MISFA LTD

Microfinance Investment and Support Facility for Afghanistan

ANNUAL REPORT

MARCH 2025

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ACRONYMS

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ACGF	Afghanistan Credit Guarantee Fund
AMA	Afghanistan Microfinance Association
CAEDO	Community and Enterprise Development Organization
CEO	Chief Executive Officer
DAB	Da Afghanistan Bank
DFI	Development Finance Institution
FINTECH	Financial Technology
IEA	Islamic Emirate of Afghanistan
IFC	International Finance Corporation
MFI	Microfinance Institution
MISFA	Microfinance Investment and Support Facility for Afghanistan
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRRD	Ministry of Rural Rehabilitation and Development
MSME	Micro, Small and Medium Enterprises
PAR	Portfolio at Risk
TUP	Targeting the Ultra-Poor


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DEPOXI STEEL
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BOARD OF DIRECTORS

ASSOC PROF DR ZIYAAD MAHOMED

Dr. Ziyaad is Associate Professor, Lead Researcher (Sharia) for the Centre of Excellence in Social Finance, and Head of Online Programs at INCEIF University, Malaysia. He is the former Associate Dean and Director of Executive Education and of E-learning at the same university.

Dr. Ziyaad has advised financial institutions and regulators in Islamic finance, regulation, social finance, fintech and sustainability for almost 25 years. His work spans over 20 countries, with more than 12,000 participants attending his training programs on various aspects of Islamic finance such as takaful, sustainability, sukuk, fintech and social finance.

Dr. Ziyaad has led numerous consulting projects on policy and strategy for large financial institutions and governmental organizations in countries including the United Kingdom, Malaysia, Kazakhstan and Pakistan. His advisory in the capital market has led to the certification of some of the largest sovereign and corporate Sukuk issuances in Malaysia and Nigeria. He is also a consultant to the World Bank for sustainable development of Islamic finance in South-East Asia and Adjunct Professor at the Asia School of Business in collaboration with MIT in the United States.

NASRATULLAH MAHMOOD

Nasratullah Mahmood is currently serving as the General Director of Treasury at the Ministry of Finance (MoF). He has held several senior-level positions within the Ministry, including Director of External Affairs.

Mr. Mahmood has extensive experience serving on the Boards of Directors of various state-owned enterprises, including Spinzar Kunduz, Intercontinental Hotel, and Kandahar Wool Textile. He is also a member of the Technical Committee of State-Owned Corporation Reform, a shareholder representative of state-owned banks from the Ministry of Finance, and currently serves as the Chairman of the Board of CPA Afghanistan. In addition, he serves as a Board Member of Mutahid MFI.

Mr. Mahmood holds a Master's degree in Da'wah (Usuluddin) and a Bachelor's degree in Business Administration (Finance) from the International Islamic University, Islamabad Pakistan.

ARMANDO MASSIMILIANO SIROLLA

Armando Massimiliano Sirolla is a senior executive with over 20 years of experience in finance, policy and digital transformation, including almost 15 years in C-Suite positions at financial institutions in Afghanistan, Madagascar, Tanzania and Zambia. A fintech and business professional, who has led digital transformations for stressed and growth-oriented organizations in the financial sector, with notable improvements to customer service, efficiency and profitability.

He is a senior advisor for the International Finance Corporation (IFC – member of the World Bank Group) and the Aequitas Fund (Desjardins Group) on development finance. Armando is an economist by background and holds an MA from the School of Oriental & African Studies (SOAS), University of London in the United Kingdom and MSs from the University of Padua in Italy. In 2020, he also completed a Fintech Programme with the Saïd Business School at the University of Oxford in the United Kingdom.

MIRZA MUHAMMAD SHAKIB

Mirza Muhammad Shakib is from Zabul, a province in southern Afghanistan. He has a solid educational background, having graduated from Dar-ul-Ulum al Sharia in 2018 and obtained a diploma in international relations and diplomacy from the Directorate of Diplomacy at the Ministry of Foreign Affairs in 2023.

Throughout his career, Mr. Shakib has held various important roles within the Islamic Emirate of Afghanistan (IEA), including serving as a spokesperson, director of Shariat Ghag radio, director of Education Television, and currently as the Chief of Staff at the Ministry of Rural Rehabilitation and Development (MRRD).

HIKMATULLAH MASHAL

Hikmatullah Mashal has several years of experience in the technology and telecom sectors of Afghanistan.

Mr. Mashal has a Bachelor degree in Business Administration from Kardan University and has attended several trainings on technology and telecom. He can speak Pashto, Persian, English and Urdu.

CEO's STATEMENT

The microfinance sector is steadily progressing toward its ambitious goal of financial inclusion, moving beyond the narrative of survival. In 2024, MISFA's partner microfinance institutions (MFIs) experienced growth, expansion, and significant improvements in both operational and financial performances.

During the reporting year, MISFA partner institutions disbursed approximately AFN 5 billion to over 47,000 Micro, Small, and Medium Enterprises (MSMEs), excluding the SMEs supported under MISFA's partnerships with commercial banks. This represents a 20% increase in both the number of loans disbursed and the total financing amount.

