivering microfinance products and services to the unbanked target population.

3.2 KEY SUPPORT TO PARTNERS

In 2015, MISFA continued its technical and financial support to its partner institutions and signed funding agreements with OXUS-Afghanistan, TOM–which took over Hope for Life's clients and portfolio, FINCA-Afghanistan and the Afghanistan Microfinance Association (AMA). These partnership agreements are strategic to the sector's continued stability and MISFA's vision for greater financial inclusion.



• OXUS Afghanistan

MISFA's collaboration with OXUS-Afghanistan ensures substantial funding for ongoing, as well as expansion of OXUS operations in Afghanistan.

OXUS-Afghanistan was created in 2007 and currently serves more than 12,000 microfinance clients through 13 service outlets in ten provinces across the country.

With the partnership agreement, MISFA will help the MFI achieve its priorities based on its four-year business plan (2015 - 2018), focused on providing a greater number of poor Afghans access to finance. Priority areas include strengthening internal systems, expansion of outreach, and product diversification.

OXUS plans to develop new financial products that cater to the needs of different demographics, including women and the youth.

A preliminary study carried out by OXUS recommends that the institution should increase its outreach to the central and northern regions.

To further ensure that the above expansion plans are achieved with due diligence, OXUS will strengthen its Risk Management, Internal Audit, Information Technology (IT) departments and will continue to develop the capacity of its staff.

The gravure product of a microfinance client

The gravure product of a microfinance client

The gravure product of a microfinance client

• TOM

TOM, purchased the shares of Hope for Life (HFL), a microfinance institution previously affiliated with IAM and Hope International. HFL had been a MISFA partner institution since 2010. MISFA had open communication lines, not only with HFL's senior management, but also with its parent organizations. Thus, when

Hope International and IAM expressed their intention to exit from the sector and Afghanistan, there was a collaborative process that ensured a smooth transition. More importantly, both parties agreed on a viable arrangement–the takeover of TOM-that protects HFL's existing clients, staff, and overall portfolio.

MISFA will help strengthen TOM as a partner MFI based on its three-year business plan and efforts to reach Operational Self-Sufficiency (OSS). TOM targets urban residents, both female and male clients, with sufficient economic activities and potential. It offers two core loan products: the Group Loan for female and male clients; and the Individual Loan for male clients. TOM operates in Kabul City.

- **First Microfinance Bank - Afghanistan (FMFB-A)**

MISFA is supporting its partner, FMFB-A in its efforts to expand its financial services to agricultural clients beyond credit. MISFA agreed to fund a proposal submitted by FMFB -Ain 2015 to hire 16 agriculture experts (agronomists) to provide advisory and consultation services to clients, as well as the bank. The key objectives of the initiative are to improve the living quality of clients and mitigate risk. The experts will provide the following services to the clients:

- Theoretical and practical trainings to farmer clients on the use of new technology, improved seeds, appropriate inputs, and any other activity that reduce cost or increase profits;
- Trainings on better processing, packaging, sorting, grading, storing, and marketing;
- Regular on-call advisory services to clients based on request;
- Linking of clients with the respective department of MAIL and NGOs working on agriculture sector (such as AKF, GIZ, Mercy Corps, ACTED, etc.);
- Analysis of the credit worthiness of agriculture loan clients; and
- Monitoring of the impact of loans on the clients' quality of life.

MISFA's promotion of higher standards of operations, capacity building, due diligence and risk mitigation have paid off, bringing MISFA and its partner MFIs to a level of maturity to date.

FMFB-A piloted its rural agriculture product in Badakhshan, Takhar, Kundoz and Baghlan provinces in October 2012. The product is scaled up and available in twelve provinces across Afghanistan.

With funding from MISFA, the loan product was developed based on an agriculture product demand survey conducted in the targeted provinces. The uptake of this agriculture product has been impressive. By the first quarter of 2016, more than 30,000 agriculture loans had already been disbursed, worth AFN 1.9 billion. The improvement of this loan product targeting Afghans involved in agriculture in rural areas, who have traditionally been underserved, is expected to increase demand and contribute to risk mitigation and productivity.

- FINCA Afghanistan

MISFA and FINCA-Afghanistan signed loan agreements to increase access to financial services.

Under the signed agreement, over 15,000 new loans will be disbursed to micro, small and medium enterprises in 11 provinces of Afghanistan. FINCA-Afghanistan is part of FINCA International, a US-based international microfinance institution founded in 1985. FINCA-Afghanistan serves more than 33,000 active clients with an outstanding portfolio worth one billion Afghani. Around 75 percent of FINCA-Afghanistan's clients are women, who are among the marginalized groups in Afghanistan.

- **Mutahid Development Finance Institution (DFI)**

Mutahid DFI expanded its Murabaha (Sharia-compliant) loan product to Balkh, Kunduz and Takhar provinces. Mutahid DFI designed and rolled out the pilot phase of its Sharia-compliant loan product (Murabaha) in Herat and Kabul in February 2013.

A subsidiary of MISFA, Mutahid DFI was established in 2011. Its creation facilitated the smooth consolidation of the best clients, staff, and resources of microfinance institutions, which exited the sector. As such, it is well placed to incorporate best practices and lessons learned from the past. MISFA provides significant support to Mutahid and believes that with its strong management and core principles of ethics, ideas and hard work, it could be a sustainable, model entity, contributing to the growth of development finance in Afghanistan.

