



# Annual Report March 2017



  
**MISFA** LTD  
Microfinance Investment Support  
Facility for Afghanistan



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# Acronyms



AMA Afghanistan Microfinance Association

CHA Coordination of Humanitarian Assistance

CoAR Coordination 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

MoF Ministry of Finance

MoU Memorandum of Understanding



MoWA Ministry of Women's Affairs

MRRD Ministry of Rural Rehabilitation and Development

SME Small and Medium Enterprises

TUP Targeting the Ultra-Poor

WADAN The Welfare Association for the Development of Afghanistan

By supporting entrepreneurs, at both micro and SME levels, MISFA is fulfilling its primary mandate of financial inclusion. It is also serving as a catalyst to private sector development



## THE BOARD OF DIRECTORS



**Ahmad Shaheer Shahriar**

Chairman of the Board 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.



**Ahmad Shafiq Qarizada**

Vice-chairman of the Board and Deputy Minister for Revenue and Customs of the Ministry of Finance (MoF). Mr. Qarizada has 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 Pakistan.



**Mohammad Qurban Haqjo**

Board Member and Deputy Minister, Ministry of Commerce and Industries (MoCI). Mr. Haqjo has 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.



**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.



**Kathryn Imboden**

Kathryn Imboden is 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.



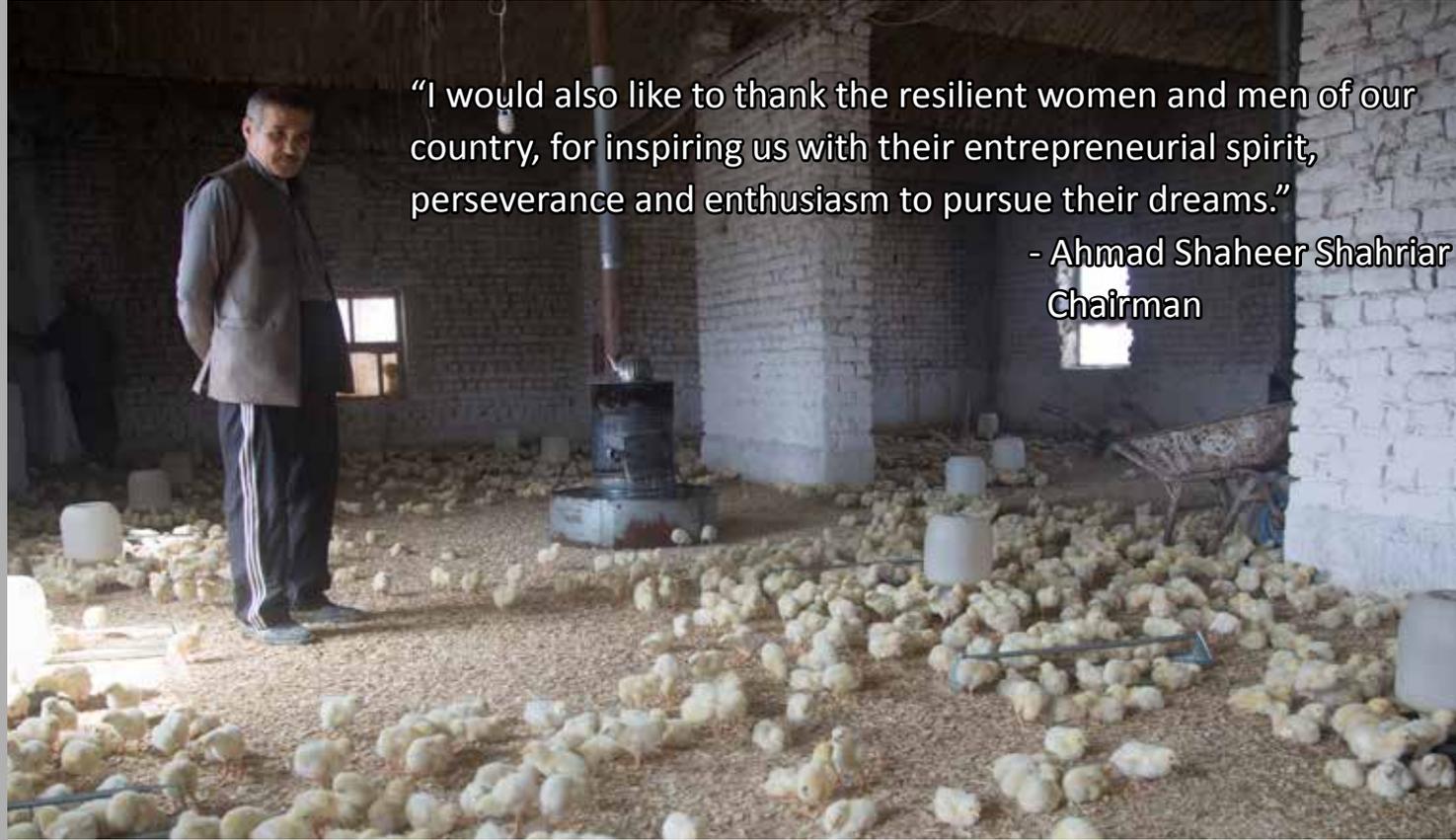
**Joyce Lehman**

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.



**Wagma Yameen Zia**

Board Member and Director of Youth Empowerment and Promotion organization (YEP). Ms. Wagma has more than a decade of working experience with several international and national organizations. She is pursuing her graduate studies in Gender and Women Studies.



“I would also like to thank the resilient women and men of our country, for inspiring us with their entrepreneurial spirit, perseverance and enthusiasm to pursue their dreams.”

- Ahmad Shaheer Shahriar  
Chairman

## FROM THE CHAIRMAN OF THE BOARD

Afghanistan’s economy grew marginally in 2016, with GDP growth at 1.2 percent, which was better than 2015. Domestic revenues increased by nearly 15 percent and there was also a small improvement in the overall trade deficit. According to the World Bank, growth is expected to increase to 2.4 percent in 2017, which at least means we are moving in the right direction.