As with the previous year, the sector continued to experience strong demand for finance and an exceptional level of repayment discipline—unprecedented in recent history. With operational sustainability now secured, MISFA and its partners are focusing on key priorities such as expanding geographical coverage, diversifying financial products, building institutional capacity, and innovating delivery channels. To support these efforts, MISFA has launched an incentivized facility for financial institutions willing to expand into underserved provinces and districts.

The sector's progress has also attracted growing interest from stakeholders and investors. Microfinance has become a prominent topic at both national and international conferences, and five new MFIs obtained licenses and began operations during the year. MISFA is providing technical assistance to these new entrants, including capacity building and Qard-al-Hasan (interest-free loan) facilities, to help them grow their portfolios.

On behalf MISFA's management team, I extend our sincere gratitude to our partner organizations for their resilience, dedication, and strong commitment to serving borrowers despite significant challenges. I also wish to acknowledge MISFA's Board of Directors for their leadership and dedication in guiding the sector from a period of crisis to one of stability and growth.

We are especially thankful to our stakeholders—including Da Afghanistan Bank (DAB), the Ministry of Finance (MoF), and donor agencies, particularly the World Bank—for their continued and unwavering support. We look forward to working closely with these vital partners to support hundreds of thousands of low-income households across Afghanistan during this critical phase of economic revival, which holds immense potential for inclusive and sustainable growth.

Sincerely,

Khalil Rahman Baheer
Chief Executive Officer (CEO)

INTRODUCTION

This Annual Report highlights the contribution of MISFA to the achievements and progress of the microfinance sector in Afghanistan.

Section 1 outlines the background, current status, the overarching goal and strategic objectives of MISFA.

Section 2 presents the status of the microfinance sector portfolio and briefly reviews the performance of partner MFIs.

Section 3 summarizes the funding agreements signed by MISFA during the reporting year.

Section 4 presents MISFA's research, advocacy and capacity building initiatives.

Section 5 provides a financial overview of MISFA.


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ABOUT MISFA

The Microfinance Investment and Support Facility for Afghanistan (MISFA) was established in 2003 at the invitation of the Afghan government — to get donor coordination right from the start and avoid the counter-productive efforts that emerged from conflicting donor objectives in other post-conflict situations.

Initially, MISFA was an arm of the Afghan government under the auspices of the Ministry of Rural Rehabilitation and Development (MRRD). In 2006, it transformed into a limited liability non-profit company owned by the Ministry of Finance (MoF). Although government owned, all stakeholders agreed that for MISFA to be effective in carrying out its mandate, it must be able to set its own strategy and priorities as an autonomous apex organization, without government or donor intervention. In May 2006, MISFA Ltd held the first meeting of its new Board of Directors where the Articles of Association and Memorandum of Understanding were approved.

Since its inception, MISFA's partner institutions have disbursed over 2.5 million financing worth AFN 137 billion (USD 1.9 billion) across the country. Impact evaluation studies conducted by independent entities indicate that each financing leads to the creation of 1.5 jobs and sustenance of 2.3 existing ones. Furthermore, studies reveal that a large number of the small enterprises have grown to become medium ones with potential to create more jobs. **Click here** to read more about the impacts of microfinance.

Led by MISFA, the microfinance sector has undergone several phases since its inception. The key stages include expansion (2003-2008), consolidation (2008-2013), Afghanization (2013-2015), and the crippling challenges of COVID-19 in 2020 as well as the regime change in mid-2021.

The regime-change in August 2021 posed an existential threat to the financial sector including MFIs. Repayment rates dropped drastically, the outstanding interest had to be waived and new disbursements were banned completely. The resumption of financing required the development of new Sharia-compliant products and approval from the authorities. MISFA responded swiftly to legal changes and took a number of bold steps to support the operational viability of MFIs. It waived interest amounting to AFN 193 million receivable from MFIs and rescheduled the repayments of loans until MFIs were in the position to fulfill their obligations. Furthermore, MISFA engaged in active advocacy which helped MFIs recover a substantial portion of their outstanding portfolio.

MISFA also transformed its wholesale lending policies and products to Sharia-compliant alternatives and secured the approval of the authorities both on Mudaraba (profit and loss sharing) which is used a wholesale financing mechanism, and Murabaha, a 'cost plus mark-up' retail financing product. The approval of these products in September 2022 helped both MISFA and MFIs to resume financing.

MISFA will closely coordinate its activities and funding with the Afghan government and donor community to ensure that MISFA's initiatives feed into broader national efforts; as well as to prevent duplication of activities and market distortions.

Figure 1 below describes the vision, mission and values that MISFA cherishes.

FIGURE1: MISFA'S VISION,MISSION AND VALUES

VISION

A sustainable, efficient, inclusive, and commercial development finance sector stimulating economic growth and sustainable development in Afghanistan.

MISSION

Supporting Afghanistan's economic growth by providing leadership for financial inclusion through developing a viable, inclusive financial sector for low-income, and underserved small and medium enterprises.