- **Afghanistan Microfinance Association(AMA)**

MISFA signed a partnership agreement with AMA that ensures substantial funding for the association to carry out its activities for the year 2015. AMA is the national network of Development Finance Institutions (DFIs) in Afghanistan established in 2005 by MISFA, microfinance practitioners and other stakeholders.

AMA was registered with Afghanistan's Ministry of Justice in 2007. Currently, AMA has 14 members, including Microfinance Institutions (MFIs), Community-based Savings Promoting Institutions (CSPIs), and other financial institutions.

it also has one associate member, the Afghanistan Institute of Banking and Finance.

MISFA will continue to fulfill its core mandate and programs, and support those of its implementing partners in the coming years, as indicated in its Strategic Plan for 2016-2018.

Under the new partnership agreement, MISFA will fund AMA's networking and coordination activities, such as program and legal awareness seminars, general assembly meetings, and CEOs coordination meetings. The coordination and networking activities of AMA have been effective in sharing lessons learned, good practices amongst stakeholders, as well as in promoting efficiency and collaboration around risk and fraud mitigation.

AMA will also receive funding for its research and communication activities, including the production of sector-wide communication tools, such as annual reports, the microfinance magazines, Microview reports, research studies and radio campaigns. In addition, MISFA and AMA will be collaborating on the production of future microfinance awareness campaigns through radio.

4. NEXT STEPS AND CONCLUDING REMARKS

In a span of more than a decade, MISFA has weathered a number of challenging times. The relative stability of the sector throughout the tumultuous political year of 2014 and the ensuing economic and security challenges that continued in 2015 can be attributed in part to MISFA's institutional strengthening and capacity building efforts in the years following the consolidation phase in 2009-10. MISFA's promotion of higher standards of operations, capacity building, due diligence and risk mitigation have paid off, bringing MISFA and its partner MFIs to a level of maturity to date. This is also apparent in the direction sector partners have taken in recent years in developing and innovating financial products and services based on client demand.

MISFA will continue to fulfill its core mandate and programs, and support those of its implementing partners in the coming years, as indicated in its Strategic Plan for 2016-2018. Based on the plan, MISFA will remain focused on advocacy, strategic alliances, knowledge management, research and development, microfinance and SME lending as core business.

In line with the plan, MISFA will continue supporting initiatives for scale-up, savings, and product innovations. MISFA will be proactive in engaging new/non-traditional potential partners, for example, Community-based Savings Promotion Institutions (CSPIs), which could contribute to further efforts to identify client financial needs for both savings and loan products and future product design. MISFA will step up its efforts, with the help of AMA and partners, to build their capacity and promote stronger links between CSPIs, Self-Help Groups, Banks, Business Development Centers, and MFIs.

Sector staff capacity building will remain a key component of MISFA's core business, particularly when it comes to using technology in enhancing internal controls, automating microfinance and SME processes, risk and data management, and other anti-fraud measures. Other initiatives in the works include research and development of two new products targeting women and the youth. As MISFA and its partners continue to operate in a volatile

environment. it should be noted that part of MISFA's strength lies in its transparency and the trust it has built over the years among its development partners and stakeholders, including donors, and the Ministries of Finance (MoF) and Rural Rehabilitation and Development (MRRD), the Ministries of Agriculture, Irrigation and Livestock (MAIL) and of Women's Affairs (MoWA), the Central Bank–Da Afghanistan Bank (DAB), its partner MFIs, and AMA.

A testament to MISFA's trusted position is its collaboration with the Office of the President to craft Afghanistan's financial inclusion policy. MISFA will continue to build on this trust by taking a leadership role in strengthening the sector and being a catalyst for change and the country's economic recovery.

With the continued support of MISFA, Mujtaba created employment opportunities for his entire family

5. FINANCIAL OVERVIEW

MISFA Ltd. Overall Financial Summary
For the period April 1, 2003 to December 21 ,2015

	01 Apr 2003 To December 21, 2015
	AFN'000
INCOME STATEMENT	
Interest & similar income	3,087,707
Operating grants	155,406
Other income	19,208
Total operating income	3,262,321
Administrative & other expenses	(2,282,677)
Operating profit / (loss)	979,644
Income tax expense on taxable profits	(232,380)
Operating profit / (loss) after tax	747,264
Grant income (grants for loan funds or MFI grants	10,927,491
Exchange gain / (loss)	35,260
Grant expenditure (grants to MFIs for operating or equity)	(3,390,065)
Provision against loans and advances to MFIs & Banks	(1,496,413)
Provision for MFI shut-down costs	(39,638)
TOTAL COMPREHENSIVE INCOME	6,783,899
CASH FLOW	
Inflows:	
6,783,899	6,783,899
Share capital	100
Long-term loans	800,000
Total inflows	7,583,999
Outflows:	
Net Loans and advances to MFIs & Banks	(2,017,790)
Loan note investments in MFIs	(98,336)
Investments	-
Operating fixed assets	(36,868)
Working capital (amounts receivable)	860,352
Total outflows	(1,292,642)
NET CASH FLOW	6,291,357
Opening cash & bank balances	-
CLOSING CASH & BANK BALANCES	6,291,357

Source: MISFA audited financial statements covering the period April 1, 2003 to December 21,2015

Nestogel
Hepa-Merz

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