Unfortunately, insecurity continued across parts of the country, with Nangarhar, Kunduz, and Helmand provinces remaining vulnerable to insurgency groups. Ongoing insecurity challenges our Government and security forces, and threatens the fragile growth and development of the population. Insecurity remains the largest challenge for the development of the finance sector. At the same time, it provides the strongest imperative for us to continue with our work, as the economy and livelihoods of the people will only improve through access to finance, employment and market opportunities.

MISFA’s Board of Directors and Management remain deeply committed to providing access to finance to a larger number of Afghans. MISFA and its partners reached more people and continued to grow in 2016, and this will continue in 2017 and beyond. MISFA engaged

development partners and donors, to ensure ongoing support for the program. This support will deliver access to capital and other financial resources to Afghans, who typically have limited or no means to open up, or expand small and medium enterprises.

By supporting entrepreneurs, at both micro and SME levels, MISFA is fulfilling its primary mandate of financial inclusion. It is also serving as a catalyst for private sector development, an important element in Afghanistan's recovery and long-term economic development. At the same time, MISFA is making sure that some of the poorest, most vulnerable families are provided a pathway to break out of abject poverty. In 2016, MISFA scaled-up its landmark Targeting the Ultra-Poor (TUP) project to several other provinces and districts. This means more female-headed households, with school-aged children and without a regular source of income, are supported through this vital project.

I would like to express my gratitude to MISFA's dedicated Board Members and staff, and those of our partner institutions, for their continued dedication to our mandate and delivery under challenging circumstances. It is only through their commitment that we are able to give a voice and advocate for the Afghan people's right to self-determination.

I would also like to thank the resilient women and men of our country, for inspiring us with their entrepreneurial spirit, perseverance and enthusiasm to pursue their dreams. Every small victory and success provides stimulus for others to follow their path.

2017 is an important year and I look forward to further growth, as certain program initiatives come to fruition. I am grateful for the opportunity to contribute to their achievements and will continue to strive to make their future and that of their families a brighter one.

Sincerely,



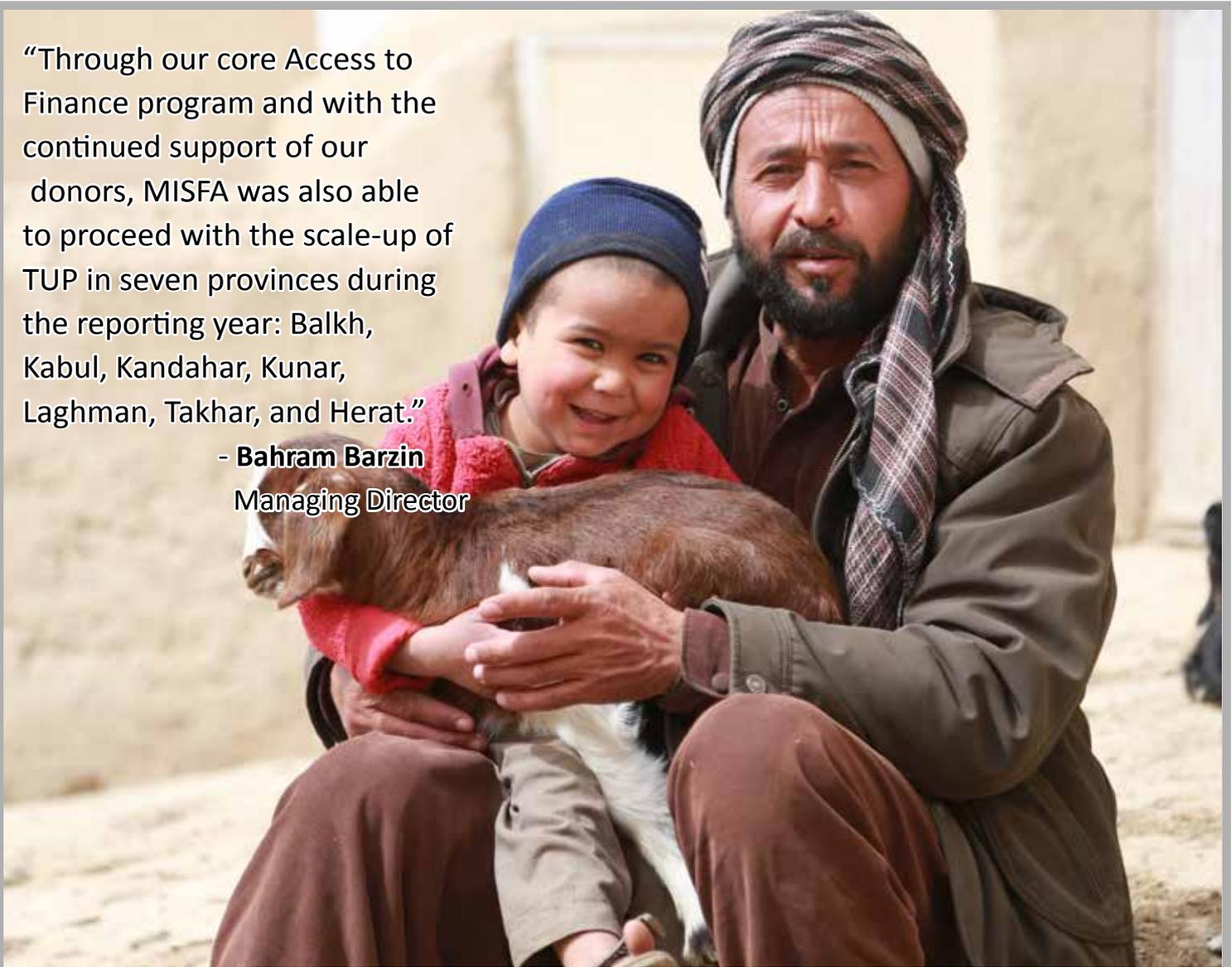
**Ahmad Shaheer Shahriar**

Chairman, MISFA Board of Directors

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

“Through our core Access to Finance program and with the continued support of our donors, MISFA was also able to proceed with the scale-up of TUP in seven provinces during the reporting year: Balkh, Kabul, Kandahar, Kunar, Laghman, Takhar, and Herat.”