VALUES

Honesty and Integrity	**Conduct business adhering to the highest international ethical standards and complying with all applicable Afghan laws and regulations.**
Leadership and Accountability	**Reward strong leadership management and accountability.**
Teamwork	**Promote positive attitudes and teamwork among staff. Recognize and reward outstanding performances.**
Commitment to Clients	**Through partner MFIs, cover all of Afghanistan, providing inclusive financial services important to the development and wellbeing of clients, their families and communities.**
Operational and Economic Success	**Mainstream sound operating practices and policies in all of MISFA functions; and establish a total cost-covering financial plan that ensures MISFA's long-term sustainability critical to the economic wellbeing of employees, clients and the microfinance sector.**

OVERARCHING GOAL

The development of MISFA's strategic direction and objectives is built on the principle of Leadership for Financial Inclusion.

Overarching Goal: Promoting an enabling environment for the development of stronger and effective financial institutions with a focus on market-driven products/services and delivery models in order to expand outreach and gear the sector towards inclusive finance.

Since its inception, MISFA has established itself as a resilient, transparent and accountable institution, with strong management and governance and with the capacity to respond to the challenges of the times. In the context of Afghanistan—where such kinds of institutions are uncommon—and given the general sense of uncertainty about the country's future, it is important for MISFA to maintain such credibility.

MISFA has the ability to detect and set trends, identify opportunities, adapt itself and offer added value. Over the years, MISFA has been witness to a range of issues and challenges of various MFI models that were successful and those that failed.

Globally, the field of microcredit has evolved over time into the all-encompassing topic of "financial inclusion." While the global industry has not settled on a single definition, the Center for Financial Inclusion has developed a comprehensive description:

Full financial inclusion is a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations.

Thus, the four dimensions in the above definition are all part of MISFA's mission: (1) range of products, (2) quality of service, (3) diversity of providers, and (4) reducing exclusion of marginalized populations.

In the past 22 years, MISFA and its partners have laid the groundwork for financial inclusion through the traditional microcredit methodology. With the current political and security developments, it is time to support and encourage the MFIs to speed up and expand the outreach across the country which was not possible due to security constraints.

MISFA is well placed to be the catalyst and engineer of financially inclusive programs and projects targeted to the neediest and underserved, backed by its demonstrated sector leadership and local and international credibility.

MISFA will continue targeting the three main segments (microfinance, SME and ultra-poor) and position itself as a key actor for financial inclusion through providing tailor-made solutions for each segment.

STRATEGIC OBJECTIVES

MISFA will catalyze financial access by offering wholesale financing, incentivizing new market entrants, scaling Islamic finance, and building the capacity of partner Microfinance Institutions (MFIs). Priority is placed on enhancing technical capacity, digital financial services, research and development, and building strategic alliances.

MISFA will pursue full utilization of its capital, institutional reforms guided by diagnostic recommendations, and align corporate responsibility efforts with environmental sustainability through green microfinance initiatives.

Through the scaling of its landmark Targeting the Ultra-Poor (TUP) initiative and the development of subsidized financing for TUP graduates, MISFA aims to build creditworthiness and sustainable livelihoods.

MISFA - PARTNER ORGANIZATIONS

OXUS | Afghanistan
آکسس افغانستان

The First MicroFinanceBank
اولین بانک قرضه های کوچک

متحد
MUTAHID
مؤسسه توسعه مالی
Development Finance Institution

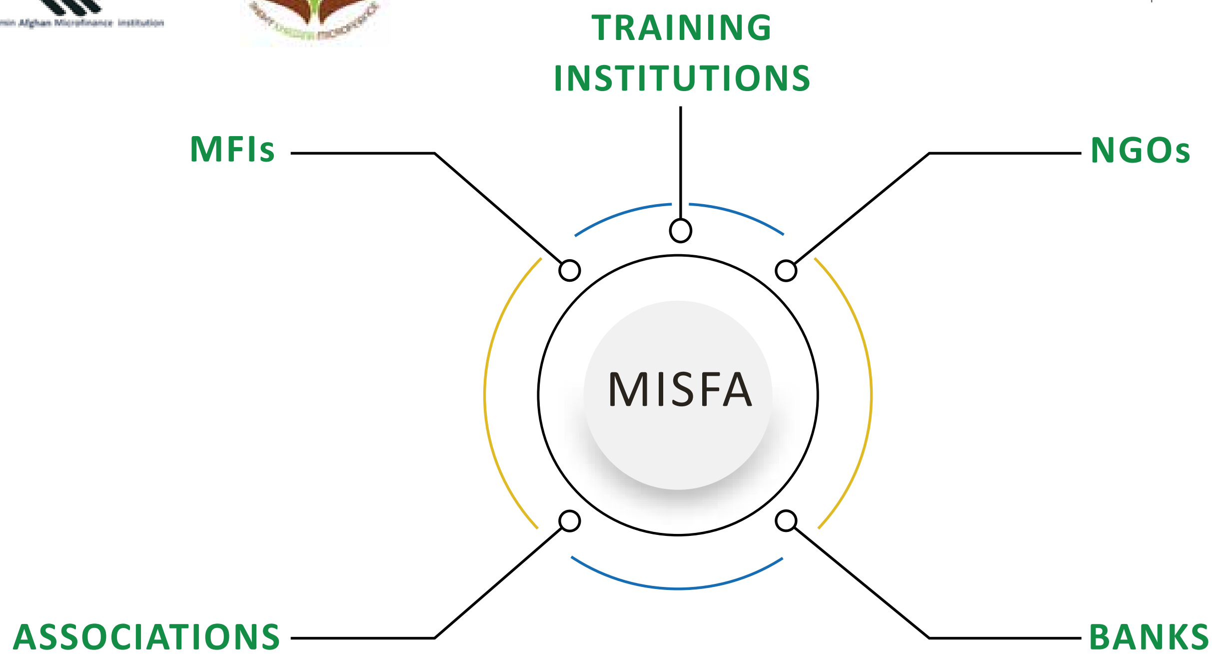
MA MI
Momin Afghan Microfinance Institution

AIBF
Afghanistan Institute of Banking and Finance (AIBF)

COAR 1989
Citizens Organization For Advocacy and Resilience

همکاری
(CHA) Coordination of Humanitarian Assistance

WADAN
The Welfare Association for the Development of Afghanistan



AMA
Afghanistan Microfinance Association

عزیزی بانک
Azizi Bank

افغان ملي بانک
BANK-E-MILLIE AFGHAN

غضنفر بانک
GHAZANFAR BANK

Bank Alfalah

SHARIA-COMPLIANT FINANCING UPDATE AS OF MARCH 2025

The microfinance sector experienced a year of operational stability and a steady growth despite several strategic challenges including lack of product diversification, rural versus urban outreach, and capacity limitations. MISFA's partner MFIs disbursed AFN 4.1 billion to over 42,000 MSMEs across the country. This indicates 30% of growth in number of clients. The female clients' participation ratio remained unchanged as they represent 43 % of clients. However, the number of active Islamic financing clients (female) has increased by over 5000.

In terms of rural/urban outreach, the ratio largely remained the same with 20% of the portfolio invested in rural areas and 80% in urban.

On the sector-wise disaggregation of the portfolio, trade and services is the largest with 46% of the portfolio while in case of female clients, handicrafts and manufacturing has attracted around AFN 332 million representing more than one-third of the female clients' portfolio.

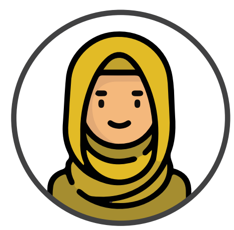
Furthermore, MFIs tried to expand their outreach by opening new branches. The total number of branches increased from 72 to 78. MISFA also incentivizes its new partner institutions by providing Qard-al-Hasan loans and encourages them to expand into new provinces and districts.

Despite considerable growth, the portfolio quality remained uncompromised and MFIs enjoyed a PAR>30 of 0%.

The charts below further illustrate the status of the sector as of March 2025

43,673
ACTIVE ISLAMIC FINANCING CLIENTS

83,411
CUMULATIVE ISLAMIC FINANCING CLIENTS



44%
WOMEN CLIENTS

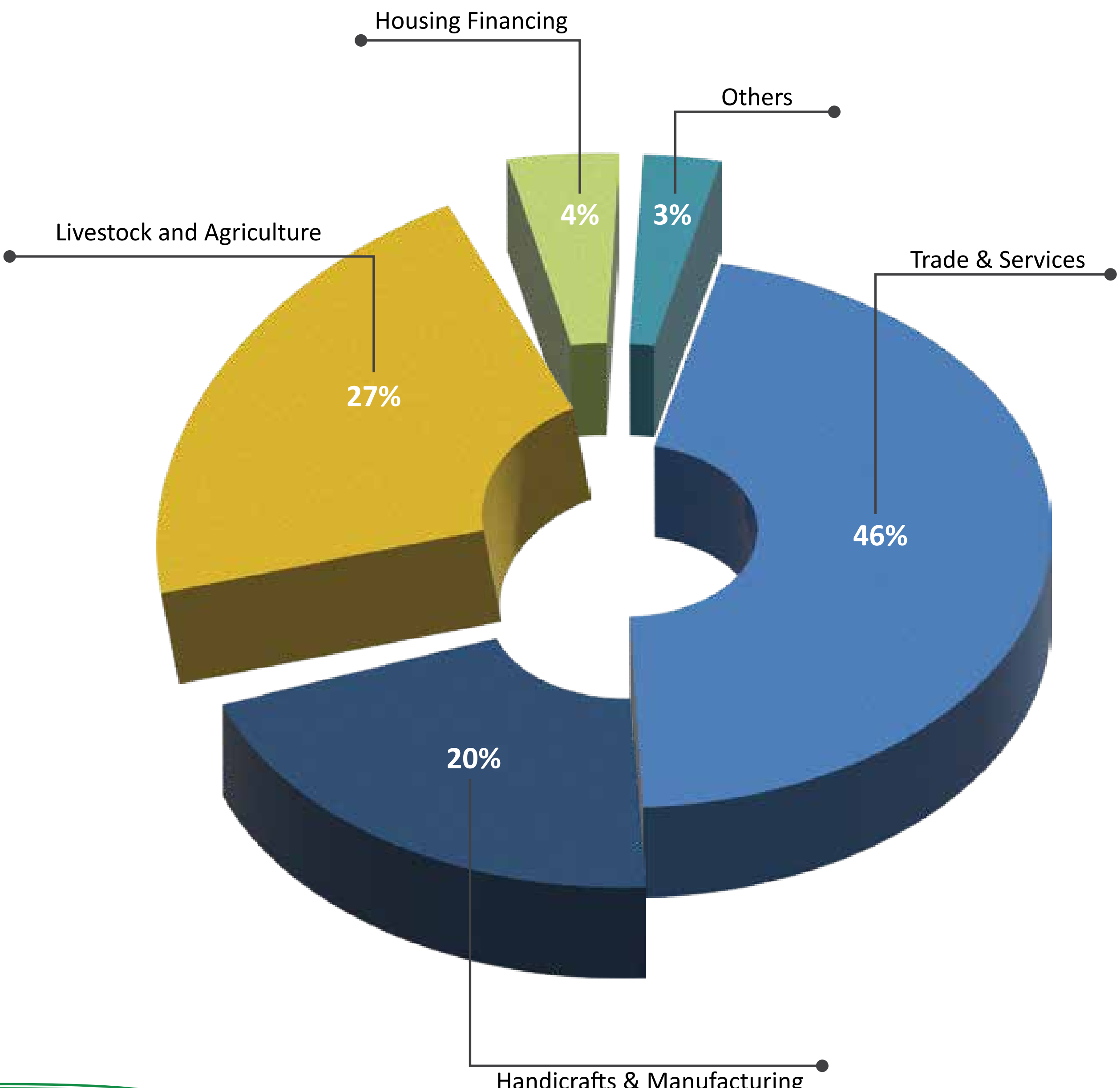
AFN 7.8 Billion
CUMULATIVE ISLAMIC FINANCING