- **Bahram Barzin**  
Managing Director



## A MESSAGE FROM MISFA'S MANAGING DIRECTOR

Against the backdrop of ongoing instability caused by insurgency in some parts of the country, MISFA and our partners pressed ahead with our plans for the year. This is the silver lining in what was an otherwise turbulent 2016: that MISFA and our partners managed to ensure that under-served Afghans continue to have access to financial services, amidst heightened insecurity and operational challenges in some key provinces.

Upon reflection, what is perhaps remarkable about this year for me, having been in the sector through its ups and downs, is the coming to fruition of the investments we have all made towards institutional strengthening.

Our collective efforts to institutionalize due diligence, risk mitigation, and M&E in our processes has paid off, such that this year, three of our partners have achieved operational self-sufficiency and are able to weather through challenging times. This is why in 2016, MISFA started investing more in building the technical capacity of its partners to be able to provide SME services. In the same way that we had helped partners in the past several years to develop agriculture and Sharia-compliant products needed by clients, MISFA is committed to enabling our partners meet the demand for SME products and services in the coming years.

Through our core Access to Finance program and with the continued support of our donors, MISFA was also able to proceed with the scale-up of TUP in seven provinces during the reporting year: Balkh, Kabul, Kandahar, Kunar, Laghman, Takhar, and Herat.

I would like to take a moment to highlight the efforts and hard work of MISFA's staff and Board of Directors, as well as the staff of our partner institutions. As always, we count on your continued support in the coming years as we strive harder to achieve financial inclusion for Afghans.

Thank you!

A handwritten signature in black ink, consisting of a large, stylized initial 'B' followed by the name 'Bahram' in a cursive script.

**Bahram Barzin**

Managing Director



More than 8,500 productive animals were provided to more than 6,725 TUP participants across five provinces of Afghanistan in 2016.

## 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 collective portfolio of MISFA's implementing partners, which comprise 73 percent of the development finance sector of Afghanistan.



Section 3 highlights the progress of some of MISFA’s core programs, including the scale-up of its landmark Targeting the Ultra-Poor project and the support MISFA has provided to the sector and to partner MFIs, followed by concluding remarks under Section 4. The final part, Section 5, presents the key financial figures for 2016.

## 2. THE MICROFINANCE SECTOR IN 2016: A SNAPSHOT

- Sector Performance

The microfinance sector remained relatively steady amidst the insurgency threat in 2016 in some key provinces, including Kabul. For this reporting year, MISFA's partner institutions collectively disbursed more than 118,000 loans worth around AFN 10 billion (or US\$ 150 million) for the fiscal year ending 31 December 2016. This indicates an increase in loan disbursement compared to 127,266 loans worth AFN 9.2 billion (US\$ 136.9 million) disbursed in 2015.

Portfolio At Risk greater than 30 days (PAR>30 days) of microfinance institutions for the year was at 2.2 percent, compared to 3.5 percent in 2015; while Operational Self-Sustainability (OSS) was at 116.1 percent in 2016, compared to 98.3 percent in the previous year.



The microfinance sector remained relatively steady amidst the insurgency threat in 2016 in some key provinces, including Kabul.

**Table 1. Sector Key Indicators 2016-2017**

| Key Indicators                       | March 2016    | March 2017    |
|--------------------------------------|---------------|---------------|
| Coverage by no. of provinces         | 14            | 14            |
| Coverage by no. of districts         | 83            | 80            |
| No. of active clients                | 200,657       | 209,823       |
| No. of active borrowers              | 129,588       | 126,908       |
| Gross loans outstanding, in AFN      | 6,576,103,258 | 7,956,887,362 |
| Gross loans outstanding, in USD      | 96,124,575    | 117,291,790   |
| Women as % of total clients          | 30%           | 30%           |
| Women as % of total borrowers        | 33%           | 31%           |
| PAR > 30 days                        | 3.5%          | 2.2%          |
| OSS (Operational Self-Sufficiency)   | 98.3%         | 116.1%        |
| Total no. of staff (+ loan officers) | 2,187         | 2,137         |

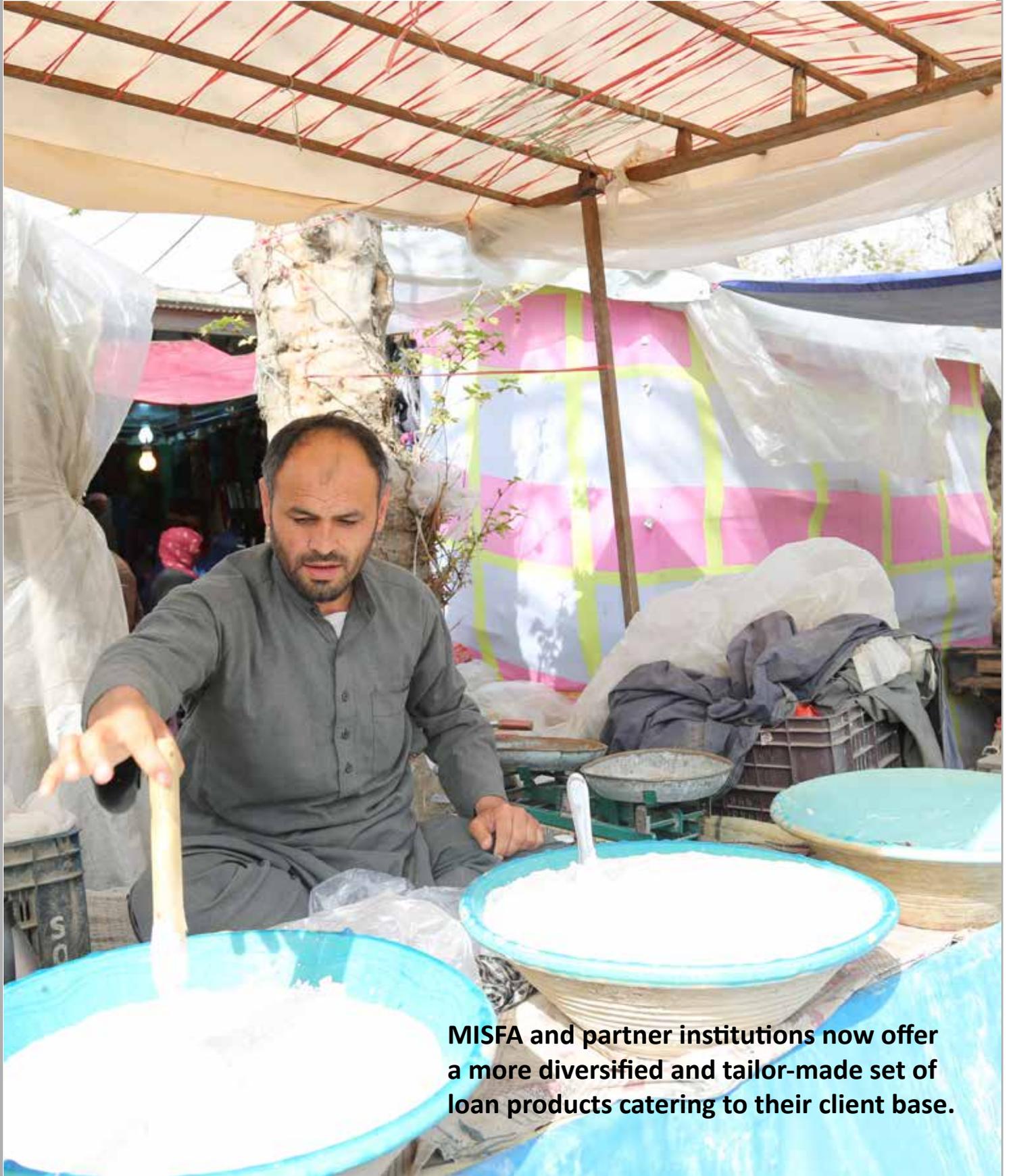
Robust risk mitigation strategies, applied through regular monitoring and reporting of partners performance continued in 2016 helping sector partners reach operational self-sufficiency. Additionally, MISFA and partner institutions now offer a more diversified and tailor-made set of loan products catering to their client base, including: agricultural, group, individual, housing, SME, and Sharia-compliant (murabaha) loan products (see Table 2).

Based on the prevailing AFN-USD exchange rate in December 2016.

## Table 2. MISFA Partners: At A Glance

| MISFA partner     | Coverage  | Financial products  |
|-------------------|---|---|
| FMFB-Afghanistan  | <ul style="list-style-type: none"> <li>• Provinces: 14</li> <li>• Districts: 80</li> <li>• Branches: 38</li> <li>• Active Clients: 144,805</li> </ul> | <ul style="list-style-type: none"> <li>• Microcredit</li> <li>• Deposit/savings services</li> <li>• SME loans</li> <li>• Housing product, and</li> <li>• Agriculture-based loans</li> </ul> |
| FINCA-Afghanistan | <ul style="list-style-type: none"> <li>• Provinces: 11</li> <li>• Districts: 2</li> <li>• Branches: 22</li> <li>• Active Clients: 25,200</li> </ul>   | <ul style="list-style-type: none"> <li>• Individual and solidarity group loans</li> <li>• Agriculture-based loans</li> <li>• Islamic finance (Murabaha)</li> <li>• SME loans</li> </ul>     |
| Mutahid DFI       | <ul style="list-style-type: none"> <li>• Provinces: 6</li> <li>• Districts: 0</li> <li>• Branches: 8</li> <li>• Active Clients: 17,556</li> </ul>     | <ul style="list-style-type: none"> <li>• Group loans</li> <li>• Individual loans</li> <li>• Islamic Finance (Murabaha)</li> <li>• SME loans</li> </ul>                                      |
| OXUS-Afghanistan  | <ul style="list-style-type: none"> <li>• Provinces: 10</li> <li>• Districts: 1</li> <li>• Branches: 21</li> <li>• Active Clients: 22,262</li> </ul>   | <ul style="list-style-type: none"> <li>• Micro-credit</li> <li>• SME loans</li> <li>• Agriculture-based loans</li> <li>• Islamic finance</li> </ul>   |





**MISFA and partner institutions now offer a more diversified and tailor-made set of loan products catering to their client base.**

## 3. MISFA CORE PROGRAMS: ACCESS TO FINANCE

Under the Access to Finance 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.