AFN 67,044
OUTSTANDING FINANCING PER CLIENT

AFN 2.9 Billion
GROSS OUTSTANDING ISLAMIC PORTFOLIO

OUTSTANDING FINANCING BY SECTOR

MARCH - 2025

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SAKA
NK
Excellent quality is your best choice

MICROFINANCE SECTOR STATUS COMPARISON
MARCH 2024 – MARCH 2025

NO	Description	March 2024	March 2025
1	Provinces	14	14
2	Urban districts	212	212
3	Rural districts	101	101

Islamic Financing Outreach

1	Active Islamic Financing Clients	32,438	43,673
2	Gross Islamic Financing Outstanding, AFN	2,180,587,572	2,928,009,258
3	No. of Islamic Financing disbursed, (cumulative)	41,224	83,411
4	Amount of Islamic Financing disbursed, (cumulative)	3,768,515,829	7,827,095,882
5	Women Islamic Financing Clients	13,710	19,018
6	Women as % of Active Islamic Financing Clients	42.3%	43.5%
7	Branches	73	78
8	Male Staff	1,262	1,308
9	Female Staff	440	441
10	Active Islamic Financing clients per Finance officer	57	74
11	PAR Islamic Financing (>30 days), %	0%	0%
12	Operational Self-Sufficiency, % (YTD)	80.3%	81.4%

MISFA PARTNER MFIs' STATUS

1. OXUS-A

Created in 2007 with funding from MISFA, OXUS Afghanistan (OXUS - A) was able to build on ACTED's experience and past programs in the country, in particular a micro-loan initiative to provide farmers with seeds and tools for sowing. OXUS-A operates through 33 branches across the country and is today one of the country's biggest microfinance providers in terms of portfolio.

The OXUS-A Islamic Financing figures (cumulative), increased from AFN 1.58 billion in March 2024 to AFN 3.3 billion in March 2025.

The entire outstanding portfolio of OXUS-A is Sharia-compliant with a 100% repayment rate. In terms of operational self-sufficiency (OSS%), OXUS-A has shown a notable increase from 106.5% in March 2024 to 116.4% in March 2025 representing a 10% increase in the reporting year.

The table below reflects the changes in OXUS-Afghanistan key performance indicators as of March 2025.

NO	Description	March 2024	March 2025	Change
1	Provinces	10	14	4
2	Urban districts	17	102	85
3	Rural districts	5	17	12

Islamic Financing Outreach

1	Active Islamic Financing Clients	13,787	18,490	4,703
2	Gross Islamic Financing Outstanding, AFN	756,161,108	1,073,535,331	317,374,223
3	No. of Islamic Financing disbursed, (cumulative)	19,806	38,897	19,091
4	Amount of Islamic Financing disbursed, (cumulative)	1,581,252,256	3,229,663,100	1,648,410,844
5	Women Islamic Financing Clients	7,799	10,207	2,408
6	Women as % of Active Islamic Financing Clients	57%	55%	-2%
7	Branches	24	29	5
8	Male Staff	249	302	53
9	Female Staff	122	145	23
10	Active Islamic Financing clients per Finance officer	83	89	6
11	PAR Islamic Financing (>30 days), %	0.0%	0.1%	0.1%
12	Operational Self-Sufficiency, % (YTD)	106.5%	116.4%	10%

2. MUTAHID-DFI

Mutahid-Development Finance Institution (Mutahid-DFI) was established in April 2011 and is one of the leading microfinance institutions in Afghanistan. It is dedicated to empowering entrepreneurs and driving economic growth.