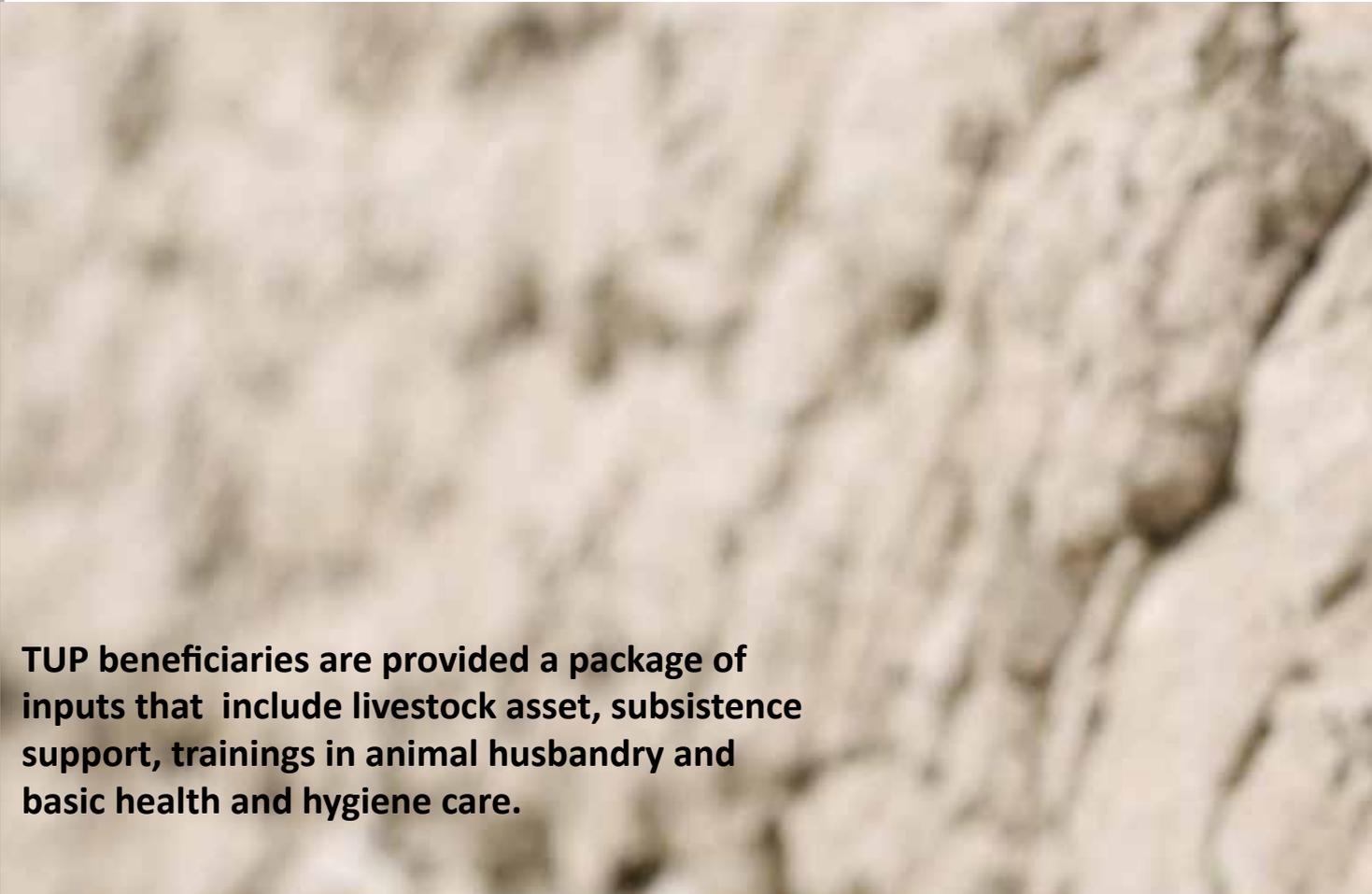
### 3.1 MISFA PROGRAMS UPDATE

- **Continued scale up of the Targeting the Ultra-Poor (TUP) Project**

More than 8,500 productive animals were provided to more than 6,725 TUP participants across five provinces of Afghanistan in 2016: Takhar, Balkh, Laghman, Kunar, and Herat provinces.

These beneficiaries received their productive assets, following their completion of a comprehensive training on animal husbandry and basic health and hygiene, livelihood and financial literacy. The provision of animals capable of breeding and milking is part of a package of inputs and assets distributed to TUP members in a phased process through 24 months of intervention.

MISFA started the multi-province scale-up of its landmark TUP project in mid-2015. The TUP expansion aims to target 9,225 households to benefit more than 64,500 Afghans across the -



**TUP beneficiaries are provided a package of inputs that include livestock asset, subsistence support, trainings in animal husbandry and basic health and hygiene care.**

seven provinces. It was piloted successfully in succession in 2010-2011 - first in Bamyan, then in Badakhshan. The second phase of the TUP project in Badakhshan province, targeting a total of 560 beneficiaries funded by IFAD, was completed on end of July 2016.

Its successful pilots had encouraged provincial stakeholders and donors to support the program scale-up as a viable path to poverty reduction and national economic recovery in Afghanistan. With continued support from stakeholders, MISFA will actively look into expanding TUP further in the future.

TUP is a grant based, comprehensive two-year intervention that aims to support participants escape abject poverty sustainably. They are provided a package of inputs that include livestock asset, subsistence support, trainings in animal husbandry and basic health and hygiene care. The intervention is designed to bring them up to a position in which they are able to start-up a small enterprise. Participants exit or graduate from TUP following a referral system that links them to financial service providers such as Microfinance Institutions (MFIs), Community Savings Promoting Institutions (CSPIs), Cooperatives, Self Help Groups (SHG) etc. to further expand their businesses and enterprises, as well as to available social services.

The TUP scale-up in all provinces, except Herat, are funded by IDA/World Bank; the expansion to Herat is supported by the Italian Agency For Development Cooperation.



## • Small-and-Medium Enterprise (SME) Loan Product Development

Building on the achievements and lessons learned in rolling out microfinance across Afghanistan, MISFA signed up SME Client Support for Afghanistan (SCSA) to work on developing a higher tier SME loan product to address the needs of Afghan traders and entrepreneurs, who cannot access loans from banks.

What this means is that Afghan traders and entrepreneurs, who plan to expand or open small-and-medium enterprises (SMEs), will have better financing options. This is aligned with MISFA's commitment to promoting financial inclusion and contributing to private sector development. SMEs, an under-served segment of the sector, are an engine for job creation and economic growth.

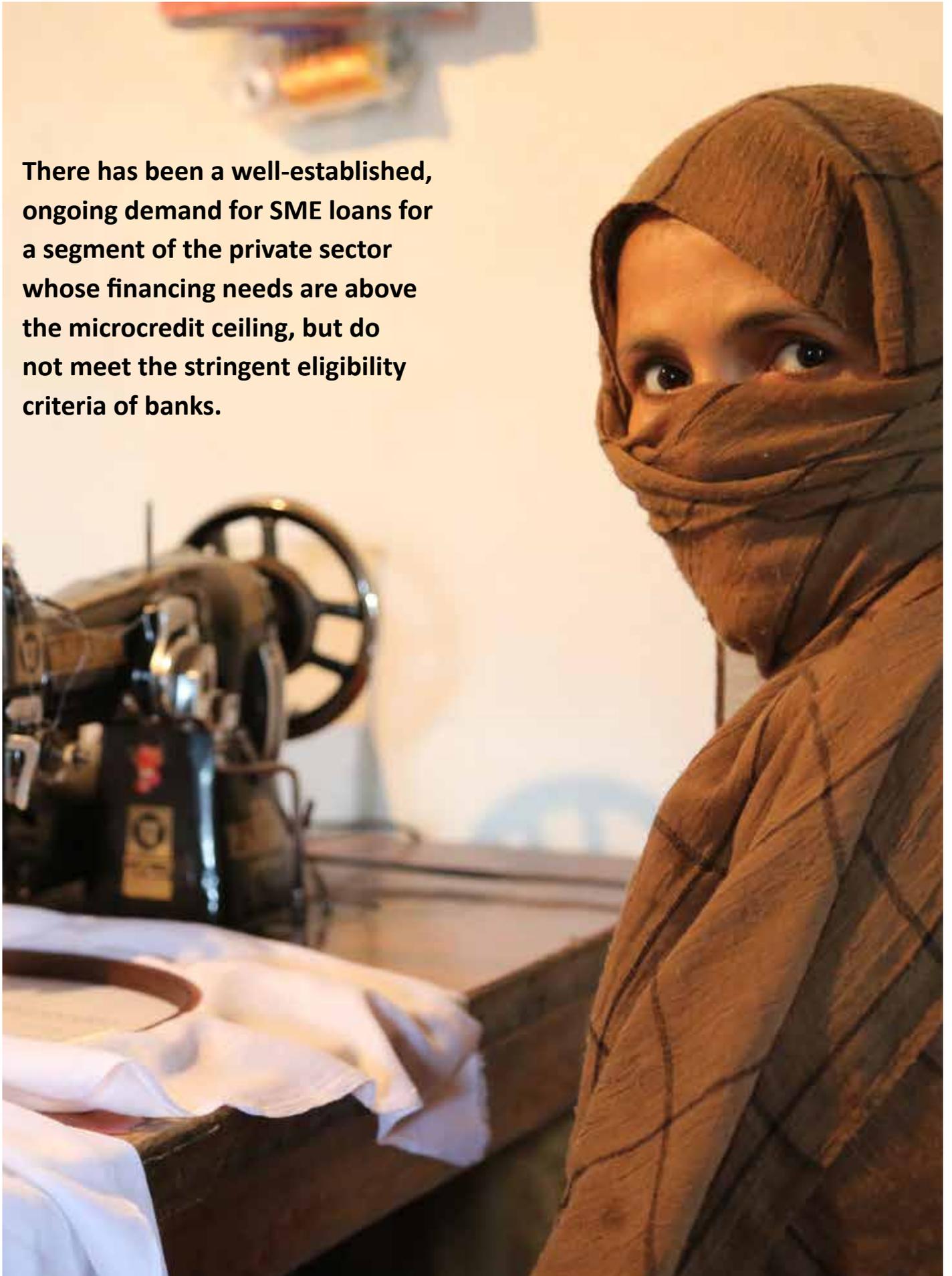
As part of the funding agreement with MISFA, SCSA will provide a package of services to two of MISFA's partner institutions: OXUS Afghanistan and FINCA Afghanistan. This includes technical assistance to both MFIs to conduct a feasibility study for an SME loan product; to design a needs-driven SME loan product; and to establish the SME facility within OXUS Afghanistan and FINCA Afghanistan. SCSA will also help in segmentation, targeting and positioning of the product.

There has been a well-established, ongoing demand for SME loans for a segment of the private sector whose financing needs are above the microcredit ceiling, but do not meet the stringent eligibility criteria of banks. However, MISFA had to prioritize institutional strengthening of its partner MFIs and the development of microfinance products and services that cater to Afghans in the lowest income bracket.

“MISFA partners are in a better position now to diversify their loan products and services to ensure that the different levels of financing needs are met,” said MISFA Managing Director, Bahram Barzin. “Having an SME window, combined with the microfinance facility, will help our partners reach a greater number of Afghan entrepreneurs, who will be the drivers of economic recovery.”

The agreement with SCSA will be funded by the capacity building and innovation component of the Access to Finance project funded by IDA/World Bank.

**There has been a well-established, ongoing demand for SME loans for a segment of the private sector whose financing needs are above the microcredit ceiling, but do not meet the stringent eligibility criteria of banks.**



## • Communications and Public Awareness

Communication and sharing information with the sector stakeholders is a key priority for MISFA. Using different tools, MISFA has continuously and regularly shared the sector related information and data with donor community, DFIs, Government agencies, consultants and the general public.

In order to facilitate access to information; MISFA developed its 'Access to Information Guideline' which defines the types of information and levels of access. The guideline also proposes a monitoring mechanism which ensures proper implementation of the guideline. On the other hand, MISFA produced its communication strategy which outlines MISFA's key communication objectives, messages, media tools and resources and the expected outcomes and impacts.

During the reporting period, MISFA developed several case studies, newsletters, quarterly reports and several other publications shared with relevant audiences.



**Using different tools, MISFA has continuously and regularly shared the sector related information and data with donor community, DFIs, Government agencies, consultants and the general public.**

## 3.2 MISFA SUPPORT TO PARTNERS AND THE SECTOR

In 2016, MISFA signed partnership agreements with The First MicroFinanceBank-Afghanistan, OXUS-Afghanistan, FINCA Afghanistan, and sector partners: the Afghanistan Microfinance Association (AMA), and SCSA. These partnership agreements are strategic to the sector's continued stability and MISFA's vision for greater financial inclusion.