Through Sharia compliant financial solutions, comprehensive guidance, and commitment to financial inclusion, Mutahid is trying to transform the landscape of entrepreneurship in the country.

Mutahid-DFI's Islamic Financing figures (cumulative), increased from AFN 396.6 million in March 2024 to AFN 962 million in March 2025. The outstanding Islamic Financing outstanding amounts to AFN 307 million which makes up 56% of the institution's outstanding portfolio. The Islamic finance portfolio of Mutahid has an excellent quality with an unprecedented 100% repayment rate.
Mutahid's Operational Self-Sufficiency rate for the reporting year has been 120%, indicating a satisfactory operational and financial health of the institution.

The table below indicates key indicators and compares with the same period in 2024.

NO	Description	March 2024	March 2025	Change
1	Provinces	11	11	0
2	Urban districts	16	93	77
3	Rural districts	1	46	45

Islamic Financing Outreach

1	Active Islamic Financing Clients	7,023	9,923	2,900
2	Gross Islamic Financing Outstanding, AFN	205,821,743	306,963,660	101,141,917
3	No. of Islamic Financing disbursed, (cumulative)	8,308	18,724	10,416
4	Amount of Islamic Financing disbursed, (cumulative)	396,563,769	961,748,163	565,184,394
5	Women Islamic Financing Clients	3,065	4,880	1,815
6	Women as % of Active Islamic Financing Clients	44%	49%	6%
7	Branches	16	16	0
8	Male Staff	192	198	6
9	Female Staff	125	116	9
10	Active Islamic Financing clients per Finance officer	70	93	23
11	PAR Islamic Financing (>30 days), %	0.0%	0.0%	0%
12	Operational Self-Sufficiency, % (YTD)	142.3%	120.0%	-22%

3. FMFB-A

The First MicroFinance Bank-Afghanistan (FMFB-A), MISFA's largest partner in terms of operations started its business in 2004 and is part of the Aga Khan Agency for Microfinance (AKAM), which has financial institutions operating in over 15 countries throughout the developing world.

It is affiliated with the Aga Khan Development Network (AKDN). The primary objective of FMFB-A in Afghanistan is to contribute to poverty alleviation and economic development through the provision of sustainable financial services to the poor and underserved.

The FMFB-A's Islamic Financing figures (cumulative), increased from AFN 1.8 billion in March 2024 to AFN 3.6 billion in March 2025. Islamic Financing outstanding now makes up over 83% of the bank`s gross financings outstanding, with a 100% repayment rate. In terms of operational self-sufficiency (OSS%), the bank has shown a notable increase from 62% in March 2024, to 69% in March 2024 representing a 7% positive progress within a year.

The table below reflects FMFB's status as of March 2025 and compares its key indicators with the same period in 2024.

NO	Description	March 2024	March 2025	Change
1	Provinces	14	14	0
2	Urban districts	212	212	0
3	Rural districts	80	80	0

Islamic Financing Outreach

1	Active Islamic Financing Clients	11,628	15,260	3,632
2	Gross Islamic Financing Outstanding, AFN	1,218,604,721	1,547,510,267	328,905,546
3	No. of Islamic Financing disbursed, (cumulative)	13,110	25,790	12,680
4	Amount of Islamic Financing disbursed, (cumulative)	1,790,699,804	3,635,684,619	1,844,984,815
5	Women Islamic Financing Clients	2,846	3,931	1,085
6	Women as % of Active Islamic Financing Clients	24%	55%	30.7%
7	Branches	33	33	0
8	Male Staff	821	808	13
9	Female Staff	193	180	13
10	Active Islamic Financing clients per Finance officer	39	55	16
11	PAR Islamic Financing (>30 days), %	0.0%	0.0%	0.0%
12	Operational Self-Sufficiency, % (YTD)	62.6%	69.7%	7%

FUNDING AGREEMENTS

During the reporting year, MISFA provided substantial funding mainly in the form of Mudaraba capital to partner institutions which include MFIs, one Microfinance Bank (MFB), and Commercial Banks. Furthermore, MISFA provided grants to CAEDO and AMA to cover their operational costs.

MISFA – MUTAHID AGREEMENT

MISFA and Mutahid signed the second Mudaraba agreement under which MISFA as Rabb-ul-Mal will provide AFN 160,000,000 Mudaraba capital to Mutahid who acts as Mudarib.

The first Mudaraba agreement amounting to AFN 564 million was signed between the parties in late 2022 allowing Mutahid to convert the recoveries of its conventional portfolio to Murabaha financing.

Under the Mudaraba mode of financing, Mutahid will invest the capital provided by MISFA in Sharia-compliant avenues and share the profit and loss with MISFA as per the agreed ratios.

MISFA – FMFB Agreement

MISFA and FMFB have entered into a Mudaraba agreement for AFN 636 million, which will be in effect for three years starting July 2024. This is the second Mudaraba agreement between the two parties, with the first one, worth AFN 722 million, signed in 2022 for a five-year term.

Under the terms of these agreements, MISFA acts as the Rabb-ul-Mal (capital provider) and provides the financing, while FMFB serves as the Mudarib (manager of the capital), using the funds to offer retail financing to MSMEs. Any profit or loss generated will be shared according to the agreed-upon terms.

FMFB is a key player in Afghanistan's microfinance sector, serving over 24,000 active borrowers and managing a portfolio of AFN 2.1 billion. The agreement with FMFB is part of MISFA's broader strategy to support the microfinance ecosystem in the country, as it also provides capital to other institutions like OXUS, Mutahid, Ghazanfar Bank, and Bank-e-Milli Afghan.

The aim of this partnership is to promote financial inclusion by providing MSMEs with the capital needed to grow their businesses. With FMFB's extensive reach in the country, this Mudaraba facility will help further economic development and job creation in Afghanistan.

MISFA – OXUS Agreement

No new agreement was signed between the parties, MISFA disbursed a total of AFN 325 million to OXUS in the reporting year under the former agreements increasing the Mudaraba portfolio to AFN 1.061 billion.

OXUS is one of the largest and fastest growing MFI in the country and the institution has an excellent track record of performance in terms of growth and portfolio quality.

As of March 2025, OXUS served 18,490 active Islamic finance clients across 15 provinces.

MISFA – GHAZANFAR BANK Agreement

MISFA signed a Mudaraba agreement with Ghazanfar Bank on May 19, 2024. Under this agreement, MISFA and the bank will jointly provide Sharia-compliant financing to SMEs across the country.

It is expected that the agreement will have significant impact on increasing access to finance, supporting the SMEs, promoting job creation and contributing to the stabilization of the Afghan economy.

MISFA will provide AFN 1 billion as Mudaraba capital to Ghazanfar Bank and the bank is expected to invest the fund in SME financing.

MISFA – CAEDO Agreement

MISFA signed a grant agreement with Community and Enterprise Development Organization (CAEDO) effective April 16, 2024. In accordance with the agreement MISFA provided AFN 9.4 million to CAEDO to cover its operating and establishment cost.

CAEDO is a newly registered Non-Governmental Organization (NGO) with a mandate to support MSMEs through microfinance sector and even beyond. CAEDO is expected to receive funding from the World Bank under EMERGE project and the institution will play a key role in supporting financial institutions, MSMEs and underserved segments such as returnees and Internally Displaced People (IDPs).

MISFA will pay for the operating cost of CAEDO in 2025 until the World Bank's grants are disbursed.

MISFA – AMA Agreement

MISFA signed a grant agreement with the Afghanistan Microfinance Association (AMA) amounting to AFN 2.5 million. The funding is intended to cover the association's operating cost and support its core functions for the first half of 2025, however MISFA pledges to provide additional funding if the association fails to secure funding from other sources to cover its operating cost for the remaining half of the year.

This grant allows AMA to resume its operations after a three-year period of inactivity. AMA plays a vital role in supporting microfinance institutions across Afghanistan by providing a platform for knowledge sharing, advocacy, coordination and networking.

RESEARCH, ADVOCACY & CAPACITY BUILDING

INSTITUTIONAL DIAGNOSIS OF MISFA

MISFA hired M-Crill, an India –based consulting firm to conduct an institutional diagnosis of MISFA to identify the institutional gaps and recommend solutions to address any shortcomings. Mr. Sudhir Narayan, the key consultant from M-Crill, initiated the institutional diagnosis of MISFA by reviewing MISFA's bylaws, policies and procedures and also consulted all key stakeholders of MISFA including MFIs, UN agencies, Afghanistan Credit Guarantee Fund (ACGF), Ministry of Finance (MoF) and Da Afghanistan Bank (DAB).

LOBBYING & ADVOCACY

MISFA actively engages in lobbying and advocacy to support the microfinance sector in Afghanistan. As part of its efforts, MISFA participated in a series of events including meetings and conferences organized by stakeholders including the Economic Council, Ministry of Finance, Central Bank, World Bank, IFC, UNDP, and UNAMA. These meetings allow MISFA to advocate for policies and initiatives that facilitate the growth and stability of microfinance institutions (MFIs) in the country.

MISFA's lobbying and advocacy efforts have proven effective in ensuring the smooth operation of MFIs, as well as in attracting funding and support for the sector. Microfinance remains a key topic of discussion in various donor forums, including prominent events like the Doha meetings, where MISFA continues to highlight the importance of microfinance in promoting economic development and financial inclusion.

AAOIFI ANNUAL CONFERENCE

MISFA sponsored a delegation to attend AAIOFI's annual conference in Bahrain at the end of October 2024. The participants included MISFA's Board and Sharia Board members, as well as Board members and senior management of the MFIs. MISFA signed a Memorandum of Understanding (MoU) with AAIOFI to enhance mutual cooperation with a focus on developing the capacity of the microfinance sector specifically related to Islamic finance accounting principles.

LAUNCH OF EMERG(e) PROJECT

The EMERG(e) project was officially launched in Kabul by senior officials from the World Bank. Under this project, MFIs will receive a total of USD 7.5 million as a capital support grant. Almost half of the amount will be granted to Mutahid providing that Mutahid's ownership is transferred to CAEDO or another non-governmental actor.