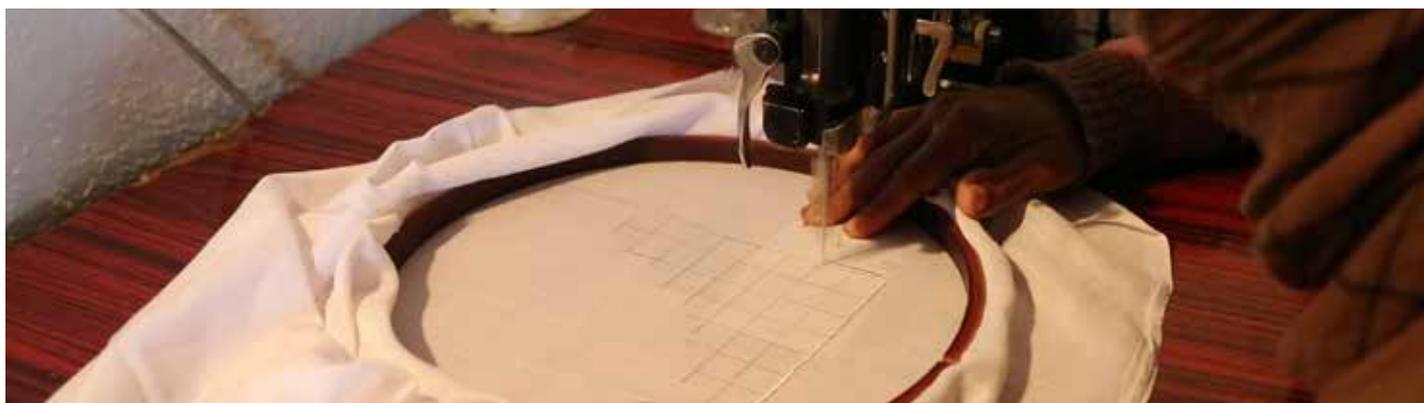
### • The First Microfinance Bank – Afghanistan (FMFB-A)

FMFB-A renewed its commitment to increase productivity and further enhance sustainability by investing in building the capacity of its staff.

With funding commitment from MISFA, FMFB Afghanistan will implement its succession planning, which will eventually assign Afghan staff to senior positions currently filled by expats. MISFA's funding will support a series of progressive capacity building and training activities for selected staff, designed to enhance their skills, particularly in management and leadership. In certain cases, the staff development may include sponsoring formal higher education for the staff.

FMFB-A will accomplish its capacity development plan by collaborating and partnering with training providers, such as the Afghanistan Institute of Banking and Finance (AIBF), AKAM training academy, and other relevant institutions.

FMFB-A has been a MISFA partner since 2007 and is currently the largest microfinance institution in Afghanistan in terms of scope and outstanding portfolio size. The bank has a network of 38 branches, covering 14 provinces. It has consistently been profitable for the past several years. Being a bank, FMFB-A is able to offer clients, not only microcredit, but also deposit/savings services, as well as SME loans. FMFB-A has also proven to be innovative, introducing a housing loan product and an agricultural-based loan facility, based on client demand.



## • OXUS-AFGHANISTAN

MISFA and OXUS-Afghanistan signed a funding agreement in 2016 worth more than AFN 130 million in loan funds. The loan will support OXUS' portfolio growth and business expansion.

OXUS-Afghanistan is projecting a 14 percent increase in its outstanding portfolio in 2017 with its plan to open four new branches in Balkh and Kabul, two of the more secure provinces of Afghanistan.

MISFA also signed an agreement with OXUS-Afghanistan for the strengthening of its SME function. Through this agreement, SCSA will provide OXUS-Afghanistan technical assistance in developing its SME facility and capability.

OXUS-Afghanistan was created in 2007 and currently serves more than 22,000 microfinance clients through 21 service outlets in ten provinces across the country. It has shown profitability during the financial year 2016 on year to date basis. The profitability shows sustained increased over the course of the year.



OXUS-Afghanistan is projecting a 14 percent increase in its outstanding portfolio in 2017.



## • FINCA-AFGHANISTAN

FINCA-Afghanistan is investing in biometric technology, which amounts to approximately AFN 5.3 million in grants fund, to provide more efficient services to its clients and to reduce the risk of fraud.

MISFA committed to supporting this innovation by signing a funding agreement with FINCA Afghanistan. FINCA-Afghanistan will purchase and operate biometric technology to capture and securely store its clients' data in a more systematic way. Tablet devices and Global Positioning System (GPS) will also be procured to tag and geo-map clients' place of residence. This will be complemented by scanners programmed to automate loan applications, and a mobile SMS service alerting clients when their repayment is due, or when new services are available.

FINCA-Afghanistan also signed an agreement with MISFA to receive technical assistance through SCSA in developing its SME facility.

FINCA-Afghanistan started operations in 2004 with the support from FINCA International (its US-based parent company), followed by MISFA and ARIES, a USAID-funded project. FINCA Afghanistan offers a wide array of credit products, including individual and solidarity group loans all of which can be -



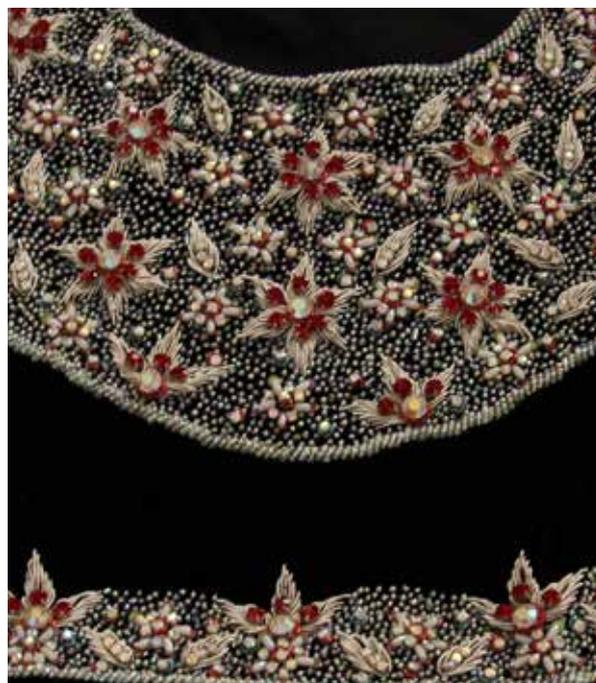
accessed through conventional lending or Islamic financing. Headquartered in Kabul, FINCA-Afghanistan serves more than 25,000 clients through 22 branches in 11 provinces across Afghanistan. FINCA-Afghanistan is helping clients in the informal economy to create their own jobs and build small businesses. Majority of its clients are female borrowers with fewer economic and employment opportunities.

## • Mutahid Development Finance Institution

Mutahid is a subsidiary of MISFA. With MISFA support, it was able to continue strengthening its governance structure, such that during 2016, Mutahid had a full senior management in place and had become operationally sustainable.

Mutahid had also increased its income considerably, through some cost-cutting initiatives. Mutahid's portfolio grew by 6.23% in the last twelve months. Mutahid is expected to spin off and become a separate legal entity in the coming financial year.

Mutahid serves more than 18,000 clients across six provinces. It plans to open more branches, as well as expand its product line, including Sharia-compliant services, and strengthen its IT infrastructure.



## • Afghanistan Microfinance Association (AMA)

MISFA provides technical and financial support to AMA to undertake networking and coordination activities. One of the key functions of AMA is to raise awareness among the general public and potential microfinance borrowers about development finance; and to address misperceptions and misunderstandings about the sector through solid messaging consistent with MISFA's and partner institutions.

AMA is the national network of Development Finance Institutions (DFIs) in Afghanistan established in 2005 by MISFA, microfinance practitioners and other stakeholders. AMA is registered with Afghanistan's Ministry of Justice.

Currently, AMA has 11 full-time members, including microfinance Institutions (MFIs), Community-based Savings Promoting Institutions (CSPIs), and other financial institutions; it has one associate member, the Afghanistan Institute of Banking and Finance (AIBF).

MISFA supports 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.



## 4. NEXT STEPS AND CONCLUDING REMARKS

Some of the enduring challenges MISFA and its partners have faced over the past decade have remained. Implementing partners continue to operate in a volatile, ever changing environment. Misperceptions about the role of development finance also continue to linger in some segments of society and this has had implications on partners' staff and their ability to conduct their work more effectively.

For the coming year and beyond, MISFA will harness the strength of its well-established relationships with development partners and stakeholders to address some of these enduring challenges. It will leverage its relationships with 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), Da Afghanistan Bank, and donors, to advocate for a national policy on financial inclusion.

MISFA and its partners have laid the groundwork for development finance and have continued to reach under-served Afghans, despite the challenges. This is apparent in the efforts of sector partners in recent years to strengthen their internal systems, while developing and innovating financial products and services based on client needs and demand.

For the coming year and beyond, MISFA will leverage its relationships with stakeholders and its achievements and those of sector partners to advocate at the highest levels for financial inclusion to also be a national mandate.

MISFA will collaborate with DAB to craft Afghanistan's financial inclusion policy. MISFA will continue to build on this trust by taking a leadership role in continuing to strengthen the sector and being a catalyst for change.

MISFA will collaborate with DAB to craft Afghanistan's financial inclusion policy.



## 5. FINANCIAL OVERVIEW

|  |  | 01 Apr 2003 To<br>December 20, 2016 |
|--|--|-------------------------------------|
|  |  | AFN'000                             |
| <b>INCOME STATEMENT</b>                                    |  |                                     |
| Interest & similar income                                  |  | 3,621,571                           |
| Operating grants   |  | 190,243                             |
| Other income   |  | 19,218                              |
| <b>Total operating income</b>                              |  | <b>3,831,032</b>                    |
| Administrative & other expenses                            |  | (2,582,687)                         |
| <b>Operating profit / (loss)</b>                           |  | <b>1,248,345</b>                    |
| Income tax expense on taxable profits                      |  | (245,929)                           |
| <b>Operating profit / (loss) after tax</b>                 |  | <b>1,002,416</b>                    |
| Grant income (grants for loan funds or MFI grants)         |  | 11,494,690                          |
| <b>Exchange gain / (loss)</b>                              |  | <b>39,951</b>                       |
| Grant expenditure (grants to MFIs for operating or equity) |  | (3,844,187)                         |
| Provision against loans and advances to MFIs & Banks       |  | (1,702,059)                         |
| Provision for MFI shut-down costs                          |  | (39,638)                            |
| Finance cost (For IDA Credit)                              |  | (38,290)                            |
| <b>TOTAL COMPREHENSIVE INCOME</b>                          |  | <b>6,912,883</b>                    |
| <b>CASH FLOW</b>   |  |                                     |
| <b>Inflows:</b>  |  |                                     |
| Total comprehensive income                                 |  | 6,912,883                           |
| Share capital  |  | 100                                 |
| Long-term loans  |  | 800,000                             |
| <b>Total inflows</b>                                       |  | <b>7,712,983</b>                    |
| <b>Outflows:</b>   |  |                                     |
| Net Loans and advances to MFIs & Banks                     |  | (2,011,956)                         |
| Loan note investments in MFIs                              |  | (98,336)                            |
| Investments  |  | -                                   |
| Operating fixed assets                                     |  | (36,868)                            |
| Working capital (amounts receivable)                       |  | 915,706                             |
| <b>Total outflows</b>                                      |  | <b>(1,231,454)</b>                  |
| <b>NET CASH FLOW</b>                                       |  | <b>6,481,529</b>                    |
| Opening cash & bank balances                               |  | -                                   |
| <b>CLOSING CASH &amp; BANK BALANCES</b>                    |  | <b>6,481,529</b>                    |

Source: MISFA audited financial statements covering the period April 1 2003 to December 20, 2016