To read the full article, click: https://projects.worldbank.org/en/projects-operations/project-detail/P504220

CLIENT
SUCCESS STORY

FROM HUMBLE BEGINNING TO A THRIVING BUSINESS

THE JOURNEY OF LAL MOHAMMAD SAEEDI

Lal Mohammad Saeedi, a 46-year-old carpenter from Kabul, Afghanistan, has spent nearly three decades mastering his craft. Originally from the Bagrami district, he now resides in Chelsetoon, where he runs a small but growing factory specializing in handcrafted wooden boxes for sewing machines—proudly branded with his name.

A dedicated family man, Lal Mohammad is the backbone of his household, supporting eight family members, including his five children. His oldest son has recently completed 12th grade and is pursuing English and Computer studies at Azeraksh, one of Kabul's top training centers. His two youngest sons are still in school, while all three boys actively help him in the workshop. Despite many challenges, he continues to invest in his children's education, manage household expenses, and provide medical care for his diabetic wife and 90-year-old father.

For years, Lal Mohammad relied solely on his limited resources to sustain his business. That changed when one of his customers encouraged him to seek financing from Mutahid-DFI. Taking a leap of faith, Lal Mohammad secured his first loan (Conventional) of AFN 55,000 before August 2021, which allowed him to buy essential raw materials such as wood and nails. Seeing the positive impact, he successfully repaid the loan in full and applied for Sharia-compliant financing of AFN 75,000, which enabled him to invest in a wood-cutting and polishing machine—significantly increasing efficiency and production capacity.

With the financial support and his unwavering determination, Lal Mohammad's business flourished. He was able to hire three workers, providing them with stable jobs to support their families. "The financing helped me purchase a machine, raw materials, and most importantly, it allowed me to create jobs for others in my community," he says.

But Lal Mohammad's vision doesn't stop here. After fully repaying his loan,his next goal is to secure additional financing from Mutahid-DFI to invest in a solar energy system to power his workshop, further expand his operations, and bring more people on board. His dream is to build a large-scale factory that not only meets Afghanistan's demand but also exports these high-quality wooden boxes beyond the country's borders.

Lal Mohammad's story is a testament to how hard work, resilience, and the right financial support can transform a small workshop into a thriving enterprise. From a one-man operation earning AFN 5,000 to 7,000 to a growing business generating more than AFN 15,000 a month while uplifting others, he proves that success is within reach for those who dare to dream and act.

With his eyes set on the future, Lal Mohammad is carving a path toward a bigger, brighter, and more sustainable business.

CONCLUDING REMARKS

The achievements and resilience of the Afghan microfinance sector since August 2021 is commendable, however its scale and outreach still remain limited. Microfinance has its footprint only in fewer than half of the provinces and with a great disparity of rural versus urban outreach. Currently, 80% of the portfolio is concentrated in urban areas.

While an improved security situation and strong demand for Islamic financial services across the country presents a unique opportunity for the program to expand, a number of challenges hinder growth.

These include absence of diversified funding sources, small number of service providers, lack of product diversification, a geographically dispersed population and reliance on traditional delivery channels.

MISFA supports partner institutions in addressing the challenges by mobilizing funds for the sector, incentivizing new entrants, developing alternative delivery channels including digital financial services to increase efficiency and achieve economies of scale.

Given the severe impacts caused by natural disasters such as drought, floods and earthquakes on Afghanistan's economy; MISFA will also explore the potential for suitable climate-smart financing initiatives to help mitigate climate risk and strengthen the resilience of vulnerable households.

As an apex institution, MISFA will steer the sector towards a greater financial inclusion as a driver of economic development, job creation and improved quality of life for beneficiaries.

FINANCIAL OVERVIEW

MISFA Ltd. Overall Financial Summary For the period from April 1, 2003 to March 20, 2025	April 01, 2003 to March 20, 2025
INCOME STATEMENT	**AFN'000**
Profit & Similar Income	6,167,279
Operating grants	287,468
Other income	78,686
Total operating income	**6,533,434**
Administrative & other expenses	4,573,099
Operating profit / (loss)	**1,960,335**
Income tax expense on taxable profits	376,727
Operating profit / (loss) after tax	**1,583,608**
Grant income (grants for loan funds or MFI grants)	13,807,153
Exchange gain / (loss)	1,115
Grant expenditure (grants to MFIs for operating or equity)	5,707,323
Provision against loans and advances to MFIs & Banks	1,706,472
Provision for MFI shut-down costs	39,638
Finance cost (For IDA Credit)	370,546
TOTAL COMPREHENSIVE INCOME	**7,567,896**
CASH FLOW	
Inflows:	
Total comprehensive income	245,275
Share capital	100
Long-term loans	
Total inflows	**245,375**
Outflows:	
Net Loans and advances to MFIs & Banks	1,088,857
Loan note investments in MFIs	
Investments	
Operating fixed assets	940
Working capital (amounts receivable)	4,705,534
Total outflows	**3,615,737**
NET CASH FLOW	**3,861,112**
Opening cash & bank balances	
CLOSING CASH & BANK BALANCES	**3,861,112**

Source: MISFA audited financial statements covering the period April 1, 2003 to March 20, 2025

MISFA LTD

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